



Europäisches Patentamt  
European Patent Office  
Office européen des brevets

# SWATCH GROUP

Numéro de la demande

EP. 08 16 7430

## 2015

### ANNUAL REPORT

Catégorie	Citation du document avec indication, en cas de besoin, des parties pertinentes	Revendication concernée	CLASSEMENT DE LA DEMANDE (IPC)
X	CH 7 965 A (ANNUAL REPORT [CH]) MESSAGE FROM THE CHAIR OPERATIONAL ORGANIZATION	1	INV. G04B17/06
A	ORGANIZATION AND DISTRIBUTION IN THE WORLD ORGANS OF SWATCH GROUP BOARD OF DIRECTORS EXECUTIVE GROUP MANAGEMENT BOARD EXTENDED GROUP MANAGEMENT BOARD DEVELOPMENT OF SWATCH GROUP ART & PHILANTHROPY BIG BRANDS WATCHES AND JEWELRY RETAILING AND PRESENCE PRODUCTION ELECTRONIC SYSTEMS CORPORATE, BELENOS SWATCH GROUP IN THE WORLD GOVERNANCE ENVIRONMENTAL POLICY SOCIAL POLICY CORPORATE GOVERNANCE FINANCIAL STATEMENTS 2015 CONSOLIDATED FINANCIAL STATEMENTS FINANCIAL STATEMENTS OF THE HOLDING COMPENSATION REPORT 2015	1	
			DOMAINES TECHNIQUES RECHERCHES (IPC)
			G04B



Le présent rapport a été établi pour toutes les revendications

2

Lieu de la recherche

Biel/Bienne

Date d'achèvement de la recherche

10 March 2016

Examineur

N. Hayek

#### CATEGORIE DES DOCUMENTS CITES

- X : particulièrement pertinent à lui seul
- Y : particulièrement pertinent en combinaison avec un autre document de la même catégorie
- A : arrière-plan technologique
- O : divulgation non-écrite
- P : document intercalaire

- T : théorie ou principe à la base de l'invention
- E : document de brevet antérieur, mais publié à la date de dépôt ou après cette date
- D : cité dans la demande
- L : cité pour d'autres raisons
- & : membre de la même famille de documents

EPO FORM 1503 03 82 (PC4/C02)

Swatch Group TM essential

25.11.2015

## Trademark Rights

Alternate # : M.7797

TM ID : 9911

<b>Mark (Profile) :</b>	EFCO + SABLIER LONGINES	
<b>Country/Jurisd. :</b>	Switzerland (CH)	<b>WIPO :</b> No
<b>Status :</b>	Registered	
<b>Sub-status :</b>	Renewed	
<b>Protection Type :</b>	Trademark	
<b>Class(es) :</b>	14	



<b>Reg. Owner :</b>	COMPAGNIE DES MONTRES LONGINES, FRANCILLON S.A. (LONGINES WATCH CO. FRANCILLON LTD) CH-2610 SAINT-IMIER	<b>Curr. Owner :</b>	COMPAGNIE DES MONTRES LONGINES, FRANCILLON S.A. (LONGINES WATCH CO. FRANCILLON LTD) CH-2610 SAINT-IMIER
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<b>Agent :</b>	IFPI Institut Fédéral de la Propriété Intellectuelle	<b>Agent Ref # :</b>	
<b>In Charge 1 :</b>	Polini	<b>In Charge 2 :</b>	Admin WorldMark

<b>Application # :</b>	2684	<b>App. Date :</b>	27.05.1889	<b>1st Use Date :</b>	
<b>Publication # :</b>		<b>Pub. Date :</b>		<b>Protected since :</b>	27.05.1889
<b>Registration # :</b>	2-P282560	<b>Reg. Date :</b>	13.04.1976		

### Trademark Rights - Agenda :

Task Name :	Due Date :	Last Due Dt :	Completed Dt :
Renewal	13.04.2016	13.10.2016	

**Reg. Mark :** EFCO + SABLIER LONGINES  
**Disclaimer(s) :**  
**Conditions :**  
**Translation :**  
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**Comments :** poinçon de maître No 67  
 Remarque: 1er titulaire 27.05.1889 : Ernest Francillon & Cie / 27.03.1893 transfert à Fabrique des Longines, Francillon & Co. / 13.04.1956 ren.au nom de Compagnie des Montres Longines, Francillon S.A./ 15.04.1976 ren. au nom de Compagnie des Montres Longines, Francillon S.A. (Longines Watch Co., Francillon Ltd.) enr.: 27.05.1889 - No 2684 ren.: 16.05.1915 - No 36972 / 1.07.1935 - No 86204 / 13.04.1956 - No 160634 13.04.1976 - No 282560 / 13.04.1999 - No P282560 / 13.04.2006 - No 2P-282560

**Classification :** Nice Classification  
**G&S Description :** Boîtes et mouvements de montres en 1889 libellé différent (mouvement,cadrans,boîtes, cuvettes de montres)

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Swatch Group's Annual Report and Compensation Report are published in French, German and English. Pages 1 to 145 are originally published in French and pages 146 to 222, as well as the Compensation Report, in German. These original versions are binding.

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MESSAGE  
**FROM THE CHAIR**

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

We are extremely proud that we have once again achieved a record of nearly 200 new patents registered in 2015. Patents are essential, but what is even more important is that they enable us to create products. And what products, which – above all – are made in Switzerland!

In the authoritative *Duden* dictionary, the German noun *Patent* is defined as a protection title, a means of protecting an invention. The key synonym provided for the related adjective *patent* is *tüchtig*, a richly layered term that can be variously translated in English as smart and competent. And I wish to state here without a trace of false modesty that, yes, Swatch Group and its inventors demonstrate all the qualities summed up in that one word. No less than 1800 patent families duly protect our inventions at the international level.

CH 638 073: such is the common-looking reference for one of Swatch Group's most important patents, registered by ETA in 1981. Behind these ordinary letters and numbers lies the "control mechanism for watches with an analog display". As you are doubtless aware, the concept underlying this patent was Swatch: the timepiece that gave the Swiss watchmaking industry renewed hope and subsequently a much needed new lease on life.

At the end of the 1970s, nobody would have thought that the principle of the *Delirium Tremens* watch would play a role in the development of a mass market product primarily intended for the basic market segment. This model was simply and exclusively designed to save space and the watch thus created

is still the thinnest in the world. And yet, this model later enabled Swatch to reduce radically the number of components by incorporating many of them into the caseback, exactly like on the world's thinnest watch. This was indeed one of the main attributes of the new plastic watch comprising just 51 parts.

From 1980 to 1983, Swatch relied on around ten basic patents. In the following years, the watch, and above all, its production processes, were protected by many other patents. Also, no other automatic assembly line to date harbors nearly as many inventions as that used to roll out the Swatch. And there is still no other watch in the world manufactured in this way. For the mechanical SISTEM51 alone, Swatch already holds more than 15 patents. This model is produced on a fully automated assembly chain based on a completely new modern design.

Now let's just take a step back to the 18th and 19th centuries, the era when Abraham-Louis Breguet represented, in terms of inventiveness, the ultimate figure in the world of watchmaking. He was one of the watchmaking industry's great inventors, if not its greatest. His most outstanding masterpiece was, and remains, the tourbillon. On June 26th 1801, in other words the 7 Messidor of the Year IX according to the Republican calendar in force at the time, following the French Revolution, Abraham-Louis Breguet obtained ten-year patent rights for a new kind of regulator: the "tourbillon". It stemmed from observing the adverse impacts of gravity on the rate accuracy of watchmaking mechanisms. The cure was the tourbillon, a construction that suppresses the influence of the force of gravity by enabling the constant rotation of part of the movement. Since then, there have been countless versions of the tourbillon, all based on this principle.

While we owe a large number of inventions to A.-L. Breguet, the company has not remained stuck in the 19th century. By way of example, the brand's broad range of inventions has been enriched in recent years by the emergence of the 10 hertz oscillator and the use of high-precision silicon parts that greatly improve the reliability and accuracy of timepieces.

Similarly, the other Swatch Group watchmaking brands also benefit from the innovative spirit that drives their research teams. Omega discovered an innovative method for efficiently setting precious stones into the sapphire crystal adorning certain watch casebacks. In the field of anti-magnetism, Omega has developed an additional innovation that led to certification by the Federal Institute of Metrology METAS.

Rado on the other hand has focused on ceramics and created the most diverse range of ceramic colors. This not only represents a true technical feat, but also demonstrates significant aesthetic enrichment.

The Tissot T-Touch has been known worldwide for several years. It is based on patents relating to tactile surfaces and interfaces, as well as to the special dial on the T-Solar.

Nevertheless, Swatch Group's watchmaking brands do not hold a monopoly on inventions. The production companies also make a substantial contribution in terms of innovation and patent registration. In this instance, I will confine myself to the example of the steel alloy used for the Nivarox-FAR barrel springs, developed very specifically to meet the qualitative needs of Swatch Group, and which enable the heart of every mechanical watch to beat at a rate that is not higher, but is steadier and more regular.

Space would not permit us to list all the new patents here, along with previously existing ones. I feel the same sense of pride in each of these inventions: all of them show that for Swatch Group, innovation and an inventive spirit are not mere words, but rather authentic realities experienced on a day-to-day basis.

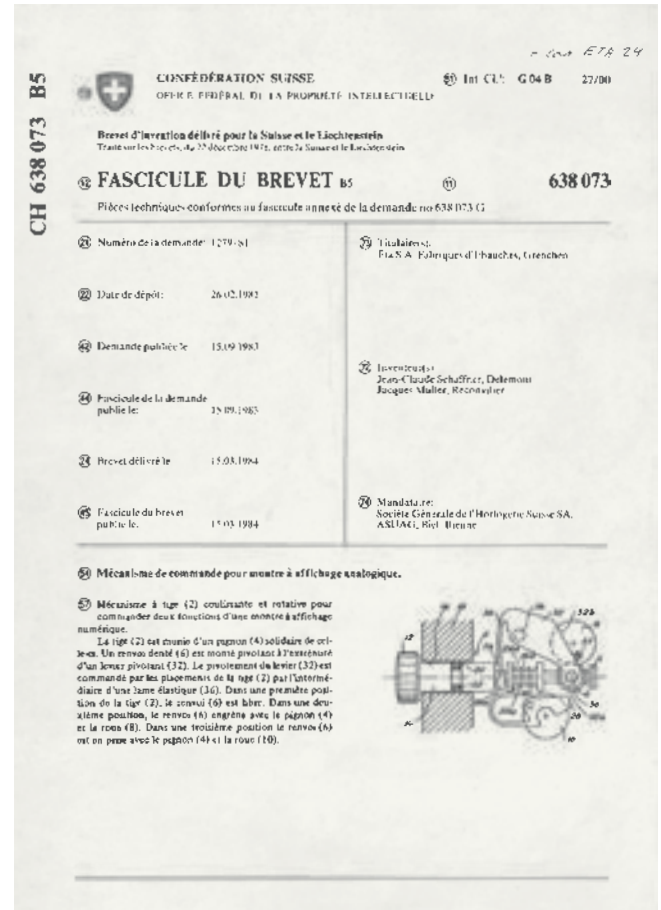
The management of all our patents is entrusted to a company affiliated to Swatch Group, ICB Ingénieurs Conseils en Brevets SA. This company with its specialized lawyers handles around 1800 patent families corresponding to some 10000 national patents worldwide.

Swatch Group also draws on its long tradition of cooperation with state-of-the-art Swiss universities and organizations, such as the ETH Zurich (Swiss Federal Institute of Technology Zurich), the CSEM (Centre Suisse d'Electronique et de Microtechnique), the EMPA (Swiss Federal Laboratories for Materials Science and Technology and the EPFL (Swiss Federal Institute of Technology Lausanne).

Swatch Group also needs to patent its solutions, for example, in order to compensate for exchange rate fluctuations. Products that are innovative and of a high standard of quality as well as original marketing campaigns and creative, long-term thinking enables the sustainable implementation of Swatch Group strategies and the securing of its future.

Within the context of the overvaluation of the Swiss franc, everyone is talking about focusing on research and development. Yet the strength of Swiss industry lies in the fact that it

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also manufactures its products here in Switzerland. The major proportion of a company's added value is deployed in the place where research, development and production work hand in hand.

And as you have been and remain an important part of this work accomplished hand in hand, we should ideally also be able to patent you, because you are all *tüchtig* in every possible sense of the word.

Ladies and Gentlemen, Fellow Shareholders, you all participate in the construction of the future of the company. I would like to extend my warm thanks to all of you. I also wish to express my gratitude to the Board of Directors, the Executive Group Management Board and the Extended Group Management Board, as well as all our 36000 employees for their unwavering commitment during a difficult year in 2015. Finally, I want to thank each and every one of you for the trust you have placed in our company.

Yours,

**Nayla Hayek**

Chair of the Swatch Group Board of Directors

# SWATCH GROUP OPERATIONAL ORGANIZATION

as at December 31, 2015

## SWATCH GROUP BRANDS AND COMPANIES

### WATCHES

#### **PRESTIGE AND LUXURY RANGE**

Breguet  
Harry Winston  
Blancpain  
Glashütte Original  
Jaquet Droz  
Léon Hatot  
Omega

#### **HIGH RANGE**

Longines  
Rado  
Union Glashütte

#### **MIDDLE RANGE**

Tissot  
Balmain  
Certina  
Mido  
Hamilton  
Calvin Klein  
watches + jewelry

#### **BASIC RANGE**

Swatch  
Flik Flak

### RETAILING

Tourbillon  
Hour Passion

### PRODUCTION

#### **WATCHES**

ETA  
Meco  
François Golay  
Nivarox-FAR  
Comadur  
Rubattel et Weyermann  
MOM Le Prélet  
Universo  
Manufacture Ruedin  
Lascor  
Simon Et Membrez  
Novi  
Swatch Group  
Assembly

#### **JEWELRY**

Dress Your Body (DYB)

### ELECTRONIC SYSTEMS

EM Microelectronic  
Renata  
Micro Crystal  
Swiss Timing and  
ST-Sportservice

### CORPORATE

Swatch Group  
Research and  
Development  
(Asulab, Moebius,  
CDNP)  
Belenos Clean Power  
ICB Ingénieurs Conseils  
en Brevets  
Swatch Group Quality  
Management  
Swatch Group Services  
(European  
Distribution Center,  
Swatch Group  
Logistics,  
Swatch Group  
IT Services,  
Swatch Group  
Corporate  
Customer Service,  
Real Estate  
Development)  
Swatch Group  
Immeubles

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SWATCH GROUP

# ORGANIZATION AND DISTRIBUTION IN THE WORLD

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as at December 31, 2015

## SWATCH GROUP SUBSIDIARIES

### EUROPE

Austria  
Belgium  
Denmark  
Finland  
France  
Germany  
Greece  
Italy  
Luxemburg  
The Netherlands  
Norway  
Poland  
Russia  
Spain  
Sweden  
Switzerland  
Turkey  
United Kingdom  
and Ireland

### AMERICAS

Brazil  
Canada  
Caribbean and  
Latin America  
Mexico  
USA

### OCEANIA

Australia

### FAR EAST

China  
Hong Kong  
India  
Indonesia  
Japan  
Macau  
Malaysia  
Singapore  
South Korea  
Taiwan  
Thailand

### MIDDLE EAST

United  
Arab Emirates

### AFRICA

South Africa

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

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SWATCH GROUP  
**BOARD OF DIRECTORS**

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as at March 1, 2016



**NAYLA HAYEK**

Chair of the Board of Directors

**Company Secretary**

Jennifer Meyer-Kluge

**Auditors**

PricewaterhouseCoopers  
St. Jakobs-Strasse 25  
CH-4052 Basel

**Administrative Headquarters**

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CH-2501 Biel/Bienne  
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Fax: +41 32 343 69 11  
E-mail: [www.swatchgroup.com/contactus](http://www.swatchgroup.com/contactus)  
Internet: [www.swatchgroup.com](http://www.swatchgroup.com)

**Registered Offices**

Faubourg de l'Hôpital 3  
CH-2000 Neuchâtel

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**ERNST TANNER**  
Vice-Chairman



**NICK HAYEK**



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



**DR. JEAN-PIERRE ROTH**

The function descriptions and responsibilities of the Board of Directors members at December 31, 2015 are outlined in the Corporate Governance chapter on pages 149 and 150 of the present Annual Report.

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SWATCH GROUP  
**EXECUTIVE GROUP  
MANAGEMENT BOARD**

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as at March 1, 2016



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



**FLORENCE  
OLLIVIER-LAMARQUE**



**PIERRE-ANDRÉ BÜHLER**



**DR. MOUGAHED DARWISH**



**MARC A. HAYEK**



**DR. THIERRY KENEL**



**DR. HANSPETER RENTSCH**



**FRANÇOIS THIÉBAUD**

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SWATCH GROUP  
**EXTENDED GROUP  
MANAGEMENT BOARD**

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as at March 1, 2016



**RAYNALD AESCHLIMANN**



**MATTHIAS BRESCHAN**



**JEAN-CLAUDE EGGEN**



**YANN GAMARD**



**HANS RUDOLF GOTTIER**



**WALTER VON KÄNEL**



**THOMAS MEIER**



**CALOGERO POLIZZI**



**KEVIN ROLLENHAGEN**



**DR. PETER STEIGER**



**STEPHEN URQUHART**

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2015 are outlined in the Corporate Governance chapter on pages 151 to 154 of the present Annual Report.

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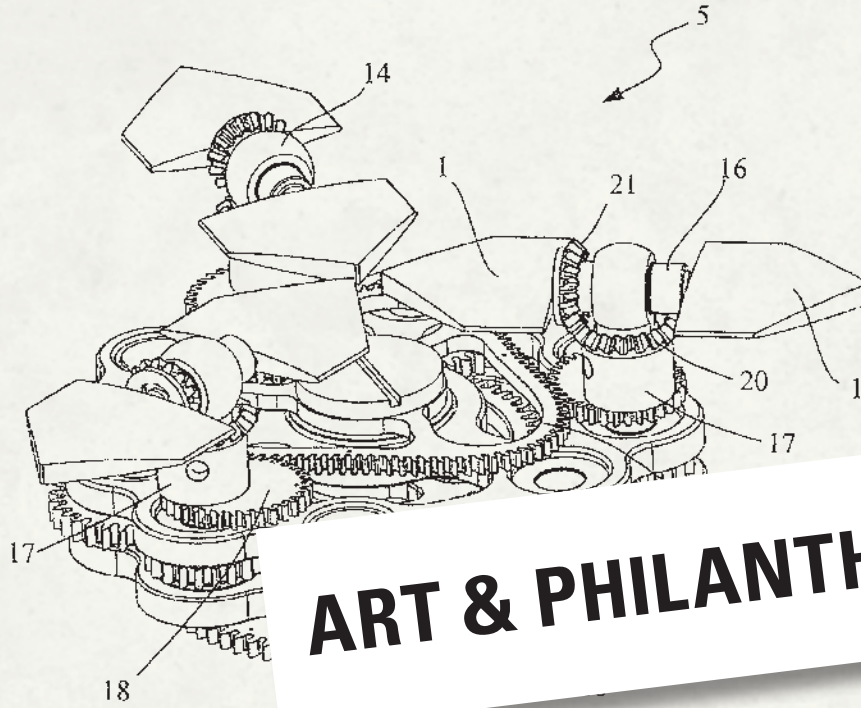
## DEVELOPMENT OF SWATCH GROUP

Swatch Group consolidated		Swiss GAAP FER				IFRS	
		2015	2014	2013	2012	2012	2011
<b>Net sales</b>	<b>CHF million</b>	<b>8 451</b>	8 709	8 456	7 796	7 796	6 764
– Change from previous year	%	<b>– 3.0</b>	3.0	8.5	15.3	15.3	10.7
<b>Operating result</b>	<b>CHF million</b>	<b>1 451</b>	1 752	2 314	1 978	1 984	1 614
– As a % of net sales	%	<b>17.2</b>	20.1	27.4	25.4	25.4	23.9
<b>Net income</b>	<b>CHF million</b>	<b>1 119</b>	1 416	1 928	1 604	1 608	1 276
– As a % of net sales	%	<b>13.2</b>	16.3	22.8	20.6	20.6	18.9
– Change from previous year	%	<b>– 21.0</b>	– 26.6	20.2	25.7	26.0	18.1
<b>Cash flow from operating activities</b>	<b>CHF million</b>	<b>1 404</b>	1 848	1 309	999	999	705
– As a % of net sales	%	<b>16.6</b>	21.2	15.5	12.8	12.8	10.4
<b>Equity</b>	<b>CHF million</b>	<b>11 242</b>	10 674	9 574	8 573	9 344	8 071
– As a % of balance sheet total	%	<b>84.7</b>	83.7	82.3	82.2	83.3	82.3
<b>Balance sheet total</b>	<b>CHF million</b>	<b>13 270</b>	12 747	11 639	10 430	11 222	9 805
Personnel as at 31.12.	Employees	<b>36 313</b>	35 623	33 590	29 788	29 788	28 028
Annual average	Employees	<b>35 783</b>	34 492	31 114	28 942	28 942	26 777
Personnel expense	CHF million	<b>2 384</b>	2 343	2 144	1 988	1 982	1 818

The Swatch Group Ltd		2015	2014	2013	2012	2011
Dividend income	CHF million	<b>1 055</b>	1 071	1 565	1 065	739
<b>Net income</b>	<b>CHF million</b>	<b>1 028</b>	1 074	1 880	1 085	756
Investments	CHF million	<b>3 116</b>	3 113	3 056	2 493	2 137
Share capital	CHF million	<b>125</b>	125	125	125	125
Equity	CHF million	<b>6 541</b>	5 928	5 215	3 926	3 151
– As a % of total assets	%	<b>97.5</b>	96.8	96.3	95.0	93.3
<b>Total assets</b>	<b>CHF million</b>	<b>6 707</b>	6 127	5 415	4 131	3 377
<b>Dividend</b> <sup>1)</sup>	<b>CHF million</b>	<b>417</b> <sup>2)</sup>	407	407	366	310
– As a % of share capital	%	<b>333.6</b>	325.6	325.6	292.8	248.0

<sup>1)</sup> No dividend paid on own shares held by the Group.<sup>2)</sup> Proposal by the Board of Directors to the Annual General Meeting.

CH 704 602 A2



# ART & PHILANTHROPY

Fig. 4

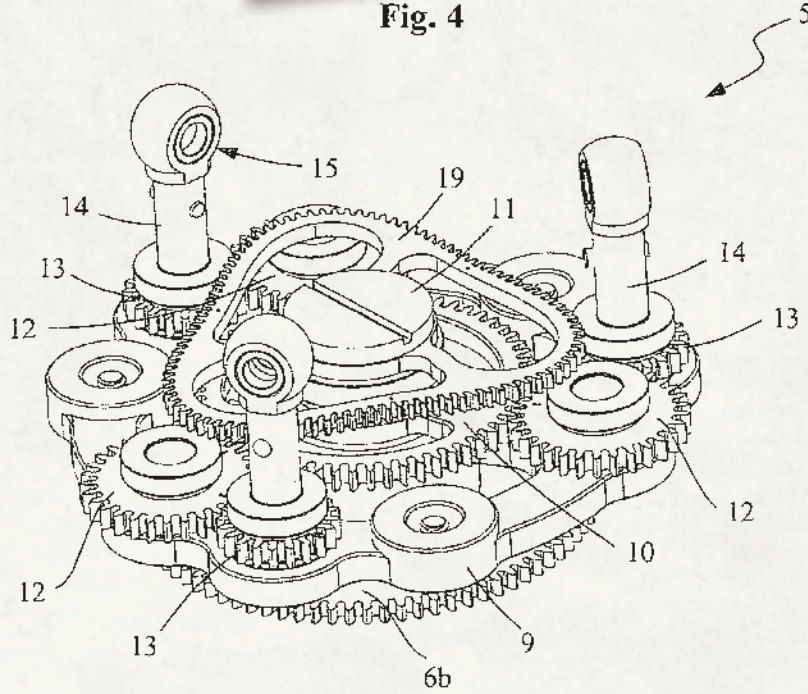


Fig. 5





## ART & PHILANTHROPY

Keenly aware of its social responsibility, Swatch Group is committed, directly or through its brands, to various causes all over the world. This is a non-exhaustive summary of concrete examples in an area where actions speak much more loudly than words.

### [HEALTH, RESEARCH AND MEDICINE]

Responding to suffering and relieving it, offering a better future, supporting future generations. These are some of Swatch Group's inviolable commitments. In this regard, Harry Winston announced an unprecedented partnership with amfAR (The American Foundation for AIDS Research), which came into effect in January 2015.

The brand has joined the foundation's efforts to end the worldwide epidemic of this disease through innovative research, and notably the "Countdown to a Cure" initiative, the objective of which is to lay scientific foundations for a cure for AIDS before 2020. The brand's commitment does not stop there, however. In order to offer its support to the Mattel Children's Hospital at the University of California at Los Angeles (UCLA), Harry Winston created the Harry Winston Fellowship Fund, a funding package for the famous bursary program at the UCLA Children's Discovery and Innovation Institute (CDI). Three Harry Winston bursaries are awarded each year with the aim of providing financial support to the laureates for their research to help prevent, treat and cure diseases that affect children across the world. In addition, Harry Winston supports the Dubin Breast Center of the Tisch Cancer Institute at Mount Sinai Hospital, one of the most reputed health institutions in the United States. The Dubin Breast Center offers the latest innovations in the field of the prevention and treatment of breast cancer.

In 2015, Breguet, Blancpain and Jaquet Droz supported the Only Watch charity auction, with a unique watch donated by each of the brands. This sale, organized every two years under

the patronage of His Serene Highness Prince Albert II of Monaco, brings together the most prestigious watchmaking brands for the benefit of research into Duchenne muscular dystrophy.

5 For its part, Omega continued to provide passionate support for Orbis International. The gripping documentary, *The Hospital in the Sky*, retraces a visit made by Cindy Crawford and her daughter aboard the Flying Eye Hospital during a mission in Peru. Longines, on the other hand, celebrated its new  
10 partnership with the Golden Hat Foundation, a charity organization founded by Longines Ambassador of Elegance Kate Winslet, which is dedicated to improving the daily lives of autistic people. The brand also pursued its partnership with the Andre Agassi Foundation for Education, which offers free  
15 coaching to troubled youth, and with Stefanie Graf's Children for Tomorrow Foundation, which is committed to rebuilding the psychological integrity of battered children. Swatch Group continued to support Doctors Without Borders by contributing the entire sum paid by each artist applying for a residency at  
20 the Swatch Art Peace Hotel in Shanghai to the organization.

### [ENVIRONMENT]

Environmental protection is of paramount importance to Swatch Group. A large number of activities were launched in  
25 this area in 2015, with the key idea being that it is never too late to make a difference! In this regard, Blancpain once again emphasized its dedication to safeguarding the underwater world. The Blancpain Ocean Commitment brings spectacular results and has made it possible to double the surface area of  
30 protected marine reserves around the world, with three million square kilometers recently reached.

For its part, within the framework of Expo Milano 2015, Swatch launched an unprecedented campaign. For the 5151  
35 first watches sold at the Expo Milano 2015, the brand committed itself to planting the same number of fruit trees in Kenya





and Italy: an “altruistic and ecological” project to celebrate the universal exhibition at which Swatch was Official Watch & Timekeeper, in a healthy, active manner. These Swatch trees will produce fruit that will both serve to feed the people taking part in the project and support and develop a micro-entrepreneurship based on the transformation and sale of fruit in local markets.

**[CULTURE]**

Swatch Group, anxious to leave future generations a cultural legacy, multiplied its initiatives in this regard. Breguet, for example, presented the largest exhibition of antique Breguet watches ever to be held in the United States. Christened *Breguet: Art and Innovation in Watchmaking*, this unique retrospective on the work of Abraham-Louis Breguet (1747–1823) was shown in the sumptuous setting of the San Francisco Legion of Honor. Breguet also marked the bicentenary of the Battle of Waterloo with its presence as main private sponsor of the restoration of Hougoumont Farm, one of the last authentic witnesses of the battle in Belgium. Like Swatch Group overall, Jaquet Droz supported art in all its forms. The brand is proud, for example, to support the Rudra Béjart School in Lausanne in its development and the emergence of new talent.

**[CINEMA AND ART]**

True to its longstanding commitment, Hamilton continued its romance with the cinema. In this spirit, the brand created the *Hamilton Behind the Camera Awards*, held in Los Angeles, Shanghai and Beijing. The fourth ceremony of this kind, in Beijing, it paid tribute to the backstage talents that contributed to the quality of a film and the enduring impression they had made on the audience. To date, Hamilton has appeared in more than 450 films on the big screen, including *The Martian*, a worldwide success with Matt Damon in the lead role. In Switzerland, Swatch became official partner to the famous Film Festival Locarno.

In this regard, the *Swatch First Feature Award* was presented to a promising filmmaker. In addition, the *First Feature Jury* awarded a special mention in the form of an invitation for an artist residency at the Swatch Art Peace Hotel. This new partnership reinforced Swatch’s already considerable commitment to young artists, including support for ITS 2015, which provided an opportunity to discover creative young talent in the fields of style and design, and lent substantial support to art and artists in its role as main partner to the Venice Biennale. On the occasion of the 56th edition of the event, the brand presented various exhibitions focused on the works of several artists from the Swatch Art Peace Hotel. The latter, held in the Cité des Doges at this time, were surrounded by German artists EVA & ADELE, Dutch artist Sigrid Calon and Portuguese artist Joana Vasconcelos, who also exhibited their works. This turned out to be an impressive sounding board for Swatch’s principal operation in the realm of contemporary art, the artist residency at the Swatch Art Peace Hotel in Shanghai.

**[EDUCATION AND SOCIAL COMMITMENT]**

The future belongs to the young. True to this creed, Mido continued to support education in a rural area in southwestern China by contributing to the creation of a “Mido library” offering a wide choice of books and the necessary facilities. While the countdown to the opening of the summer Olympic Games drew nearer with every passing second, Omega launched 12 different community projects which will bequeath a sustainable heritage to Rio de Janeiro, the host city. On this occasion, the brand partnered with *Viva Rio*, an NGO that supports young people in many activities while encouraging a culture of peace and social integration.







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PL PT RO RS SE SI SK SM TR  
Etats d'extension désignés:  
BA ME

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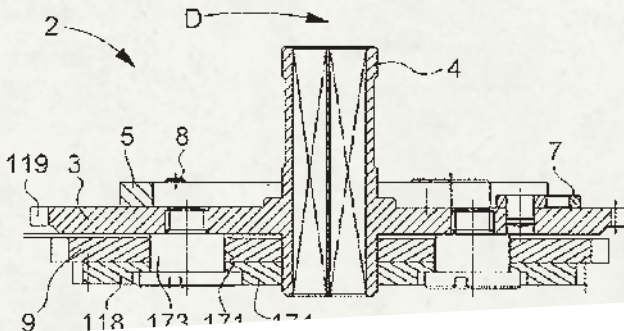
(54) Bloc de sonnerie et mécanisme d'entraînement de sonnerie de réveil à sonnerie

(57) Bloc de sonnerie (2) comportant un plateau d'entraînement (3) à canon (4) porteur d'un cliquet (5) à bec (6A) tiré contre un ressort (7) de rappel par une goupille (8) d'un rochet de détente (9) coopérant avec un mécanisme de commande de sonnerie principale (10) et comportant un rochet (11) pivotant et coopérant par une denture (12) autorisant ou interdisant le pivotement solidaire d'un rochet (13) entraînant

**BIG BRANDS**

**WATCHES AND JEWELRY**

Fig. 30



**RETAILING AND PRESENCE**

EP 2 498 147 A1

PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

BASIC RANGE

swatch<sup>®</sup>+

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# IRREVERENT JOIE DE VIVRE

## TRENDS

2015 revealed many faces of Swatch: the irreverent *enfant terrible* brand with a multifaceted personality, always ready to surprise and inject positive energy into the world, experienced a year of truly international exposure.

For six months in Milan, more than 20 million visitors to Expo Milano 2015 were welcomed by the Swatch EXPerience in the city center, with the colorful Swatch Countdown installation, and at the fairgrounds with a unique open-air store where the spirit of Swatch and the special designs it had created for Expo Milano 2015 generated unbridled enthusiasm. The Mediterranean Dolce Vita collection in particular, playing with ingredients from the world's healthiest and most colorful diet, was a great success, bringing smiles and good vibes to all.

In Venice, the 56th edition of La Biennale di Venezia, themed *All the World's Futures*, saw the highest attendance ever from May to November. Thanks to their creativity, rich programs and unique links to the Swatch Art Peace Hotel in Shanghai, Swatch's two pavilions – *Giardino dell'Eden* by Joana Vasconcelos at the Giardini and *Swatch Faces 2015* at the Arsenale – were the talk of many in the art world. La Biennale Arte 2015 saw the brand launch memorable Swatch Art Specials by EVA & ADELE, Sigrid Calon and Joana Vasconcelos.

In its 25th anniversary year Swatch Club added many new members, thanks to dynamic programs developed worldwide around the themes of music and sport: today, the Club numbers more than 135 000, all part of the extended Swatch family – a big, young, energetic family!

The presence of Swatch in the retail panorama was enriched in 2015 by the opening of new, creative and client-engaging shops: in Interlaken (BE), Singapore, Milan and Las Vegas, locals and travelers enjoyed memorable story-telling, product-focused moments. The new window concept attracted customers along the most iconic shopping streets of the world's capitals. Travelers and dynamic shoppers were also the focus of the Swatch Loves Art program, an interactive and artistic "street painting" experience presented for the entire month of September at Zurich Airport, and in October in Hong Kong, in a new way to engage audiences and bring the expressive side of Swatch to the world.

## CREATION

Spring 2015 marked the peaceful invasion of the Swatch world by Swatch Irony XLite: a new generation of ultra-light, bi-material, sporty, outspoken and young products, a new line whose absolute heroes were the bold and high-performing Chrono watches.

In today's increasingly digital and connected world, the launch of Swatch Touch Zero One was met with high anticipation and excitement. On July 31 in Klagenfurt, the first new generation of connected Swatch watches, 100% Swiss-made and with a typical Swatch approach in terms of quality, battery life and design, was celebrated by beach volleyball players and fans, and went on to become a global success a few weeks later. For Swatch, this was a first step into the new world of interactive, dynamic and playful interfaces.

A successful collaboration between Swatch, Union Pay and China's Bank of Communications set the stage for the launch of Swatch Bellamy in Shanghai; sales of the contactless, "pay-by-the-wrist" addition to Swatch's portfolio of user-friendly, inno-

vative and fast-moving products are set to begin in China in early 2016. The same period will see the official launch in Switzerland and the United States, with a launch in Brazil set for the Rio 2016 Olympic Games.

Throughout the year the Swatch collections amused and charmed press and clients with new models and new stories. The absolute highlight of Spring-Summer was the Red White and Blue collection, while the Fall-Winter season brought worldwide success for Gruezi All!, a sweet and stylish tribute to Switzerland whose Die Glocke model became the talk of all towns. The holiday spirit was celebrated in style and glamor with the Après-Ski models and, of course, the much coveted Season's Special.

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## PRESENCE

### [RETAIL]

The brand strongly increased its retail visibility and reach through renovation and the opening of strategic doors at signature locations, offering an exciting stage for new product launches, story-telling and experiences to share. Store openings continued throughout the year:

- **China** With a store opening every two weeks, China reinforced its position as the number one market in the world for the brand.
- **Mega Store – Frankfurt, Germany** Located in the heart of the city on Frankfurt’s famous Zeil shopping boulevard, the new Mega Store brought a variety of colors and movement to this vibrant part of the city’s life.
- **Flagship – Interlaken, Switzerland** In May, Swatch opened a new store in Interlaken, in the very heart of Switzerland. The largest Swatch store in the country at 190 square meters, it invites tourists from all over the world to experience the exciting world of Swatch up close: Swissness, emotion and innovative retail design.
- **Pop-Up – Expo Milano 2015 Italy** Swatch’s sponsorship with Expo Milano 2015 centered on the key theme of the exhibition – the importance of nourishment, both physical and cultural, for the planet’s well-being: a theme of global importance entirely in the spirit of the Swiss brand. As Official Watch and Timekeeper, Swatch created two watch collections specifically for Expo Milano 2015.
- **Store – Fukuoka, Japan** March saw the opening of a corner store at street level in Fukuoka, marking the penetration and expansion of corporate presence in the Kyushu area. Located in Tenjin, a popular source of fashion trends and culture, the store offers customers a cozy shopping environment on a bustling street.
- **Store – Causeway Bay, Hong Kong** In June Swatch strengthened its presence in Causeway Bay, one of Hong Kong’s prime commercial destinations, with the newly developed corner store. A giant 300 square meter billboard on the shop acts as a natural eye-magnet in the heart of this shopping paradise.
- **Flagship – Dubai, UAE** Swatch opened its first flagship store in the Middle East in the iconic Dubai Mall, fusing light, color and motion into an engaging and unique urban environment. Here Swatch products are staged to shine and be appreciated in the uniqueness of their design, materials and stories. As new campaigns and products are launched, the flexibility of the wall system will allow stores to surround the customer with emotional content, appealing design and surprising effects.
- **Pop-Up – Jeddah, Saudi Arabia** In October the country’s largest Swatch store, 272 square meters in Jeddah’s Haifa Mall, featured a pop-up store for the Swatch Touch Zero One connected watch.

### [SALES EVENTS]

Swatch customers experienced the brand DNA first hand at spectacular events including the Swatch Loves Art – Best Time Ever exhibition at Harbour City, which featured 100 iconic Swatch timepieces and 19 MAXI watches created onsite by artists from around the world and subsequently displayed in the new Causeway Bay store.

Japan hosted a 25th anniversary event for Swatch Club, a truly fascinating experience for local club members and international Gold and Pioneer members. Korea saw the pre-launch of the exclusive Swatch Art Special by Alessandro Mendini, on

display at his Poetry of Design exhibition at the Dongdaemun Design Plaza in Seoul.

### [SWATCH & ART]

- **la Biennale Arte 2015** In 2015 Swatch was main partner of this prestigious international art exhibition, presenting art as a force for change, with five “waves” of artists from the residency program at The Swatch Art Peace Hotel in Shanghai.
- **Zurich AirPainting** Throughout September, Swatch maintained a highly visible and successful presence in Zurich Airport with Swatch Loves Art – Zurich AirPainting. Passengers painted on large canvases set up in the terminal, admired a large-scale installation and watched eight young Swiss painters working “live” as they competed for two special Swatch Awards.
- **Festival del film Locarno** As Official Partner of the 68th Festival del film Locarno Swatch reinforced its commitment to talents of the future with two prestigious awards and support for the festival’s summer training program.

### [EXPO MILANO 2015]

51 days ahead of the Expo Milano 2015 opening, Official Watch & Timekeeper Swatch unveiled a colorful countdown clock in downtown Milan. May saw the launch of the exclusive Expo Milano 2015 models, available on the fairgrounds in an original pop-up store directly opposite the Chinese pavilion.

### [SWATCH BELLAMY]

October saw the presentation of Swatch Bellamy in Shanghai. Combining colorful Swatch design with built-in NFC (Near Field Communication) technology, the new watches, which will be launched in 2016, allow their owners to “pay-by-the-wrist” for purchases in shops.

### [SPORTS]

- **Swatch Beach Volleyball Major Series** Swatch scored a big win with a new partnership as title sponsor of the Swatch Beach Volleyball Major Series – FIVB World Tour. The partnership pumps up the brand’s enthusiastic support for the sport and its athletes; the Tour brought men’s and women’s tournaments to all four stops plus the European Championship 2015 in Klagenfurt, Austria.
- **Swatch Xtreme Verbier** As title sponsor Swatch had much to celebrate at Swatch Xtreme Verbier, the final stop on the



Swatch Freeride World Tour 2015: Swiss Swatch Proteam athlete Estelle Balet was crowned FWT Women's Snowboard World Champion. The big day also brought extreme sports and art together in the shape of an exceptional piece of landscape art – giant ice balloons – by Italy's Stefano Ogliari Badessi, a former artist-in-residence at the Swatch Art Peace Hotel.

– **Sports Specials** Swatch created two Sports Specials, working with legendary Swiss mountaineer and freerider Samuel Anthamatten to create Swatch The Route and with professional snowboarder Jeremy Jones for Deeper, Further, Higher. Both are members of the Swatch Proteam.

– **Projecto Sofia Mulanovich** A great supporter of professional women's surfing, Swatch is the ideal partner for Sofia Mulanovich's project. The former world champion has created a surfing academy in Peru that supports up-and-coming young surfers from all social classes. In addition to their sports performance, the program's objective is to strengthen the students' sense of environmental protection, lifestyle and fair play.

[25 YEARS OF SWATCH CLUB]

Swatch Club celebrated its 25th anniversary with parties in Taiwan, Switzerland and the United States and successful international events in Tokyo, Berlin, New York and Venice. A successful retail integration strategy saw Club membership numbers rise to more than 135000 worldwide. Clubs in new markets including Hong Kong, Taiwan, Australia, South Africa and Singapore joined existing ones in Italy, Switzerland, Austria, Portugal, Spain, Germany, France, Benelux, USA and Japan, with new markets to follow soon and a consolidation in strategy set for 2016. Both Club watches in 2015 were a big success, the second one designed by the Paris-based Korean artist Soonja Han.

[ADVERTISING]

2015 saw creative ad campaigns for Swatch Touch Zero One, SISTEM51, Grūezi All! and XLite. The concept for Swatch Touch Zero One highlighted the five watch functions and was released on digital media worldwide, resulting in two million views on YouTube with the key visual shown on a billboard and a massive screen in New York City's Times Square. For SISTEM51, an integrated on- and offline worldwide campaign focused on the back of the watch, letting the perpetual wheel drive a story in which simplicity was everything. "The Mechanical Revolution of Swatch!" tag accompanied the patterns and colors from the back of each model. Another global campaign showed a fun and surprising Swiss Alpine world, and the product-oriented XLite campaign presented the new Irony Aluminum line of sporty and colorful watches under the tag "A New Lifestyle".

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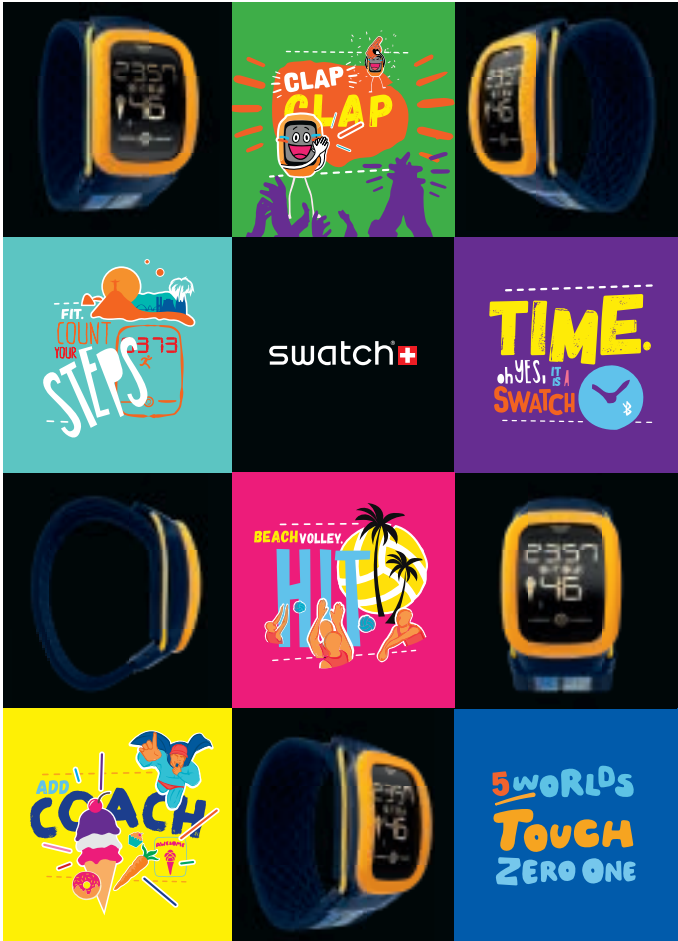


[INTERNET]

Internet activities included websites, social media and retail activation in support of different new watch models like the Valentine's Special and a holiday game called *Snowman in Vegas*, with the goal to engage fans and customers in a unique brand experience.







PRESTIGE AND LUXURY RANGE



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HIGH RANGE

MIDDLE RANGE

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# WORLD FIRSTS, LEADING LADIES AND ENDURING BONDS

## TRENDS

In 2015, Omega’s commitment to innovation would see the brand launching the world’s first Master Chronometer. This remarkable achievement has set a new standard of excellence within the watchmaking industry and is the result of a very successful partnership with the Swiss Federal Institute of Metrology METAS. The watch at the heart of the moment was the Omega Globemaster. Having passed the eight intensive tests set by METAS, it became the first timepiece to receive the new certification.

It was also a significant year for the Omega Speedmaster, which was celebrated at a unique space event in Houston attended by George Clooney, who helped to reinforce the brand’s unrivalled connection to space exploration. As 2015

5 was also the 45th anniversary of the ill-fated Apollo 13 mission, this connection was perfectly illustrated by the release of the Speedmaster “Silver Snoopy Award” – a commemorative timepiece to celebrate Omega’s role in bringing the astronauts safely back to earth.

10 In Milan, Omega reflected on more than 100 years of exquisite ladies’ watchmaking. The celebration included a memorable exhibition, a new online diary for women, and a radiant women’s event attended by brand ambassador Nicole Kidman.

15 Continuing the brand’s connection with the most recognized faces on-screen, Omega also announced Eddie Redmayne as a new international ambassador. With his typically English style and humble personality, the Oscar-winning actor is another perfect addition to the growing Omega family.

Other partnerships were celebrated too, including the ongoing work with Orbis International and a new connection with Viva Rio in Brazil. In November, Daniel Craig returned to the screen as James Bond, a moment that marked 20 years of Omega and 007. Many *James Bond 007: Spectre* events and premieres were held around the world, while the new Seamaster 300 "SPECTRE" Limited Edition created a lot of excitement among watch enthusiasts.

## CREATION

### [THE WORLD'S FIRST MASTER CHRONOMETER]

Following their announcement in 2014, Omega and the Swiss Federal Institute of Metrology (METAS) followed up on their plans to launch a new certification for the Swiss watchmaking industry. Going further than standard COSC approval, the "Master Chronometer" requires advanced standards of anti-magnetic resistance, precision and performance. To reach the required level, a watch must pass eight independent tests carried out over ten days. And the very first watch to undergo the examinations in Omega's new METAS lab was the Omega Globemaster, a beautifully designed timepiece with the brand's most advanced movement.

### [THE OMEGA SEAMASTER 300 "SPECTRE" LIMITED EDITION]

One of the most popular and talked about watches of 2015 was the Omega Seamaster "SPECTRE" Limited Edition. As the name suggests, it was created in conjunction with the new James Bond film and accompanied 007 on his latest mission. The robust stainless steel model features a black dial with a lollipop central seconds hand and a sleek black and grey striped NATO strap. There is also a bi-directional ceramic bezel built with a 12-hour scale in Liquidmetal® alloy. Representing the first time that a Limited Edition model is worn by Bond on-screen, the watch delivered the ideal edge of attitude and style. In the film itself, it also contained a very explosive secret.

### [THE OMEGA SPEEDMASTER "SILVER SNOOPY AWARD"]

For the 45th anniversary of Apollo 13, this inspired Moonwatch was released to commemorate Omega's critical role aboard the fateful mission and the famous NASA "Silver Snoopy Award" that the brand received in 1970. Taking Snoopy as a theme, Omega refreshed the Speedmaster with a polished black ceramic bezel ring and a white dial that features a Super-LumiNova Snoopy on the 9 o'clock subdial along with several Snoopy-themed quotes. To complete the look, the watch includes a black coated nylon fabric strap and a crafted 925 Silver Snoopy medallion with dark blue enamel on the reverse.





## PRESENCE

### [GEORGE CLOONEY IN HOUSTON]

In May, a special event was hosted in Houston, Texas, to honor Omega's continuing commitment to space exploration. The unforgettable evening was brought to life inside a huge aircraft hangar, transformed into a starry universe. George Clooney proved to be a star attraction himself, sharing his own memories of space and the Omega Speedmaster. Among the guests were astronauts Gene Cernan, General Thomas Stafford and Captain James Lovell.

### [NICOLE KIDMAN AND "TIME FOR HER"]

As a brand ambassador since 2005, Nicole Kidman marked her 10th anniversary with Omega by joining the brand for a special celebration of women and Omega's unique history of ladies' watchmaking. More than 100 years of innovation and design was brought to life at a special evening at the Palazzo del Ghiaccio in Milan. Added to the event was the extraordinary "Her Time" exhibition which proudly displayed many iconic Omega timepieces along with numerous examples of vintage artwork and Omega advertising. Online, Omega launched the new "Time For Her" women's diary, offering insight, inspiration and fascinating articles for women of today.

### [20 YEARS OF OMEGA AND JAMES BOND]

The release of *James Bond 007: Spectre* in 2015 marked the 20 year anniversary of Omega's association with James Bond. Omega celebrated the moment with a number of premieres, screenings and events around the world, as well as an exclusive exhibition in Berlin that gave visitors a glimpse of every James Bond watch ever made. Daniel Craig himself was a special guest on several occasions and Naomie Harris, who portrayed Miss Moneypenny, partnered with Omega at a number of global events.

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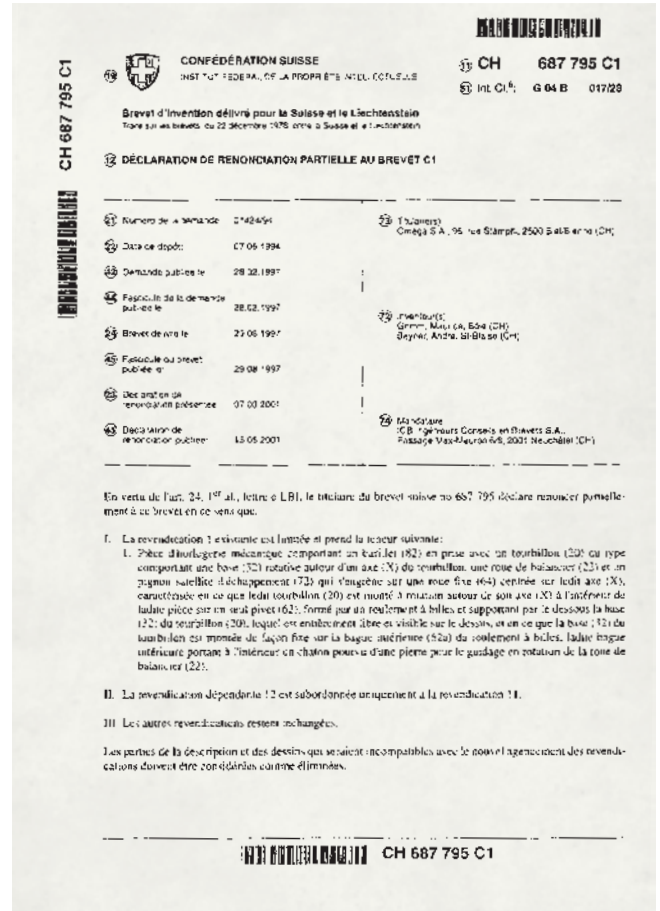
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**[ DANIEL CRAIG VISITS THE OMEGA FACTORY ]**

Brand ambassador Daniel Craig made a special visit to the heart of the Swiss watchmaking industry in 2015 for the inauguration of the Omega factory in Villeret (BE). The actor was given a guided tour, as well as exclusive access to the factory's assembly line.

**[ CINDY CRAWFORD AND THE HOSPITAL IN THE SKY ]**

Omega is a proud supporter of Orbis International and its struggle against preventable blindness. In 2015 Omega released a compelling 48 minute documentary *The Hospital in the Sky*, which follows the visit of Cindy Crawford and her daughter to the Flying Eye Hospital in Peru. The long-serving brand ambassador went even further to promote Orbis International's work by attending launch events for the documentary in New York and Hong Kong.

**[ THE FINA WORLD CHAMPIONSHIPS IN KAZAN ]**

The world's greatest aquatic athletes gathered in Kazan, Russia in 2015 for the 16th FINA World Championships. Omega assumed its role as Official Timekeeper of the event, providing timekeeping and data handling in all of the sports, which included long-course swimming, synchronized swimming, water polo, open water swimming, diving and high-diving.

**[ OTHER SPORTS ]**

In 2015, Omega continued its Official Timekeeping role at the PGA Championship, this year contested at Whistling Straits in Wisconsin. Continuing its support of golf around the world, the brand again provided title sponsorship for a number of tournaments including the Omega European Masters at Crans-Montana, the Omega Dubai Ladies Masters and Omega

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Dubai Desert Classic. Outside of golf, Omega was onboard to officially partner with Emirates Team New Zealand as it began its pursuit of the 35th America's Cup. Timekeeping duties were also kept at the IAAF Diamond League and the European Athletics Indoor Championships in Prague, as well as at the finals of the Omega FIBT Youth Monobob Series at St Moritz-Celerina.

**[ OMEGA LIFETIME ]**

In 2015, *Omega Lifetime*, the brand's twice-yearly lifestyle magazine, was again published in ten languages. This year saw the publication of the Speed and Spectre editions.

**[ SOCIAL ]**

Omega's worthwhile work with Orbis International was marked by the release of the documentary *The Hospital in the Sky*, focusing on Cindy Crawford's insightful visit to Peru. A captivating campaign was also released for World Sight Day, which featured a number of Omega brand ambassadors holding the Omega teddy bear.

A new partnership was also formed with *Viva Rio*. Leading up to the Olympic Games in 2016, this fantastic project involves 12 social actions that will benefit young people and their families in the Olympic host city. The #OMEGAVIVARIO campaign also involved a social media activation that raised extra money through public participation.

**[ OMEGA ONLINE ]**

In 2015, omegawatches.com had more visitors than ever before, driven by an increase in traffic from China, USA, Japan and the UK. In September, the official website was fully redesigned with a new "responsive design" so that each webpage



can adapt to various devices. This was particularly beneficial for customers who explore the brand and collections while on the go. In fact, more than 50% of total visitors in 2015 connected via mobile devices.

Omega's presence on social media increased thanks to engaging content and international campaigns. It was also boosted by relevant hashtagging such as #OMEGAmymychoice, sponsored/paid campaigns and the involvement of bloggers and social influencers. In addition to the #OMEGAVIVARIO "heart" social media campaign, Omega increased engagement with Orbis International through the #OmegaOrbisTeddy activation. Finally, an official account was opened on China's most popular social app, WeChat.

[ADVERTISING AND PROMOTION]

The year's major campaigns included Nicole Kidman and the new Ladymatic collection in a photoshoot captured by Patrick Demarchelier. George Clooney was the focus of the Speedmaster '57 campaign which was shot and filmed in Mexico, while a major series of images and films was produced for the James Bond film *James Bond 007: Spectre*. These included a watch focus, a photoshoot with Daniel Craig, and a specially made TVC featuring the Seamaster 300 "SPECTRE" with an exclusive clip from the movie.

FINE JEWELLERY

The year's highlight in Omega's Fine Jewellery was the Ladymatic Collection, where many of the iconic Ladymatic design features have been beautifully adapted into a range of rings, earrings, pendants and bracelets. Like the rest of the brand's jewelry pieces, they are elegantly feminine and perfectly complement Omega's watches, reflecting their luxurious universe.

FINE LEATHER

Striking a balance between the worlds of innovation and tradition, the Fine Leather collection was again available exclusively through the brand's global boutique network. The exacting standards of skill, design and superior materials long associated with Omega timepieces were creatively expressed in these high-end leather goods.



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**OMEGA**

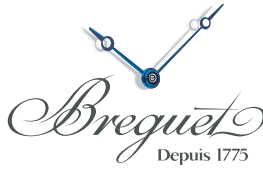
**LOW AT FIRST SIGHT**

*"Omega's new Constellation watch. This instrument is in the fight against vibrations that its case and sapphire crystal help to keep the going constant through every step of the challenging movement. For Omega as well, there's no one who can stop the time."*

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orbis | OMEGA

PRESTIGE AND LUXURY RANGE



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HIGH RANGE

MIDDLE RANGE

BASIC RANGE



# EMBODYING THE FUTURE OF TRADITIONAL HAUTE HORLOGERIE

## TRENDS

2015 was a rich year for Breguet, which celebrated a double anniversary: the 240th anniversary of the founding of the brand and the first decade of its Tradition collection. The *Maison* focused on this iconic line by devoting a traveling exhibition to it that was previewed in Geneva. Haute Horlogerie enthusiasts enjoyed a chance to rediscover the origins of this collection, the first to reveal movement components on top of the baseplate. After a stopover at Baselworld, the "Tradition" roadshow was presented in Amsterdam, Hong Kong, Beijing, Tokyo, Paris and Zurich. In some markets, it was accompanied by the launch of the Tradition Chronographe Indépendant model, one of the three timepieces that enriched the Tradition line that now also features a minute repeater. The Tradition

Répétition Minutes Tourbillon is the fruit of the substantial investment Breguet has made in fundamental research and benefits from the latest technologies in the field of acoustics.

These new launches made a remarkable entry into the field of prestige watchmaking and aroused considerable enthusiasm among clients and the media. In the United States, the Tradition Chronographe Indépendant model earned top votes from readers of the specialized *Haute Time* magazine, winning first place in the "Watch Madness" competition. In Italy, it was named Watch of the Year in the "Chronograph" category by the readers of *L'Orologio* magazine. The Tradition Répétition Minutes Tourbillon caused a sensation in Mexico, where it was named "Valor Relojero" by the *Tiempo de Relojes* magazine jury. In Switzerland, the Tradition Automatique Seconde Rétrograde, the third new model in the collection, was doubly



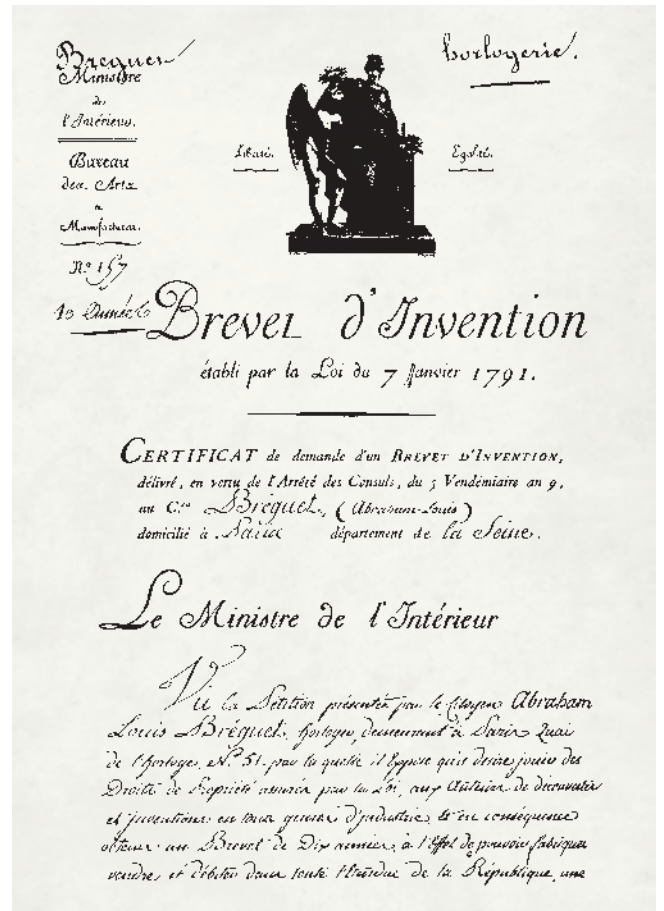
honored by the jury and public of *Montres Passion* magazine, which named it Watch of the Year.

In 2015, Breguet reinforced its position as a major player in the field of high-end watchmaking by expanding its network of boutiques and retailers. This extension notably included the opening of two new boutiques in China in Beijing and Chengdu, of a brand-new store in Moscow in the luxurious Four Seasons Mall, and in the Galaxy Macau shopping mall on the Cotai strip. In parallel, Breguet inaugurated four salons at prestigious points of sale: Neiman Marcus in Atlanta (USA), Swiss Master Time in Ho Chi Minh City (Vietnam), Dos Relógios in Lisbon (Portugal) and Cortina in Bangkok (Thailand). The *Maison* now has more than 460 points of sale worldwide. In order to pamper its clientele, it has continued to renovate its boutiques. Breguet notably celebrated the reopening of its iconic 'embassy' on the Place Vendôme in Paris, where one of its three museums is located and where its historical archives and documents are preserved.

Breguet consolidated the renewal of its brand image through a targeted communication strategy, backed by the launch of an entirely revamped website. This modern and elegant looking site offers a number of functions designed to facilitate the customer experience. It meets the needs of the Breguet client base whose average age is now between 35 and 45, compared with 45 and 55 just a few years ago.



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## CREATIONS

### [TRADITION CHRONOGAPHE INDÉPENDANT 7077]

The Tradition Chronographe Indépendant combines contemporary and traditional watchmaking. It is equipped with a dedicated chronograph gear train entirely independent of the device relating to counting off the hours and minutes. This solution was developed by Breguet in order to avoid the disturbance of the smooth running of the main going train that usually occurs when the chronograph function is activated. The *Maison* has gone a step further by equipping each of these gear trains with a balance wheel beating at a different frequency: 3 Hz for the base movement and 5 Hz for the chronograph movement, so as to guarantee enhanced read-off precision.

### [TRADITION RÉPÉTITION MINUTES TOURBILLON 7087]

With the Tradition Répétition Minutes Tourbillon, Breguet has undertaken the revolutionary approach of developing its timepiece around the sound. This goal determined the entire set of characteristics of the model, which comprises technical developments including gold gong springs fixed to the bezel, vertical hammers with semi-active buffers, a gold acoustic membrane, and a magnetic strike governor. These innovations, coupled with the use of titanium for the mainplate and bridges, endow this Tradition model with a uniquely pure sound and an unprecedented tone.

### [TRADITION AUTOMATIQUE SECONDE RÉTROGRADE 7097]

The Tradition line was enriched in 2015 with a new automatic model, the Tradition Automatique Seconde Rétrograde. Inspired – like the rest of the collection – by Breguet’s famous subscription watches, this creation pays a fresh tribute to the beauty of its mechanism by revealing the bridges, wheels, escapement, barrel and other movement components that are generally concealed beneath the mainplate.

### [MARINE CHRONOGAPHE “200 ANS DE MARINE” 5823]

To mark the bicentenary of Breguet’s appointment as Watchmaker to the French Royal Navy, the *Maison* created an exclusive chronograph, the Marine Chronographe “200 Ans de Marine” model. This 200-piece limited-edition timepiece features a mechanical automatic movement housed in a platinum case.

### [REINE DE NAPLES PRINCESSE MINI 9807 & 9808]

In 2015, Breguet enriched its Reine de Naples collection with two new interpretations, the Reine de Naples Princesse Mini watches featuring a diminutive 32.7 x 27.3 mm case. The first is made of steel, framing a shimmering white mother-of-pearl dial, while the hour-markers are made of natural white mother-of-pearl marquetry. The second is in rose gold and features a Tahitian mother-of-pearl dial. Its lug is gem-set and its crown is enhanced with a briollette-cut diamond.

### [REINE DE NAPLES HAUTE JOAILLERIE 8909]

This new Reine de Naples combines the purity of baguette-cut diamonds with the flamboyance of red rubies. The dial plays on contrasts by opposing the crimson glow of rubies with a Tahitian mother-of-pearl backdrop. This timepiece driven by a mechanical automatic movement displays the hours and minutes on a diamond-set silvered gold subdial.



## PRESENCE

### [PARTNERSHIPS]

In order to celebrate its age-old ties with aviation, Breguet has initiated a partnership with the Payerne “Clin d’Ailes” Military Aviation Museum. The *Maison* helped fund extension work on the museum, thus enabling the creation of an area dedicated to aircraft maintenance and preparation. Called the “Espace Breguet”, it presents the brand’s aviation-related history to the public.

As main private sponsor of the restoration of the Hougoumont farm, Breguet had a strong presence at the bicentenary of the Battle of Waterloo. One of the last remaining locations bearing witness to the battle, Hougoumont is dedicated to working on behalf of peace and stability in Europe. The inauguration of this historical vestige now converted into a museum took place under the auspices of Marc A. Hayek, President and CEO of Breguet and was attended by members of various European royal families and leading political figures as well as international media representatives. It attracted a great deal of coverage and stirred interest among Breguet partners and clients. Throughout the month of July, Harrods of London hosted



an exhibition devoted to the brand in its Fine Watch Room where special showcases highlighted its involvement in the renovation of the Hougoumont farm. In Vienna, several members of the Watchmaking Support Association in Austria paid a visit, in Breguet's company, to the city's watchmaking museum and had a chance to discover anecdotes and timepieces relating to the Congress of Vienna.

2015 was also marked by the September launch of a unique retrospective in San Francisco's Legion of Honor Museum: "Breguet: Art and Innovation in Watchmaking". Around 300 people attended the preview of this exclusive exhibition that was presented at a gala evening graced by the presence of actress Kelly Rutherford. This retrospective encompassed more than 70 pocket watches, clocks and horological instruments from the era of A.-L. Breguet and his successors. It is one of the most exhaustive brand collections designed and developed to date by an American art museum of this stature.

#### [TRAVELING EXHIBITIONS]

Alongside its 2015 exhibition dedicated to its Tradition collection, Breguet continued touring with its previous roadshows. The Reine de Naples exhibition unveiled in 2012 celebrated the fourth year of its world tour. It was presented in early 2015 in the departure zone at Geneva Airport, before setting off for Qingdao, China. The "Breguet, the Innovator. Inventor of the Tourbillon" exhibition also continued its progress in China, in the cities of Shanghai and Wuhan. "Breguet, Innovations that Wrote History", launched in 2014, made appearances in China, Taiwan, New Zealand, Singapore and Thailand. These numerous stopovers enabled a broad public to become familiar with Breguet's recent technological developments as well as with its founder's inventions.

#### [LOCAL EVENTS]

In 2015, Breguet organized around a hundred events worldwide. The brand enjoyed exceptional visibility by supporting local activities and institutions.

In Asia, Breguet focused on its ladies' collection and its royal inspirations, from Marie Antoinette to Caroline Murat. Various events notably highlighting the Reine de Naples line were organized in the Chinese cities of Shanghai, Chengdu, Ningbo and Tianjin, as well as in Taiwan, Jakarta and Bangkok. The Australian public was also invited to discover Breguet's feminine creations, and particularly its Haute Joaillerie models, at an exclusive evening event held in Melbourne.

In the United States, the *Maison* continued its partnership with Carnegie Hall. This provided an opportunity for its customers to participate in high-quality musical moments and to learn more about Breguet's ties with some of the world's great composers and musicians. The boutique on Fifth Avenue also hosted special encounters including Breguet's welcoming of the Young Scientist Foundation, which puts students in touch with mentors capable of offering them career opportunities in the field of science. Breguet wished to support this mission by launching a charity campaign spanning several months in its boutique.

In the UK, the Antiquarian Horological Society held a special evening on the history of Breguet timepieces in the London boutique. Customers and members of the AHS had the opportunity to hear talks by two of the country's most knowledgeable watch specialists. Antique pieces from private collections were then presented, accompanied by authentic certificates hand-written by A.-L. Breguet himself.

In Germany, Breguet was featured in the Tourbillon Boutique in Baden-Baden with an exhibition devoted to its Grandes

Complications. Breguet also paid a visit to Bavaria, in the city of Regensburg, where it joined Wempe, the retailer at the St-Emmeran Palace festival.

In Spain, the Royal Theater of Madrid welcomed the Manufacture and its guests on numerous occasions. It was in this prestigious setting that Breguet presented its new launches to the Spanish public. In Majorca, the *Maison* took part in the 2015 edition of the Formentor Sunset Classics, while it also organized an event in Puerto Banús dedicated to the art of cameo carving.

Finally, in Switzerland, Breguet renewed its support for Only Watch. A special Type XXI chronograph, made for the first time in platinum, was auctioned in Geneva on behalf of the Monaco Association against Muscular Dystrophy.

## HAUTE JOAILLERIE

#### [BE CRAZY]

Be Crazy by Breguet is an exceptional creation adorned with more than 80 carats of baguette-cut diamonds, set in asymmetrical rows and radiating out from the sides of the case. The diamond paving picked up on the dial and the white gold bracelet extends the radiance and the exclusive character of this model. Like all Breguet timepieces, it houses a mechanical movement endowed with the brand's cutting-edge innovations in the field of Haute Horlogerie.

#### [RÊVE DE PLUME]

The Plumes collection is inspired by the story of Marie Antoinette, an authentic ambassador for Breguet's jewelry watches. Her universe has led to the creation of delightfully romantic timepieces developed on the basis of ancestral decorative methods. The Rêve de Plume model sets the stage for the art of gem setting by means of a splendid diamond feather resting against the left-hand side of the bezel. Like the finely fluted Breguet case bands, the side of this Haute Joaillerie model is delicately engraved with a feather motif.

To accompany this timepiece, Breguet created a jewelry set on the feather theme, comprising earrings, a ring and a necklace.





PRESTIGE AND LUXURY RANGE



HARRY WINSTON

www.harrywinston.com

HIGH RANGE

MIDDLE RANGE

BASIC RANGE



# AUTHENTICITY, QUALITY, PHILANTHROPY AND HISTORY

## TRENDS

In 2015, Harry Winston continued its promise to preserve the integrity of the Brand, by upholding the core values it was founded upon and investing in the key segments of the business that will further shape and define its legacy for years to come. This includes the expansion of its retail distribution network and renovation of existing salon locations; the introduction of new collections that reinforce the Brand's signature aesthetic and high quality standards; an investment in exceptional gemstones and internal infrastructure, in order to build its inventory and product offering; a continuation of the Brand's high-end timepiece manufacturing practices; and an increased commitment to its charitable legacy, so that all people worldwide can have the opportunity for a more brilliant, healthy future.

Throughout his lifetime, Mr. Harry Winston looked for creative ways to raise awareness and support for local organizations, often using the glamour, the magic, the story of his most famous and beloved diamonds and gemstones as a way to reach a broader audience. Today, the Brand continues Mr. Winston's legacy of charitable giving through the Harry Winston Brilliant Futures™ Program.

In January 2015, Harry Winston announced a groundbreaking three-year partnership with amfAR, in support of the organization's mission to end the global AIDS epidemic through innovative research, and its "Countdown to a Cure" campaign, which is aimed at finding a broadly applicable cure for HIV/AIDS by 2020. Harry Winston's support for amfAR marks the Brand's first collaboration with a global organization, signifying not only its expanding presence, but also its increased



philanthropic commitment to vital causes that affect millions of people worldwide.

In 2015 the Brand continued to promote its new high jewelry collection, Secrets by Harry Winston, as well as its iconic, one-of-a-kind jewelry masterpieces known as the “Incredibles.” For its collections, the House introduced a new engagement ring style – the Winston Blossom – and two new design motifs to its existing product assortment – Art Deco and Lotus Cluster – which both draw inspiration from the beauty of the world around us.

Harry Winston also continued to reinforce its position as a true watchmaker, by building awareness for its innovative and artistic timepiece designs.

One of the most highly anticipated events of the year, in October 2015, Harry Winston introduced the new Opus 14 at a global event in Baden-Baden, Germany. Opus is first and foremost a human journey, which began in 2001 in collaboration with independent watchmakers. The Opus series defies the traditional way of telling time and with Opus 14, the House continues its tradition of excellence in design and innovation in timepieces.

With the opening of four new salons and the renovation of two existing locations, including its flagship in Ginza, Harry Winston grew its global retail distribution network, bringing the Brand’s exceptional offering to new luxury consumers worldwide.

The themes of authenticity, quality, philanthropy and history will continue to remain at the forefront of the Brand in 2016.

## CREATION

### [LOTUS CLUSTER]

Renowned for its absolute purity and majestic beauty, the Lotus Flower, much like a diamond, shines brightest and reveals its true inner brilliance under the radiance of the sun. Drawing inspiration from its namesake bloom, the Brand’s new Lotus Cluster Collection presents a sparkling array of diamond pendants, earrings, and rings that follows its longstanding commitment of marrying the beauty of nature with the world’s most magnificent diamonds.

### [ART DECO]

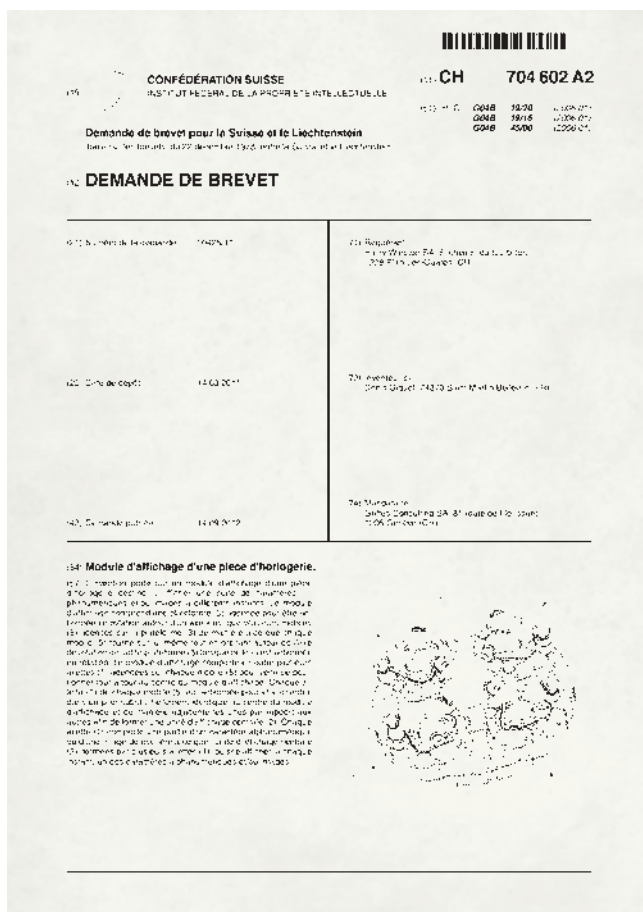
Since 1932, Harry Winston jewels have celebrated the exquisite artistry of the world around us – from fine art, to interior design, to textiles and fabrics, to architecture. With a profound understanding and appreciation for the aspects that brought fine jewelry to life, Mr. Winston challenged his designers to explore these various art forms, as a way to transform precious gemstones into extraordinary creations of unparalleled beauty.

Harry Winston continued this creative tradition through a new series of captivating diamond jewels that underscore the distinctive architectural style of the 1930s. Entitled Art Deco by Harry Winston, the collection evokes the iconic elegance of the time, with a medley of round brilliant and carefully calibrated baguette diamonds that are meticulously set in a symmetrical medley of geometric shapes and angular forms.

### [PREMIER PRECIOUS BUTTERFLY]

Mr. Winston’s tradition of excellence in creativity and design is remembered in these artistic creations. Each new model recalls our founder’s desire to push aesthetic boundaries and honors his legacy, with timepieces that are strikingly beautiful in both artistry and design.

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In creating the four Premier Precious Butterfly models, the House explores unexpected pairings and uses a highly original technique. This technique, which required three years of creative reflection and development, constitutes in harvesting and expertly placing the delicate powder of butterfly wings on each of the dials. The delicate powder, with its extraordinary pigment, transforms the dials into artistic creations that are as unique as a butterfly.

**[PROJECT Z9]**

Like all iterations of Harry Winston's Project Z, the case of Project Z9 is entirely made in Zalium™, an exclusive alloy, with a range of technical and aesthetic qualities that make it a truly unique material. Project Z9 is composed of an open-worked 3D grid bearing the indications, which gives a depth effect raised by two chronograph counters, painted in blue, that stand out against a white background.

Driven by a high-frequency movement, Project Z9's caliber HW3304 is also equipped with a flyback function. With its exceptional movement, and a Zalium™ case that boasts remarkable properties, along with a complex dial, Project Z9 asserts itself as a chronograph that is at once technical, practical and exclusive.

**[OPUS 14]**

In both its design and its automaton complication, Opus 14 takes its inspiration from the jukebox, the mechanics of which have been miniaturized. This achievement is a first and has been patented by Harry Winston.

At every Opus creation, the Brand provides an exceptional chance to virtuoso independent watchmakers to push the limits of the imagination even further. Perfectly capturing the extraordinary character of the Opus collection, the Opus 14 continues in the tradition of this unique saga, with the benefit of the expertise and support of Swatch Group.

**PRESENCE**

**[SALON OPENINGS]**

Harry Winston continued to increase its global visibility in 2015, with new salon openings in Miami Design District, Dubai, Macau, and its eighth location in Japan, in Osaka's Hankyu Umeda department store.

In October 2015, Harry Winston celebrated the reopening of its flagship salon in Ginza, with a ribbon cutting ceremony attended by actress Yoshino Kimura.

**[RED CARPET]**

As "Jeweler to the Stars," the Harry Winston name has been synonymous with Hollywood for more than 80 years. Throughout its history, the Brand has had the opportunity to cultivate strong and meaningful relationships with Hollywood's brightest stars, dazzling red carpets and silver screens alike for generations; and 2015 was no exception.

Harry Winston's magnificent fine jewelry and timepiece collections garnered worldwide attention, when they adorned Hollywood stars, including Amal Clooney, Nicole Kidman, Kerry Washington, Charlize Theron, Gwyneth Paltrow, Reese Witherspoon, Steve Carrell and Ansel Elgort. From the Golden Globe Awards, to the Academy Awards, to the MET Costume Institute Gala, to numerous movie premieres, in 2015 the "King of Diamonds," ruled red carpets across the globe.

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**[AMBASSADOR]**

In October 2015, Harry Winston announced American singer, songwriter, and producer Robin Thicke as its first ever global timepiece ambassador. Robin Thicke will serve as the ambassador of Harry Winston timepieces for men and will support the Brand through a variety of media and promotional activations. Mr. Thicke was also a special guest performer at the Opus 14 unveiling event in Baden-Baden, Germany.

**[PHILANTHROPY]**

Throughout the year, Harry Winston continued its legacy of giving through The Harry Winston Brilliant Futures™ Charitable Program. Within this program, the company supports organizations in its local salon communities that strive to give young people access to a quality education and the skills necessary to be successful in life and enable healthy futures.

In the United States, Harry Winston extended its support to organizations based within its salon communities, including The Harlem Academy, Voices For Children, and CHOC Children's Hospital. Additionally, 2015 marked Harry Winston's second year of partnership with the UCLA Mattel Children's Hospital and the announcement of three new Harry Winston fellows for the 2015-2016 academic year.

In Asia, Harry Winston entered its fourth year of partnership with the International Youth Foundation in China, and third year with Chance For Children in Japan. As part of its Ginza Flagship reopening, Harry Winston introduced the Tsubaki Charm – a new design sold exclusively at its salons throughout Japan, with 20% of the retail sales price from each charm going to Chance For Children.

[amFAR]

Harry Winston's partnership with amFAR seamlessly aligns with two of the core values that are deeply embedded within the history of the House: a commitment to philanthropy, dedicated to improving the lives of those in need; and a strong connection to Hollywood, leveraging the power of celebrity support.

As the single largest corporate partnership in amFAR's history, Harry Winston is not only the first company to serve as the presenting sponsor for the organization's gala events over the next three years, but is also one of the first corporate sponsors for its "Countdown to a Cure", which is aimed at developing a cure for HIV/AIDS by 2020.

amFAR galas in 2015 raised more than \$53 million for AIDS research. Through a wide range of contributions including direct financial support and in-kind donations, Harry Winston's partnership has enabled amFAR to reach broader audiences, by entering new markets, including this past year's inaugural fundraising event in Hong Kong, which raised more than \$4 million alone for AIDS research. Harry Winston also donated pieces from its iconic fine jewelry and timepiece collections for each of the 2015 gala events, which helped to raise an additional \$910,407 for the Foundation.

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PRESTIGE AND LUXURY RANGE



www.blancpain.com

HIGH RANGE

MIDDLE RANGE

BASIC RANGE



# INNOVATION IS OUR TRADITION

## TRENDS

For Blancpain, 2015 was a year of continuity, with growth slightly up on previous years. The brand strengthened its communication focused on the Blancpain Ocean Commitment, motorsports and the art of living. Blancpain is pursuing its engagements in the long term, a fundamental principle for the Manufacture in Le Brassus.

– The Blancpain Ocean Commitment continued to develop with five new scientific expeditions, a major traveling exhibition and the signing of new partnership agreements. Blancpain’s ongoing support for the oceans also delivered concrete results and with three million square kilometers recently reached, helped double the total surface area of ocean protection worldwide.

- The 2015 motorsports season saw a significant increase in the number of participants in the various championships. The world final of the Lamborghini Blancpain Super Trofeo hosted 65 cars in Sebring in November.
- 5 – With respect to the Art of Living, the bonds of friendship between Blancpain and Joël Robuchon were further enhanced. Blancpain also enjoyed a high profile at the Leading Hotels of the World annual convention as well as at the Relais & Châteaux annual congress.
- 10 – In keeping with its creative spirit, the Manufacture in Le Brassus enriched its Villeret, Women and Fifty Fathoms collections with several new models. In addition, the Blancpain R&D department presented a brand new version of the Tourbillon Carrousel, bringing the number of new movements presented over the past ten years to a grand total of 34.
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– Despite a difficult environment for the industry, Blancpain achieved positive results in 2015, especially in terms of the number of watches sold. Europe as a whole was a buoyant market in 2015.

Blancpain broadened its worldwide distribution network, with the opening of new boutiques in Chengdu (China) and Macau as well as in the Galeries Lafayette in Paris. Finally, the Blancpain boutique on La Croisette in Cannes was entirely renovated.

## CREATION

### [VILLERET COLLECTION]

#### A large date for the Villeret collection.

The most classic collection from the Manufacture was notably enriched with new dials that accentuate the elegance of its models. In addition, Blancpain launched the first Villeret watch with a large date. This elegant and useful complication ensures optimal readability of the date by means of a display through two broad apertures. At the heart of this new model beats the self-winding Caliber 6950, equipped with twin barrels and an ingenious large date mechanism complete with instantaneous jump at midnight and a shock-protection device. It also features a variable-inertia balance with a silicon balance-spring and gold adjustment screws.

#### Blancpain unveils shakudō.

Renowned for its engraving and enamel painting workshops, as well as for its damascened models, Blancpain presented timepieces made of shakudō, an alloy of Japanese origin mainly composed of copper and gold. This metal darkens to acquire a patina varying between chestnut brown, blue and black according to the variations in its composition and texture.

The black patina is achieved by a ‘passivation’ process that consists of coating the shakudō with a copper acetate (green gray) solution, called rokushō. According to the number of applications of the rokushō solution, the black becomes progressively deeper and more intense. The engraver’s artistic sensibility and his way of using the rokushō patina, resulting in the various color nuances and depths effects, ensure that every watch is truly one of a kind. Each is unique not only in terms of the technique used, but also by its dial combining engraving and damascening that endows it with a distinctive design.

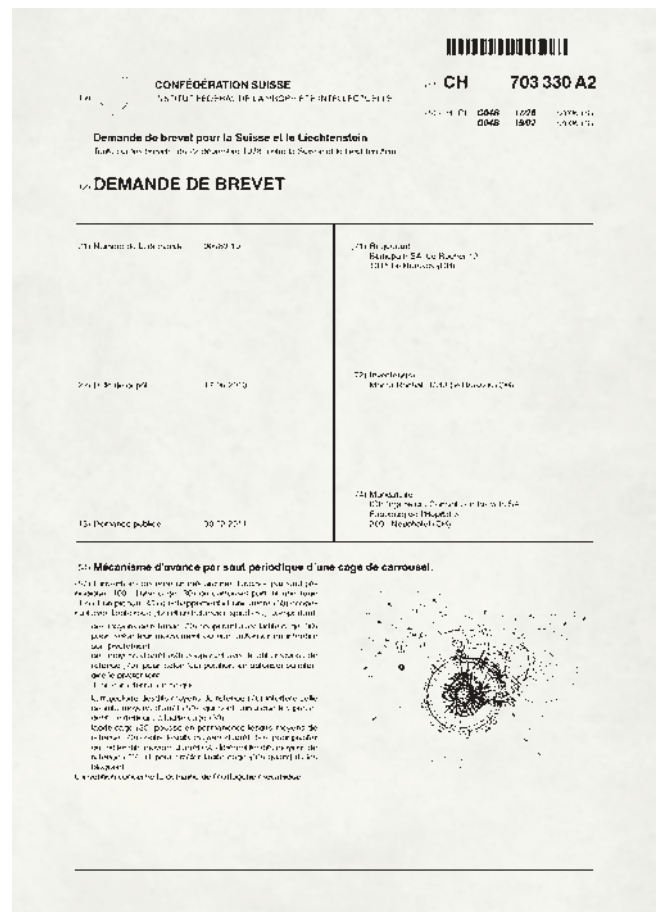
### [L-EVOLUTION C COLLECTION]

#### Tourbillon and Carrousel reunited in a whole new way.

The merging of these two regulators has given rise to a new caliber: 2322V2. Topped by a sporty and sophisticated bezel with an innovative shape, the case houses a tourbillon and a carrousel – both of the flying variety. The multi-level design reveals the full complexity of the openworked movement.

The highly original bezel and the shape of the appliques as well as the symmetrical shape of the bridges and the baseplate make this a distinctive model within the Blancpain collection. The design of the latter components is meticulously crafted with a frosted finish, as well as an NAC treatment (a galvanic process serving to blacken the bridges and baseplate). The cage of the carrousel and that of the tourbillon have been raised so as to highlight them. The openworked movement built on several levels exudes a sense of strength and depth, while the hexagonal movement screws give a dynamic look to the timepiece. The 47.40 mm-diameter platinum case is fitted with a black alligator leather strap and this model was released in a 50-piece limited edition.

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## PRESENCE

### [BLANCPAIN OCEAN COMMITMENT]

Further strengthening its close ties to diving and the historical legacy of the Fifty Fathoms that now spans six decades, Blancpain is devoted to preserving and safeguarding the oceans. Since the Manufacture is convinced that support for environmental protection directly depends on providing the public with information, it strives to promote general awareness by sponsoring major scientific projects, ocean explorations, underwater photography, environmental forums, exhibitions, noteworthy publications and a dedicated website. The efforts undertaken by the brand, marshalled under the Blancpain Ocean Commitment banner, are driven by three fundamental principles derived from the Blancpain DNA: optimism, a long-term vision and innovation. These interconnected and interdependent principles serve to achieve spectacular results.

#### National Geographic Pristine Seas expeditions

Blancpain's support has already enabled the program to protect vast marine areas in the United States, the United Kingdom, Chile, Gabon, Kiribati, Costa Rica and Palau, which now encompass more than three million square kilometers (a figure that takes on its full meaning when compared with Switzerland's 41 285 square-kilometer surface area). By studying and filming these protected zones, the Pristine Seas expeditions contribute to a broader momentum aimed at informing the public and governments about the exceptional value and unique nature of their ecosystem and the necessity of preserving them. These protected regions represent an essential condition for grasping the true dimension of the impact made by human beings on ocean life and for evaluating the implemen-

tation of conservation programs. They also constitute a vital step towards improving the health of the oceans for future generations.

#### Gombessa Project

Following on from the Gombessa I expedition, which explored the secrets of the coelacanth, the 20th century's greatest zoological discovery, and Gombessa II which studied the spectacular aggregation of marbled groupers, Laurent Ballesta and Blancpain have traveled to Antarctica to deliver the very first naturalist images of Antarctica's deep-sea ecosystems – a pioneering exploratory, diving and photographic mission. The expedition could be tracked during November and December via the daily video blog on [blancpain-ocean-commitment.com](http://blancpain-ocean-commitment.com), while Laurent Ballesta's photographs were projected during the COP21 meeting onto one of the towers of the Bibliothèque nationale de France. It has given rise to several documentary films including the ones produced by ARTE such as *Gombessa I – The Coelacanth*, *Dive Towards our Origins* and *Gombessa I – The Grouper Mystery*, which have received several prestigious awards and have been distributed in more than 100 countries worldwide.

**World Ocean Summit & Ocean Innovation Challenge**

Blancpain renewed and reinforced its support for the World Ocean Summit on the occasion of the third edition held in June in Cascais (Portugal). As principal partner of this top-level international conference, right from its inaugural edition in 2012, Blancpain is proud to note that it has become *The Economist's* flagship event. In 2015, in addition to the summit, Blancpain and *The Economist* joined in presenting the first Ocean Innovation Challenge in association with Blancpain, which was awarded to Liquid Robotics for its Wave Glider, a wave and solar-propelled unmanned ocean robot.

**Prince Albert II of Monaco Foundation**

In June, the Prince Albert II of Monaco Foundation and Blancpain formalized their institutional partnership aboard the exploratory vessel *M/V Yersin* in a ceremony attended by His Serene Highness, Prince Albert II of Monaco. The Prince Albert II of Monaco Foundation and Blancpain share a philosophy of protecting and safeguarding the marine environment, as well as promoting the sustainable development of the "blue economy" on an international scale.

**Blancpain Ocean Commitment Roadshow**

The Blancpain Ocean Commitment exhibition, inaugurated by Marc A. Hayek, President and CEO of Blancpain, marked the opening of Baselworld 2015. It was subsequently presented in the Chinese cities of Beijing, Shenyang, Shijiazhuang and Zhengzhou, before moving on to Hong Kong, Sydney, Moscow and Tokyo, and continuing its tour in January 2016 with stop-overs in Taipei and Las Vegas.

The exhibition offers visitors a total-immersion experience into the underwater world by enabling them to share in the brand's commitment to protecting the oceans. After walking through the portal echoing the symbolic design of the Fifty Fathoms bezel, visitors discover areas dedicated to history, science, exploration and underwater photography, as well as to the Ocean Commitment Circle, a privileged area of Blancpain's dedicated website regrouping owners of a Blancpain Ocean Commitment watch.

**[MOTORSPORT]**

Over the past seven years, Blancpain has made a name for itself in the field of motorsport, among car manufacturers, drivers and spectators. The Manufacture is now the title partner of benchmark GT championships such as the Lamborghini Blancpain Super Trofeo, the Blancpain Endurance Series, the Blancpain Sprint Series and the British GT Championship. The excellent media coverage of the various championships, whether on TV, in print or online, has served to attract more



participants. This success has in turn reinforced the brand's determination to maintain a long-term vision and to continue supporting the GT world.

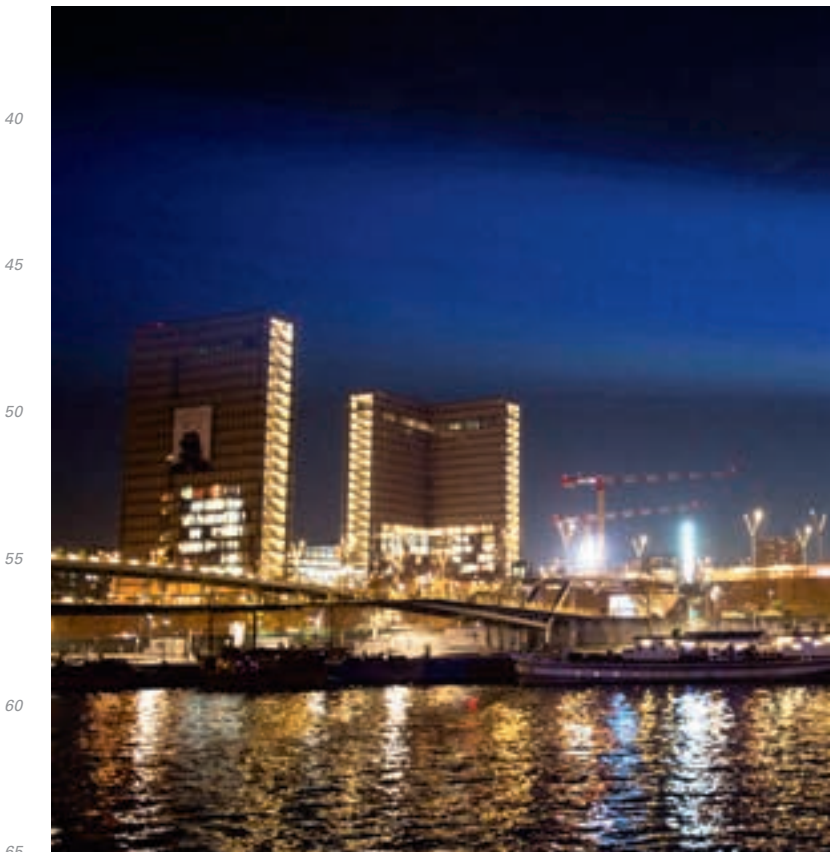
5 **[ART OF LIVING ]**

Blancpain is strongly convinced of the close links between the art of living, haute gastronomy and traditional watchmaking. Accordingly, the brand hosted VIP guests at various events held in Hong Kong, Tokyo and Bangkok, inviting them to discover the values that its horological creations share with the cuisine of chef and friend of the brand Joël Robuchon. In 2015, for the first time at the *Relais & Châteaux* annual congress, Blancpain presented the Heritage Trophy to the Brilliant Resort & Spa Jingmai in China. This prize rewards the establishment's philosophy of passing on values and savoir-faire. A partner of Leading Hotels of the World for the past 15 years, Blancpain presented five watches this year to the various establishments that distinguished themselves by their exceptional sense of hospitality.

20 **[CORPORATE]**

**Grand Prix d'Horlogerie de Genève**

The work of Blancpain's *Métiers d'Art* atelier was honored at the 15th *Grand Prix d'Horlogerie de Genève*. The jury was impressed by the shakudō technique based on a gold and copper alloy enabling several color variations and awarded Blancpain the Artistic Crafts Watch prize for its one-of-a-kind Villeret Shakudō Ganesh model.



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PRESTIGE AND LUXURY RANGE



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BASIC RANGE



# 360° GLASHÜTTE ORIGINAL – GERMAN WATCHMAKING ART IN ALL ITS FORMS

## TRENDS

For Glashütte Original, 2015 was marked by a distinct enhancement of brand awareness and by strong demand. In its main markets – namely Germany, China, Japan, Europe and the Middle East – the brand once again enjoyed an above average increase in sales. The creation of new jobs took its worldwide personnel count to 750. The Manufacture got off to a strong start with the film project *5 Perspectives*. The short films were part of a campaign that focused on the birth of the art of watchmaking in Glashütte exactly 170 years ago and on the brand’s rich diversity.

A traveling exhibition called “360° Glashütte Original” presenting the heritage from the past and the competencies of the present as well as the training of tomorrow’s professionals

kicked off at Baselworld. *Impressions*, the first book published by the Manufacture and released at the end of 2015, was another important highlight. The work presents impressions of the Glashütte Original brand shared by brand connoisseurs, trade journalists and witnesses to specific eras from around the world, expressed through short stories and personal anecdotes. Following the book’s release event in Glashütte (Saxony), other presentations took place in Beijing and Hong Kong.

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## CREATION

### [SENATOR COSMOPOLITE]

At Baselworld, Glashütte Original presented an authentic mechanical masterpiece: the Senator Cosmopolite. This innovative timepiece is intended for globetrotters. Its in-house-developed automatic Caliber 89-02 drives simultaneous displays of the time in two time zones, while its rotating bezel also serves to select up to 37 different time zones around the globe.

### [SENATOR OBSERVER]

The new version of the Senator Observer commemorates the fascinating history of sailing. To enhance its readability, the dial – itself produced in-house by the Manufacture – is coated with Super-LumiNova. At the heart of this watch beats Caliber 100-14, a delicate movement endowed with a 55-hour power reserve.

### [PAVONINA]

In addition to its new models for men, Glashütte Original created seven very glamorous timepieces for women, distinguished by their extremely feminine designs and their refined variations. All the models in the Pavonina collection are equipped with the user-friendly 03-02 quartz caliber and feature the line's typical cushion-shaped case.



## PRESENCE

### [PARTNERSHIP WITH THE BERLINALE]

For the fifth consecutive year, Glashütte Original enjoyed a fruitful collaboration with the Berlin International Film Festival. The enormous attendance at the festival was reflected in the number of guests hosted in the Glashütte Original lounge. The brand once again awarded the "Made in Germany – Perspektive Fellowship" designed to support emerging filmmakers. This year, the distinction honored Oskar Sulowski.

### [GLASHÜTTE ORIGINAL MUSIC FESTIVAL PRIZE AWARDED TO A FADO SINGER]

The exceptional Portuguese fado singer, Mariza, was honored at the 12th edition of the Dresden Music Festival funded by Glashütte Original. Yann Gamard, CEO of Glashütte Original and Jan Vogler, Director of the Dresden Music Festival, jointly presented the award to this charismatic artist. This distinction, with its 25000 euro cash prize, rewarded the Mariza's commitment to preserving the fado tradition, as well as the passion with which she enthuses young and old around the world.

### [INAUGURATION OF NEW BOUTIQUES AND NEW POINTS OF SALE]

In 2015, Glashütte Original inaugurated innovative boutiques in Beijing, Hong Kong and Macau. Shortly before the end of the year, the pre-opening of a larger boutique took place in Paris. In addition, new specialized boutiques opened by Glashütte Original in the Saudi cities of Jeddah and Riyadh enabled the brand to reinforce its presence in the Middle East.



PRESTIGE AND LUXURY RANGE

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# THE ART OF ASTONISHMENT

## TRENDS

**[PAINTING EVENTS]**

Jaquet Droz regrouped a number of artisans with unique expertise in its workshops and constantly provided opportunities to discover one of its fascinating specialties, miniature painting on enamel. At events staged around the world, VIP clients and journalists were able to try their hands at this painting technique and to appreciate its subtle complexities.

**[ATELIERS D'ART AND ATELIERS AUTOMATES]**

The brand is continuing to develop its Ateliers d'Art to keep surprising observers and to perpetuate ancestral skills. A workshop specially dedicated to automatons is also well worth discovering.

## CREATION

**[LAUNCH OF THE CHARMING BIRD]**

5 After two years of R&D, the Charming Bird model was successfully launched on international markets. This timepiece, which features a singing bird automaton, allows the opportunity to be immersed in a world imbued with history, aesthetic beauty and technology. At the crossroads between the past and the present, the Charming Bird embodies the pinnacle of the creativity of the brand's founders and the unfailing loyalty of the master artisans who have succeeded them. Winner of the Grand Prix d'Horlogerie de Genève 2015 award in the "Mechanical Exception" category, the Charming Bird is a perpetually surprising creation.

**[LADY 8 FLOWER]**

For the very first time, Jaquet Droz has associated one of its most iconic mechanisms, the automaton, with a watch specially dedicated to women. Admirably blending all the artistic crafts cultivated by Jaquet Droz, the Lady 8 Flower is composed of two superimposed circles. The first houses a dainty butterfly with its wings outstretched as an emblem of serenity and poetry, while the second reveals a lotus flower featuring engraved petals and a diamond heart.

**[GRANDE SECONDE DEADBEAT]**

An ultra-rare horological achievement and a masterpiece of high-precision watchmaking, "deadbeat seconds" complication was invented in the Age of Enlightenment. Jaquet Droz has revived this watchmaking marvel by applying the historic technique to its Grande Seconde model. Immediately recognizable yet decidedly different, familiar yet surprising, this Grande Seconde Deadbeat fascinates with this mesmerizing "jumping" hand.

**[PERSONALIZATION]**

For almost three centuries, Jaquet Droz has considered time to be a source of astonishment, excellence and ever-renewed creativity. It has enriched this unique philosophy with an exclusive dimension through the practice of personalization. Jaquet Droz invites passionate watchmaking enthusiasts to personalize the dials of their timepieces and to pay tribute to the tradition of the Jaquet Droz Ateliers d'Art.

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## PRESENCE

### [BOUTIQUES]

In 2015, Jaquet Droz continued to reinforce its international presence and has opened a number of points of sale around the world. The inauguration in 2015 of four new single-brand boutiques in China bears testimony to the Swiss watchmaker's desire to celebrate its long-standing ties with the Middle Kingdom.

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### [EXCLUSIVE PRESENTING PARTNER OF THE BÉJART BALLET LAUSANNE]

Jaquet Droz supports art in all its forms and is proud to share its passion for movement, for splendid gestures and for efforts naturally culminating in self-evident beauty with the Béjart Ballet Lausanne. This year, this novel partnership led the watch brand and the dance company to travel around the world together for around 60 performances, notably staged in Monaco, at the Bolshoi and in Cologne.

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### [PHILANTHROPY: ONLY WATCH]

Jaquet Droz partners the Only Watch charity operation organized by the Monaco Association against Muscular Dystrophy. This year, the watch brand reiterated its commitment by offering a one-of-a-kind Petite Heure Minute Paillonnée for the auction.

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PRESTIGE AND LUXURY RANGE

HIGH RANGE



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MIDDLE RANGE

BASIC RANGE



# ELEGANCE, PERFORMANCE AND TRADITION

## TRENDS

In 2015, Longines consolidated its distribution network with a large number of new boutiques in its own name all around the world.

At Baselworld, Longines presented a new facet to its collection, entirely dedicated to the equestrian universe that the brand has woven close ties with over the years. Women's watches were a particular focus with a large choice of new models. Throughout the year, a series of re-editions enhanced the Heritage line.

Partner to the most renowned equestrian events, Longines had the privilege of timing the historic victory of American Pharoah, the first Triple Crown winner in 37 years. True to its values, Longines also pursued its commitment to young athletes in equestrian sports, tennis and alpine skiing.

## CREATION

5 In 2015, Longines inaugurated a new segment in its collection and presented timepieces inspired by its rich history, reflecting its values of elegance, performance and tradition.

### [THE LONGINES EQUESTRIAN COLLECTION]

10 As a token of its longstanding passion for equestrian sports, Longines presented a new line inspired by the world of horses. Its diverse feminine models present resolutely bold design while remaining true to the elegance that has characterized the brand with the winged hourglass.

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**[LONGINES DOLCEVITA]**

Heir to a tradition in which elegance reigns supreme, the Longines DolceVita has been a resounding success around the world since it was created. In 2015, Longines launched a new interpretation of this collection, available in four sizes, which subtly blends geometric lines with soft curves.

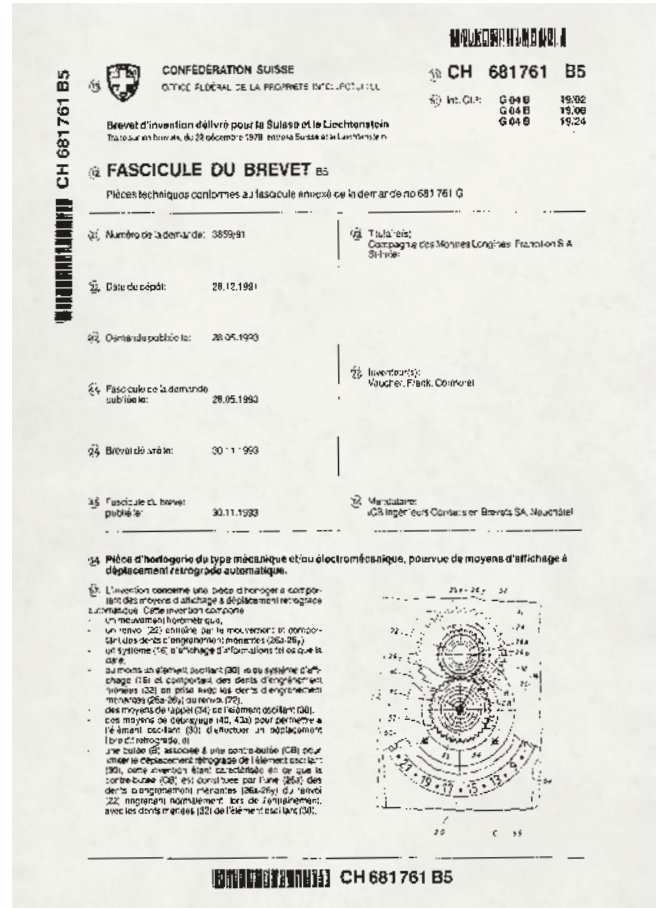
**[THE LONGINES HERITAGE DIVER 1967]**

The Longines Heritage Diver 1967 draws its inspiration from a watch model designed for divers that has been produced since 1967. Its graduated Bordeaux diving bezel contrasts elegantly with its opaline black dial and silvered counters. This chronograph is also equipped with a tachymeter function.

**[CONQUEST CLASSIC MOONPHASE]**

Building on the success of the Conquest Classic line, the Swiss watchmaking brand presented a new chronograph displaying the phases of the moon, the Conquest Classic Moonphase. This model subtly combines the brand's watchmaking tradition, its sports heritage and its innate sense of sophistication.

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## PRESENCE

### [BOUTIQUES]

In 2015, Longines focused on the opening of a large number of monobrand boutiques, including one in Paris, inaugurated in the presence of its Ambassador of Elegance, Stefanie Graf, and one in London, which hosted Ambassador of Elegance, Kate Winslet. A large number of monobrand boutiques also opened in Asia, America and in the Caribbean.

### [EQUESTRIAN SPORTS]

Longines has woven close ties with equestrian sports for over a century. Today, its involvement includes flat racing, show jumping, endurance and eventing.

In the area of horse racing, the brand announced the extension of its partnership with the International Federation of Horseracing Authorities (IFHA). In this regard, Longines awarded the Longines World's Best Racehorse to Japanese horse, Just A Way, the Longines and IFHA International Award of Merit to the late Marcel Zarour and Seth Hancock and the Longines World's Best Jockey award to Lanfranco Dettori. The brand also announced the creation of a prize in recognition of the best horse race, which will be awarded for the first time in January 2016. Longines also became Official Partner, Official Timekeeper and Official Watch of the Night Turf St. Moritz, as well as the Longines Golden Slipper in Australia and the Longines Irish Champions Weekend.

With regard to show jumping, Longines became Title Partner to the Longines Masters series, which takes place in Paris, Hong Kong and Los Angeles. For the first year, the brand officiated as Title Partner and Official Timekeeper of the North American League of the Longines FEI World Cup™ Jumping. It also partnered the European and Chinese leagues as well as the final of the World Cup. In 2015, the Longines Global Champions Tour stopped in Miami Beach and Rome for the first time. In addition, Longines served as Title Partner to the Parisian leg of the series held at the foot of the Eiffel Tower, the Longines Paris Eiffel Jumping.

In its capacity as FEI Top Partner, the brand acted as Title Partner, Official Timekeeper and Official Watch of the Longines FEI European Eventing Championship 2015 which took place at Blair Castle in Scotland and was attended by Her Majesty Queen Elizabeth II.

Longines presented a Longines Ladies Award to HRH Princess Haya for her exceptional commitment to the equestrian world. The ceremony took place the day before Royal Ascot.

### [TENNIS]

Partner and Official Timekeeper of the Roland-Garros (French Open) tournament, Longines launched an exclusive chronograph keeping time to one hundredth of a second: the Conquest 1/100th Roland-Garros. The caseback shows an engraving of the Parisian tournament's logo.

In addition to its Roland-Garros involvement, Longines organized the sixth edition of the Longines Future Tennis Aces, which brought together 16 international players under the age of 13. In an exceptional setting, at the foot of the Eiffel Tower, Xiaofei Wang (China) won the final against Jack Pinnington-Jones (United Kingdom). The two players then had an opportunity to compete in an exhibition match against Arnaud Clément, patron of the 2015 edition, and Michaël Llodra.

For the first year, the brand partnered the *Rendez-vous à Roland-Garros*, allowing the best junior boys and girls at the international level to compete in an attempt to win a wild card for the big Parisian meeting. Brazilian Gabriel Decamps and Chinese Shuyue Ma won the final.

### [ALPINE SKIING]

Official timekeeper of the FIS Alpine Ski World Cup, Longines also supports young hopefuls within the context of the "great white circus". At the end of the 2014–2015 season in Méribel, the brand awarded the Longines Rising Ski Stars to American Mikaela Shiffrin, Longines Ambassador of Elegance and Norwegian Henrik Kristoffersen, who distinguished themselves as best female skier under 21 and best male skier under the age of 23 of the season respectively. Mikaela Shiffrin also won her second consecutive World Champion title for Slalom at the Vail/Beaver Creek FIS Alpine World Ski Championships, also timed by Longines.

Longines is now the Official Watch of the St. Moritz (GR) Alpine village. The brand also partners several events which take place in the spectacular resort in the Grisons. Within the framework of this new partnership, it has created a special edition: the Conquest 1/100th St. Moritz.

### [GYMNASTICS]

Official partner and timekeeper to the International Gymnastics Federation (FIG) rhythmic and artistic gymnastics, Longines awarded the Longines Prize for Elegance at the World Championships 2015 in Glasgow (United Kingdom) and Stuttgart (Germany). Giulia Steingruber (Switzerland), Longines Ambassador of Elegance, and Max Whitlock (Great Britain) captivated the jury with their performances in artistic gymnastics, while Margarita Mamun (Russia), won the rhythmic section.

Yana Kudryavtseva, Longines Ambassador of Elegance, won the individual overall title of the World Championships for the third consecutive year, as well as three other gold medals.

### [ARCHERY]

Official partner to the Archery World Cup, Longines awarded the Longines Prize for Precision to two archers, Sara Lopez (Colombia) and Mike Schloesser (Netherlands) at the final in Medellín (Colombia).



PRESTIGE AND LUXURY RANGE

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MIDDLE RANGE

BASIC RANGE



# THE HERITAGE OF INNOVATION CONTINUES

## TRENDS

### [MODERN ALCHEMY]

Inspired by the alchemic processes of yore, Rado's cutting-edge plasma process transforms precious pure white ceramic into something even more rare and beautiful – plasma high-tech ceramic, a unique and truly contemporary material that produces a metallic glow without containing any metal at all. Rado's plasma high-tech ceramic is a perfect example of Modern Alchemy, an emerging movement born of the drive to create beauty through the transformation of materials. 2015 saw an intense and fruitful focus on the Modern Alchemy trend, including a themed Rado trend booklet and international media events in Paris, London and Tokyo.

### [CHOCOLATE BROWN WITH A GOLDEN TOUCH]

Brown high-tech ceramic, the latest proof of Rado's mastery of materials, made its debut in 2015. This sumptuous chocolate color joins last year's breakthrough, cool grey high-tech ceramic, as well as the original black, pure white, and metallic plasma. Versatile chocolate brown ceramic offers all the benefits of high-tech ceramic, from its famed scratch resistance and light weight to its ability to adapt to the wearer's body temperature, resulting in ultimate comfort.

Models in the HyperChrome and Centrix families were chosen to reveal the exceptional qualities of Rado's new chocolate ceramic surface. These brown ceramic pieces were also accompanied by detailing in a warm rose gold color, a coppery gold tone that has been rising in popularity among jewellery and fashion designers.

## CREATION

### [HYPERCHROME MATCH POINT]

Sporty, sophisticated and inspired by tennis, the Rado HyperChrome Match Point was the official watch of a number of international tennis tournaments in 2015. It features a small seconds counter marked at 00, 15 and 40, and a chronograph hour counter with a net-like design. The monobloc case and bracelet are crafted in matt plasma high-tech ceramic with polished plasma middle links, and the bezel features an engraved tachometric scale. Limited to 999 individually numbered pieces, the Rado HyperChrome Match Point is a breathtaking timepiece, and the perfect watch to wear when lifting a trophy.

### [THE NEW TRUE]

Eight years after it was first launched, the award-winning Rado True returned this year – and is more irresistible than ever. Now made using monobloc case construction, the True is lighter and more streamlined, giving the timepiece a new edge. Two highlights of the new True collection, made in chic plasma high-tech ceramic, stand out – a diamond-studded ladies' model with a mother of pearl dial, and a gents' version with a dial in an intense dark grey. With a total of 14 striking models in black, white and plasma high-tech ceramic, the new True collection is pure design and pure Rado.

### [DIAMASTER GRANDE SECONDE]

With its edgy yet retro design, the Rado DiaMaster Grande Seconde was a welcome and stylish addition to the Rado family in 2015. A monobloc high-tech ceramic case houses a large open dial presenting two overlapping sub-dials, one for hours and minutes and one for seconds. Beautiful to behold, this new collection consists of four eye-catching models, two in plasma high-tech ceramic with brown leather straps for an old-school look, and two black versions that have an edgy futuristic feel. The Rado Grand Seconde collection focuses on leather straps, with only one model featuring the signature DiaMaster five-link bracelet.



## PRESENCE

### [TIME FOR TENNIS]

Synonymous with tennis for decades, Rado proudly launched its Rado YoungStars tennis program in 2015. This new initiative is designed to support up-and-coming young tennis players, with the aim of creating an international team of talented, ambitious players who have the potential to become the next generation of tennis stars. The first promising tennis talents to join the YoungStars team hail from all over the world – the USA, China, Germany, Russia and South Korea. These young pros share the skills, strength and willpower that make them perfect candidates for a partnership with Rado.

Rado continued its activities on the international tournament circuit, with Rado branding and corner clocks prominent at 17 international tournaments this year. The brand also expanded its sponsorship presence, acting as official time-keeper for the Mexico Open, the Istanbul Open, and the Optima Open in Belgium for the first time.

### [DEDICATION TO DESIGN]

Rado once again teamed up with various international design platforms to strengthen its position as the leading watch brand when it comes to cutting-edge design. As the main partner of Design Prize Switzerland, Rado organized the category Rado Star Prize Switzerland for Young Talents, which received over 150 entries this year – a new record. Local Rado Star Prizes were also held during Paris Design Week and Vienna Design Week, with the latter event seeing the launch of the Rado True Vienna Edition 2015, which features design elements in yellow, the event’s official color.

### [AROUND THE WORLD WITH BRAND AMBASSADORS]

The year got off to a star-studded start at the Dubai Mall, with Rado hosting an event with Indian film star and brand ambassador Hrithik Roshan, who presented limited edition Rado DiaMaster models exclusive to the region.

Hrithik Roshan was also the star of a new Rado advertising campaign: Shot against a backdrop of Hrithik’s everyday life, the ad visuals depict his good looks and natural elegance whether he is suiting up for the business world, or lounging in front of a piano – a clear nod to his background as an artist and dancer. Bollywood beauty and long-time brand ambassador Lisa Ray likewise featured in a new campaign from Rado. The shots capture her glamour and spirit, whether dressed to the nines during a poolside stroll or reclining at home while draped in black silk.

Rado’s partnership with Chinese A-list actress Tang Wei reached new heights in 2015. Rado launched its brand new DiaMaster models under the banner of the Modern Alchemy trend at an event in Beijing with the glamorous brand ambassador, who introduced guests to the magical and extraordinary world of plasma high-tech ceramic. Rado also proudly

unveiled a new TV commercial with Tang Wei: The entrancing new spot shows the magical creation of the Rado HyperChrome Diamonds in plasma ceramic, with Tang Wei as a mythical muse looking on as it takes shape.

Rado brand ambassador and tennis superstar Agnieszka Radwanska launched the new tennis-inspired Rado True Match Point at an exclusive event in Warsaw. Made in white high-tech ceramic with blue steel hands and decorated with Agnieszka Radwanska’s signature on the case back, this watch is limited to 99 individually numbered pieces and available exclusively in Poland.



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## TRADITION AND BEAUTY

### TRENDS

2015 once again saw Union Glashütte achieve considerable sales growth in all markets. The “Glashütte Made” label appeals not only to German-speaking consumers, but also to an increasing number of watch connoisseurs all over the world. In its largest market, Germany, the brand was involved in four major classic car events as Watch Partner and through these, was introduced to a large number of enthusiasts of fine traditional machinery. The newly launched Heritage 1893 Small Second series, inspired notably by historical watches, is playing a key part in the current promising growth of the brand. One of the major challenges of the past year was dealing with the expansion of the factory in Glashütte (Saxony) in an effort to meet the increased demand in sales and future geographic expansion.

### CREATION

#### [BELISAR CHRONOGRAPH]

It radiates retro charm, but is far from being old-fashioned. The new Belisar Chronograph effortlessly combines a nostalgic look with proven sportiness and, at the same time, shows the excellent flair possessed by this German watchmaking brand when it comes to modern details and high-quality finishes. It also houses a mechanical chronograph movement with up to 60 hours of power reserve.

**[1893 SMALL SECOND FOR WOMEN AND MEN]**

The 1893 collection, which commemorates the year in which the Union Glashütte Watch Manufacture was founded, will be extended with the release of an attractive pair of timepieces with a small seconds dial. As regards configuration and workmanship, the women's model, with a diameter of 34 mm, is in no way inferior to the 41-mm men's version. Thanks to their timeless, classic design, wearers will enjoy spending time with these watches. They may even form a lifelong attachment to them.

**[SIRONA LADY]**

The Sirona Lady is a queen of the night that looks just as beautiful by day. With a black mother-of-pearl dial which changes color to take on the shades of dusk and is framed by sparkling diamonds, the Sirona with a diamond bezel is a breathtaking eye-catcher on any lady's wrist.

**PRESENCE**

**[RETAILER EVENT]**

At the end of April, Union Glashütte invited the most important retailers in Germany, Austria, Switzerland and Russia to its partner event at Lake Constance. At the Dornier Museum in Friedrichshafen, reserved exclusively for Union Glashütte guests, an extensive information session was held about the brand's sales and marketing activities, as well as a presentation on new products. The guests were able to admire the watches and place their orders directly, on-site.

**[VINTAGE CAR RALLIES – SACHSEN CLASSIC AND SILVRETTA CLASSIC]**

Since 2010, Union Glashütte has been the official Watch Partner of the Sachsen Classic vintage car rally. As in previous years, another 200-piece limited edition series was launched to mark the occasion: this time, a new Belisar Chronograph. In addition, for the past two years, the traditional German brand has been involved as a partner of the Silvretta Classic.

**[ADAC CLASSIC – VINTAGE CAR RALLIES]**

This year, Union Glashütte entered into a partnership with ADAC Classic as its official Watch Partner. The German watch brand therefore now figures prominently at the Deutschland Classic and Trentino Classic events.

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# THE BASKETBALL WORLD OF TISSOT, PARTNER OF THE NBA, THE FIBA AND THE CBA

## TRENDS

- In 2015 Tissot maintained growth, particularly in the United States and in Europe.
- The brand introduced many mechanical and technical novelties expressing its "Innovators by Tradition" DNA. The Tissot Chemin des Tourelles, an exquisite mechanical watch with an exclusive Powermatic 80 movement offering up to 80 hours of power reserve, was awarded a prize at the International Timing Competition and a new Tissot T-Touch Expert Solar line was also launched.
- The new worldwide advertising campaign featured beautiful images of the brand ambassadors by world-renowned photographer Peggy Sirota, alongside striking product shots and the powerful tagline "Tissot, this is your time". National

- 5 - Basketball Association player and Tissot brand ambassador Tony Parker – who reached the top of his profession in spite of standing only 1.88 meters – starred in the inspirational television commercial, a first for Tony in his Tissot role.
- 10 - Tissot timekeeping partnerships continued to demonstrate the company's dedication to accuracy and peak performance. Highlights included becoming *the* player in basketball, with three high-profile alliances as Official Timekeeper: with the NBA, the International Basketball Federation and the Chinese Basketball Association. Tissot was also Official Timekeeper of the 2015 Rugby World Cup and the 1st European Games Baku in Azerbaijan.
- 15 - New openings brought the total number of Tissot POS to 14000, with 3500 shop-in-shops and 300 boutiques. The brand opened elegant boutiques in New York's Times Square,

Star House in Hong Kong, Huai Hai Road in Shanghai and, more locally, Zermatt in Switzerland.

## CREATION

Leading the way in extraordinary timepieces for every day, Tissot launched the Tissot Chemin des Tourelles – a special watch whose exclusive Powermatic 80 movement offers up to 80 hours of power reserve – a novelty for the watch industry that received high praise. It takes its name from the street in Le Locle (NE) where the Tissot workshop was established in 1907 and where the company can still be found today. All of the versions display remarkable detail.

In 2015, Tissot won four prizes at the famous International Timing Competition. The Tissot Chemin des Tourelles took first prize in the “Chronograph – Enterprise” category with the C01.211 movement, while in the “Classic – Enterprise” class, the Tissot T-Complication and its A86.501, derived from the ETA 6498-2, landed a first, with Tissot Bridgeport, bearing the Powermatic 80 movement, securing both second and third place. This quadruple triumph is testament to Tissot precision, perfection and expertise.

In the technological arena, Tissot created a T-Touch Expert Solar NBA Special Edition, which illustrates the essence of the groundbreaking partnership with the NBA, thanks to its 20 tactile functions, bold style and the NBA logo engraved on its caseback. Another group of watches turning heads was the Tissot Quickster Collection. A contemporary twist on a sports watch, it stands out from the crowd with its straight hands, singular number 12 and super-fine bezel, which allows a greater view of the dial, and its changeable NATO strap. Special Editions were produced for the five NBA teams Tissot partnered with, bearing their colors and logos.

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## PRESENCE

### [MAIN EVENTS AND TESTIMONIALS]

Official Timekeeper of FIBA since 2008, Tissot was poised for action at EuroBasket 2015 in September. In a thrilling final, Spain beat Lithuania in front of a record number of spectators at Lille's Pierre Mauroy Stadium.

It was time to forge new partnerships, too, and in October, Tissot signed the biggest contract in its history to become the first Official Timekeeper of the NBA, as well as the Women's National Basketball Association and the NBA Development League. Tissot President François Thiébaud explained, "We are very proud to play an active role in one of the most popular sports worldwide. We are a global brand, and a global association in the world of basketball seemed only fitting."

Tissot will be working with the NBA to develop a state-of-the-art integrated timing system for all 29 NBA arenas. In November, NBA representatives joined François Thiébaud in New York to announce partnership deals with five NBA teams and to unveil the Tissot NBA Watch Collection comprised of six watches in styles from classic to sporty and on-trend.

That same month, it was revealed that Tissot was chosen as Official Timekeeper of the CBA, Asia's pre-eminent professional league, for the next five years. These three high-profile partnerships position the brand as *the* global player in basketball, where every tenth of a second counts.

2015 was also Tissot's time for rugby, as it provided expertise as Official Timekeeper of the Rugby World Cup. The 44 matches held across 13 venues in England and Cardiff led to victory for the All Blacks in a spectacular final against Australia.

Hot on the heels of the World Cup final, Tissot was named Official Timekeeper and Official Watch of the European Rugby Champions Cup and Challenge Cup for the next five years. It is also Official Timekeeper of the Top 14 French National Rugby League and the RBS 6 Nations Championship.

Tissot continued its association with MotoGP™. Following an exciting final race, Tissot announced that it would be providing essential timing support in its vital role as Official Timekeeper and Watch, making every thousandth of a second count, as its partnership with Dorna Sports extends until 2022.

It also continued to deliver its services to the world championships of ice hockey, cycling and fencing. Demonstrating both its diversity and pioneering spirit, Tissot wrote history as Official Timekeeper of the 1st European Games Baku 2015 in Azerbaijan. With its sister company, Swiss Timing, it provided unrivalled timing and scoring services for more than more than 6000 athletes competing in 19 sports.

In October, Chinese actress Liu Yifei joined the Tissot family as brand ambassador. At a celebration in Beijing, attended by fellow actor and ambassador Huang Xiaoming, Liu Yifei wore

a watch from the Tissot Chemin des Tourelles collection that was launched at the event.

Closer to home, in June, Tissot presented the Tissot T-Touch clock, carved into stone at the end of the "Peak Walk by Tissot". This is the world's first suspension bridge to connect two peaks – one of many firsts since the brand's foundation in 1853. The bridge is located at leading excursion destination Glacier 3000 in Les Diablerets, with outstanding views of the Matterhorn, Mont Blanc massif, Eiger, Mönch and Jungfrau. The special materials and advanced functionality of the Tissot T-Touch render it the ideal companion for mountaineers.

In September, the "First Cliff Walk by Tissot" was inaugurated close to Grindelwald (BE), gateway to the Jungfrau region. This 300-metre-long bridge leads to a platform whose glass floor allows dramatic views of the valley below and of the breathtaking Alpine scenery.

Later in the year it launched the Tissot Jungfraubahn Collection in honor of its partnership with the railway, which celebrated its 100th anniversary in 2012. The range includes the Tissot Luxury Jungfraubahn Special Edition, which has the railway's logo on its see-through caseback and an 80-hour power reserve, and the Tissot T-Touch Expert Solar Jungfraubahn Edition, with a drawing of the Eiger, Mönch and Jungfrau mountains on its dial and 20 useful features. These alliances underscore Tissot's connection with the Swiss Alps and its commitment to producing high-tech products that succeed in exacting conditions.



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# MODERN PROVOCATEUR

## TRENDS

In 2015 Calvin Klein watches + jewelry built outstanding brand awareness, interaction and affinity with the launch of the global #ckminute campaign. The social media initiative featured key influencers worldwide capturing and sharing unique and meaningful moments of their daily lives wearing their favorite Calvin Klein watches + jewelry pieces.

The #ckminute concept was fully integrated in the advertising campaign, shot in a stylish rooftop apartment in New York by French photographer Karim Sadli whose work showcased his ability to capture fashion and portraiture to consistently modern and elegant effect. His minimalist aesthetics and sophisticated use of lighting brought the natural beauty of top models Anna Jagodzinska and Tyson Brett Ballou into sharp

relief. This year's campaign also featured top Korean actor and model Kim Woo Bin.

Calvin Klein watches + jewelry showed resilience, maintaining business stability in 2015 and had great results despite the significant currency impact of the Swiss franc. It increased its market share reinforcing its positioning as the only Swiss-made designer fashion brand and its offering of very beautiful watch and jewelry pieces at affordable prices. The aggressive expansion of its distribution network in Asia helped the brand maintain high visibility and perform particularly well in the region, despite a challenging economic situation in markets like China and Hong Kong, while business in Thailand and Singapore showed positive signs of recovery. In Europe, the brand again benefited from great awareness and strong demand, especially for watches. Presence was reinforced in



Brazil and strong performance with double-digit growth was especially recorded in Japan, Australia and Caribbean.

2015 was also marked by the successful launch of the brand's e-commerce platform in Europe with already excellent and promising results. In less than a year this sales channel established itself as a major driver of growth.

## CREATION

5 With pure, geometric and graphic lines inspired by modern urban life, Calvin Klein watches + jewelry offered a powerful and iconic collection of timepieces and jewels, designed for ease of wear, for a contemporary lifestyle fitting any look, from day to night. The inspirational stars of the year included the lustrous and enduring his & hers Calvin Klein alliance watch inspired by urban architecture, marrying sapphire crystal glass, polished metals and mother of pearl or embossed dial

10 for a bright effect.





In a world of infinite possibilities, jewelry like the elegant and striking Calvin Klein breathe collection celebrated the power of seduction. With effortless sophistication the year's jewelry was more charismatic than ever. Dynamic and powerful, the collection reflected the brand's strong and unique positioning.

## PRESENCE

At Baselworld, Calvin Klein watches + jewelry hosted an invitation-only dinner for top journalists worldwide celebrating the 2015 lines at the city's cultural center Brasilea Foundation. The event also featured a performance by star British singer-songwriter Birdy. At the dinner, Calvin Klein watches + jewelry President Laura Burdese revealed the three student winners of the watch and jewelry design competition launched last year in partnership with Istituto Europeo di Design in Milan, Donghua University in Shanghai and the Fashion Institute of Technology in New York City.

Judges for the design competition included Laura Burdese, Ulrich Grimm, Creative Director of Calvin Klein's Men's & Women's Shoes & Accessories, prominent bloggers Chiara Ferragni, founder of *The Blonde Salad* (based in Milan) and model, blogger and creative director Nicole Warne of Sydney's *Gary Pepper Girl* – all of whom attended the event. The winners, whose work was displayed on the new Calvin Klein watches + jewelry booth at Baselworld, presented a fresh vision and interpretation of the brand through creative use of material and design in keeping with the brand aesthetics.

In the summer, Calvin Klein watches + jewelry celebrated the Fall/Winter 2015 lines at the Waterhouse in Shanghai, an industrial event space that provided the perfect backdrop for the innovative aesthetics of the new timepieces and jewelry. Attending the event were top Asian editors and industry notables as well as special guest Kim Woo Bin.



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PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

**BALMAIN**  
swiss watches

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

BASIC RANGE



# CREATOR OF CHARM

## TRENDS

In 2015, Balmain maintained stable sales volume in spite of ongoing economic and political uncertainty in the international markets. The brand's key regions remained the Middle East, Europe, China, Russia and Hong Kong.

True to its heritage and innovative spirit in the field of design, Balmain presented its new collection at Baselworld. Small size watches were remarkably successful and enthusiasm for these models strengthened Balmain's position as a primarily feminine brand.

With its stylish design, the brand has become a key player in the mid-range segment, perfectly embodying Swiss quality and reliability.

## CREATION

### [BALMAINIA CHRONO LADY ARABESQUES: THE CHRONOGRAPH FOR SPECIAL OCCASIONS]

5 There are millions of women who currently take on scientific and technical responsibilities and who find having a reliable Swiss chronograph on their wrist very useful in their professional lives, particularly if it is both practical and elegant. The new Balmainia Chrono Lady Arabesques bears the signature motif of the famous fashion and watch brand, which every  
10 woman will instantly fall in love with.

**[CLASSIC R AUTOMATIC:  
THE TIME IN UNISON FOR MODERN COUPLES]**

The success of a couple depends on a multitude of small and great joys, and a sense of sharing is often a significant contributing factor. To demonstrate this joy, an object worn by both parties is a must, such as the Classic R Automatic... by Balmain.

**[ÉRIA RC LADY:  
A CLASSIC SPIRIT AND THE CHARM OF FASHION]**

Even the most enthusiastic follower of classical style will seek to stand out and express her own personality, most often through her accessories. In order to meet this need, Balmain created Éria RC Lady, a chic and discreet yet entrancing little gem.

**[MISS BALMAIN DREAM: TIMELESS SIMPLICITY]**

The gentle combination of styles and ages is what makes current fashion charming. Through its simplicity and reliability, the Miss Balmain Dream Watch suits every wrist and every outfit.

In May, the Balmain ambassador visited Dubai for an event held in partnership with the Rivoli Group, which had invited the local press and its best clients. In September, Laetitia Guarino graced a private cocktail party in Kuwait City attended by regional celebrities and press representatives.

For the tenth consecutive year, Balmain produced the official watch worn by Miss Switzerland at the gala evening, which took place at the Musical Theater in Basel on Saturday, the 7th of November. The Miss Switzerland 2016 title was awarded to Lauriane Sallin. Her beauty, youth and smiling naturalness make her a perfect ambassador for the Balmain brand.

The memory of Pierre Balmain remains eternally linked to the notion of elegance and avant-garde style. Since 2005, the watch brand that bears his name has perpetuated this heritage through its faithful support of the Miss Switzerland competition. Balmain achieved its reputation on the Swiss market and has become the quintessential feminine brand in its home country.

**PRESENCE**

Various events were held in the most strategic markets. During Baselworld, Balmain held a cocktail party attended by Laetitia Guarino, Miss Switzerland 2014/2015, who conquered the hearts of all the brand's guests.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE



www.certina.com

BASIC RANGE



# TRADITION, SPORT AND PRECISION

## TRENDS

Certina was able to implement its qualitative distribution and marketing goals effectively in 2015, thus continuing to achieve significant market share in the sport watch segment. As the brand's sales are largely generated in Europe and Eastern Europe, including Russia, its marketing and sponsoring activities, such as timekeeping for various racing series, focused primarily on those regions. These investments resulted in a great deal of publicity for the brand and a significant increase in public awareness. In Asia, Certina is a relatively young watch brand and is therefore concentrating primarily on qualitative and selective distribution driven by promotional activities at points of sale close to the end consumer. Like other regions, the Middle East also demonstrated promising growth for the Certina brand in 2015.

## CREATION

### [DS-8 CHRONOGRAPH MOON PHASE]

The elegant, sporty DS-8 chronograph houses a new and exclusive PreciDrive™ quartz movement that also features a moon phase display. This new product range is an excellent example of intricate manufacturing and exceptionally fine detailing, qualities that have quickly made it a bestseller.

The launch of the DS-8 Chronograph Moon Phase model was one of the year's product highlights, specifically in relation to movement innovation, and also had a positive influence on Christmas trade.

**[DS EAGLE CHRONOGRAPH – AUTOMATIC]**

With its distinctive design and a diameter of 46 mm, the DS Eagle Chronograph is a real eye-catcher. In 2015, the model featured a new automatic movement, visible through a transparent caseback with a skeletonised Certina turtle logo.

**[DS FIRST LADY CERAMIC CHRONOGRAPH]**

The DS First Lady Ceramic, with its feminine, elegant yet sporty style, is the ideal companion for the woman with an active and fashion-conscious lifestyle. This ladies' chronograph is manufactured from 316L stainless steel coated with PVD rose gold which, combined with the structured ceramic bezel and the delicate floral pattern on the dial, creates a very elegant appearance.

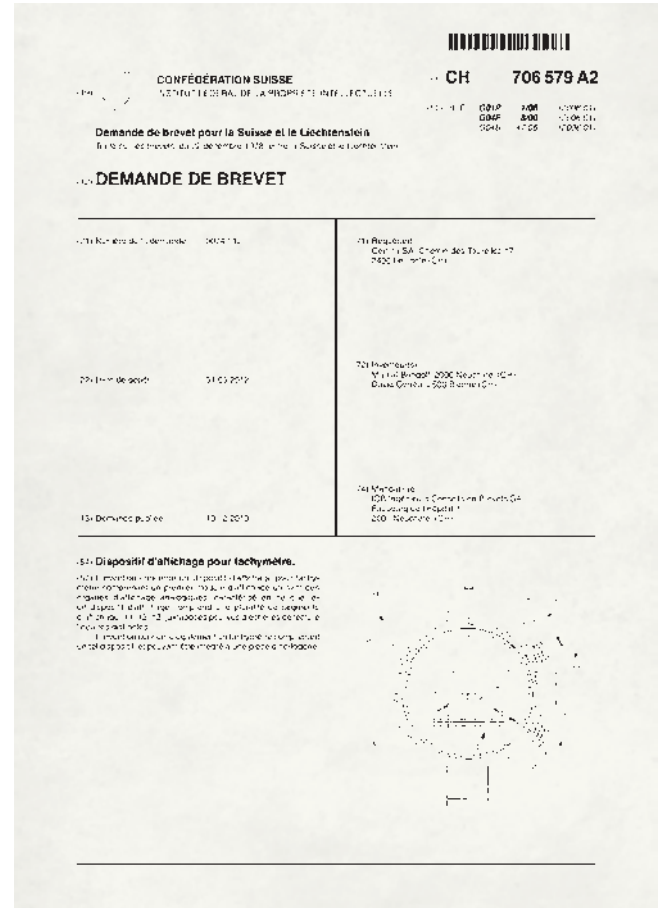
**PRESENCE**

**[NEW PARTNERSHIP WITH THE CITROËN TOTAL ABU DHABI WORLD RALLY TEAM]**

On the occasion of the Rally Monte-Carlo – the first event of the 2015 racing calendar – Certina announced its new partnership with the Citroën Total Abu Dhabi World Rally Team at the opening gala in the Hotel de Paris. This will allow the Certina brand to further strengthen its current commitment to car rallying.

**[LAUNCH OF THE DS PODIUM BIG SIZE CHRONOGRAPH – WRC LIMITED EDITION]**

Since 2013, Certina has been the official timekeeper of the FIA World Rally Championship (WRC). In honor of this partnership, the DS Podium Big Size Chronograph – WRC Limited Edition was launched during the opening proceedings at the Swedish WRC rally in February 2015. Only 5000 of these timepieces were produced, with a design specifically dedicated to car rally sport throughout the world.



**[NEW PARTNERSHIP WITH THE ADAC GT MASTERS SERIES]**

Certina launched another new partnership in motor sport as Official Timekeeper for the ADAC GT Masters racing series. The Certina logo now figures prominently on the windscreens of all the super sports cars and in the television broadcast graphics. Most of this racing series is held in Germany but races also take place in Austria, Belgium and the Netherlands.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

**MIDO**

SWISS WATCHES SINCE 1918

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

BASIC RANGE



# ARCHITECTURE AT THE HEART OF CREATION

## TRENDS

2015 was an extremely intense time for Mido, resulting in a record financial year. This ongoing progression can be explained by significant growth and reinforced visibility in all the regions represented. Among other developments, the brand was also launched in several strategic markets.

Principally associated with mechanical movements, Mido watches continue to combine aesthetic appeal, authenticity and functionality. Beyond fashions and trends, a Mido watch is distinguished by its timeless character, a key quality that the brand shares with architectural works that have made their mark on history.

Focused on constant development, Mido's collections were enhanced with models that were true to the spirit of the brand.

## CREATION

### [BELLUNA]

Like the Royal Albert Hall in London, the Belluna collection expresses perfect harmony of shape. This elegant classic is interpreted as ten couples' watches – flattering both male and female wrists – of which certain models are equipped with a complication. All these watches share the same round design with subtle lines like, for example, the Belluna Heures & Minutes Décentrées with its unique, eye-catching dial.



**[MULTIFORT]**

True to the values of the collection born in 1934, the new Multifort watches are a blend of past and present. The Multifort Caliber 80 Chronometer is inspired by a 1940 model and is equipped with a high-performance movement that offers up to 80 hours of power reserve. Tailored to athletes, the Multifort Chronograph Caliber 60 matches technological innovation with precision; its sleek design and black and red colors make this character-filled model with a streamlined look a perfect match with motorsports.

**[COMMANDER]**

The Commander collection is distinguished by the elegance of its polished satin-brushed steel case and sunray satin-brushed dial. The new Commander Chronograph Caliber 60 with its elegant, sporty appeal is the perfect interpretation of Mido's watchmaking expertise. Other three-hand models certified by the Swiss Official Chronometer Testing Institute (COSC) have also enhanced Mido's heritage line.

**[BARONCELLI]**

Dedicated to ladies, the new Baroncelli models combine brilliance and elegance. The Baroncelli Donna watches and their daintily worked dials are the epitome of refinement, combined with the precision of the Mido Caliber 80; the Baroncelli Lady Mini, whose seductive appeal is inversely proportional to its small 25 mm diameter size, is clad in mother-of-pearl, further reinforcing its femininity.

**PRESENCE**

With the launch of its Watch Design Contest, Mido decided to pay tribute to an emblematic monument: London's Big Ben. In this way, the brand emphasizes the key values that it shares with architecture and continues to write its history.

At Baselworld, three watch designers were invited by the brand to create a watch inspired by the clock tower. Esa Mohamed, President of the International Union of Architects – which partners Mido – announced the winner on October 15th in Shanghai at an international ceremony. Sébastien Perret, the winner, will see his creation produced as a limited edition and presented at Baselworld 2016.

Many markets supported the contest, notably through events organized with the aim of encouraging the public to vote for the project of their choice. In total, nearly 100 000 people in some 100 countries took part in the selection of the winner.

Mido successfully emphasized the quality of its presence internationally with the opening of several boutiques and points of sale in 2015. Building on this strong momentum, the brand also reinforced its visibility with the opening of strategic markets such as Italy, Japan and Canada.



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PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE



www.hamiltonwatch.com

BASIC RANGE



# AMERICAN SPIRIT ■ SWISS PRECISION

## TRENDS

This year's highlights include the development of new calibers with ETA and a leading role in the epic Hollywood adventure, *The Martian*.

Hamilton enjoyed another successful year, particularly in its historical key markets Japan, Italy and the USA. Marking the brand's international presence were the openings of subsidiaries in South Africa and Turkey as well as its retail expansion with new boutiques in Seoul, South Korea and Tianjin, China.

A trio of new Hamilton movements in 2015 represented another crowning moment for the brand.

The new H-41<sup>e</sup> quartz movement has the capacity to switch between "worldtimer" functionality, embracing 24 time zones, and a pilot chronograph mode. Alternating between snailing

patterning and pearled finishes, the H-32 movement's luxurious decoration also features the small seconds hand neatly positioned at 6 o'clock. The H-10-S reveals a fully opened dial with new levels of skeletonization and boasts a power reserve of 80 hours.

## CREATION

- 10 Hamilton celebrated Elvis Presley's 80th birthday with the release of the ultra-modern Hamilton Ventura Elvis<sup>80</sup>. The iconic Ventura, with its striking, shield-shaped case was a wardrobe staple for The King of Rock'n'Roll. He wore it while in the army, during the filming of the 1961 box office sensation, *Blue Hawaii* and favored it as a gift for those in his inner circle.
- 15

The 2015 interpretation of the Ventura confirms the focus on the future with mastered technical and material design. Powered by Hamilton's own H-10 movement, the automatic model integrates a power reserve of 80 hours.

## PRESENCE

2015 was an exciting year for Hamilton, the brand known for its leading roles in the worlds of cinema and aviation.

### [CINEMA]

Hamilton Watches returned to the big screen in the fall of 2015 with Hollywood blockbuster *The Martian*. Based on a best-selling novel, helmed by master director Ridley Scott, reliable timekeeping was crucial not only for Hamilton Watches but also for the leading character in the film, scientist Mark Watney (Matt Damon). When every second counts and time means survival, the obvious timepiece for such a challenging role is the military-inspired Hamilton Khaki BeLOWZERO.

Confirming its close involvement with the film industry, the brand once again celebrated the Hamilton Behind the Camera Awards, this year in Beijing at the exclusive venue, the No. 798 Art Zone. The event attracted international attention and stars, including award-winning actors such as Wu Xiubo, Deng Chao, Duan Yihong and Chen Jianbin. All of them paid tribute to the off-screen cinematic talent in great style.

### [AVIATION]

Partnering with ETA in October 2015, Hamilton went on board Novespace's A310 ZERO-G in Mérignac, France to test the impact of zero gravity on mechanical movements. The scientific campaigns were conducted by the CNES (the French National Centre for Space Studies), measuring a total time of 30 minutes in zero gravity (three flights, each including a ten-minute period of zero gravity) to ensure reliable results.

Hamilton was once again the official team sponsor of brand ambassador Nicolas Ivanoff, who rose to new heights at the Red Bull Air Race World Championship 2015. Another key international aviation event was marked by the 2015 EAA AirVenture in Oshkosh, Wisconsin, known as The World's Greatest Aviation Celebration, where Hamilton was the official timekeeping sponsor for the seventh time.



BASIC RANGE

flik flak

www.flikflak.com



# JOY AND RESPONSIBILITY

## TRENDS

Producing the world's favorite children's watch is a joy for Flik Flak – and a responsibility. Grownups are increasingly aware of the quality and functionality of products used and worn by kids. Flik Flak ticks all the boxes with its durable and safe products, as well as excellent customer service. The reliable Swiss-made watches are always top of the class in "edutainment", teaching youngsters to tell the time in a fun way.

## CREATION

For Flik Flak, kids are much more than watch wearers. They are a rich source of inspiration for product design. The 2015 collections grew out of the creative spirit of children and those moments when the lights go out and young imaginations take flight. Based on the belief that anything is possible, dials, cases and straps became a playground for creativity. The result was a world where dancing unicorns, smiling dinosaurs and wearable beehives resided. Innovation was a buzzword, expressed through elements such as material with a pink mother-of-pearl look, countdowns made of brilliant crystals and sleek dimensions. Accompanying treasures gave practicality a twist, for example in matching pencil cases. Innovation also shaped communication activity, with the creativity of kids' imaginations inspiring exciting 3D worlds in a new advertising language.

## PRESENCE

Flik Flak is proud of its capacity to appeal to grown-ups and children and it underlined this with a new retail furniture system comprising a free-standing unit and a wall integration. "Small" fans were the focus of the design process, so it is closer to the ground for easy access, as well as colorful to promote the essential fun factor. Fun was on the timetable for Flik Flak at Expo Milano 2015 thanks to a retail unit in the style of an ice cream cart, full of goodies of the non-melting sort. Stores all over the world embraced the brand's intrinsic sense of enjoyment with activities including Easter egg hunts, Halloween pumpkin painting, selfie competitions and face painting.

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RETAILING



www.tourbillon.com



# EXCEPTIONAL OFFERS AND SERVICES

Tourbillon, the distribution network for Swatch Group brands in the prestige and luxury segment, continued to implement its strategy based on an exceptional offer and service by welcoming Harry Winston to its boutiques in Amsterdam, Moscow, St. Barts and St. Petersburg. The brand was launched the previous year in the boutiques in Lugano and Montreux (Switzerland), Porto Cervo (Italy) and Puerto Banús (Spain) and will be included in points of sale in the United States during 2016.

The Moscow boutique opened in a new location, thus improving its visibility on Petrovka Street and providing each and every one of the brands with a space representing its own universe. In order to promote this new location and the available brands, an evening was held in partnership with the internationally renowned auction house, Christie's. Guests had the opportunity to discover the brands' exceptional watches and appreciate the works of art exhibited by Christie's on this occasion.

In most of the boutiques, cocktail parties dedicated to the expertise of a particular brand were organized, targeting loyal clients. Breguet was thus presented in Puerto Banús, Glashütte Original in Short Hills (USA), Jaquet Droz in Amsterdam and Omega in South Coast Plaza (USA). In addition to these, in order to strengthen links with VIP clients, who had the privilege of visiting certain Manufactures in Switzerland and took part in international events supported by the brands. Finally, the previews of the cinematic blockbuster, *James Bond 007: Spectre*, were a hit and attracted a broader audience for Omega.

In 2015, Tourbillon's exceptional sales included a Breguet Marine Tourbillon Jewelry Chronograph, Harry Winston' new Opus 14, a Blancpain Carrousel Minute Repeater, an engraved Jaquet Droz Bird Repeater, as well as a Glashütte Original Julius Assmann 4 Tourbillon.

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RETAILING



www.hourpassion.com



## SELECTIVE DISTRIBUTION

In 2015, Hour Passion, Swatch Group's multi-brand store specializing in the distribution of watches and jewelry in the mid-to high-end segment, continued its growth, affirming its global positioning. The concept store now exists in three distinct formats: airports, downtown locations and outlet villages. The expansion approach for Hour Passion has been selective, confining boutique projects to those proven timely and relevant.

At the end of 2015, the Hour Passion network had 54 points of sale, spread across airports in Switzerland, France, Germany, the United Kingdom, Ireland, Italy, Spain, China and Japan as well as across metropolises such as Paris, London, Rome, Frankfurt, Madrid, Barcelona, Moscow, New York, Las Vegas, Kuala Lumpur and Penang (Malaysia), Poznan, Lodz and Warsaw (Poland), Seoul, Yeosu and Busan (South Korea).



Hour Passion offers a watchmaking-jewelry distribution concept that capitalizes on quality and the exceptional heritage of the partner brands, certified Swiss Made and primarily those belonging to Swatch Group. Dynamic marketing, fed by current brand activities, offers the possibility of offering its clients a range of diversified, authentic products.

In Asian airports, Hour Passion expanded its network with the establishment of two new boutiques in the international transit areas. The first in Terminal 1 in Shanghai Pudong brought the total number of points of sale in Chinese airports to 11; the second, opening in Osaka Kansai Airport's Terminal 1 in, constituted the first sales area in Japan.

The brand increased its number of points of sale in outlets, with three new locations: two boutiques in South Korea, one in Yeosu and the other in Busan, as well as one in Kildare Village, near Dublin, in Ireland.

Hour Passion also successfully won tenders for concessions in strategic airports. The brand thus strengthened its partnerships with London Gatwick and Geneva Airport and set up three new points of sale at Nice International Airport on the Côte d'Azur.

The deployment of the new generation of boutiques will start in 2016, enabling Hour Passion to offer a revamped watchmaking service to a demanding client base in search of an original, unprecedented buying experience.

PRESENCE

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

www.swatch-art-peace-hotel.com



# SWATCH ART PEACE HOTEL

For the Swatch Art Peace Hotel in Shanghai, 2015 started with a *finissage*, the chic French term for a ceremonial ending of a cultural event! The Faces & Traces exhibition, inaugurated at the end of October 2014 to celebrate the first three years of artist residency operations, concluded on an intimate note: at the end of January, the artists in residence invited their friends to join them in ending the exhibition, providing an opportunity to admire the 150 traces left behind after the successive departures of all the resident artists since the opening of the residency in November 2011.

In March, the Venice Biennale team, led by Okwui Enwezor, the charismatic curator of the 2015 edition, presented his artistic concept for the 56th edition of this highlight of international contemporary art at a press conference at the Swatch Art Peace Hotel Gallery that aroused great interest among enlightened and passionate young Chinese journalists. The presentation had a highly symbolic side to it, with the presence of

Swatch, the main sponsor of the Biennale in Venice entirely focused on the artists from the Swatch Art Peace Hotel. Nearly 20 former residents in five waves had the experience of seeing themselves and their work on show in Venice between May and November, in the middle of the *Arsenale*, as part of the *Swatch Faces 2015* event in the Tesa 100 area.

In May, an event celebrating the 25th anniversary of the Swatch Club took place in the exhibition hall on the first floor of the building. This was highlighted by a light-hearted imaginative happening which demonstrated that – at least within the framework of the Swatch Peace Hotel – it was easy to get creative enthusiasm flowing among friends of the brand.

In September, an exhibition of Sino-British artist Yan Wang Preston was the star of the show in the same hall. Presented in the context of *Mother River*, Yan Wang Preston exhibited photographic works focusing on the Yangzi Jiang, the China's longest river. This is a remarkable geographical feature in terms of its length (6380 kilometers), its exclusively Chinese identity (the river flows within the borders of the People's Republic of China), its economic significance (it supplies, among other things, 40% of water used in China and 20% of the Chinese gross domestic product is created in the delta of the river north of Shanghai) and, above all, its symbolic significance. The river is, in fact, the dividing line between Northern and Southern China – which has a number of implications for the Chinese population – and traverses some of the most amazing landscapes in the country as well as some of its most important cities. The exhibition reveals the beauty of the Yangzi in 63 magnificent shots taken on the basis of a photograph of the river made every 100 kilometers.

In mid-October, attended by the President of the Executive Group Management Board, Nick Hayek, the Swatch Bellamy was presented to Chinese media representatives who showed a keen interest. The result of a successful partnership between Swatch, UnionPay and the Bank of Communications of China,





and combining a colorful Swatch design with integrated NFC technology, this new watch enables wearers to pay for purchases with a simple flick of the wrist. A typically Swatch product, meaning simple, innovative, accessible and progressive, Swatch Bellamy will be marketed in China at the beginning of 2016, and subsequently in Switzerland, the United States and Brazil during the Rio 2016 Olympic Games.

The final important event of the year was a very British occasion during the course of which Franz Linder, Mido's President, revealed the name of the winner of the competition launched by the brand in partnership with the International Union of Architects to produce a model inspired by Big Ben. Swiss designer Sébastien Perret was the winner and the model will be presented at Baselworld 2016.

Finally, mention must be made of the extraordinary creativity displayed by the 50 artists who enjoyed a residency at the Swatch Peace Hotel in 2015.

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PRESENCE



www.citedutemps.com



# CITÉ DU TEMPS

In 2015 the Cité du Temps hosted 20 exhibitions and over 60 events.

[THE HOME OF BRANDS]

Swatch Group brands continued to select the Geneva venue to share highlights of their past and present. Breguet presented the world premiere of the exhibition "La Tradition Breguet, at the Heart of an Icon" at the beginning of the year and returned later on for a press conference and concert in its role as main sponsor of the Geneva Competition. Harry Winston gave dazzling insights into the work of its founder, the inventor of modern couture jewelry, while Tissot put brilliance in the context of watchmaking and sport. Renata demonstrated the real power of watch batteries with "Fuel for the time", revealing its pioneering developments in making the passage of time precise, intelligent and tactile.

[NEW VIEWS]

The Cité du Temps hosts art exhibitions that open eyes and minds. In 2015 the emphasis was on new perspectives and dimensions. 3D was a key word as the Swiss artist with Bulgarian origins, Mariana Abracheva, displayed 3D explosions of color and six artists united to introduce the possibilities of 3D design in the art world via an initiative of an anti-conformist online art gallery, nyce. In *Temps de rêve*, painter Béatrice Frat initiated dialogue with visitors to understand her art from their viewpoints, while Grégoire Guillemin put a new slant on comic superheroes by showing them in banal situations. The theme of childhood was the focus of two stunning photography exhibitions, *Child's Play* by Yoshi Shimizu, in collaboration with violinist Hong Anh Shapiro, and the group show *Saveurs d'enfance* by Chromia. In the former, the lives of talented young violinists were portrayed from different angles, spanning the emotion scale from melancholy to joy. In the latter, 16 photographers with very different styles and subjects invited visitors to "dare to look with new eyes". True to the venue's core value of making art accessible, the non-profit organization Artraction offered the work of a spectrum of talent from the Geneva area for rental as an alternative to purchase.



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(11) **EP 1 544 691 B1**

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Uhr, deren Stundenzeiger durch Stundenschritten vor- oder zurückspringen kann  
Timepiece in which the hours hand can be advanced or moved back by steps of one hour

(84) Etats contractants désignés:  
**AT BE BG CH CY CZ DE DK EE ES FI FR GB GR HU IE IT LI LU MC NL PT RO SE SI SK TR**

(74) Mandataire: **Ravenel, Thierry Gérard Louis et al I C B,**  
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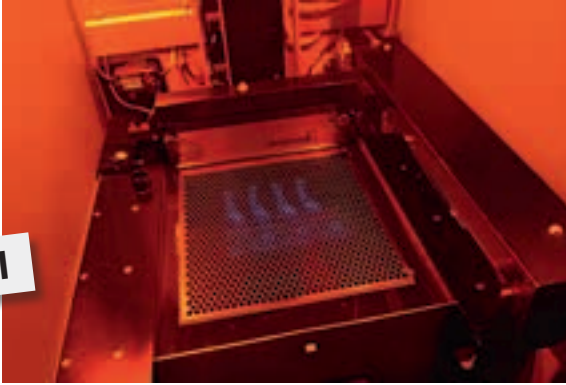
(72) Inventeur: **Bron, Alphonse**  
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**PRODUCTION**

**WATCHES / JEWELRY**

**EP 1 544 691 B1**

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## [ETA MANUFACTURE HORLOGÈRE SUISSE]

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

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For ETA Manufacture Horlogère Suisse, following significant investments and the deployment of new technologies in the preceding years, 2015 was devoted to increasing and strengthening the company's productivity. This concerns ensuring that the company is better prepared for the coming years with a long-term perspective. In order to do this, different projects and activities with regard to production were implemented.

Monitoring of costs with regard to every production site was optimized by the introduction of new indicators and monitoring tools. The creation of model workshops, in which new follow-up methods (indicators and monitoring) for production and organization were implemented, enables real-time responsiveness. Thanks to a reduction in the throughput time and the implementation of SAP, ETA continued with significant changes which enabled a significant improvement in "just in time" deliveries.

In the area of mechanical movements, industrialization and the deployment of all the processes for the Omega Master Co-Axial movements (resistant to magnetic fields of more than 15000 gauss) are fully operational. The implementation of the new METAS (Swiss Federal Institute of Metrology) certification for Omega Co-Axial Master Chronometer movements first and foremost generated a review of the assembly process for the A16A13 movement (OMEGA Co-Axial Master Chronometer 8900 and 8901).

For Manufacture movements designed for the high end and mid-range, ETA continued to deploy its expertise in the realm of high power reserves (80 hours), notably in the C07 caliber range for the benefit of brands such as Hamilton and Rado. The production of Manufacture-type movements for Swatch Group brands is clearly separate from the production of standard movements.

The success of these calibers was associated with the setting up of new production processes. The verticalization of plate production served to reinforce automation systems in various sectors such as machining, deburring and plate mounting, enabling an increase in productivity along with an increase in the quality of pieces.

With regard to quartz movements, the exclusive PowerDrive™ (flexibility when programming functions and the speed with which the hands move) and PreciDrive™ (rate accuracy of +/- 10 seconds per annum) technologies are used to equip the latest products. The latter are intended for specific products for Swatch Group brands, as well as the overall quartz watch market. These developments will continue over the next few years.

For Swatch, technologies delivering new product functions were introduced. The ETA S38.301 caliber is used to equip the Swatch Touch Zero One, a connected watch for volleyball. The Caliber R01 powers the Swatch Bellamy, the new "pay-by-the-wrist" watch equipped with NFC (Near Field Communication), a short-distance, high-frequency, wireless communication technology. The SISTEM51 collection was expanded with new color variations.

In 2015, a new automated assembly line for Swatch watches was built and set up at the Sion (VS) site. This was made possible notably through the high level of technical competencies in the automation and assembly sectors that worked on the integration of various models developed by a partner, thereby achieving technological independence.

Moreover, an additional step was taken in terms of training apprentices (technical professions) with the opening of a new Swatch Group apprenticeship center. This investment enabled ETA to ensure the continuity of its expertise in order to ensure its sustainability. Aside from this, a new building in Boncourt (JU) is in the early stages of being built for an extension of the Swatch Group industrial activities. The different activities undertaken this year are part of the plan to offer Swatch Group brands flexible and responsive answers tailored to their needs. It is intended to strengthen Swatch Group's competitive edge with top-quality Swiss-made products.

## [MECO]

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

(4)

The latest investment program to extend capacity and optimize manufacturing lead times was a success. Thanks to its supportive and flexible attitude, Mecco managed to fulfill all external watch component requirements of the Swatch Group brands.

In 2015, Mecco continued to support Swatch Group brands with new crown and pusher products, all designed, engineered, industrialized and manufactured to high professional standards. Mecco demonstrated its command of aesthetic and technical interfaces with movement functions, aptly illustrated by the company's recent achievements for models such as the HDT6 for Harry Winston, De Ville Prestige Dew Drop, Constellation Globemaster and Seamaster Diver ETNZ for Omega and the Conquest for Longines.

To machine new metal alloys and other materials of highest hardness, Mecco stepped up technological development to optimize tools and machining parameters. Forthcoming investments in automated and innovative production technologies should help to further enhance the already high level of product quality. To back this growth, Mecco encourages its employees to undertake continuous training and makes a priority of supporting them in perfecting their knowledge and skills.

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## [ FRANÇOIS GOLAY ]

www.francoisgolay.ch

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For François Golay, the company from la Vallée de Joux (VD), 2015 – its 160th anniversary – was a year of transition.

Under the guidance of its new manager, the organization was strengthened, with the company focusing on improving production flows in order to respond efficiently to clients' requests in terms of quantity, complexity, quality and, in particular, lead times.

Significant effort was made with regard to both investments and commitment to resources in order to manage very high order volumes. Investments were focused on the renewal of the CNC machine fleet and on the development of the means of production. In this regard, a new generation of profile-turning machinery will be arriving in the near future.

Human resources were also reinforced, while internal training was fostered. Regular monitoring was implemented both for the purposes of safety at work and for the maintenance of equipment.

Client satisfaction with regard to the development of new products was a cornerstone of the year in 2015. François Golay subscribes to an increasingly responsive approach in terms of the conceptualization, realization and delivery of high quality components.

Continuing its quest for ongoing improvement in the optimization of its expertise and resolutely looking toward the future, François Golay is equipping itself with the means to succeed.

## [ NIVAROX-FAR ]

www.nivarox.com

(7)

5 For Nivarox-FAR, 2015 was a year filled with developments.

At the Villeret (BE) site, verticalization of production continued with the installation of a white room designed for the vertical integration of oscillators with silicon balance-spring production and the assembly of escape-wheels for Omega Co-Axial movements. This room is also dedicated to the entire assembly of Oscilinvar™ oscillators with silicon balance-springs for all Swatch Group brands.

10 At the same time, improvements to the assembly line in Boncourt (JU) for the Caliber C10 used in the Swatch SISTEM51 is enabling an increase in industrial output. These automation optimizations enabled the production machinery to achieve a work regimen that is completely in line with the forecast for 2015.

15 In Fontaines (NE), Nivarox-FAR invested in the creation of a development unit dedicated to processes based on innovative technologies, also equipped with machinery similar to that used in production, thereby serving to define the manufacturing processes for new components as well as achieving optimized industrialization of existing methods. This year was particularly highlighted by the development of the Master Co-Axial escapement for Omega as well as the industrialization of components made for the entire barrel (drums, arbors and covers).

20 In 2015, the LIGA-silicon production unit in Marin (NE) continued its growth with a significant increase in capacity. The study regarding production verticalization at a single site thanks to investments allocated by the Swatch Group for the next five years will enable industrial production development for all the Group's brands.

25 In Le Locle (NE), the year was marked by the ongoing centralization of all services at the company headquarters, made possible by completion of work to upgrade the Girardet 55 building. The historic Girardet 55 and 57 buildings now accommodate nearly 200 employees.

30 Nivarox-FAR also successfully focused on the reduction of non-quality costs. Investment in control methods and harmonization of these same methods with clients as well as the optimization of production quality control are responsible for this significant result.

35 The development of the Swatch Group Training Center at the new Universo site in La Chaux-de-Fonds (NE) provides all first-year Nivarox-FAR apprentices with excellent training in mechanical trades and industrial management.

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## [COMADUR]

www.comadur.com

(8)

In 2015, Comadur continued to expand the machine fleet dedicated to ceramic production in order to meet the needs of Blancpain, Omega and Rado.

New ceramic products were developed based on Blancpain's ceramic plasma Bathyscaphe chronograph model, as well as on the three-hand model in black ceramic.

Omega's ceramic Speedmaster Dark Side of the Moon family expanded with the arrival of four new watches: Black Black, Vintage Black, Pitch Black and Sedna Black. Each of these new variations enlivens the collection with its own particular design and character traits. Other models were added to the ceramic case collection, such as the White Side of the Moon, as well as two models with diamond-set ceramic bezels.

For its part, Rado supplemented the HyperChrome collection with a new brown ceramic color. Silicon nitride, an innovative material that is both lightweight and hard, was also used for this model.

To reach the desired global production capacity, the machine fleet was consistently extended as new machines were installed almost every month. Other equipment was added with the aims of providing additional flexibility and of meeting the growing demand for all new models.

In parallel, within the framework of verticalization, the assembly of bracelets on automatic lines for all Rado versions as well as for the assembly of cases was internalized.

Whereas the ceramic line is now equipped with a large array of state-of-the-art machines, considerable investments are being made for the crystal sapphire line. This will allow Comadur to provide a more industrialized and more competitive response to the brands' demands with the aim of reinforcing the Swiss made label.

For the production of watch jewels, Comadur is actively continuing the overhaul of existing machines as well as the installation of new ones in order to meet the brands' ever-increasing quality standards.

## [RUBATTEL ET WEYERMANN]

(9)

In 2015, Rubattel et Weyermann settled in the new factory in La Chaux-de-Fonds (NE) and celebrated its 125th anniversary after 100 years in the same premises. All employees are now grouped at the same 10000 square meter site spread over two floors.

Significant investments were made, such as the automation of aesthetic and decorative layouts appropriate for mass-produced series, the laser machining of hard materials, and a five-axis computer numerically-controlled machine with automatic loading. These few examples of the many acquisitions made during the year are intended not only to achieve an increase in capacity but also to improve production process performance.

Thanks to the verticalization of production, notably through the integration of new trades and processes, such as PVD (Physical Vapor Deposition), Rubattel et Weyermann will be able to meet the needs of Swatch Group brands on a much more independent basis. The available surface areas will thus enable an improvement in logistics flows and contribute to optimizing products by defining clear production lines. This new framework paves the way for future challenges: continuing to develop, industrialize and produce while optimizing quality, containing costs and reducing lead times.

## [MOM LE PRÉLET]

(10)

In 2015, MOM Le Prélet consolidated its production for high-end brands and implemented mass production following on from the optimization and rationalization of flows undertaken over the past few years. Thanks to earlier investments, MOM Le Prélet was also able to develop and launch the industrialization of new dials for the Hamilton and Tissot brands. On the occasion of Rubattel et Weyermann's relocation, drawing on the synergy established between the two sites, MOM Le Prélet successfully provided visible support in order to meet clients' qualitative and quantitative requirements. Development and prototyping by machining added further momentum with the focus on quality. MOM Le Prélet also specialized in the production of dials for watches in older collections, thus enabling it to meet the after-sales service requirements of Swatch Group brands. Finally, a new partnership developed with the ETA dial-making factory and know-how exchange initiatives were put in place, notably through the dials for the Tissot T-Touch Lady Solar.

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LASCOR

## [UNIVERSO]

www.universo.ch

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The European leader in the manufacture of hands and applique dials successfully managed its workload on all production lines despite activity levels being affected by a slight decrease in exports.

The many watch projects launched by Swatch Group brands are clearly encouraging signs of considerable development potential and offer the prospect of a good year in 2016.

The relocation in La Chaux-de-Fonds (NE) of the entire Hands Division to the new site was completed in August 2015. The new machine fleet installation improves and ensures control of production flows of both high-end hands and those produced by industrial processes.

The Appliques Division has been settled in the new building since August 2014, a fact that notably provided sufficient space for the installation of new machines during in the first semester of 2015. The main effort has been focused on the development of high-tech manufacturing processes. It is worth noting that the unremitting research into new work processes, along with the adaptation and construction of specific new machines, will lead to the creation of a production line for the industrial-scale manufacture of dial appliques in 2016.

The new Universo site, with a productive area of more than 18000 square meters, is now fully operational. Relocations took place in line with the forecast schedules and did not result in any delivery delays. In addition to the Hands and Appliques Divisions, the site accommodates the Swatch Group Training Center for first-year apprentices in general mechanical engineering. The company restaurant serves several hundred exceptionally high-quality meals daily, to which employees from Swatch Group companies in the surrounding area now have access.

## [MANUFACTURE RUEDIN]

(13)

2015 was a year of consolidation for Manufacture Ruedin.

Following significant investment, the year under review was devoted to the implementation of new processes optimizing the yield of new production equipment. A large part of the workforce was mobilized to handle the migration of its Enterprise Resource Planning (ERP) system. This successfully-completed project provided an opportunity to strengthen and secure the IT infrastructure.

Collaboration with the Swatch Group brands in the design of new products represents the core activity for the Manufacture from the Jura. Together with Omega in particular, it contributed to the success of the Globemaster and Speedmaster Apollo XIII 45th Anniversary models. And the key highlight was, of course, the work done for the Seamaster "James Bond" models. In collaboration with Longines, the focus was on the Conquest and Equestrian collections. With regard to Hamilton, Manufacture Ruedin supported the development of the 40 mm Jazzmaster Viewmatic Skeleton.

Manufacture Ruedin also had the privilege of hosting the Global Customer Service Meeting 2015 for a detailed presentation of its various production workshops.

In the future, Manufacture Ruedin will continue investing in the renewal of its manufacturing base, given the vital necessity of maintaining its competitiveness in order to meet its clients' needs. Continuing education, an essential element of any staff policy, will also be reinforced.

## [LASCOR]

(14)

In 2015, Lascor undertook a large number of projects to the benefit of new high-end products in the areas of bracelets, cases and components. More specifically, the company undertook a transformation process with the aim of strengthening the production of mass-produced steel bracelets and components for which there is a constant increase in demand. In parallel, in the field of precious metals, Lascor was privileged to be able to develop specific alloys with the support of Swatch Group experts in this field. A particular effort was made with regard to the automation of bracelet finishing and assembly. To support growth in production volumes of high-quality steel bracelets, Lascor optimized its organizational structure and implemented a new production planning system and also focused on additional improvements to its quality assurance. Moreover, Lascor continued the implementation of an integrated quality management, environmental and safety system in line with Italian legislation and Swatch Group principles. This should eventually enable certification according to international standards in this regard.

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**SIMON & MEMBREZ**  
HABILLAGE HORLOGER HAUT-DE-GAMME



**SWATCH GROUP**  
THE SWATCH GROUP ASSEMBLY SA

## [SIMON ET MEMBREZ]

www.simon-membrez.ch

(15)

2015 was marked by the monitoring and implementation of various projects such as the development of ERP (Enterprise Resource Planning) with instantaneous indicators and information in the workshops, the 5S (continuous improvement method) with the support of Swatch Group Quality Management, significant investment offering a service adapted to the management of precious metals, the design of new monitoring instruments with Asulab, training and the reinforcement of human resources.

The substantial investments made by Simon Et Membrez in 2015 were also important for the years to come. In this regard, a new production division for high end bracelets is currently being installed. The first "transfer" type machines for machining and polishing are currently being set up and will be followed by others. This is a new production philosophy for Simon Et Membrez, which is primarily intended to produce cases and bracelets for the luxury segment. Thanks to this particularity, this workshop has become fully independent with employees trained specifically in areas that have remained open since the integration of Simon Et Membrez in 2012.

The experience acquired since 2013 with the opening of a manufacturing workshop for very high-end bracelets is not insignificant. Nevertheless, the production of large volumes is a new and fascinating challenge for Simon Et Membrez.

The future is therefore promising, with new challenges, significant investments and new-found focus on the production of luxury cases with the aim of offering its expertise, strengthening its competitive edge and ensuring the quality of its products for its prestige customers.

## [NOVI]

(16)

Throughout 2015, Novi was able to demonstrate its flexibility, versatility and competencies. By keeping pace with customers' orders, the company also successfully met the particular requests of the Swatch Group brands in the realm of watch finishing (T2) as well as those of the other ETA entities in the assembly of mechanical movements (T1) and after-sales service.

In order to continue its development according to its four watchwords, "Flexibility – Quality – Competitiveness – Reliability", Novi continued its optimization projects, which include improving its employees' flexibility. This was achieved not only through transfers among the different sectors of the company (between T1, T2 and After-Sales Service), but also through optimization of detailed planning and production monitoring in each sub-sector.

Novi also turned its focus outside the company by contributing to the overall optimization strategy within ETA. This was achieved through intensifying synergies and sharing expertise with the other ETA sites by means of employee exchanges or service sharing. By simplifying the flows of logistical information, partnerships with the Swatch Group brands were increased in order to best leverage Novi's competencies.

In the future, Novi aspires to improve its flexibility and its versatility in its areas of activity by continuing to offer services that are perfectly in line with its clients' requirements.

## [SWATCH GROUP ASSEMBLY]

(17)

For The Swatch Group Assembly SA, 2015 was once again marked by the volumes produced as well as a significant number of product launches. Activities were therefore focused on making the assembly process more flexible and on the development of new lines and modular production cells.

Process-integrated quality controls were also implemented in the assembly and storage sectors.

The implementation of a new quartz line enabled both an increase in flexibility and significant expansion of the production range over and above the existing cells.

The reorganization of areas and ongoing improvements applied during 2015 have contributed and continue to allow the company to respond in the best way possible to brands' requirements and quickly to market changes.

The company remains Swatch Group's center of competence of expertise in training and is responsible for its watchmaker apprentices. Through its training unit, it is now also committed to developing new products and to promoting the versatility of its employees, who are also offered development and more job opportunities.

Thanks to these activities in the areas of the environment, processes and human resources, The Swatch Group Assembly SA has consolidated its position as Switzerland's largest finisher for mid-range products.



[DRESS YOUR BODY (DYB)]

(18) (19) (20)

In 2015, Dress Your Body (DYB) remained on course, despite a restructuring of all its services in addition to a somewhat unstable economic environment. The setting and manufacturing department maintained its production volumes, while continuing the internalization of activities of several production lines. Traditional setting capacities doubled and the manufacturing of parts set progressed from prototyping to an industrial phase. This allowed, among other things, the delivery of thousands of finished set bezels ready for assembly.

The production of appliques and set indexes was enhanced by new techniques and expertise in the highly specific field of part finishing.

The type of mandate from our clients focused on a greater number of more complex developments, giving rise to smaller series. This new focus led to a reshaping of development flows, the industrial organization of prototyping and the technical department, with the aim of processing our clients' needs as quickly and efficiently as possible.

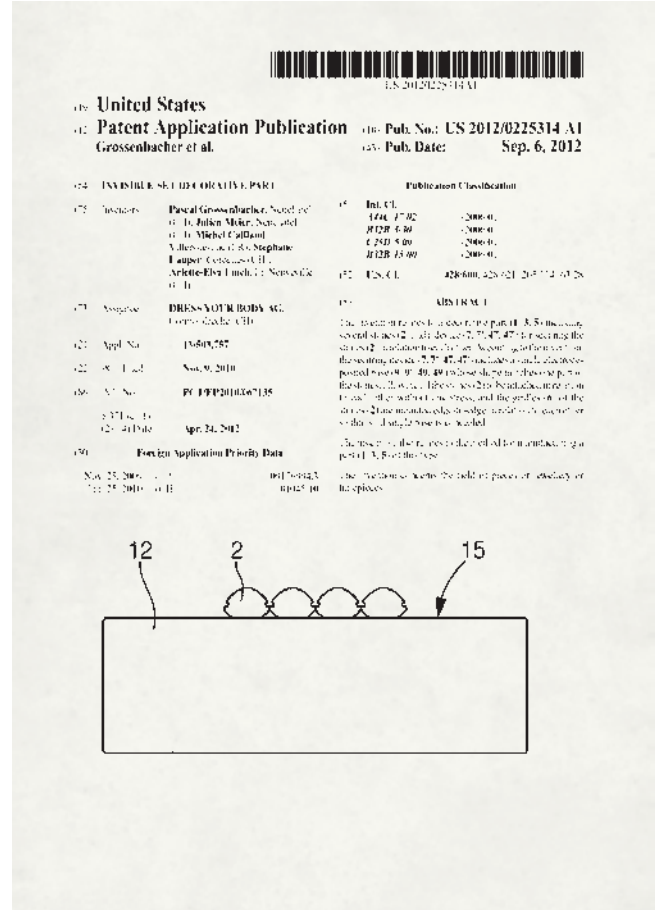
The expertise of DYB jewelers was once again fully expressed through a large number of achievements, in particular for Breguet with the new Plume watch or the creation of the exceptional B-Crazy watch, which required work involving a high level of accuracy and sophistication.

The industrial manufacture of Omega's enameled Snoopy and Observatory medallions should also be highlighted.

DYB Gems, the purchasing center for diamonds and precious stones on behalf of the Swatch Group brands, includes experts in gemology as well as stone sourcing and cutting. DYB Gems has completely fulfilled its role with regard to providing advice on the selection, purchasing and sourcing of diamonds and other precious stones, thus taking an active part in the development of its clients' products.

The diamond market in 2015 was also marked by strong pressure on suppliers due to overall stagnation in the demand for diamonds. Putting its knowledge of market operators to good use and leveraging synergies between the complementary purchasing of the brands, DYB Gems once again provided a centralized supply at the best possible market conditions while maintaining stringent quality standards. Thanks to its expertise, DYB Gems also contributed significantly to optimizing the flow of diamonds within Swatch Group.

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US007724000B2

(12) **United States Patent**  
**Grosjean et al.**

(10) **Patent No.:** **US 7,724,000 B2**  
 (45) **Date of Patent:** **May 25, 2010**

(54) **METHOD OF AUTOMATICALLY TESTING AN ELECTRONIC CIRCUIT WITH A CAPACITIVE SENSOR AND ELECTRONIC CIRCUIT FOR THE IMPLEMENTATION OF THE SAME**

**FOREIGN PATENT DOCUMENTS**

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EP	0 606 115 A1	7 1994
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WO	2006 008207 A1	1 2006

(75) **Inventors:** Sylvain Grosjean, Les Fins (FR); Michel Willemin, Préles (CH)  
 (73) **Assignee:** EM Microelectronic-Marin S.A., Marin (CH)  
 (\*) **Notice:** Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 266 days.

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*Primary Examiner* Vincent Q Nguyen  
 (74) *Attorney, Agent, or Firm* Griffin & Szpl, P.C.

(21) **Appl. No.:** **12/035,286**  
 (22) **Filed:** **Feb. 21, 2008**

(57) **ABSTRACT**

(65) **Prior Publication Data**  
 US 2008/0197861 A1 Aug. 21, 2008

A method for automatically testing an electronic circuit with a capacitive sensor having two capacitors is provided, wherein the common electrode of the capacitors moves relative to each fixed electrode. The electronic circuit includes a sensor interface that includes a charge transfer amplifier unit, an integrator unit connected to the amplifier unit by a measurement circuit.

(30) **Foreign Application Priority Data**  
 Feb. 21, 2007 (EP) ..... 07102811

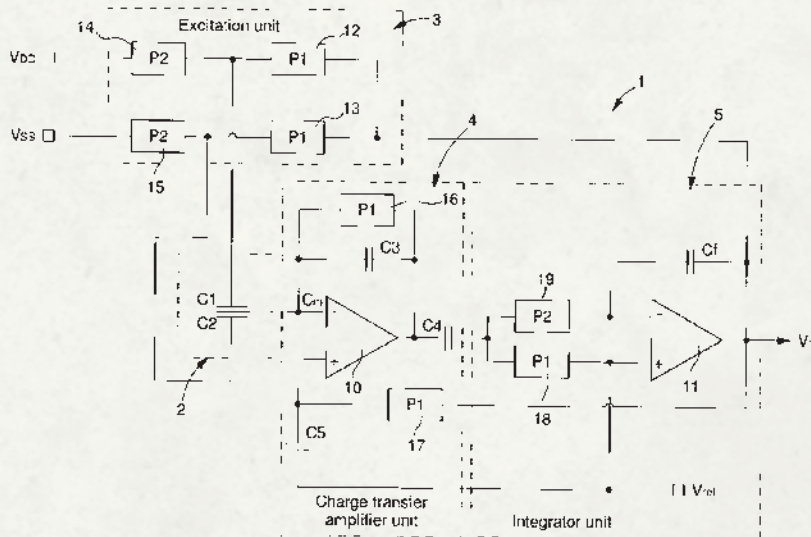
(51) **Int. Cl.**  
**G01R 27/26**  
 (52) **U.S. Cl.** .....  
 (58) **Field of Classification**

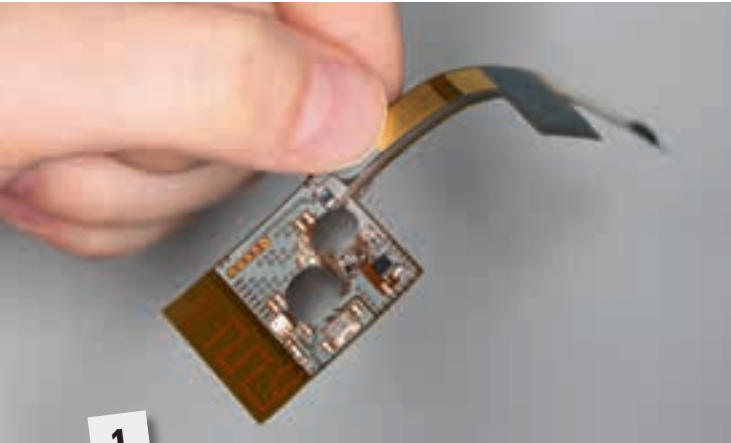
# ELECTRONIC SYSTEMS

See application file  
 (56) **Refs.**  
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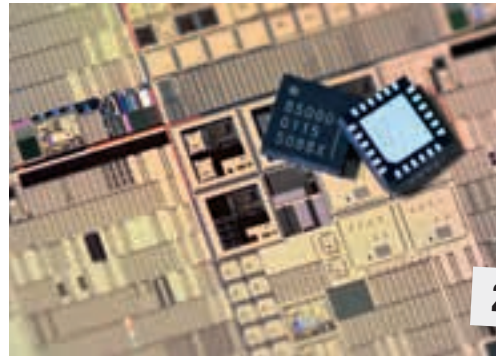
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10 Claims, 5 Drawing Sheets





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# Secured performance.



A COMPANY OF THE SWATCH GROUP

**renata**  
batteries

[www.renata.com/children](http://www.renata.com/children)

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## [EM MICROELECTRONIC]

www.emmicroelectronic.com

(1) (2)

2015 was a challenging year for EM Microelectronic. The global evolution of the economy compelled EM Microelectronic to take actions to remain competitive. Natural hedging measures, product and process optimization and general efficiency enhancements helped to sustain sales and limit margin erosion.

EM Microelectronic was nonetheless able to further develop its already strong position, especially in the road toll collection systems in the Americas. It also confirmed strong sales growth in the USA.

Throughout the year, EM Microelectronic significantly increased the productivity of its manufacturing facility. Especially in the front-end, its productivity far exceeded that of the previous year. Because production infrastructures were already fully loaded in the second half of 2014, an initial investment allowed the installation of new equipment to extend the production capacity in 2015. Additionally, the pre-development of the next generation of front-end technologies led to a first successful proof-of-concept. The back-end invested in new test equipment able to process 12-inch 65 nanometer wafers.

Swatch Group agreed to a planning credit for a new building to host the production facilities of Nivarox and Swatch Group R&D. With this decision, Swatch Group confirmed the strategic importance of the Marin (NE) site as an innovative competence and production center for silicon technologies for microelectronics as well as for mechanical watch movements.

More than ever, EM Microelectronic is a key company for Swatch Group's future developments of connected watches. It manufactured most of the key components of the first connected Swatch – the Swatch Touch Zero One – developed in close cooperation with ETA. Unlike other smart watches, this one's display is always "on" even if it is powered only by a primary battery.

The *Display & Touch Modules* segment's engineers worked further on products to address next generations of smart watches with increased functionality. In non-watch applications, one of EM Microelectronic's LCD customers was rewarded at an international fair in the promising e-bike market.

In the Watch segment, 2015 confirmed the trend in watch ICs toward more functionality and increased precision, which combined with lower current consumption for increased battery life.

Efficient and reliable communication technologies have become critical building blocks in the world of connected objects. The *Wireless & Sensing* segment further consolidated its portfolio of low-power connectivity solutions. The EM9301 Bluetooth Smart controller enables the Swatch Touch Zero One and the Bluetooth Beacons in Tissot's connected watch platform announced at Baselworld.

EM Microelectronic also extended its Bluetooth Smart beacons portfolio. The EMBC02 integrates a 3D-accelerometer enabling a wide range of motion-sensing applications (e.g. elderly person fall detection, child monitoring, pet activity monitoring, theft prevention, asset tracking). Other sen-

sor-based smart beacons for real-world Internet of Things (IoT) applications are in the R&D pipeline.

On the passive side of communication technologies, the *RFID* segment completed the development of the EM4423, the world's first RFID circuit combining traditional RAIN logistics capabilities with the customer-focused benefits of NFC. The RAIN interface targets companies in need of logistics and inventory control functions, while NFC allows them to establish a direct relationship with end-customers through NFC-enabled smartphones for marketing and advertising, product authentication or registration.

The *Smartcards* segment successfully launched the fifth generation of ICs for SIM cards; fully established volumes will be reached in 2016 in a telecom market expected to grow by 2.8% in the year. With this new product, EM Microelectronic maintains its key position in a highly competitive global market. For the already-occurring rapid growth in cellular technology based Machine-to-Machine (M2M) communication, EM Microelectronic is preparing dedicated products for 2016.

In the *Motion & Optical Sensing* segment, 2015 saw deliveries of record volumes of sensor interface circuits in the consumer electronic segment, namely pressure sensors for mobile phones for some of the world's leading manufacturers. EM Microelectronic's sensor fusion chips still offer best-in-class performance for a wealth of applications (e.g. mobile phones, drones, activity trackers). Strong growth in volume is expected to last well into 2016; more than half a billion units could be shipped. In parallel, EM Microelectronic maintained substantial business in the optical sensor space for computer peripherals.

The *Intelligent Power Solutions* segment introduced the EM8500, the first member of a new power management product family for unparalleled energy conversion.

EM Microelectronic also assisted Swatch Group in building up new software development activities in its ASICentrum premises in Prague for embedded programming, mobile apps and information systems in support of various other development teams of Swatch Group companies.

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[RENATA]

www.renata.com

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Renata once again enjoyed a successful year. Despite a slight decrease in sales of Swiss electronic watches worldwide, the company managed to increase its share of the watch battery market. Drawing on the growing demand for packaged batteries designed for the spare part market, Renata was able to strengthen its position in all fields.

2015 was particularly focused on improving logistics. In Switzerland, storage and dispatch were completely incorporated into the Swatch Group European Distribution Center in Biel/Bienne. In Asia, Renata opened a centralized shipping warehouse in the Shenzhen (China) Free Trade Zone for lithium products for its industrial customers. The strategic distribution centers thus make it possible to offer clients tailored logistical solutions.

In parallel, Renata optimized the organization of its distribution and production in China. In Shanghai, a new business unit is focusing on the sale of watch batteries for the rapidly expanding Chinese market, while the local group responsible for development is working actively on the development and launch of new products in the industrial sector.

The enormous progress made in the fields of development and production did not, however, only concern China. Many new products and processes developed at the Itingen (BL) site are on the verge of being launched, including, for example, solutions designed for the rapidly growing wearables market. These are products that bring new developments to the watchmaking sector while opening up new perspectives in the area of intelligent body electronics. The "Fuel for the Time – a behind-the-scenes tour of how batteries make time smart" exhibition presented a number of aspects of these new technologies at the Cité du Temps in Geneva. This was organized in collaboration with several Swatch Group watch brands and with ETA, EM Microelectronic and Micro Crystal. Renata also notably took part in several trade shows such as the MD&M in Anaheim (USA), Baselworld and the Hong Kong Watch and Clock Fair.

[MICRO CRYSTAL]

www.microcrystal.com

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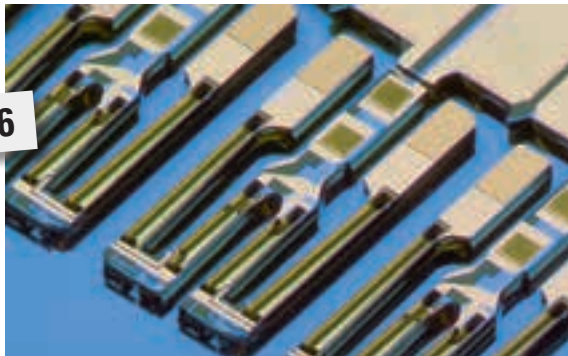
5 Micro Crystal is the only Western manufacturer of tuning fork quartz crystals and is one of the world's key suppliers in this field. Over the past few years, Micro Crystal has, in addition to producing crystals, increasingly become a supplier of highly integrated quartz products such as oscillators and Real Time Clocks. The strict implementation of this strategy has allowed for a further reduction in its dependency on the mobile telephone industry, which is highly price sensitive. While this field still represents a key outlet with significant volumes for Micro Crystal, it is no longer fundamental to the company's success. Focusing on new products with higher added value and a higher level of integration has enabled Micro Crystal to significantly improve its cost effectiveness and to once again achieve a net profit margin. These improvements nevertheless occurred in an extremely competitive international market against Asian competitors producing in a significant lower salary environment as well as against Japanese quartz manufacturers having the full advantage of the weakness of the yen.

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50 In the past few years, Micro Crystal has acquired a high degree of technical competence in manufacturing crystal oscillators and the most miniaturized Real Time Clocks in the world. In 2015, Micro Crystal invested in new high technology production installations in this field. New integrated circuits were developed in conjunction with Micro Crystal's sister company EM Microelectronics and other Swiss research institutes in order to further optimize integrated quartz oscillators and Real Time Clocks. With extremely low power consumption and built-in temperature compensation, these miniature timing devices offer great rate accuracy. Newly added functions enable Micro Crystal's Real Time Clocks to withstand power cuts by using different power sources, thus avoiding the loss of time incurred by Real Time Clocks.

Thanks to synergies in development activities, new watchmaking modules have been created over the past few years, significantly improving operational accuracy for quartz watches with no reduction in battery life thanks to extremely low power consumption. Micro Crystal's competency in automated industrial manufacturing enables it to mass produce these watchmaking modules at low cost. Along with its innovative products, the company continues to manufacture watch crystals, components of considerable strategic importance for Swatch Group.

Growth markets for new Micro Crystal products lie in the range of industrial applications, the automotive industry and the multitude of new mobile products, as well as in medical applications, which represent a significant business sector.





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[SWISS TIMING]

www.swisstiming.com

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Although 2015 was not an Olympic year, it was filled with excitement for Swiss Timing. It started off with the 27th Winter Universiade under the Tissot banner. The international event took place in two host cities: Štrbské Pleso, Slovakia and Granada, Spain. All eyes then turned towards Baku, Azerbaijan and the first-ever European Games, which marked the first time that Europe had organized its own continental multisport games. Swiss Timing technicians provided services for Tissot at no less than 265 sporting events, thus contributing to the resounding success of this landmark in sporting history. Various world championships highlighted the year, including alpine skiing in Beaver Creek and Vail in the USA for Longines, swimming in Kazan, Russia for Omega, and road cycling in Richmond, USA for Tissot. The naming of the Tissot Arena in Biel/Bienne, Switzerland resulted in a major project for Swiss Timing and the opportunity to install timing and scoring equipment such as the LED-technology "cube" videoboard for the ice-hockey stadium along with several scoreboards for the surrounding football pitches. In 2015 Swiss Timing unveiled its Snowgines photocells. Thanks to their technical features, these photocells work at a distance of up to 200 meters and are able to detect an athlete crossing the finish line at a speed of up to 200 km/h. 2016 is certain to be a thrilling and challenging year for Swiss Timing, with the Winter Youth Olympic Games in Lillehammer, Norway followed by the world's largest sporting event, the Rio 2016 Olympic Games, both under the auspices of Omega.

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(12) DEMANDE DE BREVET EUROPEEN

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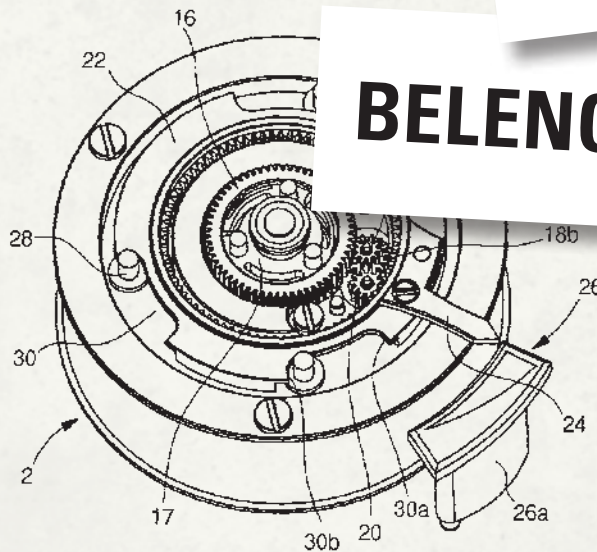
(71) Demandeur: MONTRES BREGUET S.A.  
1344 L'Abbaye (CH)

(54) Pièce d'horlogerie comprenant un dispositif indicateur de réserve de marche

(57) Pièce d'horlogerie comprenant un mouvement muni d'un dispositif indicateur de réserve de marche (1), ladite pièce d'horlogerie comprenant un barillet (2) fermé par un couvercle (8), un ressort (4) logé dans ce barillet et relié respectivement à un arbre de barillet (12) et audit barillet, un rouage de finissage entraîné par ledit barillet et des moyens d'amage dudit ressort, ledit dispositif indicateur comportant un engrenage différentiel relié cinématiquement par une première entrée à l'arbre de barillet, par une seconde entrée au barillet et par une sortie

à un organe indicateur de réserve de marche (26) et dans lequel le bâti de l'engrenage différentiel est agencé coaxialement à l'arbre de barillet. La deuxième entrée de l'engrenage différentiel est solidaire du couvercle (8) du barillet; la sortie de l'engrenage différentiel est formée par une couronne à denture intérieure (22); la couronne à denture intérieure (22) est reliée cinématiquement à la première entrée par au moins un premier mobile satellite (18) et à la deuxième entrée par au moins un deuxième mobile satellite (20).

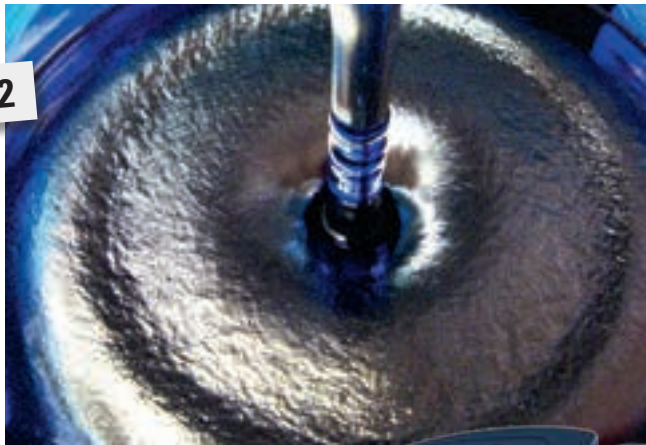
Fig. 2



**CORPORATE**

**BELENOS**

EP 1 970 778 A1



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(19)  **Swatch**  
 (21) **DEMANDE DE BREVET EUROPEEN**

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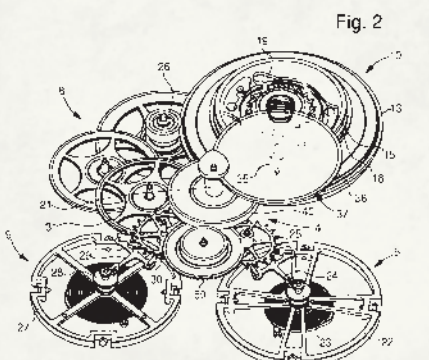
(84) Liste des États désignés: AT, BE, BG, CH, CY, CZ, DE, DK, EE, ES, FI, FR, GB, GR, HR, HU, IE, IS, IT, LI, LT, LU, LV, MC, MK, MT, NL, NO, PL, PT, RO, SE, SI, SK, TR. États désignés sans option: AL, BA, RS.

(71) Demandeur: Montres Breguet SA, 1364 L'Abbaye (CH)  
 (72) Inventeur: Lechevalier, Dominique (1341, L'Orléans (CH)); Zaugg, Alain (1348, Le Brassus (CH)).  
 (74) Mandataire: Summety, Gerard et al (100, Ingénieurs Conseils en Brevets SA, Faubourg de l'Hôpital 3, 2001 Neuchâtel (CH)).

(54) Pièce d'horlogerie comportant un chronographe et une montre.

(57) La pièce d'horlogerie comporte un chronographe dont les aiguilles sont entraînés par un premier rouage d'entraînement à son tour, un second rouage à son premier et le second rouage sert à entraîner les aiguilles du chronographe par un second rouage agencé indépendamment, premier rouage entraînant à son tour, un second rouage à son premier et le second rouage sert à entraîner le pendule de la montre à son tour.

**Fig. 2**



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## [SWATCH GROUP RESEARCH AND DEVELOPMENT]

Swatch Group Research and Development Ltd, founded in 2005, encompasses the activities of Swatch Group's research divisions as well as certain ones responsible for pilot productions and special products. Along with these activities, it is also involved in coordinating technological innovations for various other Swatch Group companies.

### Division Asulab

(1)

As Swatch Group's central research and development laboratory, Asulab's core mission is to design technically innovative watch products, subsystems and components and to develop state-of-the-art technologies and processes required for their manufacture. In 2015, Asulab continued this mission by offering the brands and production companies various innovations in order to achieve original products presented at a range of events throughout the year.

Asulab continued to maintain close contact with the different Swatch Group companies and brands, pursuing joint projects and ensuring that the technical results obtained corresponded as closely as possible to the needs expressed. The acquisition and implementation of new competencies and technologies continued to be important objectives for Asulab, which achieves them through targeted collaborations with renowned research institutes in Switzerland and abroad.

Asulab's expertise, which resides in its multidisciplinary skills, the responsiveness of its employees and its state-of-the-art equipment, in addition to its good working relationship with its partners within Swatch Group, enabled achievement of its objectives in 2015. The Swatch Touch Zero One, for example, is one of the projects for which Asulab developed and perfected the pedometer function. Another achievement is the durable and reliable alarm device installed in the cockpit of the Solar Impulse airplane and designed to awaken the pilot after a 20-minute period of sleep.

Recent developments in wireless communication systems adapted to the constraints of watchmaking products (compact size and low energy consumption in a metal environment) enabled the achievement of a connected Tissot T-Touch watch, presented for the first time at Baselworld 2015. In addition to its basic functions, the model can connect to a weather station using the Bluetooth LE protocol, and can also find lost items such as a wallet, a telephone or a set of keys by activating the beacon coupled with it.

Finally, several other innovations will soon be made available to Swatch Group brands and production companies, including a new touch device that will allow more intuitive handling. Special emphasis has also been placed on fine ornamental and functional layers offering new options for watch exterior elements.

### Division Moebius

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

(2)

5 A division of The Swatch Group Research and Development Ltd, Moebius specializes in the production and commercialization of lubricants and epilames used in the field of cutting-edge micro-technology and developed to meet the highly specific and technical needs of watchmaking applications. During  
10 2015, Moebius acquired new production equipment allowing it to reinforce the reliability of processes, while increasing production capacity. Moebius also put its innovative spirit to the test, notably by working in close collaboration with the  
15 Asulab division and with production companies such as ETA and Nivarox-FAR, as well as with prestigious brands such as Breguet.

### Division CDNP

(Centre de développement des nouveaux produits)

(3)

20 A division of The Swatch Group Research and Development Ltd, the CDNP provides its services to the Swatch Group brands and production companies at several levels. The  
25 primary missions of the CDNP in the design, conception and construction of cases, bracelets and clasps were recently enhanced with technical and methodological support for the brands' product development departments. In order to accomplish this, knowledge bases, norms, standards and design rules  
30 have been kept current and in-line with industrial certifications for new materials and processes.

Secondly, the CDNP is also responsible for the monitoring, prospecting, evaluation and development of new materials and processes. This is achieved through successful and ongoing  
35 industrial transfers, as well as through synergies and exchanges with the other Swatch Group research and development entities.

New transversal projects in the realms of digital printing, additive manufacturing, new metallic alloys, robotics and packaging were successfully coordinated by the CDNP. It also provided the brands' logistics teams with support in the implementation of unique solutions in packaging and traceability.

Equipment and operational production facilities complying with high-end industrial standards are used to produce prototypes in different materials, to evaluate and characterize the new materials and ultimately to develop new processes before their industrial deployment.

The multidisciplinary team consists of designers, developers, project managers and mechanics, who collaborate closely with each other. They also interact with their colleagues from Swatch Group brands and production subsidiaries, as well as with international technological experts.

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## [ BELENOS CLEAN POWER ]

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

(4)

In 2015, Belenos continued its efforts in the field of battery development following enormous progress already achieved, particularly in terms of their energy density. Parallel to this, Belenos granted non-exclusive licenses for the use of its patents to Swiss Hydrogen SA in order to ensure production of the hydrogen fuel cell. Finally, the High Speed Compressor project continued, promising exceptional efficiency for minimal volume and weight. All this progress will enable an increase in fuel efficiency of hydrogen fuel cell and electric vehicles and will optimize battery recharging times.

Concerning batteries, the synthesis of cathode material successfully advanced from its laboratory test phase to pilot production. In light of these results, an investment plan was established for the acquisition of larger reactors, which will allow production to begin during summer 2016. The implementation of a pilot battery manufacturing line was also planned. This should begin at the same time as the production of cathode material.

In the area of research and development, a liquid and a solid electrolyte were developed, both adapted to the Belenos system. Thanks to its special formulation and the lesser reactivity of its materials, the Belenos system features certain advantages in terms of security compared to batteries currently available on the market. A series of tests planned for 2016, in coordination with future production, should confirm these assets.

In the field of micro-inverters, the production of the Zero series, partially supplied by ETA, began. The final mounting and assembly is being conducted on the Belenos premises. The quality of the production line and of the production site itself (factory inspection) was audited and approved by the VDE (*Verband der Elektrotechnik Elektronik und Informationstechnik e.V.*), thus paving the way for the installation of the first BLUE-AC 125 kW micro-inverters on the roof of the new Omega factory in spring 2016. The certification and market launch of the micro-inverter required a modification with regard to the electronic control system, in order to ensure better insulation. With regard to sales and marketing, Belenos is engaged in discussions with a new partner with a view to a launch on the Swiss market in 2016.

Belenos Clean Power Engineering has been mandated by Swatch Group to reduce energy consumption and CO<sub>2</sub> emissions on production sites and certain administrative sites in Switzerland. Thanks to close cooperation with the site managers and the Swiss Economic Energy Agency (EnAW), heat and electricity consumption has been considerably reduced.

## [ ICB INGÉNIEURS CONSEILS EN BREVETS ]

(5)

The essential missions of ICB Ingénieurs Conseils en Brevets are the protection of Swatch Group's technical innovations, the enhanced valuation of acquired technological know-how, market intelligence and the fight against counterfeits.

In 2015, ICB continued its activities to identify technical innovations in the various research and development companies and entities of Swatch Group in order to ensure optimal protection of its technological assets. The number of new patent applications filed to protect the developments of the Swatch Group companies was maintained at a high level compared to the previous years. This was the result of the continued awareness of all those involved in research and development of the importance of patents as part of the strategy of an innovative company, and an efficient synergy between ICB and all the engineering and research teams from the different Swatch Group companies. This collaboration was once again particularly important, not only in the watchmaking domain but also in Swatch Group's non-watchmaking activities.

Substantial efforts were made to support the Swatch Group brands in their strategies to penetrate international markets through patent protection. With this in mind, the financial investments to obtain patent protection for their new products abroad continued in a targeted manner in 2015, so as to cover the main markets and production sites.

In collaboration with Swatch Group's legal department, ICB continued to support the various companies and departments to ensure that their rights were defended.

In 2015, ICB management maintained its strategy of controlling its operating costs. It also focused on the stabilization of operational expenses relating to the maintenance and acquisition of patent rights. Consequently, ICB's end of year financial results were positive, and in line with the budget forecast.



**[SWATCH GROUP QUALITY MANAGEMENT]**

The mission of Swatch Group Quality Management (SGQM) is to establish the standards of quality assurance and the security of products brought to the market. The aim is to ensure environmental and legal conformity, as well as reliability, by making specific product knowledge and competencies available to the Swatch Group companies.

**Legal conformity**

In 2015, SGQM monitored the evolution of the following legislation:

**RoHS:** Four additional substances were added to the list of components subject to restrictions in electronic products, including quartz watches, according to the European RoHS (Restriction of Hazardous Substances) directive 2015/863/UE, that will come into effect in 2019. These four substances are phthalates that have been banned by Swatch Group specifications since 2010. In addition, dossiers for the four-yearly renewal of exemptions allocated to the industry within the framework of this directive were submitted to the European authorities in January 2015 by electronic product manufacturer associations (Digital Europe, TechAmerica and JEITA) with contributions from their members.

**REACH:** Two new restrictions came into effect in 2015, according to Annex XVII of REACH (Registration, Evaluation, Authorization and Restriction of Chemicals). However, at the end of November 2015, no new substance had been added by the authorities to the authorization list due to a moratorium put in place by the European Commission following a large number of questions that arose regarding the relevance of this procedure. By the same token, the number of substances added to the very high concern candidate list was significantly reduced.

**Mercury in button cells:** On October 1st 2015, the 2013/56/EU directive implemented a ban on mercury in button cell batteries in countries in the European Union. Swatch Group, due to its proactive environmental policy and adherence to the most stringent international requirements, like in the United States for example, had already implemented a transition to mercury-free batteries through its subsidiary, Renata, in 2010.

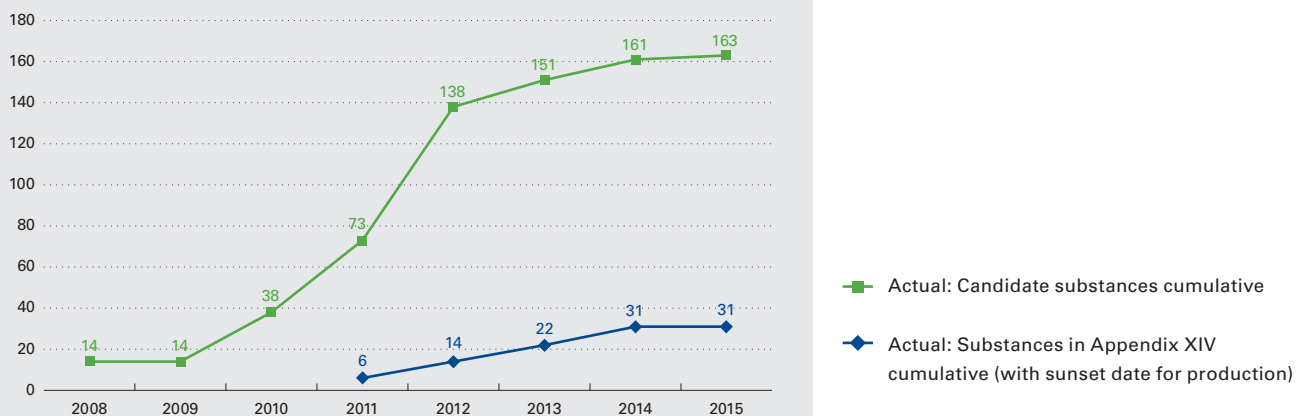
**Triman symbol:** In 2015, France introduced compulsory labeling for products and packaging that can be recycled. The SGQM communicated the new instructions and supported the brands in following this new requirement.



**Continuous Improvement**

Standards and specifications: With the aim of providing an objective description of the properties of new products and fabrication processes, Swatch Group experts again took part in the development of new technical standards in 2015. The creation of different Technical Mirror Groups enabled us to consolidate and represent the technical and economic interests of Swatch Group within the FH Watch Industry Standards Department (NIHS) as well as various international (EN and ISO) technical committees.

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





## [SWATCH GROUP SERVICES]

### Division European Distribution Center (EDC)

EDC continued to realize cost savings by optimizing its processes in close collaboration with the brands, subsidiaries and freight forwarders while maintaining its high service quality. It was also able to extend its activities successfully by including the worldwide distribution of Renata batteries. This integration will initiate further synergies and productivity gains within the distribution chain. New functions are in place in EDC's software platform, enabling a more transparent tracking of shipments and greater flexibility to introduce new shipping services. Additional product options were launched for the growing e-commerce business as well, including gift cards and promotional materials along with different delivery options. To respond to changing market demand, EDC is reviewing its warehouse processes to further improve efficiency.

### Division Swatch Group Logistics (SGL)

Specialists in the implementation and management of supply chains (planning systems, management of logistic details, process and flow optimization) as well as in the realm of transport, the construction of new storage warehouses, storage, import and export, controlling and IT systems, Swatch Group Logistics (SGL) is developing its activities both in Switzerland and abroad.

Its mission is not confined merely to implementing and developing suitable existing technologies, but also extends to supporting and training its employees at every stage of the various projects undertaken. As the main contact for these types of activity, the division consolidated its presence in 2015 with the subsidiaries abroad and with the brands in Switzerland.

To facilitate access to knowledge and the international dissemination of Swatch Group best practices, SGL started work on the creation of a knowledge sharing center called SGL-Campus. Within this framework, thanks to a partnership with well-known Swiss schools, the logistics teams enjoy the benefit of useful and informative academic support.

### Division Swatch Group IT Services

In 2015, Swatch Group IT Services Division continued the implementation of new IT systems in support of the Group's business. New distribution systems were introduced in Japan, Macao, Indonesia and South Korea. The Customer Service system has been enhanced with tools to manage the product bill of materials. A new Group Service Desk was launched in April, operating 24 hours a day 365 days per year; a new Application Operation Department also supports the brands in their retail and e-commerce activities worldwide. A new solution supporting logistics planning at Longines, Tissot, Certina and Mido was introduced. Other applications realized were the opening of an e-commerce site for Hamilton in France, the upgrade of the Swiss payroll system and the creation of a core

model for Retail. The Technology Department worked on a new infrastructure for the e-mail system, the migration of SAP on faster technology, the setup of an on-call service for Storage, Virtualization and Backup, the evaluation of a future Data Center, new telephony tools in Taiwan and Macao, and the migration of the brands' websites to a new network with improvements in performance in Asia.

### Division Swatch Group Corporate Customer Service (CCS) Division (6) (7)

The CCS aims to improve the quality of the services provided to customers and to ensure a qualified Customer Service (CS) staff worldwide.

**Swatch Group subsidiaries and brands:** The CS centers network continuously evolves to provide customers with ever-better service. The CCS shares its expertise and supports brands' and subsidiaries' CS projects. The China CS strategy was reviewed; the Guangzhou (China) and Taiwan service centers were moved into new premises. The Macao, Indonesia and Montreal (Canada) CS centers were set up. The service center in Seattle (USA) was expanded and the one in Southampton (UK) was redesigned, integrating the Oldham (UK) workshop. A Prestige hub was created in Pforzheim (Germany) and the service center in Austria was reconfigured. Management tools were developed to support the watch services as well as Customer Care initiatives.

**Schools and training programs:** In Shanghai and Hong Kong, the one-year watchmaking pilot course concluded successfully and both schools will continue to offer their students this additional watchmaking curriculum. Regarding the Swatch Group-certified six-week technician training, which enables CS employees to perfect their technical skills, focus was placed on developing additional instructors and examination experts. The service center in Hong Kong successfully completed its first movement exchange course while a pilot course in polishing was started in China.

**Selective Spare Parts Distribution (SSPD):** The program for SSPD, which aims to improve the quality of services for the end customer, was deployed to all European countries with a Swatch Group subsidiary and was launched in the European agent countries.

**IT systems:** The most recent developments brought a stronger integration of customer relations to the systems and processes. The new functionalities added to the aCSis (CS management software) enhanced customer and internal communication and optimized CS work. The extranet evolutions enhanced spare parts and technical information as well as services follow-up.





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**Division Real Estate Development**

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In 2015, the Real Estate Development division was characterized by extensive activity with Swatch Group companies both in Switzerland and abroad.

The process of modernizing the real estate portfolio and improving the infrastructure continued, notably with regard to Comadur, at Col-des-Roches (NE), Moebius in Itingen (BL), Nivarox-FAR in Fontaines (NE) with the building of a cafeteria, Simon Et Membrez in Courtételle (JU), Longines in Saint-Imier (BE), as well as in Biel/Bienne (BE) at the new Certina headquarters, Hamilton, Omega, Swatch Group and Swatch Group Services.

This work is part of a policy to improve personal safety in the workplace and values, as well as serving to consolidate the sustainability of the production facilities; it also answers a desire to optimize and vertically integrate production flows to improve infrastructures for increased product quality, thus materializing a policy to reduce consumption of fossil and electric fuels.

A number of large-scale projects continued. The project under construction for Universo and Rubattel et Weyermann in La Chaux-de-Fonds (NE), totalling 45000 square meters, continued throughout the year. The Omega and Swatch site in Biel/Bienne entered an advanced phase of construction with the building of a 50000 square-meter surface area. The second phase of the industrial park of Swatch Group production companies in Boncourt (JU), with the construction of a 25000 square-meter production building, is in its final stage and will be completed in early 2016. Finally, the Sputnik Engineering building in Biel/Bienne, acquired in 2015, will be adapted to meet the logistics needs of Swatch and Calvin Klein watches + jewelry.

The Real Estate Development division also carried out its consulting activities, feasibility studies and design development with the various Swatch Group subsidiaries and brands, coordinating the participation of the latter at Baselworld with the creation of stands amounting to more than 10000 square meters of exhibition and sales space.

Finally, specialists in the Real Estate Development Division contributed to developing or renewing the vast boutique network for Swatch Group's most prestigious brands – Breguet both in Paris at the Place Vendôme and in Geneva; for the Harry Winston boutiques in London, Macao, Miami, Osaka, Shanghai and Tokyo as well as the shop-in-shops from the same brand in key areas all over the world – Tourbillon in Moscow and for the luxury multi-brand boutiques in Jeddah and Riyadh.

**[SWATCH GROUP IMMEUBLES]**

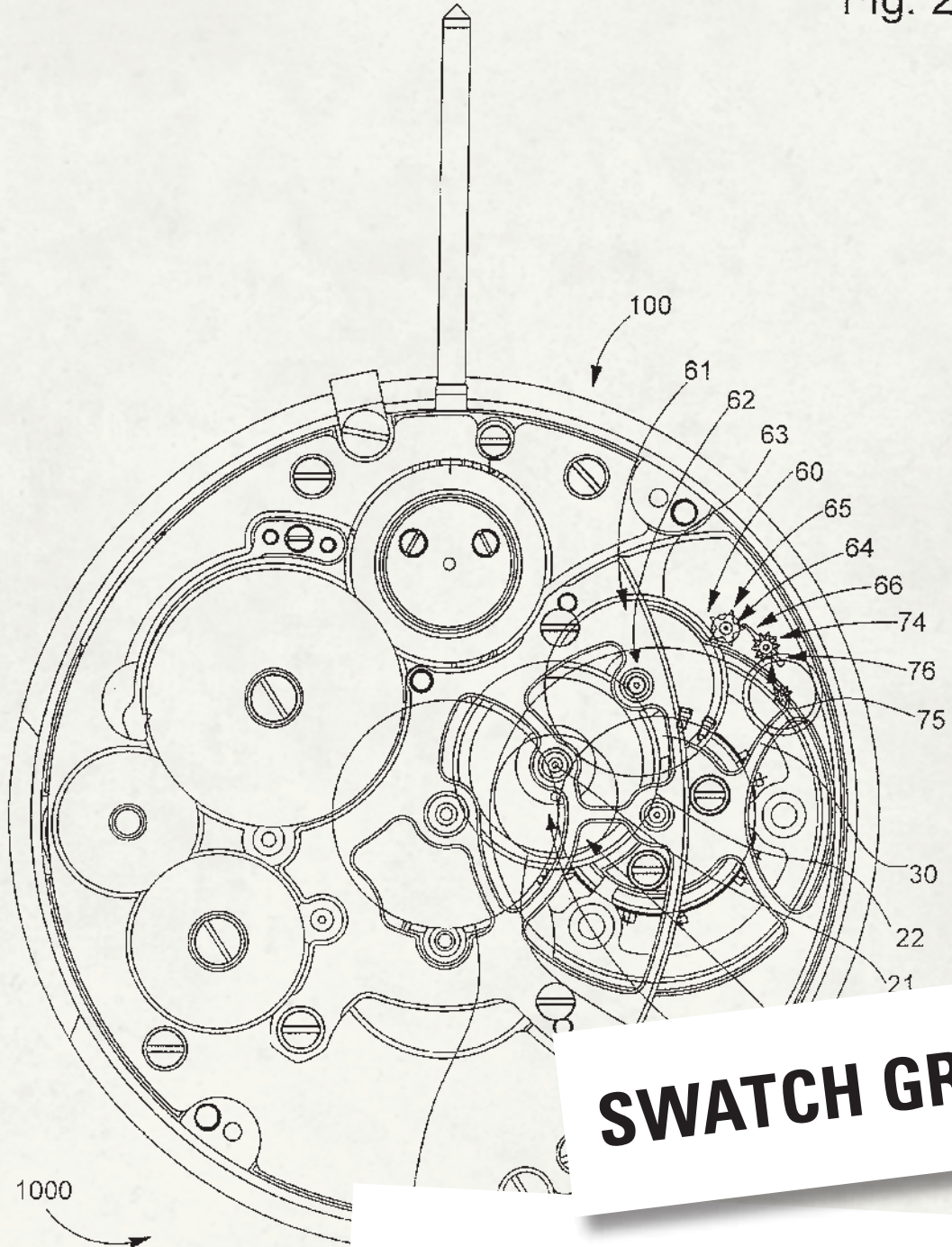
[www.swatchimmo.ch](http://www.swatchimmo.ch)

For Swatch Group Immeubles, 2015 was characterized by intense activity in the management of a large rental base consisting of more than 5000 rental properties, mainly in the cantons of Bern, Jura, Neuchâtel, Solothurn and Vaud. The company manages the real estate that is part of the Swatch Group Pension Fund and Fondation d'Ebauches SA, as well as other employer pension funds and several affiliated companies. During the year, its real estate management focused on close monitoring of renovation and sanitization work, as well as the brokerage agreements that Swatch Group Immeubles successfully managed on its clients' behalf. This positive development helped reduce the number of objects for rent as well as brokerage agreements. The company intends to continue advising its clients on real estate matters as well as providing follow-up on the implementation of real estate operations.

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Fig. 2



**SWATCH GROUP**

**IN THE WORLD**



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## [SWISS MARKET]

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In 2015, Swatch Group acquired the Sputnik Engineering building in Biel/Bienne (BE) through its Distico subsidiary. A hundred new jobs will be created there in due course.

Concerning the brands, Breguet celebrated the tenth anniversary of its Tradition collection with a traveling exhibition dedicated to this iconic model, while the Breguet boutique in Geneva was entirely renovated.

During the Zürcher Spring Tasting and Geneva's grape harvest festival (*Vendanges de Genève*) celebrations, Blancpain welcomed *Haute Horlogerie* and gastronomy fans to its boutiques in Zurich and Geneva respectively. Glashütte Original also took part in the Geneva grape harvest festival, offering visitors to its Geneva boutique a chance to enjoy a display of its expertise while sampling a glass of Swiss wine. Jaquet Droz once again enjoyed a record year in 2015 and in May, the brand unveiled its Charming Bird watch, equipped with a songbird automaton, in its Geneva boutique.

For Omega, 2015 was strongly informed by the theme of the new James Bond film, *James Bond 007: Spectre*. Exclusive preview screenings of the movie as well as a large-scale communication campaign were organized.

For the first time, Longines was on hand to time the Night Turf St. Moritz, as well as the Longines CSI St. Moritz show-jumping event. The brand has thus become the Official Watch of this famous Graubünden competition.

In 2015, Rado opened its first monobrand boutique in Switzerland in the city of Lucerne. For the second year running, the brand served as Official Timekeeper for the Swiss Indoors tennis tournament in Basel. It also continued its partnership with the Swiss Design Prize.

Meanwhile, Tissot succeeded in gaining new market share. The brand broadened its partnerships, notably by inaugurating the First Cliff Walk by Tissot close to Grindelwald (BE). In ice hockey, the construction of the Tissot Arena in Biel/Bienne has given the brand additional nationwide exposure.

Balmain celebrated elegance through its loyal patronage of the Miss Switzerland competition, for which it is the official watch. The title of Miss Switzerland 2016 was awarded to Lauriane Sallin, a perfect spokesperson for the brand.

Certina reinforced its point-of-sale visibility with shop-in-shops and special displays, while Mido consolidated the quality of its distribution, enabling it to maintain a strong presence in Switzerland.

Hamilton launched its new Khaki Takeoff Auto Chrono Air Zermatt, a limited-edition watch created in partnership with the Swiss helicopter rescue company Air Zermatt. Meanwhile, Calvin Klein watches + jewelry continued extending its shop-in-shop network in the major Swiss cities and established closer partnerships with important retailers.

During the summer, Swatch organized several exciting events: the Swatch Beach Volleyball Major Series Tour made a stopover in Gstaad (BE); Swatch Club celebrated its 25th birthday in Interlaken (BE) with a concert by Pegasus; and art came to meet travelers in the AirPainting project showcased at Zurich Airport. In Geneva, the Flik Flak brand was extremely proud to celebrate the international launch of its new retail furniture.

On the distribution side, Tourbillon Boutique organized preview screenings of *James Bond 007: Spectre* in Lausanne and Lugano with Omega, and the Hour Passion boutiques offered some very interesting themed exhibitions.

## [SWATCH GROUP GERMANY]

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Swatch Group Germany's firm focus on a quality-driven distribution strategy in 2015 led to a successful year..

For the 200th anniversary of the Battle of Waterloo, Breguet sponsored the restoration of Hougoumont Farm and invited its illustrious guests to the opening ceremony. Blancpain celebrated the launch of its new timepieces in its Munich boutique.

Glashütte Original adopted several measures designed to bring it closer to a broader audience, notably through an international traveling exhibition as well as with a publication dedicated to its Manufacture. Jaquet Droz held an exclusive presentation of its innovations and invited its guests to a performance of the Bèjart Ballet Lausanne. At the KaDeWe department store in Berlin, Omega set up an exhibition devoted to James Bond, inaugurated by Naomie Harris. During the 34th Gymnastics World Championships held in Stuttgart, Longines and its president, Walter von Känel, were delighted with Yana Kudryavtseva's success. Thanks to its strong presence in the world of tennis, Rado was the focus of attention. At the end of April, Union Glashütte invited its key retailers from Germany, Austria, Switzerland and Russia to an exclusive event on the shores of Lake Constance. In an original production, high on Munich rooftops, Tissot presented the media with its T-Touch Solar collection along with several innovations. Certina partnered the ADAC GT Masters to which it invited its clients. At the end of the year, together with its trade partners, Kraemer and Christ, Mido launched its large-scale Citylights campaign. During a lunch, Hamilton President, Sylvain Dolla presented the new collection to a vast audience of journalists. In August, the largest saleroom operation organized to date by Calvin Klein watches + jewelry Germany took place at Munich Airport. Swatch opened its second largest megastore in the center of Frankfurt. Finally, Flik Flak embarked on a new collaboration with bloggers.



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**[SWATCH GROUP AUSTRIA]**

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In 2015, Swatch Group Austria continued to optimize its retail network. Breguet celebrated the 200th anniversary of the Battle of Waterloo and the Congress of Vienna through various events. Glashütte Original consolidated its market share and invited its retailers to Glashütte (Saxony). The Speedmaster and James Bond were the year's highlights for Omega, which focused on customer-oriented events. Omega's Vienna boutique enjoyed strong growth, augmenting an already very high level. Longines served as official timekeeper for the FIS World Cup Race and the Vienna Masters, both held near the city's Town Hall. As a partner of the Vienna Design Week, Rado awarded the Rado Star Prize 2015 to Louisa Köber. The brand was also official timekeeper for the Erste Bank Open. Union Glashütte focused on acquiring new customers, as well as on events for retailers. It also supported the Silvretta Classic Rallye. For Tissot, the year was all about improving its visibility, with the brand striving to ensure a strong presence in points of sale. Certina broadened its distribution and invited its retailers to the ADAC GT Masters in Spielberg. Calvin Klein watches + jewelry presented the year's new models at a special event and cooperated with select Austrian bloggers. Swatch launched its Touch Zero One model at the beach volleyball European Championships. The brand also concentrated on expanding its Swatch stores, of which there are now 13. Finally, Flik Flak placed its emphasis on the start of the school year and the festive season.

**[SWATH GROUP BELGIUM]**

(12)

Swatch Group Belgium, in a year marked by widely publicized events, focused on optimizing its distribution network in 2015. Breguet attracted the attention of the entire world on the occasion of the bicentenary of the Battle of Waterloo by enabling the restoration of the historic Hougoumont Farm. During the Blancpain Race Weekend on the Spa-Francorchamps circuit, Blancpain hosted around 60 cars – a record number. Omega organized an exclusive preview of the new James Bond film, *James Bond 007: Spectre*, for its clients. Longines's new Equestrian collection was presented at a press conference that took place at the Longines Global Champions Tour in Antwerp. It was an equally successful year for Rado, which sponsored the legendary tennis tournament, the Optima Open. Tissot consolidated its number one position. By sponsoring the *Prix d'Excellence de la Mode Marie Claire*, Balmain reinforced its image as a ladies' brand. For the presentation of the new DS-8 Moon Phase watch, Certina invited its clients to the ADAC GT Masters at Spa-Francorchamps. Leveraging its reputation, Hamilton, strengthened its position and sustained its performance. Calvin Klein watches + jewelry focused on its distribution network with display window decorations. The Swatch pop-up store, located near the Grand-Place in Brussels, gave way to a new megastore. The historic building was entirely renovated, both respecting its authenticity and providing more space and light. Over this period, the two young friends Flik and Flak continued to teach children the time.

**[SWATCH GROUP NETHERLANDS]**

(13) (14)

In 2015, Omega organized the Dutch premiere of the James Bond film *James Bond 007: Spectre*. Longines created brand ambassadors through its training seminar for retailers. Rado confirmed its commitment to design at the Dutch Design Week. Union Glashütte's growth was supported by a limited number of specialized watch stores. Tissot focused on the T-Touch Solar Expert and on the new Chemin des Tourelles family with a pop-up store. Balmain was sponsor of the Marie Claire Starter's award. Certina became the official timekeeper of the GT-Masters. Hamilton strengthened its qualitative customer base in the Netherlands. Calvin Klein watches + jewelry concentrated on its distribution network with tailor-made window campaigns & POS decoration. The Dutch Design Week was the stage for the world premiere of the Sigrid Calon Swatch Art Special 'Duet in Green & Pink'. Flik Flak increased its online presence by collaborating with influential bloggers.

**[SWATCH GROUP LUXEMBURG]**

During 2015, Swatch Group Luxembourg's companies further assisted Swatch Group's international development with their support activities by providing their services in the areas of operation financing, liquidity management and optimization of insured risk, this in a still challenging and volatile financial market environment. Located in the financial heart of Europe, Swatch Group Luxembourg benefits from the vast range of services provided by an internationally recognized and efficient banking and insurance system, which is regulated and supervised by national and European authorities.







## [SWATCH GROUP FRANCE]

(15) (16)

Swatch Group France had a very good year in 2015 despite a complex political, economic and social climate, with strong support from the tourism sector and a number of events.

Breguet celebrated the renovation of its Museum on the Place Vendôme with an exhibition dedicated to the emblematic Tradition watch. Blancpain took advantage of the COP21 conference to communicate its commitment to the preservation of the oceans. Glashütte Original started presenting historic pieces along with its complete collection at its new boutique on the Rue de la Paix in December. Jaquet Droz invited its best clients to a unique performance of the Béjart Ballet Lausanne in Monaco. James Bond, faithful as ever to Omega, saw his favorite brand stage an event in his honor at the Automobile Club de France. For the first time, a watch brand dressed the fairytale Christmas windows at the Printemps department store and the privilege was granted to Longines, which also enjoyed a successful boutique opening at the beginning of the year. For the fourth consecutive year, Rado focused on its partnership with the Paris Design Week. There was no let-up for Tissot, which competed on a number of playing fields: rugby, basketball or motorbiking. Balmain continued its development and opened new POS. The French market welcomed a new watch brand with the arrival of Mido. Always in search of new aerial challenges and technical innovations, Hamilton, in partnership with ETA, tested the impact of zero gravity on the chronometric performance of its mechanical movements aboard an A310 ZERO-G from Novespace. Calvin Klein watches + jewelry innovated by hosting journalists and retailers at the latest trendy venue in the Marais, the *Galerie Joseph*. The Place Vendôme was invaded by life-size cows that celebrated the 15th anniversary of the Swatch Boutique, which had been treated to a facelift for the occasion. And Flik Flak decided to communicate in partnership with Disney Junior via a multimedia TV and digital platform.

## [SWATCH GROUP SPAIN]

(17) (18)

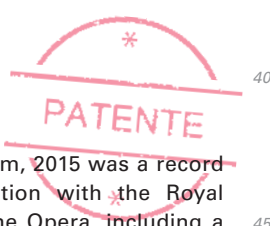
Thanks to the dynamism of Spanish team, 2015 was a record year. Breguet continued its collaboration with the Royal Theatre, organizing special events at the Opera, including a personalized visit to the backstage area of the Royal Theatre. Blancpain won the Men's Watch prize at the Vogue Jewelry Awards with the Villeret Grande Date. At the end of the year, Glashütte Original's meeting with journalists was attended by President Yann Gamard. Omega celebrated 20 years of collaboration with James Bond with a very special boutique event. Longines increased its presence at equestrian events in Spain with the celebration of Madrid Horse Week. Tissot signed a contract with the Spanish motorcycle racer Tito Rabat; brand President François Thiébaud came to Barcelona for the official presentation. Certina was involved in the FIA World Rally Championship in Salou; a special event was sponsored by the brand. Hamilton continued its collaboration with *Patrulla Aspa* and the brand organized a unique event in Granada, attended by President Sylvain Dolla. Calvin Klein watches + jewelry organized a post-Baselworld event in a unique environment, the *Fundación Giner de los Ríos*. At The Robot Museum, Swatch presented its futuristic collection, XLite, inspired by robots and made with innovative materials. A Fuego Negro, a pop-up tapas restaurant, introduced the Mediterranean

Dolce Vita Collection, and the Grūezi All! Collection welcomed journalists with a typical Swiss *raclette*. Flik Flak finished the year with a Christmas Party for journalists' children.

## [SWATCH GROUP ITALY]

(19) (20)

Swatch Group Italy had one of its best years ever in 2015. Breguet organized various events at the Milan Boutique in Via Montenapoleone. Harry Winston's first year in Italy featured a successful event in Milan confirming its support of amfAR. Blancpain presented the Ocean Commitment project in Capri with Gianluca Genoni. Glashütte Original had another successful year and increased awareness. Jaquet Droz strengthened its presence with the opening of selective new doors. Omega's event in Milan celebrating women featured Nicole Kidman. Its *Her Time* exhibition at the Triennale Museum was dedicated to the history of ladies' watchmaking. The Longines Global Champions Tour took place in Rome's *Stadio dei Marmi*. The FEI World Cup in Verona successfully ended the Jumping season. Rado increased its qualitative presence and visibility in Italy. Tissot was Official Partner of MotoLive at EICMA, the most important European motorcycle fair. Mido continued its steady growth, thanks to expanded distribution and focused advertising. Hamilton strengthened its connection to cinema, partnering with *Nastri d'Argento* to present a special prize to actor Luca Zingaretti (*Commissario Montalbano*). Calvin Klein watches + jewelry embraced a multichannel approach through different touchpoints, creating strong engagement and numerous calls to action. Swatch was Official Watch & Timekeeper at Expo Milano 2015. The brand created its Official Expo Collection and the original Swatch EXPerience Store on site as the downtown Swatch totem/clock displayed the time to the end of the event.





**[SWATCH GROUP UNITED KINGDOM]**

(21) (22)

It was an excellent year for Swatch Group United Kingdom with double digit growth and the opening of new boutiques. The prestige brands continued to strengthen their boutique client base hosting exclusive events. Breguet enjoyed a collaboration with the Antiquarian Horological Society, while Blancpain hosted an Evening for Gentlemen with fine whisky and cigars. Glashütte Original hosted a month-long exhibition at Harrods, resulting in successful sales. From the moon to Globemaster, Omega hosted many events and welcomed new international ambassador Eddie Redmayne. The new James Bond movie *James Bond 007: Spectre* was a huge success story. There was a screening for 200 VIP guests and a waiting list for the *Spectre*-themed watches. Longines again hosted high-profile equestrian events including Royal Ascot, and opened its first UK boutique in a prime location on Oxford Street. The occasion was marked by ambassador Kate Winslet, who declared the store open, and hosted an intimate celebratory dinner. Rado enjoyed successful sales with a strong increase across stores with key retailers as the brand continued to go from strength to strength. Tissot kicked off the year as Official Timekeeper for the RBS 6 Nations, which provided excellent marketing and social media opportunities, and continued to reinforce its association with the sport via the Rugby World Cup 2015 held in the UK. Hamilton enjoyed a Hollywood screen moment as the watch worn by Matt Damon in *The Martian*. Media coverage increased when ambassador Nicholas Ivanoff took press on the experience of a lifetime in the skies. Swatch continued its retail strategy opening a new store in Nottingham and relocating two existing boutiques to prime locations. It also introduced four pop-up boutiques including a shopping destination Bicester Village. The brand continued to surprise during its partnership with London Fashion Week with the Swatch Pooch Parlor ensuring all pets were 'pawfect', and at the launch of Gran Turismo, building its own Scalextric track.

**[SWATCH GROUP IRELAND]**

(23)

Swatch Group Ireland continued to enjoy strong growth in sales across all brands. The Longines Grand Prix took center stage at the Dublin Horse Show and the brand remained true to its equestrian roots at the Irish Champions Weekend of horse racing where it was Title Partner and Official Timekeeper. Calvin Klein watches + jewelry hosted a road show to leverage the global social media campaign #ckminute, where customers enjoyed taking selfies wearing pieces from the new 2015 collection, generating a great social media buzz. Swatch invested in an impressive "OOH" campaign promoting the Happy Holidays initiative and held events in Arnotts department store to highlight the new Après-Ski collection, resulting in successful sales. Hour Passion continued to thrive and opened a new outlet store in prestigious shopping location Kildare Village in December.

**[SWATCH GROUP NORDIC]**

**Denmark**

(24)

Swatch Group Denmark increased its sales in a highly competitive market in 2015. Omega invited 200 retailers, media contacts and friends of the brand to a James Bond event – a *James Bond 007: Spectre* screening followed by a cocktail party in Copenhagen, where guests were welcomed by Day of the Dead performers. Longines partnered with the World Archery Championship for its finals, which were held in front of the Christiansborg Palace (the Danish Parliament) in Copenhagen. Tissot focused on training, conducting six seminars for 45 watchmakers at the Danish School of Watchmaking. Swatch Group Denmark's watchmaker, Brian Larsen, was only the second person in the world to be certified an Omega Technical Trainer, enhancing local know-how in after sales service.

**Finland**

(25)

Despite a challenging economic climate, Swatch Group Finland maintained good growth. Omega retained its position as one of the strongest watch brands in Finland. *James Bond 007: Spectre*, the new James Bond movie, enjoyed great visibility and elevated the brand's image. Longines developed strongly through its shop-in-shop installations at key locations. In October, the brand promoted itself elegantly at the Helsinki Horse show, which was an enormous success.

**Norway**

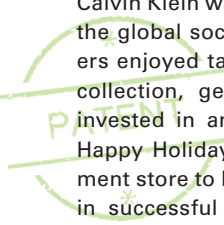
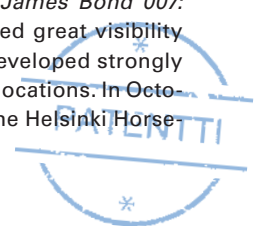
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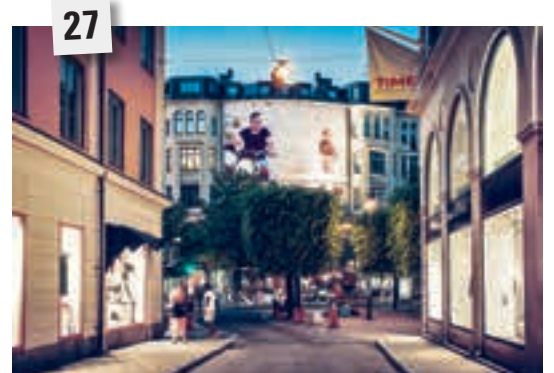
Swatch Group Norway continued its strategy of ensuring high visibility in key points of sale for all brands, resulting in a record-breaking year. Breguet, Blancpain and Glashütte Original established a new top-level POS in Oslo. In February Omega unveiled the Countdown Clock for the 2016 Winter Youth Olympic Games in Lillehammer, Norway. Present at the unveiling were the brand's president Stephen Urquhart, His Royal Highness Crown Prince Haakon of Norway and IOC Vice President Nawal El Moutawakel.

**Sweden**

(27)

Omega had another great year with increased sales and visibility, especially during the *James Bond 007: Spectre* burst. Rado further improved its distribution network in Stockholm and successfully launched the Diamaster and Coupole Classic collections. Longines experienced an increase in sales following a refinement in distribution. Tissot had a strong year with increased sales; the Tissot Academy training program led to greater brand knowledge. Calvin Klein watches + jewelry maintained its excellent position in the fashion segment. Certina remained one of the strongest mid-priced brands and hosted Swedish Sauber Formula 1 driver Marcus Ericsson at two events. Swatch had an exciting and challenging year with its main focus on travel retail and shop-in-shops investments.







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## [SWATCH GROUP GREECE]

(28) (29)

In an economically challenging year, Swatch Group Greece maintained high performance levels and demonstrated its leading profile and growth capacity in a shrinking market, with new corporate POS openings and a healthy distribution network. Omega had a substantial sales increase and celebrated its long relationship with James Bond, presenting the two watches featured in *James Bond 007: Spectre* at a spectacular event in Athens. Longines also enjoyed solid growth in domestic and touristic sales. Rado upgraded its POS presence with a new display concept; a bold outdoor campaign at the Athens International Airport made an impact during the tourist season. Tissot continued to invest in its DFS distribution, organized POS promotions and large-scale visual decorations and wrapped up the year with the opening of its first boutique in the heart of Athens. Hamilton previewed the film *The Martian* for retailers and media, promoting the watches worn in the film and the brand's Hollywood connection. Calvin Klein watches + jewelry completed the redefinition of its brand image in the distribution network and in the media. Swatch maintained its healthy national distribution network and successfully opened a new corporate store in the most dynamic mall in Athens.

## [SWATCH GROUP TURKEY]

(30) (31)

In 2015, Swatch Group Turkey focused on the development of its corporate distribution and on its search for qualitative partners. Breguet, Blancpain and Jaquet Droz were particularly active in Istanbul and on Turkey's South Coast with the expansion of their shop-in-shop installations and the application of their unique watchmaking know-how. Omega renewed its flagship store in Istanbul and organized an event that ensured the successful launch of the timepieces featured in *James Bond 007: Spectre*, the James Bond blockbuster. Longines delighted retailers and media by presenting its new products at prestigious events in Istanbul's palaces. Rado sponsored the first ATP tournament in Turkey and gained significant market share with outstanding partners. Tissot increased its market share considerably and established itself as a brand appreciated by a clientele particularly fond of quality watchmaking. The 2015 launches of Balmain and Hamilton were successful and product presentations throughout the year established a new network. Calvin Klein watches + jewelry, as a rare Swiss-made fashion brand, increased sales and achieved the market's best position. Swatch significantly extended its high quality retail network with the opening of four corporate stores in the Akasya, Symbol, Podium and Taurus Malls.

## [SWATCH GROUP POLAND]

(32) (33) (34) (35)

Swatch Group Poland maintained its strong market performance by enforcing selective distribution criteria and shop-in-shop concepts for all brands. The Omega Boutique in the heart of Warsaw continued to enhance the brand's prestigious position. A press event celebrating the brand's 20-year partnership with James Bond welcomed VIP guests, including editors-in-chief. It enjoyed first-class media coverage. Longines partnered the most prestigious equestrian event in Poland and the Heritage Diver 1967 was successfully voted Watch of the Year 2015. Rado successfully launched the limited edition True Match Point with the support of brand ambassador and WTA star Agnieszka Radwanska. Tissot continued to strengthen its leadership position in the traditional Swiss watch segment and also enhanced its communication in digital media. Key campaigns focused on Tissot's Quickster NATO straps as well as on the Touch Collection and the Chemin des Tourelles. The new Certina 360 online training program has led to Swatch Group Poland becoming a world leader in certifications earned. Swatch continued its strong retail expansion by opening two new stores in the best shopping malls and started e-commerce in April.





[SWATCH GROUP RUSSIA]

(36) (37) (38)

Despite the current economic situation, Swatch Group Russia continued to show positive sales results, expanded its market share and became the leader of the Russian watch market. The Swatch Group's brands focused on reorganizing their retail networks and improving sales figures. At the official opening of the Tourbillon boutique on prestigious Stoleshnikov Lane, guests could enjoy an exhibition of exclusive timepieces produced by Swatch Group as well as some of the world's art masterpieces auctioned at Christie's. Breguet continued its charity project with Russian theatre star Yevgeny Mironov and his Theatre of Nations. It increased its number of POS in Russia to thirteen. Blancpain's successful *Ocean Commitment* exhibition attracted not only fans of the brand but also members of the general public interested in solving oceanic environmental problems. The Blancpain Sprint Series took place in the vicinity of Moscow in July. It increased its POS to sixteen in the market. Jaquet Droz made great progress in promoting its image with its partnership with Bejart Ballet Lausanne, a troupe that took part in concerts dedicated to Maya Plisetskaya at the Bolshoi Theatre. Omega celebrated the grand opening of its second boutique in Moscow at Vremena Goda Galleries, the city's most luxurious shopping center. The well-attended event celebrated the 20th anniversary of partnership between Omega and James Bond and the premiere of *James Bond 007: Spectre*. The brand was the official timekeeper of the FINA World Championships in Kazan. Longines welcomed journalists to highlight the victory of Yana Kudryavtseva, the 2015 gymnastics World Champion, and the success of another rhythmic gymnast Margarita Mamun, who won the Longines Prize for Elegance. Rado continued its cooperation with Russian film star Renata Litvinova, who presented the brand's 2015 collection at a dealer conference and exhibition held in GUM at Red Square, Moscow's leading shopping center. In October, Rado was the official timekeeper of the Kremlin Cup, an international tennis event. Tissot sponsored a bike racing competition held in Bulvarnoye Koltso (the Boulevard Ring) in Moscow, which attracted several thousand spectators. Certina invited its partners to Sochi for a presentation of the F1 Russian Grand Prix event. An ambitious project co-sponsored by Swatch and the Moscow Museum of Modern Art was presented at the boutique in Stoleshnikov Lane. The large-scale art program involved an exhibition, a competition of young contemporary artists, a set of lectures that drew 5000 people and the Swatch Award presentation ceremony. It also featured a Swatch Pop-Up Gallery. Swatch Group Russia's exciting year offered hope for continued positive results in the future.

[SWATCH GROUP USA]

(39) (40) (41) (42) (43) (44)

Swatch Group USA opened a new office in Miami in 2015 as part of its continued focus on developing its overall business. In the fourth quarter, San Francisco's Legion of Honor museum opened the *Breguet: Art and Innovation in Watchmaking* with the largest collection of Breguet timepieces ever to be seen in the Americas. Blancpain hosted the Lamborghini Blancpain Super Trofeo World Final in North America. All three Lamborghini Super Trofeo Series – Europe, Asia and North America – converged at the Sebring International Raceway in Florida in November to compete for the title of World Final champion. Glashütte Original continued touring its *The Art of the Chronograph* exhibition at the Tourbillon Boutiques in Short Hills and South Coast Plaza. Jaquet Droz launched the much anticipated and award-winning Charming Bird watch, which is currently available exclusively at the Tourbillon boutique in Las Vegas. Tourbillon celebrated the opening of its ninth US boutique in Miami. Omega continued its retail expansion with five new boutiques across the USA. Marketing initiatives focused on Cindy Crawford's Orbis International documentary, a Speedmaster celebration with George Clooney, a tribute to ladies' watches with Nicole Kidman and the premiere of the new James Bond film, *James Bond 007: Spectre*.

Longines served as Official Timekeeper and Watch of the Triple Crown as well as Title Partner, Official Timekeeper and Watch of the Longines FEI World Cup™ Jumping North American League and the Longines Masters of Los Angeles, while opening its first two US boutiques in Honolulu (HI) and Aventura (FL). Rado continued to hit the courts as the official timekeeper of the Miami Open and, off the courts, blended gastronomy and sport as a sponsor of The Taste of Tennis culinary event. Tissot further strengthened brand awareness in the US in 2015 with the announcement of its role as the first Official Timekeeper of the NBA. This partnership included the launch of NBA Special Edition watch collections. With a strong heritage deeply rooted in aviation and cinema, Hamilton continued as the official timekeeping sponsor of EAA Air Venture and competed in the Red Bull Air Races with aerobatic pilot and ambassador, Nicolas Ivanoff. Mido sponsored the University of Miami Football program and confirmed the opening of its largest shop-in-shop in a Las Vegas store. Calvin Klein watches + jewelry penetrated the digital space with a large-scale campaign centered on the hashtag #ckminute. Swatch hosted media during the Swatch Women's Pro Trestles and the Touch Zero One launch at the Swatch Beach Volleyball FIVB World Tour Finals. Swatch Club held events to introduce special editions and Proteam member Jeremy Jones unveiled his Swatch Sports Special. Swatch opened a new store at Grand Bazaar in Las Vegas and enhanced its online customer experience.





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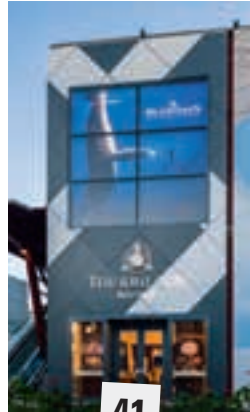
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[SWATCH GROUP CARIBBEAN AND LATIN AMERICA]

(45)

Swatch Group Caribbean and Latin America enjoyed a highly successful year, with most of its brands recording record results. Jaquet Droz continued its growth in Latin America in particular and was especially successful in certain markets in Central America. Omega continued to expand in the region, particularly with the opening of a new boutique aboard the Costa Serena cruise ship, and held a large number of events in Columbia, Peru, Chile, Argentina and Panama for the launch of the James Bond film, James Bond 007: Spectre. Longines's development in the region was marked by the opening of new boutiques in Nassau, in the Bahamas and in Panama. Rado continued to grow in key countries in Latin America and enjoyed a record year in the Caribbean, with the strengthening of its distribution, a new boutique in San Juan, Puerto Rico and the opening of new points of sale on cruise ships. Tissot opened its first boutique in Saint-Thomas and continued its expansion on cruise ships. The market was also buoyant in most Latin American countries. Mido, Hamilton and Calvin Klein watches + jewelry recorded a record increase in their sales and focused their efforts on the quality and personalization of their distribution. Swatch enjoyed growth in Latin America and continued to develop selective distribution in the Caribbean, with the opening of a new boutique in San Juan, Puerto Rico in particular.

[SWATCH GROUP CANADA]

(46) (47) (48)

Swatch Group Canada had a record year in 2015. Breguet saw unyielding success and Blancpain's marketing activities continued to increase brand awareness. Glashütte Original experienced growth and Jaquet Droz expanded its distribution. Omega maintained its leadership presence hosting James Bond 007: Spectre pre-screenings in Toronto and Vancouver. For the first time in Canada, Longines retailers and media enjoyed four Longines FEI North American League equestrian Jumping competitions. Rado launched the Coupole Classic and the newly designed True. Hamilton began a relationship with the Air Canada enRoute Film Festival. A record number of shop-in-shop projects were installed across the country, elevating the Tissot brand at POS. Mido launched in the Canadian market. Calvin Klein watches + jewelry achieved double digit growth through the expansion of its wholesale and in-store presentation. Swatch grew in its retail segment, opening a boutique in the iconic West Edmonton Mall and increased focus on PR events strengthened the brand's exposure.



[SWATCH GROUP BRAZIL]

(49)

Omega corporate retail boomed in 2015. Rio de Janeiro hosted an impeccable Minus One Countdown event to celebrate the Rio 2016 Olympic Games and the official launch of Seamaster Bullhead Rio 2016 Limited Edition. Tissot achieved the coveted status as best-selling Swiss watch brand in Brazil. With the success of the new Barocelli Donna Collection, Mido consolidated its benchmark position in its category and satisfied Brazilian women's taste for glamorous watches. Swatch, in a new retail environment, brought a more tactile experience to its aficionados and is prepared for an even stronger presence in the coming year, with playfulness, joy and style.

[SWATCH GROUP MEXICO]

(50) (51) (52)

Breguet received Tiempo de Relojes Mexico's top prize for its Tradition Minute Repeater Tourbillon 7087 and strengthened its position as a leading watchmaking brand. Blancpain opened its first shop-in-shop and co-hosted an event with Lamborghini, presenting its Baselworld 2015 collection. With the new store image concept, Omega opened its fourth boutique in Mexico at the country's most luxurious shopping mall. Longines celebrated the grand opening of its first corporate shop-in-shop in the same exclusive space. Rado was the official timekeeper of the ATP 500, the region's most prestigious tennis tournament. The development of new movements strongly positioned Hamilton as Mexico's leader in skeletonized watches. Tissot boosted sales with travelling road shows and by sponsoring the FIBA Americas Championship, the continent's most important basketball event. Mido ended an extraordinary year with its second boutique, fifteen new shop-in-shops and outstanding PR events. Calvin Klein watches + jewelry was an essential part of Swatch Group Mexico's aggressive retail expansion and is now available at twenty retail boutiques in the country. Swatch opened its newest boutique at Guadalajara's renowned Plaza Galerías shopping center.



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### [SWATCH GROUP AUSTRALIA]

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The focus in 2015 remained on raising the distribution platform for all brands, resulting in positive quantitative and qualitative results. Breguet had another strong year driven by a focus on new product introductions and high-profile events. Blancpain continued to strengthen its position; key focus was on the growth of local brand awareness through the Ocean Commitment connection. Jaquet Droz signaled its entry into Australia with its first POS. Omega achieved dynamic growth in an events-filled 2015 with an increase in advertising, PR and visual merchandising. In a strong year of growth, Longines unveiled the new Longines Positioning System in Sydney ahead of the Longines Queen Elizabeth Stakes. Rado focused on its distribution and improving brand awareness with increased marketing investment. Tissot opened its first concession POS in Myer Melbourne and the continued sponsorship of the Australian Football League enforced the brand as a timekeeper and provided a platform to launch the new T-Touch Expert Solar and the very first AFL Premiership Watch. Calvin Klein watches + jewelry placed strong emphasis on improving brand visibility and training as well as expanding PR and digital activities. Swatch renovated key stores in Sydney, Melbourne and Brisbane and expanded its Travel Retail distribution network in key airports. The product highlights were the launch of the Irony XLite, the Touch Zero One, Gruezi All! and the Street Energy Collections, supported heavily with outdoor advertising and in-store communications.

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### [SWATCH GROUP CHINA]

(57) (58) (59) (60) (61) (62)

Swatch Group China sustained its leadership position in the watch industry in 2015. Brands adapted to shifts in customer behavior, the digital world and keen competition. Overseas purchases continued to grow. The key initiatives for Swatch Group China were the re-engineering of the SAP Customer Service process, the strengthening of digital know-how and the establishment of a CRM platform.

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Breguet celebrated the 10th anniversary of the Tradition Collection with the exhibition *La Tradition Breguet, at the Heart of an Icon*. It also opened a boutique in Chengdu. Aiming at a feminine and refined clientele, Harry Winston introduced its timepieces in China. Blancpain expanded to nine corporate boutiques. It carried on its *Ocean Commitment* and the Moon Phase Revived exhibition toured nationally. Glashütte Original celebrated its 170th anniversary and its book, *Impressions*, was launched in Beijing's National Library of China. Jaquet Droz's four new boutiques underscore its enhanced relationship with China. Asia's largest Omega Clock debuted in Beijing's landmark Wangfujing Department Store. An event at Nanjing Lukou International Airport celebrated the safe arrival of Solar Impulse. Omega's *James Bond 007: Spectre* premiere featured a surprise appearance of brand ambassador Daniel Craig.

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Longines gained market share; three women's collections showcased its philosophy of elegance. Equestrian events included the Global Champions Tour of Shanghai and the Beijing Equestrian Masters. Inspired by its "Modern Alchemy" theme, Rado launched its plasma high-tech ceramic with ambassador Tang Wei, who also featured in the new TV spot for the Rado HyperChrome Diamond.

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Tissot's This is your Time campaign kicked off in Beijing with ambassador Liu Yifei. It also announced a partnership with the CBA and, even more excitingly, the NBA as its first Official Timekeeper. Balmain launched the Miss Balmain campaign among retail staff and celebrated the Balmain x H&M collection with Balmainia Lady Arabesques. Certina improved distribution and productivity. The DS Concept was welcomed by the market. Mido added market share with the launch of its Baroncelli Donna collection for women. The winner of the Mido global watch design contest was announced at a ceremony at the Swatch Art Peace Hotel in Shanghai. The 4th Hamilton Behind The Camera Awards China was staged in Beijing. Hamilton watches returned to the big screen in the epic adventure *The Martian*. Renowned actor Kim Woo Bin appeared in the Calvin Klein watches + jewelry campaign, whose *Find Your Moment* #ckminute on social media captured a young audience.

Swatch sustained healthy growth thanks to its efforts in retail development, operational improvement and product launch campaigns. It also successfully launched its innovative Swatch Bellamy, the new pay-by-the-wrist watch in partnership with China UnionPay and Bank of Communications. The Swatch Club celebrated its 25th anniversary with invited Swatch collectors. Flik Flak reinforced its retail channel by launching Flik Flak "Airplane" furniture in its areas of Swatch's corporate stores.







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**[SWATCH GROUP HONG KONG]**

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In a challenging environment, Swatch Group Hong Kong reinforced its commitment to getting close to the market by significantly expanding its retail distribution, investing in staff training, expanding digital and Customer Relationship Management programs and increasing efficiency.

An exhibition was held to celebrate the tenth birthday of Breguet's Tradition collection. Nearly 300 guests joined the inauguration evening, which was highlighted by a cocktail reception and a dinner. Two private dinners were organized by Harry Winston for watch enthusiasts to celebrate the arrival of Baselworld 2015 new releases. Blancpain held an Ocean Commitment exhibition that provided the public a totally immersive experience in Blancpain's underwater world. Glashütte Original held an official opening ceremony for its monobrand boutique. The store not only provides luxurious comfort, but also fully reflects some of the brand's qualities celebrated around the world. Jaquet Droz hosted a launch presentation for media and watch collectors to preview the Charming Bird, the GPHG (*Grand Prix d'Horlogerie de Genève*) 2015 award winner.

Omega hosted the Asian premiere of *The Hospital in the Sky* with an appearance by Cindy Crawford. A gala premiere and exhibition were held for the latest 007 movie; renowned actor Song Seung Heon attended as the special guest of the ceremony.

Longines, for the fourth year, was the sponsor and time-keeper for Longines HK International Races and Longines HK Masters. Rado held the "Modern Alchemy" Exhibition & "Rado Sketch Competition" at the Affordable Art Fair. It also opened two boutiques. Tissot unveiled five flagship stores. Tissot Limitless Challenge 2015, the first-ever obstacle race in Hong Kong, attracted over 10000 participants. Balmain continued to maintain good relationships with retailers and joined hands in promotions designed to secure brand exposure. With unanimously positive feedback for its DS Action Diver, Certina occupied an outdoor billboard in Causeway Bay with a professional diving watch whose ISO 6425 standard enhanced its positioning. Hamilton held an exhibition to showcase its new products in July and August, attracting many watch lovers as well as aviation and movie enthusiasts. A kickoff ceremony was held to promote the Mido Watch Design Contest, which successfully attracted the public to vote in the contest. Mido's eMagazine was awarded Bronze in *The Best Campaign for Tablets*. Calvin Klein watches + jewelry opened five freestanding stores in 2015. To celebrate the Fall/Winter 2015 collections in Shanghai, the Hong Kong press was invited to an exclusive event.

The *Swatch Loves Art* Exhibition took the stage at Harbour City with 100 iconic pieces and Swatch MAXI created by 19 multi-national artists received favorable feedback.

**[SWATCH GROUP MACAU]**

(67) (68)

Swatch Group Macau continued its long-term investment into the development of its retail distribution. This strategy was supported with the opening of new offices in Macau to further support the brands in achieving this goal. Breguet and Blancpain opened their second boutiques in Macau at the luxurious Galaxy Phase 2. Glashütte Original and Jaquet Droz unveiled boutiques in the newly opened Studio City complex. Omega opened its third boutique and also held an exclusive VIP event and screening of the new James Bond film. Longines and Rado expanded their presence through the accelerated openings of two new flagship boutiques. Tissot opened another boutique in Macau Square as well as a new shop-in-shop at Macau International Airport. Balmain continued to strengthen its distribution with the opening of three new POS. Certina introduced its DS 8 Moon Phase watch at its Macau POS. Hamilton strengthened its brand exposure with a strong marketing campaign on Macau taxis. Mido opened a second boutique in Macau. Calvin Klein watches + jewelry used ambassador Kim Woo Bin to promote the brand at POS. Swatch renovated its flagship boutique and held an in-store Grūezi All! event to celebrate "Swiss Made".

**[SWATCH GROUP TAIWAN]**

(69) (70) (71) (72)

Swatch Group Taiwan upgraded its domestic market channels and focused on customer service, staff training, and long-term investment. Breguet's 240th anniversary was celebrated with a Royal Watch exhibition. Blancpain enjoyed solid growth with marketing focused in part on digital media. Glashütte Original's presence was enhanced significantly with a new POS. Jaquet Droz invited watch connoisseurs to an event celebrating its artistry in dial making. Omega celebrated the Moonwatch and *James Bond 007: Spectre* and held boutique events throughout the year. Successful advertising, improved distribution and duty-free sales drove Longines's growth. Rado increased brand awareness through investments in "OOH" advertising and boutiques. Tissot's sales increased through targeted investment, improved operations, monobrand POS and social media. Mido opened a second corporate store. Focused events and digital marketing increased exposure. Hamilton enjoyed double digit growth with a second corporate SIS and the successful promotion of *The Martian*. Calvin Klein watches + jewelry's rebranding and bright, welcoming POS renovations built up awareness. Swatch opened its groundbreaking Ximending Taipei Store and the Swatch Club's 25th Anniversary cruise party attracted young consumers to experience the joy of the brand.

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**[SWATCH GROUP SINGAPORE]**

(73) (74) (75)

Swatch Group Singapore, despite the challenges of declining tourism, sustained brand positioning with concerted efforts and a fortified retail network. Breguet impressed watch collectors, media and bloggers with its "Innovations that Wrote History" exhibition and delivered an exclusive technical presentation highlighting its latest developments. Blancpain unveiled its new collection for distinguished guests in a colonial bungalow and underscored its support of oceanic environmental causes with an event at the Grand Hyatt. Glashütte Original opened its first boutique in Southeast Asia at Marina Bay Sands. Omega launched the Seamaster 300 "SPECTRE" Limited Edition and celebrated its eighth collaboration in a 007 film with a series of exclusive premieres and cocktail events for VIP guests and media. The sixth edition of the Longines Singapore Gold Cup saw unparalleled glamour at an elegant high tea at the Singapore Racecourse. Rado celebrated Valentine's Day with the launch of its limited edition HyperChrome 1314 and decked its Marina Bay Sands store windows with romantic red rose petal stickers. Tissot focused on boosting retail distribution and opened its fifth store at Plaza Singapura. Mido focused on strong advertising with a large billboard on Orchard Road. Hamilton enjoyed a successful movie promotion with *The Martian*. Calvin Klein watches + jewelry reinforced its retail network and opened new boutiques at Westgate and Plaza Singapura. Swatch's Irony XLite and Touch Zero One launches were huge successes.

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**[SWATCH GROUP MALAYSIA]**

(76) (77) (78)

The Malaysian economy was challenging in 2015 with the introduction of the Goods and Services Tax amid plunging commodity export prices and foreign exchange market turbulence, which caused the Ringgit to be the worst performing currency in the Asia-Pacific. However, thanks to the credibility and reputation of Swatch Group brands, market share increased in the respective market segments, both in qualitative and quantitative terms. In the luxury segment, Breguet showcased some exclusive timepieces to local watch enthusiasts at an intimate evening gathering in the boutique in August and in the same month, the Lamborghini-Blancpain Super Trofeo Asia race was held for the first time near the famous Petronas Twin Towers. Omega's "Spectre" Gala Dinner celebrated the brand's 20th year of partnership with James Bond, while Longines continued to make its presence felt in the high-end segment with a more prominent shop-in-shop concept, especially in the Golden Triangle area of the capital city. Rado strengthened its position in the world of tennis by continuing to be the Official Timekeeper of The Malaysia Tennis Open. Tissot enjoyed another strong year with special focus on its solar watches, the award-winning Chemin des Tourelles and the new ambassador, Liu Yi Fei. Mido's first monobrand store opened in the busiest mall on the island of Penang while Hamilton aggressively expanded its distribution network, more than doubling the number of POS in 2015. Last but not least, Swatch added two new stores during the year and successfully launched e-commerce.

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**[SWATCH GROUP THAILAND]**

(79) (80) (81)

With a record year driven by the tourism industry, Swatch Group Thailand had an excellent recovery from a tumultuous 2014. Breguet presented innovations including silicon components and high frequency at an event for media and retailers. Blancpain invited VIP guests to an evening of fine watchmaking and haute cuisine at Joël Robuchon's *L'Atelier* Bangkok. Omega continued its leading position throughout the year, enhancing its status with a high-profile James Bond event. Longines had a remarkable year supported by in-store activities and targeted advertising. Rado accentuated its high-tech ceramic credentials by introducing the HyperChrome Match Point. Tissot opened its first boutique in Thailand in September 2015 at Central Westgate, Asia's largest super regional mall. Mido hosted a meeting to introduce the new products from Baselworld to nationwide retailers and continued to expand and upgrade POS in key locations. Calvin Klein watches + jewelry sponsored Kim Woo Bin's fan meeting in Thailand as the first Asian brand ambassador. Swatch successfully launched the Irony XLite collection at the newly opened EmQuartier store and the Touch Zero One at Central World. It also opened new stores at Central Westgate and Zpell.

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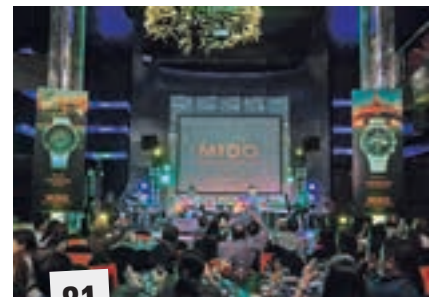
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[SWATCH GROUP SOUTH KOREA]

(82) (83) (84) (85) (86)

Swatch Group South Korea kicked off the year well but nervousness about the MERS virus and currency fluctuations led to a decline in duty free business. Despite the turbulent conditions, the company focused on long-term strategies to increase its domestic clientele by regaining major retail distribution with reduced commercial commissions. Breguet's "new concept" boutique at the Shilla Seoul enhanced its exclusive positioning. Blancpain impressed VIPs and media with the collections presented in its three boutiques. Omega achieved double digit growth in the domestic market by focusing on creative events integrated with marketing campaigns, including Michelle Wie's visit to a VIP dinner. Longines's five exhibitions of historic watches strengthened brand awareness and positioning. Rado highlighted its Modern Alchemy theme in the stylish atmosphere of the *Salon de Rado*. Tissot benefitted from excellent visibility with events in support of the Heritage Navigator Seoul Special Number Edition and the launch of the Chemin des Tourelles. Mido celebrated its fifth anniversary in Korea at a luxurious venue, inviting press, celebrities and trade. Hamilton opened its first boutique at Hyundai department store in Seoul, with brand ambassador Daniel Henney. Calvin Klein watches + jewelry's announcement of Korean actor Kim Woo Bin as new Asia Pacific ambassador impressed the market. Swatch, with its Italian Market and Gruezi All! presentations, demonstrated the brand's vitality to key influencers. Hour Passion positioned itself as a luxurious location for multiple watch brands.

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assistant, Ms. Money Penny, as portrayed by Naomie Harris, delighted VIP customers at the Omega premiere of *James Bond 007: Spectre* and its exciting after-party.

Longines had a record year culminating with the Japan Cup in association with Longines, the major horse race in Japan, which attracted more than 100,000 spectators and millions of television viewers, in the presence of Longines Ambassador of Elegance, Andre Agassi. For the fourth time, Rado delighted its VIP customers by inviting them to the Japan Open, the country's top tennis event.

Tissot opened a pop-up store at the trendy Omotesando Hills mall with notably excellent sales of its new T-Touch Solar. Swatch Group Japan welcomed Mido to its portfolio. The brand showed excellent results soon after its launch in Japan's first Hour Passion store, at the international airport in Osaka. Swatch Group Japan became the first non-duty-free operator to open a store in the duty free zone of a Japanese airport - another premiere for Swatch Group. In another excellent year, Hamilton was able to reinforce its position as Japan's leader in its price segment. The fashionable young Japanese crowd was wildly enthusiastic about the new Calvin Klein watches + jewelry creations, which contributed greatly to the excellent results of the brand. In a very active and busy year, Swatch opened its first Swatch store in Fukuoka, organized Swatch Club events and launched the Swatch Touch Zero One in September, all of which contributed to the brand's excellent performance.

[SWATCH GROUP JAPAN]

(87) (88) (89) (90)

Keeping the momentum after a record-breaking year in 2014, Swatch Group Japan had another exceptional year. Thanks to innovative new products, well promoted through unique events and exciting marketing campaigns, all brands were able to increase market share in Japan. Adding to this continued popularity with Japanese consumers, Swatch Group brands also benefitted from an increased tourism market, especially in its perfectly-situated boutiques in the Nicolas G. Hayek Center in Ginza in Tokyo. Once again, Swatch Group visionary investment and entrepreneurial spirit reaped remarkable rewards.

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The prestige brands enjoyed healthy growth thanks to well-attended events. Breguet celebrated the 10th anniversary of its Tradition line in style. Over 250 guests from the media world and trade, VIPs and Japanese influencers were invited to a warehouse entirely redecorated for an avant-gardist event to launch the new Tradition Independent Chronograph. Blancpain had also a very active year celebrating its Ocean Commitment, which communicated a positive message in a country surrounded by seas. Glashütte Original and Jaquet Droz invited their major customers to discover the beauty of their new collection at an exclusive event in the Nicolas G. Hayek Center. In 2015, Omega again surprised the entire Japanese media world, its VIP customers and its trade partners by organizing a major event on the day of the 45th anniversary of its receipt of NASA's Silver Snoopy Award. Guests were invited to a unique venue - an airplane hangar in Haneda - which had been fully decorated for an amazing gala dinner in the presence of Apollo 13's Captain Jim Lovell along with well-known actors and Japanese celebrities. And to finish the year in beauty, Bond's trusted



[SWATCH GROUP INDONESIA]

(91) (92)

In its first full year of operations, the Swatch Group Indonesia subsidiary continued to build on its foundation with a long-term vision in a country full of potential despite the short-term challenges of a weakening rupiah. Its first Customer Service Center opened successfully in September. Omega was launched in June and organized marketing campaigns to elevate its brand position. The introduction of its Seamaster 300 "SPECTRE" Limited Edition watch generated an outstanding response. Longines, which streamlined its distribution and updated its monobrand boutique, had strong local media support at the *Prix de Diane* event in France. Rado completed a major facelift of its flagship boutique in Senayan City and hosted a well-publicized, well-attended re-launch. Tissot impressed nationwide retailers and media with its mini Basel-world 2015 in Jakarta. The brand continued to invest in and upgrade its POS with a shop-in-shop concept. Certina increased brand awareness, conducted brand training and expanded its presence to other key cities. Mido sustained solid sales growth through distribution expansion plans. Calvin Klein watches + jewelry achieved significant sales growth; major focus was placed on a reconfigured collection and creative integrated marketing campaigns.

[SWATCH GROUP INDIA]

(93) (94) (95)

Swatch Group India increased sales in difficult economic conditions, with continuous improvement in its quality distribution, penetration to smaller cities and strategic marketing. Breguet reinforced its leadership position in the *Haute Horlogerie* segment with its Grande Complication watches. Road shows featuring its timeless masterpieces were well received by VIP customers. Blancpain also exhibited Grande Complication timepieces to media and customers in Mumbai, Chennai and Delhi with a special viewing in Mumbai of the unique Shakudō Ganesh piece. Jaquet Droz exhibited its high-end watches in Chennai and Kochi. The highlight of another successful year for Omega was the presence of international brand ambassador Cindy Crawford at a glittering dinner in Mumbai to launch the Pluma collection. The ninth Omega boutique was inaugurated in Pune by brand ambassador Abhishek Bachchan. The limited edition Bond watch was unveiled to target customers at private screenings of *James Bond 007: Spectre* in nine cities. Longines opened 14 shop-in-shops in 2015, strengthening its distribution in Tier 2 cities, whose populations are between one and four million. The new DolceVita collection was unveiled in Delhi by Longines Ambassador of Elegance Aishwarya Rai Bachchan. Rado opened its first boutique in Pune with brand ambassador Hrithik Roshan, followed by a gala dinner. For its women customers in Bangalore, Rado celebrated International Women's Day by showcasing a special collection of ladies' watches. Exhibitions of new products were organized in five cities in the presence of ambassador Lisa Ray. Tissot added 15 new SIS and actively promoted the T-Touch Solar and Chemin des Tourelles collections with friends of the brand in six cities. Balmain improved its qualitative distribution by opening 13 new shop-in-shops. Calvin Klein watches + jewelry worked with a top fashion model and exhibited its latest collection to fashion bloggers

and stylists in Mumbai. Swatch conducted various activities around its Valentine's Day, Spring-Summer and Fall-Winter collections to drive PR coverage and sales.

[SWATCH GROUP MIDDLE EAST]

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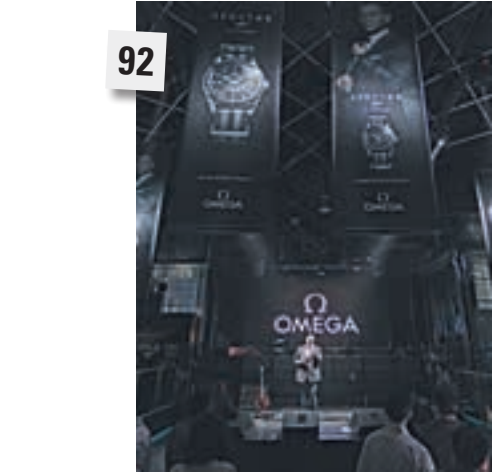
In a challenging economic climate, Swatch Group Middle East continued its growth in most segments by focusing on a long-term strategy of retail development and close partnerships with retail partners and by concentrating on marketing activities, direct client networking and PR events.

Breguet remained the leader in the prestige watch segment, extending its presence in the region with a POS at the Dubai airport. Its Abu Dhabi Exhibition attracted VIPs, watch aficionados and media. Harry Winston developed its presence and raised awareness for its jewelry and luxurious timepieces by expanding its retail network and opening a new salon in the Dubai Mall. Blancpain expanded its POS in Jeddah and Riyadh. The media plan also played a key role in promoting Blancpain as a leading luxury brand. Glashütte Original expanded its presence and raised brand awareness with representation in 21 stores in the Middle East. Jaquet Droz developed its distribution and strengthened its presence in the Middle East with new shop-in-shops. It invited retailers, customers and journalists to discover the secrets behind the brand's timeless art of painting on enamel. Omega retained its market leadership in the region. Ambassador Abhishek Bachchan inaugurated a flagship store in Kuwait. Omega maintained its title sponsorships of the Dubai Desert Classic and the Dubai Ladies Masters.

New boutiques brought the number of Longines franchise stores in the region to 14. The brand again presented the UAE President Showjumping Cup and remained Title Sponsor of the Emirates Longines Show Jumping League. It also continued its partnerships with the Dubai World Cup and the HHSM Endurance Cup. Rado was again Official Timekeeper of the Mubadala World Tennis Championships hosted a launch event at the Dubai Mall with brand ambassador Hrithik Roshan. New Rado boutiques opened in Muscat, Oman, and in Cairo – the first Rado boutique in North Africa.

Tissot had another record year and strengthened its position as a leader and pioneer. Its presence was enhanced in the most strategic markets. 2015 was a challenging year for Balmain, due particularly to negative currency effects. Brand awareness was enhanced by shop-in-shops investments. It also organized events with Miss Switzerland, Laetitia Guarino. Certina optimized its marketing tools in 2015 and reinforced its presence with additional POS/shop-in-shops in the region. Hamilton's key agents took advantage of the brand's strong link to Hollywood with dramatic events and campaigns around *The Martian*. Atamian used Hamilton's plane mockup at successful road shows in Lebanon's two main malls. Calvin Klein watches + jewelry enjoyed strong demand for its products, experiencing double digit growth in the region.

Swatch reinforced its position with a large distribution network and renovations and relocations of stores throughout the Middle East. The Swatch Flagship Store in the Dubai Mall combined light, color and motion in an engaging, urban environment.



[SWATCH GROUP SOUTH AFRICA]

(100) (101)

Swatch Group South Africa continued to strengthen its market position across all brands in 2015 and augmented its portfolio with the introduction of Hamilton. Focus was placed on optimizing the existing distribution and the growth of the retail boutiques. The year saw Breguet and Blancpain continue to build awareness in the local market with an eye toward optimizing their potential in 2016. Omega remained one of the leading brands in South Africa. Its strong marketing campaigns increased brand exposure as demonstrated by the events held around the premiere of *James Bond 007: Spectre*. Longines gained substantial market share in the domestic market and hosted 12 VIP retailers at its headquarters factory and museum. In 2015 Rado focused its efforts on training and on its partnership with ProVerb, the popular host of *Idols South Africa*, who was presented with a Rado timepiece, giving the brand invaluable exposure. Tissot continued to experience exceptional growth, expanding into Botswana and opening the first Tissot boutique in Cape Town's Canal Walk. A highlight of 2015 was the equipping of a team of Mount Everest climbers with the new T-Touch Solar Expert. Calvin Klein watches + jewelry partnered with local influencers, bloggers and digital editors driving the #ckminute campaign on social media platforms. Swatch hosted its first ever Swatch Club event in the form of a beach volleyball tournament for its members, which coincided with the launch of the Touch Zero One watch.

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Fig. 33

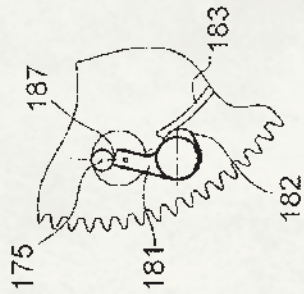


Fig. 32

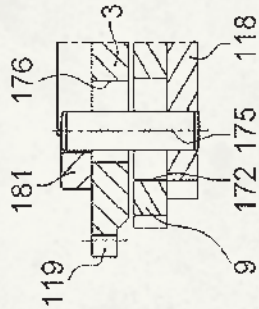


Fig. 37

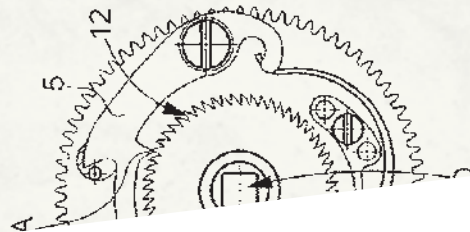
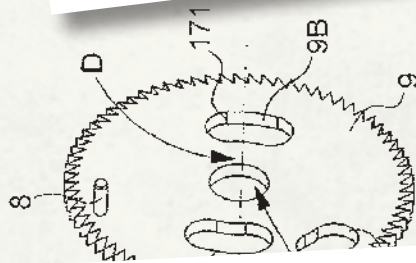


Fig. 36

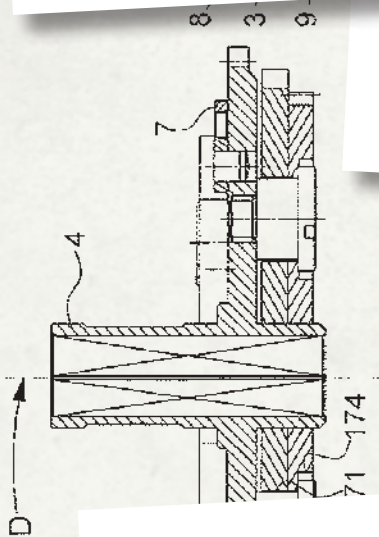


**ENVIRONMENTAL POLICY**

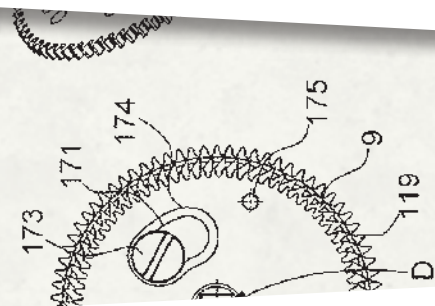
**SOCIAL POLICY**

**CORPORATE GOVERNANCE**

Fig. 30



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# SUSTAINABILITY REPORT ON ENVIRONMENTAL PROTECTION POLICY AND SAFETY

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

We are all very conscious of our responsibility to protect life, quality of life, safety and health, as well as our environment, and we do our very best to meet our responsibilities in this regard, of course in the sphere which we can influence directly or at least indirectly.

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

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

## [ ENVIRONMENT, SAFETY AND HEALTH – RELEVANT MEASURES ]

The safety and health of our employees as well as our customers worldwide receive our fullest attention. Our guidelines for sourcing, production, distribution and also for the use of our products comply not only with the strictest international laws and directives but also with our own very high standards, which we also constantly upgrade and improve. In this respect,

we have also never stopped learning, and this leads to continuous innovation and new investments within the company.

Environmental, ethical and social criteria are also an integral part of our sourcing policy. Responsible purchasing of industry-specific raw materials such as precious metals, diamonds, and exotic leather is of the utmost importance. Furthermore, Swatch Group decided to voluntarily eliminate the use of endangered tree species, and to use only wood originating from sustainable cultivation. This allows Swatch Group companies to make an additional important contribution to the improvement of the ecological balance. As far as possible, Swatch Group requests its suppliers to guarantee that all precious metals delivered originate from ethically impeccable sources and conflict-free regions, and moreover, that the entire supply chain fully complies with all legal regulations. By the same token, we ensure that diamonds used in our products originate solely from suppliers who fully respect and apply the Kimberley Process certification system.

In relation to clearly sustainable production methods and products, Swatch Group complies with the existing directives, particularly the EU directives such as the restriction of hazardous substances (RoHS), the registration, evaluation, authorization, and restriction of hazardous chemicals (REACH), and the disposal of old electrical and electronic equipment (WEEE). Additional information in the area of energy and ecology is available from the Belenos report on page 108, and in the area of environmental protection and safety, from the Swatch Group Quality Management statement on page 109.

## [ RISK MANAGEMENT ]

The Corporate Risk Management System is an integral part of the environmental protection and safety policy. In this system, crucial risks are regularly identified, analyzed and recorded, in order for us to recognize risks to environmental protection, safety, and health at an early stage, and to plan and implement adequate measures to prevent any incidents. A significant component is Business Continuity Management. Experts determine which operating entities and their networks are important for the Group, identify the main risks (for example, fire, water, chemical substances, interruption of operations), and define measures to ensure the greatest possible Business Continuity. Prevention and emergency procedures are the focal point. A significant element of Swatch Group risk man-

agement is its policy of independence. Consequently, dependence on single suppliers, distribution partners, and financial service providers is reduced to the most reasonable amount. Also taken into account are sufficient inventory, expansion and modernization of production capacities, considering second sources, strategically important acquisitions, and a high level of equity.

**[ ENVIRONMENTALLY RELEVANT KEY FIGURES ]**

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

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

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

In order to increase its contribution to climate protection and to reduce energy consumption, it was further decided in early 2013 to include all Swiss production entities in a CO<sub>2</sub> exemption program. In the process, the voluntary economic and ecological measures toward reduction of energy consumption and its associated CO<sub>2</sub> emissions are set by the Swiss Federal Office for the Environment (BAFU) and fixed goals are contractually documented. The goal of this agreement is to further reduce energy consumption within the timeframe of 2013 to 2020, particularly by further reducing CO<sub>2</sub> by 27% and at the same time increasing energy efficiency 8% by 2020.

In association with the Swiss Business Energy Agency (EnAW), preliminary assessments, measurements and energy audits were carried out by specialists in all locations in 2013 and 2014, and additional opportunities to reduce CO<sub>2</sub> emissions were compiled. A corresponding optimized action plan to achieve the goal was developed. Since then, the defined measures have been consistently implemented and have already resulted in significant CO<sub>2</sub> reduction and tax exemptions for production sites. The action plan is regularly reviewed and updated, so that a significant contribution to climate pro-

tection can also continue to be made. Annual target achievement is naturally guided and verified by the Swiss Federal Office for the Environment (BAFU) and the Swiss Federal Office for Energy (BFE). Detailed audits at the individual sites as well as data compilation by the specialists are very time-consuming, which is why the audited figures for the year under review are only available by the middle of the current year. The EnAW issues a specific certificate each year when targets have been achieved and the audit has been completed.

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

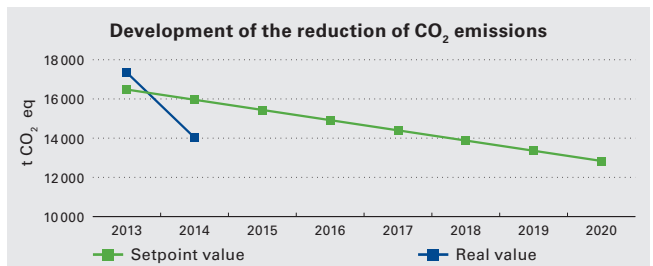
The following **diagram 1** shows CO<sub>2</sub> emissions from the start of the new program in 2013, as well as the targets to reduce them 27% by 2020. In 2014, i.e. the first year after the introduction of the new program, CO<sub>2</sub> emissions were already reduced by 3322 tons, as shown in the following **diagram 1**.

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

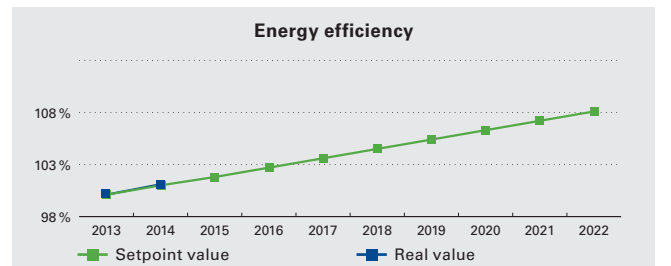
As a result of intensive cooperation with the persons responsible for the production sites and the EnAW, total electricity consumption was reduced by 3.5% in 2014. The net increase of 1.3% in heat consumption was caused by the 14% expansion of production space. Average annual electricity consumption per square meter decreased 17% in the period under review, and heat consumption declined 12%.

Foreign distribution subsidiaries, particularly those with many retail stores, of course also have the goal of improving their energy balances, even though they naturally have much lower energy consumption than the Swiss locations with their domestic production entities.

(DIAGRAM 1) The audited Figures 2015 will be available mid 2016



(DIAGRAM 2) The audited Figures 2015 will be available mid 2016



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

Energy consumption from fossil energy such as heating oil, natural gas and district heating in kWh per m<sup>2</sup> effective area and year increased by 3.4% in the year under review, due to commissioning and startup of new production facilities and expansion of the distribution network. Thanks to ultra-modern heating technology incorporated into new buildings, additional building insulation and renovation, optimization or replacement of various air-conditioning and water-cooling systems, renovation of heating systems and implementation of new heat recovery systems, increased energy consumption could be kept to a minimum. Due to continuous investment, heat consumption by effective area has been more than halved since the beginning of the program in 2001.

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

Measured in kWh per m<sup>2</sup> and year, power consumption rose 11.1% over the previous year. The increased consumption can be explained by the integration, commissioning and start-up of new production plants and the continued expansion in the number of retail stores. The implementation of new, more energy efficient machinery and equipment in the various production entities, as well as significant investment with regard to lighting, in the form of renovation of existing systems and the introduction of LED lighting, resulted in proportionally lower power consumption.

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

For decades, Swatch Group has not only invested in the area of electronic systems in low-energy and energy-efficient components and integrated circuits, but also runs its own energy production plants using renewable energy such as solar energy and hydropower production.

Self-generated production of sustainable energy increased in recent years due to new facilities. Even though self-generated sustainable power production was rather small, it is still a contribution to climate and environmental protection. Energy production is not constant, since the power stations La Suze and Le Bez in Corgémont (BE) which were completely renovated and automated in 2010, are dependent on average precipitation, and solar energy is dependent on the average incoming light on the photovoltaic installations at Distico in Biel/Bienne (BE) and at ETA in Boncourt (JU). The hydropower plants and photovoltaic installations have an annual production capacity of approximately 1400 MWh.

**Waste management**

Due to the slight increase in production volumes, the amount of hazardous waste (excluding watch batteries) increased by 0.4% in the year under review. In the same period, the portion of recovered and/or recycled hazardous waste decreased by 4.6%. Driven by production volume, other industrial waste such as paper, cardboard, synthetic material, and electronic components increased by 8.4%; however, over 2.2% more industrial waste was recycled.

**Battery recycling**

Excluding internal elimination of expired batteries and liquidation of surplus stock at Renata AG, over 9.4 tons of batteries were delivered to authorized recycling firms in the year under review.

**Water management**

Considerable progress was made in this area as well. Despite more production facilities, personnel increases (increased consumption of drinking water for personnel) as well as additional air conditioning installations, fresh water consumption decreased 6.7% compared to the previous year, with non-potable water decreasing 5.7%. Special mention should be made regarding the reduction of waste water achieved by installing closed water circulation systems, by increasing the efficiency of water treatment plants, and by using rainwater recovery systems to obtain water for cooling and sanitary installations.

**VOC (Volatile Organic Components) emission**

Despite a slight increase in production volume in the year under review, VOC consumption decreased compared to the previous year, mainly due to the use of acetone, alcohol and gasoline as cleaning agents for produced components. Corresponding VOC emission decreased 49.2%. On the other hand, 1.5% less VOCs were recovered and/or recycled in the year under review, despite the implementation of recovery systems for gasoline and other volatile solvents. Higher VOC emission were prevented by increased substitution of volatile substances by processes using aqueous solutions that do not contain solvents or contain less volatile substances.

**[GENERAL RAW MATERIAL SOURCING]**

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

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



**Organic raw material sourcing**

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

**Precious metal sourcing**

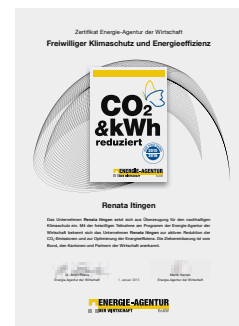
Swatch Group has a clear sourcing policy in regard to precious metals. They are only purchased from individual established long-term suppliers who can demonstrate that as well as complying legally and according to all the provisions financial market authority, they are at least certified members of the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

The processes for metal sourcing have been continuously improved over the years and can be improved even more. In this regard, among other things, we are working together with competent authorities and institutions, for example, the Better Gold Initiative with SECO (State Secretariat for Economic Affairs). We continue through further investments to internalize as much as possible our own processes and precious metal refining in the Group's own foundries and treatment plants, in order to process currently held precious metal stocks ourselves and to manufacture and recycle our own alloys. After processing the alloys, bar profiles and raw ingots will be produced. Then the material will be processed by further internal production into semi-finished goods.

**Diamond and gemstone sourcing**

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

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# SOCIAL POLICY

One of the key factors in the success of a company or a group is the commitment of each employee to achieving excellence in their work on a daily basis.

To this end, Swatch Group and all its companies strive to offer modern and motivating conditions designed to enable all its employees to flourish in their current positions and advance internally as they acquire new skills.

## JOBS

Despite the challenging macroeconomic conditions faced by Swatch Group both in Switzerland with the Swiss National Bank's decision to remove its currency cap, and abroad with examples such as the economic slowdown in China, along with problems in Russia and the Ukraine, employment stability was maintained and a staff in excess of 36 000 employees was consolidated.

Developments in 2015 mainly took place in the retail network with the opening of new points of sale in strategic positions in major cities.

One of the key objectives will be to protect existing jobs in 2016, despite a difficult economic environment and uncertain future.

The expertise of its employees is one of Swatch Group's greatest assets and it is important that these skills be retained internally in order to be in the best possible position to respond professionally, efficiently and swiftly to fluctuations in demand.

### [STAFF DEVELOPMENT]

Internal promotion is a key factor in staff motivation and a fundamental element within Swatch Group. Following the acquisition of basic skills, it is beneficial and motivational for employees to have an opportunity both to apply these skills

and to enhance them with additional learning opportunities, thus enabling them to develop and succeed in their roles.

Swatch Group welcomes this element of internal staff mobility, not only within a company, but also between Swiss, or even international companies. This is a motivational approach for anyone wishing to achieve further progress and to have interesting and stimulating multicultural experiences. It also enables the company to guarantee a certain versatility in the realm of key competencies and thus guarantee better service to the end client as knowledge is spread among several individuals.

### [INITIAL PROFESSIONAL TRAINING]

Swatch Group remains committed to dual-track vocational and educational training (VET), as was clearly indicated by the figures at the start of the academic year in August 2015, with around 500 apprentices employed by companies in Switzerland in more than 30 different apprenticeship courses. The support for apprentices was reinforced this year, notably with regard to the transition from the dual-track VET to the corporate world.

For example, language exchanges enabled three German apprentices to work in Paris and three French-speaking Swiss apprentices to work in Berlin, each for a six-week period. Moreover, two watchmaking apprentices were given the opportunity to work in Hong Kong for 11 weeks.

Swatch Group companies have a strong presence at various encounters, forums and meetings between companies and schools in order to raise awareness among young people of the advantages and value of dual-track VET in technical professions. In addition, Swatch Group has frequent contact with vocational guidance services and school managements, with the aim of raising awareness of these training opportunities.

**[NICOLAS G. HAYEK WATCHMAKING SCHOOLS]**

The six Nicolas G. Hayek Watchmaking Schools continue to attract talented individuals seeking to gain experience in watchmaking professions. Each year, the newly-opened classes are full and graduates always find work in subsidiaries of the company, reinforcing after-sales service teams who strive to maintain customer satisfaction by servicing or repairing watches from all brands.

**[PROFESSIONAL DEVELOPMENT]**

In 2015, workshops to enhance staff competencies, as well as continuous education programs, were implemented everywhere in order to encourage the development of new skills and to support them in adapting to technological changes in production methods, new manufacturing processes and product changes. This learning of new technical skills has enabled every employee to remain active in the company by expanding their knowledge.



**SOCIAL PARTNERSHIP  
AND WORKING CONDITIONS**

2015 marked the start of negotiations between Swatch Group's social partners with regard to the renewal of the collective working agreement (CWA) of the Swiss watchmaking and micro-technology industries. This agreement is often mentioned as an example in the professional world because of both its longevity (May 15th, 1937) and the benefits it offers employees. Discussions are expected to continue until the end of 2016.

Swatch Group is very present and highly active within the employers' negotiating team. Respect, willingness to listen and mutual trust are the cornerstones of working relations between the different companies' managements, staff commissions and employees, and also govern all negotiation proceedings.

With regard to working conditions, the steps taken in some companies to promote carpooling have already borne fruit. The same applies to support programs for public transport and all activities related to mobility, which is an important issue within Swatch Group.

Finally, with regard to the workplace, ergonomic analyses continued with the creation of workbenches that can be adapted to any morphology and any task, allowing each person to feel comfortable while successfully completing his or her tasks, efficiently and serenely.



## 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 20 brands and in the jewelry sector. In addition, it holds an outstanding industrial position with a high degree of verticalization in the Production sector as well as the strategically important sector of Electronic systems. In the Corporate sector, the operational units which provide services for the whole Group are centralized.

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

An overview of the operational and of the distribution organizations is given on pages 4 and 5. The fully consolidated companies, of which none but The Swatch Group Ltd is listed on the Stock Exchange, are given on pages 205 to 208 with each company's name, domicile, share capital and the percentage of shares held.

The shares of The Swatch Group Ltd are listed on the SIX Swiss Exchange AG. The bearer shares are listed under the ISIN number CH0012255151 at the SMI, SPI as well as SLI indices. The registered shares are listed under the ISIN number CH0012255144 at the SPI, SPI Extra and SMIM indices.

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

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

Further information concerning market capitalization and earnings per share is shown on page 221.

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 2015, the Hayek Pool, related parties, institutions and persons control 62 774 550 registered shares and 1 800 bearer shares, totalling 40.5% (previous year 40.8%) of the votes.

The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Community of heirs of N. G. Hayek represented by Marianne Hayek	Meisterschwanden	Community of heirs of N. G. Hayek
WAT Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	Descendants U. Ammann-Schellenberg sen.
Swatch Group Pension Fund	Neuchâtel	—

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

Name/Company	Location	Beneficial owners
Hayek Holding SA	Meisterschwanden	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	—
Families Ammann (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by Daniela Aeschlimann
Fondation d'Ebauches SA et des maisons affiliées	Neuchâtel	—
Various employer-funded foundations <sup>1)</sup>	Various	—

<sup>1)</sup> Wohlfahrtsstiftung der Renata AG, ETA Wohlfahrtsstiftung, Fonds de prévoyance d'Universo, Fondation Technocorp, Fondation de prévoyance de The Swatch Group Les Boutiques SA and CP Caisse cadre

The community of heirs of N. G. Hayek controls directly, through related parties and institutions and in the context of the Pool 40.1% (previous year 40.3%) of the votes; third party Pool members are represented therein, they comprise 3.9% of the Swatch Group voting rights.

## CORPORATE GOVERNANCE

Mrs Esther Grether's group controls 5.9% (previous year 5.9%) of the votes registered at 31 December 2015 in the share register.

On 31 December 2015, no other individual shareholder or group of shareholders holding more than 5% is known to the Company.

### 1.3 Cross-shareholdings

The Swatch Group holds no cross-shareholdings.

## 2. Capital structure

### 2.1 Capital

On 31 December 2015, the capital structure of The Swatch Group Ltd was as follows:

124 045 000 Registered shares at CHF 0.45 par value	CHF	55 820 250.00
30 840 000 Bearer shares at CHF 2.25 par value	CHF	69 390 000.00
<b>Total share capital as of 31.12.2015</b>	<b>CHF</b>	<b>125 210 250.00</b>

### 2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2015.

### 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
31.12.2013	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2014	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2015	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

The detailed evolution of equity, reviewed by the auditors for the consolidated financial statements for the years 2014 and 2015, is published on page 171. For The Swatch Group Ltd, it is published for the year 2015 in note 11 on page 215. With regard to the previous years we refer to the annual reports 2012, 2013 and 2014.

### 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 Articles of Association 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 Articles of Association). 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 Articles of Association).

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

### 2.7 Convertible bonds

The Swatch Group currently has no outstanding convertible bonds.

## CORPORATE GOVERNANCE

### 2.8 Options

In 1986, 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 2015, the content of this portfolio amounted to 916 792 registered shares; this corresponds to 0.3% of the total share capital (previous year 1 154 463 registered shares, 0.4% of the total share capital). In 2015, 237 671 registered shares (or 0.1% of the total share capital per 31.12.2015) were consequently sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

<b>Year of issue</b>	<b>Number of registered shares</b>	<b>Number of beneficiaries</b>	<b>Year of subscription/payup</b>
2013	79 334	210	2015
2014	79 998	210	2015
2015	78 339	209	2015
<b>Total</b>	<b>237 671</b>		

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

<b>Year of issue</b>	<b>Number of registered shares</b>	<b>Number of beneficiaries</b>	<b>Year of subscription/payup</b>
2014	78 534	204	2016
2015	78 106	206	2016
2015	78 313	206	2017
<b>Total</b>	<b>234 953</b>		

The allocation results from personnel reviews and proposals for employees who stood out through special achievements in the past year and have performed with above-average commitment. The allocation is then approved by the Board of Directors / the Compensation Committee. It allows a first purchase of a third of the promised number of registered shares in the current year, which can be paid up and claimed immediately, and another third in one and two years respectively. With the exception of Mrs Nayla Hayek and Mr G. N. Hayek no members of the Board of Directors received options or shares under this plan.

## CORPORATE GOVERNANCE

### 3. Board of Directors

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

The Board of Directors on 31 December 2015 is composed as follows:

**Nayla Hayek**, Swiss citizen, Dr h.c. European University Montreux, Montreux, is Chairwoman of the Board of Directors of the Swatch Group since June 30, 2010. Mrs Nayla Hayek has been on the Board of Directors of the Swatch Group since 1995; from May 12, 2010 she was Vice-Chairwoman of the Board of Directors. As a member of the World Arabian Horse Organization (WAHO), and as international Arabian horse judge, Mrs Hayek's top-level contacts contribute to many of the business and promotional activities of the Swatch Group and she is responsible for the local organization in Dubai (Swatch Group Middle East) on site. In the middle of 2007, her advisory mandate was converted into an employment agreement. Following the acquisition of Harry Winston (26.03.2013), Mrs Hayek was appointed president and CEO of this new business entity. As Board member of the Hayek Group, she is responsible for Hayek Engineering AG, Hayek Immobilien AG and Hayek France SA. Mrs Hayek is Chairwoman of the Board of Directors of the Rivoli Group, Dubai and represents the interests of Swatch Group. She is also a member of the Board of Directors of Belenos Clean Power Holding Ltd. She holds no official function or political office.

**Ernst Tanner**, Swiss citizen, has been on the Board of Directors of the Swatch Group since 1995. He has been Vice-Chairman of the Board of Directors since June 29, 2011. Mr Tanner is 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. In addition, he is a member of the Board of Directors of the German Krombacher Brauerei GmbH & Co. KG. Otherwise, he exercises no other executive or advisory functions and holds no official function or political office.

**Nick Hayek**, Swiss citizen, pursued two years' study at the University of St. Gallen (HSG), then attended the Film Academy CLCF in Paris. President of the Executive Group Management Board since 2003 and member of the Board of Directors since 2010. Mr Hayek has worked with the Swatch Group since 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. 1<sup>st</sup> prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and manager of two feature films, «Das Land von Wilhelm Tell» and «Family Express» with Peter Fonda (a film that earned him the prize for the best Swiss comedy at the Charlie Chaplin Comedy Film Festival in Vevey) resulted in his being called upon to advise on various Swatch projects in the early '90s and to assume responsibility for several Swatch exhibitions (such as that of Lingotto in Turin). Mr Hayek is a member of the Board of Directors of the CSEM (Centre suisse d'électronique et de microtechnique) and Chairman of the Board of Directors of Belenos Clean Power Holding Ltd.

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

**Dr Jean-Pierre Roth**, Swiss citizen, Dr oec. Graduate Institute (HEI) Geneva, has been a member of the Board of Directors since 2010. Following postgraduate studies at the Massachusetts Institute of Technology in the USA, Mr Roth taught at the University of Geneva and at the Graduate Institute (HEI). In 2009 the University of Neuchâtel conferred him a honorary doctorate in economics. Jean-Pierre Roth joined the Swiss National Bank in 1979 where he was active in various areas in Zürich and Bern. On May 1, 1996 he was appointed Vicepresident of the board and director of the II. Department (equity market, bank notes, business relationships with the federal government, administration of the gold reserves) in Bern by the Swiss federal council. On January 1, 2001 he was elected President of the board and chief of the 1. Department (political economics, international affairs, law and services) in Zürich. Jean-Pierre Roth was Swiss governor of the International Monetary Fund (IMF) in Washington. From March 1, 2006 until end of February 2009 he was Chairman of the Board of Directors of the Bank of International Settlements (BIS) in Basel. From end of March 2007 until end of 2009 he represented Switzerland in the Financial Stability Forum, an international committee consisting of representatives from the ministries of finance, central banks and regulatory authorities to tighten the collaboration on surveillance of the international financial system. At the end of 2009, Mr Roth resigned as President of the Swiss National Bank. Mr Jean-Pierre Roth was elected as member of the Board of Swiss Re and of Nestlé Ltd in 2010. In 2014, he was elected as member of the Board of MKS (Switzerland). Since July 1, 2010, Mr Roth is President of the Banque Cantonale de Genève (BCGE).

## 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 one year. The period between two Ordinary General Meetings is regarded as one year. The members of the Board shall be eligible for re-election at any time. There is no limit on the age and/or term of office. According to Article 18 of the Swatch Group Articles of Association 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
Nayla Hayek	1995	Up to 2016
Georges Nicolas Hayek	2010	Up to 2016
Prof. Dr. h.c. Claude Nicollier	2005	Up to 2016
Dr. Jean-Pierre Roth	2010	Up to 2016
Ernst Tanner	1995	Up to 2016

On the occasion of the General Meeting 2013 the members of the board of directors were re-elected for another term of three years. Since, the Ordinance Against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance) has entered into force on 1.1.2014, pursuant to which directors may only be elected for a term of office of one year. Accordingly, the members of the board of directors (and the Chairwoman) were again proposed for re-election and elected at the General Meeting 2014 and 2015 (each individually and for a one year term of office).

Mr Jean-Pierre Roth has been designated as the representative of the bearer shareholders and Mrs Nayla Hayek as representative of the registered shareholders.

### Changes in the Board of Directors

There were no changes in the Board of Directors in the year under review.

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

At the General Meeting 2015, the Chairwoman of the Board of Directors (Mrs Nayla Hayek) was elected by the shareholders, in accordance with the Compensation Ordinance (for the period until the next General Meeting). For the rest, the Board of Directors is self-constituting. It has appointed a Vice-Chairman (Mr Ernst Tanner) from its midst. The office of Secretary to the Board of Directors is carried out by Mrs Meyer-Kluge. The Secretary to the Board of Directors is not a member of the Board. The term of office of the Chairman, the Vice-Chairman and the Secretary is, in each case, one year. They are all re-eligible for a further term of office. If an officer is substituted, the successor completes the remainder of the term of the predecessor. The Board of Directors has an Audit Committee and a Compensation Committee at its disposal. These committees, which sit separately (normally immediately following an ordinary meeting), because of the relatively small number of company directors, comprise all the members of the Board of Directors. The Audit Committee is chaired by Mrs Nayla Hayek. The office of Chair of the Compensation Committee is executed by Mr Ernst Tanner, Vice-Chairman of the Board of Directors. The Chairwoman of the Audit Committee and the Chairman of the Compensation Committee were elected by the Board of Directors at their first meeting after the General Meeting 2015.

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

With the entry into force of the revised Swatch Group Articles of Association, the Compensation Committee deals with all questions in the field of compensation and proposes solutions for the attention of the Board of Directors. The Board of Directors is the decision-making body. It submits the required resolutions to the General Meeting for approval.

Further details can be found in the separate Compensation Report for the business year 2015.



## CORPORATE GOVERNANCE

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

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

The members of the Executive Group Management Board regularly attend the ordinary meetings of the Board of Directors (second part). Beside the President (CEO) of the Executive Group Management Board, the Chief Financial Officer (CFO) and the Chief Legal Officer (CLO) and, if necessary, any other members of the Executive Group Management Board, attend the meetings of the Audit Committee. The Chief Legal Officer (CLO) participates in the meetings of the Compensation Committee as he attends to the personnel issues of the members of the Executive Group Management Board and Extended Group Management Board. Where there are discussion points concerning a person present, such person withdraws from the meeting.

### 3.6 Definition of areas of responsibility

The Board of Directors is the highest executive body responsible for the overall administration of the Group. It adopts strategic decisions and defines the means necessary for attaining the long-term goals. It determines, inter alia, the participation and appointment of the members of the Executive Group Management Board, the Extended Group Management Board and the heads of the main Group companies. Moreover, the Board of Directors approves the annual budget of the Group and its affiliated companies 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.

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 Chairwoman). With due authorization of the Chairwoman, they may also demand direct information on individual business transactions. Should the Chairwoman reject an application for information, a hearing or an inspection (which has never occurred so far), the entire Board of Directors shall decide at the request of the applicant.

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

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

At December 31st, 2015

### 4.1.a 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 and member of the Board of Directors since 2010, 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. 1<sup>st</sup> prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and manager of two feature films, «Das Land von Wilhelm Tell» and «Family Express» with Peter Fonda (a film that earned him the prize for the best Swiss comedy at the Charlie Chaplin Comedy Film Festival in Vevey) resulted in his being called upon to advise on various Swatch projects in the early '90s and to assume responsibility for several Swatch exhibitions (such as that of Lingotto in Turin). Mr Hayek is a member of the Board of Directors of the CSEM (Centre suisse d'électronique et de microtechnique) and of Belenos Clean Power Holding Ltd.

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## CORPORATE GOVERNANCE

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

**Pierre-André Bühler**, Swiss citizen, technical education, member of the Extended Group Management Board since 2008 and of the Executive Group Management Board since 2013, responsible for ETA. Mr Bühler started his career within the Group in 1977 as manager of the industrialisation division at Michel SA in Grenchen. Later Mr Bühler held executive functions at ETA (Technical manager of the division Michel) and at Nivarox (Production manager). Before taking over the general management of ETA, Mr Bühler worked as managing director of Nivarox-Far (Le Locle). He represents the Swatch Group on the Executive Board of the Federation of the Swiss Watch Industry FH and is a member of the Board of Directors of CSEM.

**Dr Mougahed Darwish**, Swiss citizen, holds a doctorate in Physics from the ETHL. He has been a member of the Extended Group Management Board since 1994 and of the Executive Group Management Board since 2005, responsible for EM Microelectronic, Micro Crystal, Renata and Oscilloquartz. Mr Darwish has been with the Group since 1979, starting as Project Manager for the Xicor-Ébauches joint venture. Previously, he had been active in research and development for the Centre électronique horloger (CEH, today Centre Suisse de l'électronique et de microtechnique SA, CSEM). From 1985 to 2007 he managed EM Microelectronic as CEO. Mr Darwish represents the Group on the Board of Directors and the Science Council of the CSEM as well as on the Board of FLRH; he is a member of the Swiss Academy of Technical Science. Since 2008, Mr Darwish actively accompanies the project Belenos Clean Power; since July 2010 he is a delegate of the Board of Directors of Belenos Clean Power Holding AG and since 2015 also the Vice Chairman of this body.

**Marc Alexander Hayek**, Swiss citizen, Dr h.c. European University Montreux, Montreux, holds a bachelor degree in Economics and has undergone training in Marketing and Economics. He became a member of the Extended Group Management Board in 2002 and of the Executive Group Management Board in 2005 with responsibility for Blancpain, the Caribbean, Central and South America, François Golay and Deutsche Zifferblatt Manufaktur and furthermore, since July 2010 for Breguet and Jaquet Droz. He joined Blancpain as Marketing Manager in 2001. Mr Hayek had previously worked as an independent entrepreneur (Restaurant Colors, Zurich) and had been employed by Swatch in the PR area and by Certina in marketing.

**Dr Thierry Kenel**, Swiss citizen, holds a doctorate in Economics, a degree in Mechanical Engineering and a postgraduate degree in Management of Technology. As a Member of the Extended Group Management Board since 2009 and of the Executive Group Management Board since 10.02.2012, he is responsible for Corporate Finance, Reporting and Investor Relations. Mr Kenel has been with the Swatch Group since 2003, first as Group Controller in the business segment Electronic Systems and subsequently as head of Finance, IT and Administration at Montres Breguet SA. Prior to joining the Swatch Group, Mr Kenel was a lecturer and researcher in the field of economics at the University of Lausanne; earlier, he was a member of the Board of Directors and the management of the Flumroc-Spoerry group of companies. Mr Kenel represents the Swatch Group in the Board of the Convention Patronale and in the Federation of the Swiss Watch Industry FH, where he presides over the Economic Commission. Mr Kenel continues to be a private lecturer of Finance and Financial Reporting at the University of Lausanne (HEC) as well as at the Swiss Institute of Certified Accountants and Tax Consultants. He is also a member of the Liaison Committee University-Industry at the University of Lausanne (HEC).

**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 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. Schlupe, 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 Federation of the Swiss Watch Industry FH. Since 20.09.2012 he performs the role of a Vice President of the Executive Board of the FH.

**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 (President). Previously, he had been active as Delegate of the Board of Directors 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.

## CORPORATE GOVERNANCE

### 4.1.b Members of the Extended Group Management Board (incl. 4.2)

**Raynald Aeschlimann**, Swiss citizen, graduated with a degree in economics and an MBA from the University of St. Gallen (HSG). He was appointed to the Swatch Group's Extended Group Management Board in 2013. Mr. Aeschlimann has been Vice President and International Director of Sales, Retail and Distribution at Omega SA since 2001. He joined Omega in 1996 as Sales and Marketing Project Manager. He was also Brand Manager of Omega and Blancpain Spain in 2000 and has been the Group Coordinator for the Swatch Group's Indian subsidiary since 2010. Mr. Aeschlimann is on the Executive Board of the Federation of the Swiss Watch Industry FH. He had previously worked at Longines and Complemta AG in St. Gallen from 1992 to 1996.

**Matthias Breschan**, Austrian citizen, graduated from the Vienna School of Economics, has been a member of the Extended Group Management Board since 2005 and is responsible for Rado, Hamilton, for Swatch Group Mexico and Swatch Group Austria. Mr Breschan manages Rado since January 1, 2011. Before he managed Hamilton for seven years and worked as Area Sales Manager for three years at Swatch Telecom. Between his activity for Hamilton and Swatch Telecom he was Managing Director of Aldi in France (Aldi Marché Est). Before joining Swatch Group Mr Breschan worked for Texas Instruments and Alcatel Mobile Phones in the product marketing, international marketing and sales areas.

**Jean-Claude Eggen**, Swiss citizen, holds an engineering degree from the University of Applied Sciences (HES) in Biel/Bienne. He completed additional studies in business economics and automation and also obtained an Executive MBA. A member of the Extended Group Management Board since 2013, Mr. Eggen began his career at the Swatch Group in 1992 as director of SMH Engineering SA in Grenchen. He subsequently directed the MIM (Metal Injection Molding) activities for the production of steel cases at ETA Manufacture Horlogère Suisse SA. Prior to taking up a position as Vice President Swatch & Quartzline at ETA, Mr. Eggen also worked as Director of Operations for Phonak Communications SA, where he was responsible, inter alia, for organizing production in Vietnam.

**Yann Gamard**, French citizen, holds an MBA from Lausanne and has been a member of the Extended Group Management Board since 1998, responsible for Glashütte Original. In addition, Mr Gamard is responsible for Swatch Group Germany and Swatch Group Nordic (Denmark, Finland, Sweden, Norway) as well as the distribution logistics in Europe. He joined the Swatch Group in 1995 (Finance Department, Swatch AG). He subsequently assumed responsibility for the telecom business of the Swatch Group and was thereafter appointed as Country Manager for the USA as well as for further European countries. Before joining the Group, Mr Gamard held various roles with Procter & Gamble and Cartier.

**Hans-Rudolf Gottier**, Swiss citizen, holds an electrical engineering degree from the University of Applied Sciences (HES) in Biel/Bienne and is a member of the Swatch Group's Extended Management Board since 2013, where he is responsible for the segment Electronic Systems. Mr Gottier began his career in Swatch Group in 1980 as head engineer of the quartz production. Since 1990, he is the CEO of Micro Crystal Ltd. During this period, Micro Crystal was developed from being an internal quartz supplier for the watch business to being a worldwide quartz supplier. Over the recent years, Mr Gottier has led various companies within Swatch Group Electronic Systems and completed their restructuring. Prior to joining Swatch Group, Mr Gottier worked in South America where he was responsible for the technical implementation in connection with the importation of large machinery and installations.

**Walter von Känel**, Swiss citizen, with a commercial training, has been member of the Extended Group Management Board since 1991, with responsibility for Longines. He entered Longines in 1969 and became its President in 1988. Before joining Swatch Group Mr von Känel worked for a watch-dial factory and with the Federal Customs Administration. Mr von Känel is a member 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. 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 and subsequently a member of the management of Frédéric Piguet. Since 2010, Mr Meier is responsible for the manufacture of the Breguet watch cases. Before joining Swatch Group, Mr Meier worked as development engineer for Jungheims in Germany.

**Calogero Polizzi**, Italian citizen, holds a diploma in information technology from the Industrial Technical Institute L. Cobiainchi in Verbania, Italy and is a member of the management of The Swatch Group Services Ltd. He was appointed to the Swatch Group's Extended Group Management Board in 2013. He has been responsible for the IT systems at Swatch Group since his appointment as CIO (Chief Information Officer) in 2005. Previously he worked as IT Manager in the Italian subsidiary of Swatch Group and as Head of IT at The Swatch Group Distribution LTD. Between his activities for Swatch Group Italy and Swatch Group Distribution he was Chief Information Officer at Tod's S.p.A. Before joining Swatch Group, Mr Polizzi worked at Whirlpool where he was engaged in various information technology positions at the international level.

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## CORPORATE GOVERNANCE

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**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.

**Dr Peter Steiger**, Swiss citizen, who has a doctorate in Public Economics, has been a member of the Extended Group Management Board since 2002, with responsibility for The Swatch Group Corporate Controlling and Logistics, Swatch Group Malaysia, Swatch Group Singapore, Swatch Group Indonesia, Swatch Group Thailand and Swatch Group South Africa. He started his career with the Group in 1989 as Head of Finance and Administration with PC Quartz. Later, Mr Steiger held leading finance and logistics 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.

### Employment Contracts

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

In case of retirement there are no other entitlements to any compensation.

The employment agreements were amended as per 1 January 2016 in accordance with the provisions of the Ordinance Against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance) (approval of compensation by the General Meeting, mandates outside the Swatch Group, credits and loans).

## CORPORATE GOVERNANCE

### 4.1.c Changes in the Executive Group Management Board resp. Extended Group Management Board

During the year under review, there were no changes in the composition of the Executive Group Management Board and the Extended Group Management Board.

### 4.4 Management Contracts

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

### Country Panel

At the beginning of 2015, a Country Panel was constituted with the task of supporting the Executive Group Management Board, in particular in the fields of distribution and international business development.

The Country Panel meets at least twice per business year. The meetings are chaired by the president of the Executive Group Management Board.

The function of the Country Panel is purely advisory. It is made up of the Country Managers of 11 important country organisations. In addition, there are 5 further members who are appointed by the Executive Group Management Board from among the presidents of the further country organisations (rotation principle).

At the end of 2015, the Country Panel consisted of the following persons:

G. Nick Hayek, Hazem Sbayteh, André Hernandez, Susan Chen, Roland von Keith, Partha Dattagupta, Laura Burdese, Christophe Savioz, Gaël Vallade, Stefan Peter, Gonzalo de Cevallos, Frédéric Nardin, Frank Furlan, Megan Parker, Laura Kouki, John Faros and Jos van Hugte.

## 5. Compensation, shareholdings and loans / credits

### 5.1 Compensation

On January 1, 2014, the Compensation Ordinance entered into force, requiring material alterations and adaptations as regards the compensation of the members of the Board of Directors and the Executive Group Management Board.

Thus, as from the business year 2014, a separate Compensation Report needs to be made, setting out the material elements of the compensation principles, of the tasks and competences in the field of compensation, of the composition and function of the Compensation Committee and of the various compensation elements, etc.

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

At the General Meeting 2015, a revision of the Swatch Group Articles of Association was proposed to the shareholders, accommodating the requirements of the Compensation Ordinance and implementing specific solutions of the company.

As part of the revision of the Swatch Group Articles of Association, the Board of Directors proposed to the General Meeting that the total compensation of the members of the Board of Directors and the Group Management be decided as follows:

- Resolution concerning the fixed compensation of the members of the Board of Directors for the period until the next Ordinary General Meeting,
- Resolution concerning the fixed compensation of the members of the Group Management (KL/EKL) for the current business year,
- Resolution concerning the variable compensation of the executive members of the Board of Directors for the completed business year,
- Resolution concerning the variable compensation for members of the Group Management (KL/EKL) for the completed business year.

### 5.2 Participation programs

The aims of the management stock option plan of the Swatch Group are to honour performances of the main Management members, strengthen the motivation and the sense of responsibility in the Group, further the loyalty to the firm as well as the stability of the managing employees and promote a favorable wealth increase. The allocation of shares results from an individual performance report. The voting rights of the shares in possession of the plan will not be exercised.

The share program is described in the Compensation Report.

An overview of the shares and options owned by the members of the Board of Directors, Executive Group Management Board and Extended Group Management Board and persons being closely related to them at 31 December 2015 may be consulted on page 218.

### 5.3 Loans, credits

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

## CORPORATE GOVERNANCE

### 6. Shareholders' participation

#### 6.1 Voting rights and representation restrictions

For the exercise of voting rights, no shareholder may combine, either directly or indirectly, more than 5% of the total shareholders' equity in respect of his own shares and those represented by him. This limitation does not apply to the shares which are excluded from the registration prohibition (point 2.6 above). Nor does this restriction apply to the exercise of voting rights by independent voting-right representatives.

Furthermore, pursuant to Art. 16(4) of the Swatch Group Articles of Association, 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 Articles of Association. For such change a decision of the General Meeting with a relative majority is required.

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

#### 6.2 Statutory quorums

In addition to the special quorum regulations provided in Art. 704 CO, the Articles of Association 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 Articles of Association. 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 Articles of Association in conjunction with Art. 699 and 700 OR).

#### 6.5 Entries in the share register

As a general rule, the share register is closed for entries 20 days before each General Meeting.

### 7. Changes of control and defence measures

#### 7.1 Duty to make an offer

Art. 10 of the Articles of Association 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.

## CORPORATE GOVERNANCE

### 8. Auditors

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

«PriceWaterhouseCoopers Ltd» performs since 1992 the function of external auditor of the Group. Before that, the predecessor organizations already served as auditors for the Group and many of its companies. Gerhard Siegrist, as head auditor (Engagement Partner), has been responsible for the audit and Group audit since the 2011 accounting year.

#### 8.2 Auditing fees and additional fees (incl. 8.3)

The following auditor's fees have been charged to the 2015 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PriceWaterhouseCoopers	4.2	0.5	0.3	5.0
Other Auditing Companies	0.7	0.3	0.8	1.8
<b>Total 2015</b>	<b>4.9</b>	<b>0.8</b>	<b>1.1</b>	<b>6.8</b>
Total 2014	5.1	0.8	0.9	6.8

#### 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. As a general rule, the Audit Committee meets twice a year with the auditors. The auditors prepare a report for the Audit Committee regarding the findings of the audit, the financial statement and the internal control. 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.

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## CORPORATE GOVERNANCE

### 9. Information policy

The Swatch Group reports on the business of the Group at the following times:

- February 3, 2016    Key figures 2015
- March 10, 2016    Press and analysts' conference / annual report
- May 11, 2016      General Meeting of Shareholders
- August 4, 2016    Half-year figures 2016

The information is always published in the Swiss and international press and also published and processed in the publications of leading international banks.

This information can also be obtained from the Swatch Group website at [www.swatchgroup.com](http://www.swatchgroup.com), and in particular under the «Investor Relations» section. The annual report can also be viewed and downloaded using the link [www.swatchgroup.com/annual\\_report](http://www.swatchgroup.com/annual_report). In addition, the [swatchgroup.com](http://swatchgroup.com) homepage allows for the possibility of subscribing to the Push-and-Pull information service in order to receive ad-hoc-financial announcements.

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





(12) **United States Patent**  
**Conus et al.**

(10) **Patent No.:** US 8,308,346 B2  
 (45) **Date of Patent:** Nov. 13, 2012

(54) LEVER ESCAPEMENT FOR A TIMEPIECE

(52) U.S. CL. 368/131; 368/124

(75) Inventors: Thierry Conus, Lengnau (CH); Andres Cabezas Jurin, Yverdon (CH)

(58) Field of Classification Search 368/124, 368/127, 128, 129, 130, 131, 132  
 See application file for complete search history.

(73) Assignee: Omega SA, Biel/Bienne (CH)

(56) **References Cited**

(\* ) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 326 days.

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(21) Appl. No.: 12/602,011

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Daniels, G., "La Montre: Principes et Methodes de Fabrication", 1993, Editions Scriptor SA, Lausanne, XP002468957.

(86) PCT No.: PCT/EP2008/055984

Primary Examiner Renee Luebke  
 Assistant Examiner Jason Collins

§ 371 (c)(1).  
 (2), (4) Date: Nov. 25, 2009

(74) Attorney, Agent or Firm Sughrue Mion, PLLC

(87) PCT Pub. No.: WO2008/145539

(57) **ABSTRACT**

PCT Pub. Date: Dec. 4, 2008

The escapement comprises an escape wheel assembly (1), a balance roller (3) carrying an impulse pin (4) and an impulse roller (5) carrying an impulse pin (6).

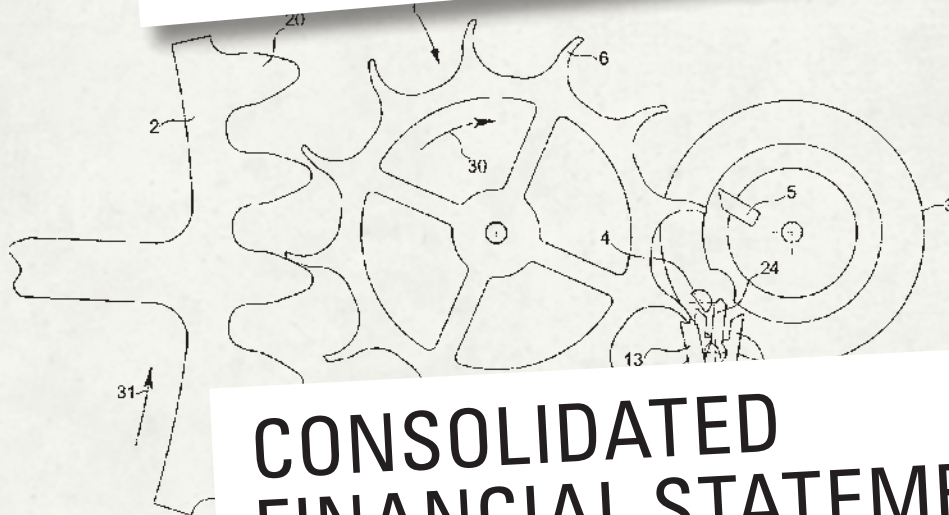
(65) **Prior Publication Data**

US 2010/0182879 A1 Jul. 22, 2010

(30) I  
 May 30, 2007

(51) Int. Cl.  
 G04B 15/06

# FINANCIAL STATEMENTS 2015



## CONSOLIDATED FINANCIAL STATEMENTS

## FINANCIAL STATEMENTS OF THE HOLDING

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## FINANCIAL REVIEW

### Key financial developments in 2015

- **Net sales:** Net sales of CHF 8 451 million for the Group, 0.9% lower than the previous year at constant exchange rates and 3.0% lower than the previous year at current exchange rates.

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- **Operating result:** Operating result of CHF 1 451 million, equivalent to an operating margin of 17.2% (previous year: 20.1%). Mainly due to currency shifts, operating margin was about 17% lower in comparison to the previous year.

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- **Net income:** Net income of CHF 1 119 million, which corresponds to a return on net sales of 13.2% (previous year: 16.3%).

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- **Headcount:** Creation of over 700 new jobs. The number of employees increased to over 36 000 at the end of 2015.

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- **Equity:** Equity increased to CHF 11.2 billion, equivalent to an equity ratio of 84.7% (previous year: 83.7%).

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- **Dividend:** Dividend proposal unchanged: CHF 7.50 per bearer share and CHF 1.50 per registered share.

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- **Share buyback:** New share buyback program from 2016 to 2019 to a maximum of CHF 1 billion.

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### Financial review

#### 1. Key figures Group

(CHF million)	2015	2014	Change in %		Total
			at constant rates	currency effect	
<b>Net sales</b>	<b>8 451</b>	8 709	– 0.9%	– 2.1%	– 3.0%
<b>Operating result</b>	<b>1 451</b>	1 752			– 17.2%
– in % of net sales	<b>17.2%</b>	20.1%			
<b>Net income</b>	<b>1 119</b>	1 416			– 21.0%
– in % of net sales	<b>13.2%</b>	16.3%			
<b>Equity</b>	<b>11 242</b>	10 674			+ 5.3%
– as a % of balance sheet total	<b>84.7%</b>	83.7%			

## FINANCIAL REVIEW

2. Environment /  
Financial year

## Development net sales and operating result

(CHF million)	2015			2014		
	Third	Group	Total	Third	Group	Total
<b>Net sales</b>						
Watches & Jewelry	8 175	2	8 177	8 428	1	8 429
Electronic Systems	270	22	292	274	22	296
Corporate	6	6	12	7	6	13
Elimination		-30	-30		-29	-29
<b>Total</b>	<b>8 451</b>	<b>-</b>	<b>8 451</b>	<b>8 709</b>	<b>-</b>	<b>8 709</b>

(CHF million)	2015		2014	
	Total	in % of net sales	Total	in % of net sales
<b>Operating result</b>				
Watches & Jewelry	1 539	18.8%	1 860	22.1%
Electronic Systems	9	3.1%	-9	-3.0%
Corporate	-97		-99	
<b>Total</b>	<b>1 451</b>	<b>17.2%</b>	<b>1 752</b>	<b>20.1%</b>

In 2015, Swatch Group generated net sales of CHF 8 636 million at constant exchange rates, equivalent to a slight decrease of 0.9%. The ongoing unfavorable currency situation versus the still massively overvalued Swiss franc reduced Group sales by CHF 185 million or 2.1 percentage points to CHF 8 451 million, -3.0% compared to the previous year. Calculated at constant exchange rates of 2010, the Group has lost cumulatively over CHF 4 billion in sales since 2010, over one billion alone in the year under review. The financial year 2015 was shaped by the currency shock caused by the Swiss National Bank (SNB), which decided to abolish the euro minimum rate at the beginning of the year. As a consequence there were significant shifts in sales in the markets, as well as a marked distortion of the international product pricing structure. Despite this, the long-term strategy of favoring a defensive price adjustment policy over short-term profit thinking was maintained. Calculated in euros, Group net sales however grew 10.3%.

In the Watches & Jewelry segment, including Production, net sales decreased 0.8% at constant and 3.0% at current exchange rates compared to the previous year. However, exports of wrist watches for the entire Swiss watch industry had declined 3.6% at the end of December. In the year under review, tourist flows changed constantly and quickly, due to various factors such as currency shifts, infectious diseases such as MERS (Middle East Respiratory Syndrome) in South Korea, changes in travel and stay regulations for tourists and local unrest or uncertainty in various countries. The strong shift in travel destinations caused a shift in the regional mix, which also reduced this segment's operating margin. However the latter, still amounted to 18.8% of net sales. Production, which is integrated into the Watches & Jewelry segment, reported good capacity utilization and slightly higher sales than the previous year, driven mainly by demand from the own brands.

In Production, Universo scaled up its new watch hand and index manufacturing in La Chaux-de-Fonds (Switzerland) and Rubattel & Weyermann, a producer of watch dials, has joined them at the same location. Also, the own foundry for internal precious metal processing was extended.

In 2015, the Electronic Systems segment generated practically unchanged net sales of CHF 292 million (-1.4%), although price pressure remaining very high, particularly in comparison to electronic consumer goods from Japan with the yen advantage. The Electronic Systems segment achieved an operating profit of CHF 9 million.

Due to the above-mentioned significant shifts in country mix, as well as a marked distortion of its international product pricing structure and the Swatch Group strategy of undertaking only very cautious price adjustments, as well as maintaining the same level of marketing investment, operating profit decreased 17.2% to CHF 1 451 million or an operating margin of 17.2%.

## FINANCIAL REVIEW

### Development net income

(CHF million)	2015	2014
<b>Operating result</b>	<b>1 451</b>	1 752
Net financial result	- 47	14
<b>Ordinary result</b>	<b>1 404</b>	1 766
Non-operating result	0	- 1
<b>Profit before income taxes</b>	<b>1 404</b>	1 765
Income taxes	- 285	- 349
<b>Net income</b>	<b>1 119</b>	1 416
- in % of net sales	<b>13.2%</b>	16.3%
- Change from previous year in %	<b>- 21.0%</b>	- 26.6%

### Basic earnings per share – expressed in CHF per share:

- Registered shares	<b>4.01</b>	5.10
- Bearer shares	<b>20.07</b>	25.49

In the year under review, the net financial result was CHF -47 million (compared to CHF 14 million in 2014). This is mainly due to the negative net currency result of CHF 57 million (2014 resulted in a net currency loss of CHF 2 million). Further details to the net financial result can be found in Note 5f of the consolidated financial statements.

In relation to the profit before income taxes, the income tax charge amounted to 20.3% in the reporting year, compared to 19.8% in the previous year. An analysis of the income tax charge is set out in Note 6 of the consolidated financial statements.

Net income was adversely impacted by the strongly negative financial result coming from unfavorable interest and exchange rates, and closed at CHF 1 119 million, 21.0% lower than the previous year. This is equivalent to a net margin of 13.2%, compared to 16.3% in the previous year.

Basic earnings per share amounted in the current year to CHF 4.01 (2014: CHF 5.10) for registered shares and CHF 20.07 (2014: CHF 25.49) for bearer shares, respectively. As in previous years, dilution of earnings is not material. Detailed information can be found in Note 7.

Again in 2015, almost 700 new jobs were created, mainly in the retail sector, for new stores. Swatch Group also slightly increased the number of personnel employed domestically, despite the very difficult situation with regard to the production base Switzerland. As a result, the number of employees increased to over 36 000 at the end of 2015.

The 2015 result and the current positive outlook for 2016 have prompted the Swatch Group Board of Directors to propose an unchanged dividend of CHF 7.50 per bearer share and CHF 1.50 per registered share at the Annual General Meeting on 11 May 2016.

## FINANCIAL REVIEW

### Development balance sheet structure

(CHF million)	2015	2014
<b>Current assets</b>	<b>9 269</b>	8 946
<b>Current liabilities</b>	<b>1 222</b>	1 308
<b>Equity</b>	<b>11 242</b>	10 674
– as % of total assets	<b>84.7%</b>	83.7%
<b>Average return on equity (ROE)</b>	<b>10.2%</b>	14.0%

Current liabilities are covered by current assets by a factor of 7.6 (2014: 6.8). This factor shows a very healthy structure of the short term balance sheet positions.

As per end of December 2015 equity increased to CHF 11.2 billion to an extremely solid capitalization, with an equity ratio of 84.7% (2014: 83.7%).

### Development liquidity

(CHF million)	2015	2014
<b>Cash and cash equivalents at 1.1.</b>	<b>1 202</b>	908
<b>Cash flow from operating activities</b>	<b>1 404</b>	1 848
<b>Cash flow from investing activities</b>	<b>– 836</b>	– 1 122
<b>Cash flow from financing activities (incl. foreign exchange rate differences on cash)</b>	<b>– 490</b>	– 432
<b>Cash and cash equivalents at 31.12.</b>	<b>1 280</b>	1 202

In comparison to the previous year, excluding payments received from a legal case in early 2014, the Group generated a practically unchanged operating cash flow, despite the Swiss franc shock. Operating cash flow for the period under review was CHF 1 404 million, after tax payments of CHF 339 million.

Across all segments, the Swatch Group invested a total of CHF 755 million in non-current operating assets in 2015. In addition to further expansion of its retail network, intensive investment was also made in production facilities. As well, significant investment was made in the area of customer service, both in Switzerland and in foreign distribution companies.

The dividend payment of CHF 407 million (2014: CHF 407 million) was the main cash flow from financing activities.

Overall, the Group's cash position increased in 2015 by CHF 78 million to CHF 1 280 million at year-end.

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## FINANCIAL REVIEW

### 3. Outlook

Group Management expects, despite the ongoing challenging environment in various regions, a sustainable development in sales in local currency in 2016, based on worldwide ongoing very good consumption demand for Swiss watches.

With its worldwide distribution network, the Group is in an excellent position to provide its customers with an array of products, even when tourist flows and consequently purchase locations suddenly change, as was often the case in the year under review. The number of patent applications increased again in the year under review, not only in the area of electronic smart and mobile device products, but also primarily for watches and watch movements. Not only new products from the 20 brands, but also all current brand models which benefit from ongoing demand, will contribute to a good year in 2016. Particularly the new METAS certified antimagnetic Omega Co-Axial Globemaster collection, as well as various Swatch watches such as the Swatch Bellamy, launched in China, with its contactless payment function, will generate very positive sales in China and other regions. Also, the Olympic Games in Rio de Janeiro, Brazil, which start in August, will give the Omega brand, the official Games timekeeper, an additional boost. Tissot, through its long-standing partnership with the NBA, the North American professional basketball league, has become the official timekeeper for the NBA, the women's basketball league WNBA and the NBA Development League, which will generate substantially increased sales for the brand, in both North American and worldwide markets.

Swatch Group, with its strong presence and pioneer role in countries such as China, Russia or India, will continue to generate dynamic growth in local currency in 2016. January 2016 confirms that particularly in mainland China, watch consumption rose strongly compared to the previous year, reason why, the Swatch Group expects growth of well over 5% in 2016 in local currency.

Breguet  
Ministèrede  
l'Intérieur.Bureau  
des Arts  
à  
Manufactures.

n.º 157

10. Années **Brevet d'Invention**

établi par la Loi du 7 Janvier 1791.



Liberté.

Egalité.

Horlogerie.

**CERTIFICAT** de demande d'un **BREVET D'INVENTION**,  
délivré, en vertu de l'Arrêté des Consuls, du 5 Vendémiaire an 9,  
au C.<sup>m</sup> **Breguet**, (Abraham-Louis)  
domicilié à **Sarcelles** département de la Seine.

Le Ministre de l'Intérieur

Vu la pétition présentée par le citoyen **Abraham Louis Breguet**, horloger, demeurant à **Sarcelles** Quai de l'Horloge, n.º 51. par laquelle il expose qu'il desire jouir des Droits de Propriété assurés par la Loi, aux Auteurs de découvertes et inventions en tout genre d'industrie, et en conséquence obtenir un Brevet de Dix années, à l'effet de pouvoir fabriquer vendre et débiter dans toute l'étendue de la République, une



## CONSOLIDATED INCOME STATEMENT

	Notes	2015		2014	
		CHF million	%	CHF million	%
<b>Net sales</b>	(4, 5a)	<b>8 451</b>	<b>100.0</b>	8 709	100.0
Other operating income	(5b)	103	1.2	231	2.6
Changes in inventories		255	3.0	397	4.6
Material purchases		- 2 001	- 23.7	- 2 240	- 25.7
Personnel expense	(5c)	- 2 384	- 28.2	- 2 343	- 26.9
Depreciation and impairment on property, plant and equipment	(15)	- 366	- 4.3	- 324	- 3.7
Amortization and impairment on intangible assets	(16)	- 38	- 0.4	- 34	- 0.4
Other operating expenses	(5d)	- 2 569	- 30.4	- 2 644	- 30.4
<b>Operating result</b>		<b>1 451</b>	<b>17.2</b>	1 752	20.1
Other financial income and expense	(5f)	- 46	- 0.6	13	0.2
Interest expense	(5f)	- 1	- 0.0	- 2	- 0.0
Share of result from associates and joint ventures	(5f, 17)	0	0.0	3	0.0
<b>Ordinary result</b>		<b>1 404</b>	<b>16.6</b>	1 766	20.3
Non-operating result	(5g)	0	0.0	- 1	- 0.0
<b>Profit before income taxes</b>		<b>1 404</b>	<b>16.6</b>	1 765	20.3
Income taxes	(6a)	- 285	- 3.4	- 349	- 4.0
<b>Net income</b>		<b>1 119</b>	<b>13.2</b>	1 416	16.3
Attributable to shareholders of The Swatch Group Ltd		1 089		1 384	
Attributable to non-controlling interests		30		32	
<b>Earnings per share (EPS) – expressed in CHF per share:</b>	(7)				
<b>Registered shares</b>					
Basic earnings per share		4.01		5.10	
Diluted earnings per share		4.01		5.09	
<b>Bearer shares</b>					
Basic earnings per share		20.07		25.49	
Diluted earnings per share		20.05		25.47	

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

**CONSOLIDATED BALANCE SHEET**

<b>Assets</b>	Notes	<b>31.12.2015</b>		31.12.2014	
		<b>CHF million</b>	<b>%</b>	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents	(9)	<b>1 280</b>	<b>9.6</b>	1 202	9.4
Marketable securities and derivative financial instruments	(10)	<b>388</b>	<b>2.9</b>	263	2.1
Trade receivables	(11)	<b>991</b>	<b>7.4</b>	1 108	8.7
Other current assets	(12)	<b>143</b>	<b>1.1</b>	135	1.1
Inventories	(13)	<b>6 151</b>	<b>46.4</b>	5 943	46.6
Prepayments and accrued income	(14)	<b>316</b>	<b>2.4</b>	295	2.3
<b>Total current assets</b>		<b>9 269</b>	<b>69.8</b>	8 946	70.2
<b>Non-current assets</b>					
Property, plant and equipment	(15)	<b>3 173</b>	<b>23.9</b>	3 010	23.6
Intangible assets	(16)	<b>151</b>	<b>1.1</b>	150	1.2
Investments in associates and joint ventures	(17)	<b>62</b>	<b>0.5</b>	70	0.5
Other non-current assets	(19)	<b>217</b>	<b>1.7</b>	201	1.6
Deferred tax assets	(6d)	<b>398</b>	<b>3.0</b>	370	2.9
<b>Total non-current assets</b>		<b>4 001</b>	<b>30.2</b>	3 801	29.8
<b>Total assets</b>		<b>13 270</b>	<b>100.0</b>	12 747	100.0

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

## CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	31.12.2015		31.12.2014	
		CHF million	%	CHF million	%
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(20)	13	0.1	35	0.3
Trade payables		367	2.8	371	2.9
Other liabilities	(21)	152	1.1	158	1.2
Provisions	(23)	86	0.6	83	0.7
Accrued expenses	(22)	604	4.6	661	5.2
<b>Total current liabilities</b>		<b>1 222</b>	<b>9.2</b>	<b>1 308</b>	<b>10.3</b>
<b>Non-current liabilities</b>					
Financial debts	(20)	34	0.2	38	0.3
Deferred tax liabilities	(6d)	606	4.6	604	4.7
Retirement benefit obligations	(24)	36	0.3	38	0.3
Provisions	(23)	53	0.4	47	0.4
Accrued expenses	(22)	77	0.6	38	0.3
<b>Total non-current liabilities</b>		<b>806</b>	<b>6.1</b>	<b>765</b>	<b>6.0</b>
<b>Total liabilities</b>		<b>2 028</b>	<b>15.3</b>	<b>2 073</b>	<b>16.3</b>
<b>Equity</b>					
Share capital	(26a)	125		125	
Capital reserves	(26b)	- 1 006		- 1 037	
Treasury shares	(26c)	- 329		- 301	
Goodwill recognized		- 1 372		- 1 372	
Translation differences		- 134		- 6	
Retained earnings		13 856		13 174	
<b>Equity of The Swatch Group Ltd shareholders</b>		<b>11 140</b>	<b>83.9</b>	<b>10 583</b>	<b>83.0</b>
Non-controlling interests		102	0.8	91	0.7
<b>Total equity</b>		<b>11 242</b>	<b>84.7</b>	<b>10 674</b>	<b>83.7</b>
<b>Total equity and liabilities</b>		<b>13 270</b>	<b>100.0</b>	<b>12 747</b>	<b>100.0</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2015 CHF million	2014 CHF million
<b>Operating activities</b>			
Net income		1 119	1 416
Reversal of non-cash items	(28a)	686	739
Changes in working capital and other items included in operating cash flow	(28b)	- 70	92
Dividends received from associated companies	(17)	2	3
Interest received		7	28
Interest paid		- 1	- 2
Income tax paid	(6c)	- 339	- 428
<b>Cash flow from operating activities</b>		<b>1 404</b>	<b>1 848</b>
<b>Investing activities</b>			
Investments in property, plant and equipment	(15)	- 602	- 1 040
Proceeds from sale of property, plant and equipment		13	4
Investments in intangible assets	(16)	- 47	- 48
Proceeds from sale of intangible assets		0	1
Investments in other non-current assets	(19)	- 106	- 115
Proceeds from sale of other non-current assets		3	2
Acquisition of subsidiaries – net of cash	(18a)	-	- 4
Takeover of associated companies	(18a)	14	-
Divestments of businesses	(18b)	4	3
Purchase of marketable securities		- 241	- 187
Sale of marketable securities		126	262
<b>Cash flow from investing activities</b>		<b>- 836</b>	<b>- 1 122</b>
<b>Financing activities</b>			
Dividends paid to shareholders	(8)	- 407	- 407
Dividends paid to non-controlling interests		- 24	- 14
Purchase of treasury shares	(26c)	- 28	- 107
Sale of treasury shares		1	78
Change in non-current financial debts		- 4	- 5
Change in current financial debts		0	- 1
Repurchase of non-controlling interests	(18c)	- 1	-
Sale of non-controlling interests	(18c)	11	-
<b>Cash flow from financing activities</b>		<b>- 452</b>	<b>- 456</b>
<b>Net impact of foreign exchange rate differences on cash</b>		<b>- 38</b>	<b>24</b>
<b>Change in cash and cash equivalents</b>		<b>78</b>	<b>294</b>
<b>Change in cash and cash equivalents</b>			
– At beginning of year		1 202	908
– At end of year	(9)	1 280	1 202

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to The Swatch Group Ltd shareholders					Retained earnings	Total	Non-con- trolling interests	Total equity
	Share capital	Capital reserves	Treasury shares	Goodwill recognized	Cumulative Translation differences				
(CHF million)	(Note 26)	(Note 26)	(Note 26)						
<b>Balance at 31 December 2013</b>	<b>125</b>	<b>- 1 062</b>	<b>- 268</b>	<b>- 1 369</b>	<b>- 115</b>	<b>12 197</b>	<b>9 508</b>	<b>66</b>	<b>9 574</b>
Net income						1 384	<b>1 384</b>	32	<b>1 416</b>
Currency translation of foreign entities					109		<b>109</b>	7	<b>116</b>
Compensation of goodwill Group companies (Note 18)				-3			<b>-3</b>		<b>-3</b>
Dividends paid						-407	<b>-407</b>	-14	<b>-421</b>
Share-based compensation (Note 29):									
– Value of employee services (net of tax)		21					<b>21</b>		<b>21</b>
– Proceeds from sale of shares		1					<b>1</b>		<b>1</b>
Sale of treasury shares		3	74				<b>77</b>		<b>77</b>
Repurchase of treasury shares		0	-107				<b>-107</b>		<b>-107</b>
<b>Balance at 31 December 2014</b>	<b>125</b>	<b>- 1 037</b>	<b>- 301</b>	<b>- 1 372</b>	<b>- 6</b>	<b>13 174</b>	<b>10 583</b>	<b>91</b>	<b>10 674</b>
Net income						1 089	<b>1 089</b>	30	<b>1 119</b>
Currency translation of foreign entities					-128		<b>-128</b>		<b>-128</b>
Dividends paid						-407	<b>-407</b>	-24	<b>-431</b>
Share-based compensation (Note 29):									
– Value of employee services (net of tax)		19					<b>19</b>		<b>19</b>
– Proceeds from sale of shares		1					<b>1</b>		<b>1</b>
Repurchase of treasury shares		0	-28				<b>-28</b>		<b>-28</b>
Changes in non-controlling interests (Note 18)		11					<b>11</b>	5	<b>16</b>
<b>Balance at 31 December 2015</b>	<b>125</b>	<b>- 1 006</b>	<b>- 329</b>	<b>- 1 372</b>	<b>- 134</b>	<b>13 856</b>	<b>11 140</b>	<b>102</b>	<b>11 242</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The Swatch Group Ltd (the Company) and its subsidiaries (collectively the Group) is active worldwide and represented in the finished watches and jewelry sector with 20 brands in all market and price segments. In addition, it holds an outstanding industrial position with a high degree of vertical integration in the sector of watch movements and components as well as in the electronic systems sector.

The 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 in the Swiss Reporting Standard of the SIX Swiss Exchange, under the ISIN numbers CH0012255144 (registered shares) and CH0012255151 (bearer shares). Bearer shares are included in the indices SMI, SPI as well as SLI and registered shares in the indices SPI, SPI Extra and SMIM. In addition, Swatch Group shares are also listed on the BX Berne eXchange.

These consolidated financial statements were approved for issue by the Board of Directors on 19 February 2016 and will be submitted to the Annual General Meeting of Shareholders for approval on 11 May 2016.

### 2. Summary of significant accounting policies

#### a. Basis of preparation

These financial statements provide a true and fair view of the Swatch Group's assets, financial position and earnings, and have been drawn up in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. The Group already adopted FER 31 for listed companies (published in January 2013 and applicable as of 1 January 2015) as of 1 January 2013. The financial statements of the Group are based upon the financial statements of the Group companies as at 31 December and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs (except for securities and derivative financial instruments recognized at fair value) and on the going concern principle. The statements are presented in Swiss francs (CHF). Unless otherwise indicated, all amounts have been rounded to the next million.

#### b. Consolidation policies

The Group companies include all companies that are directly or indirectly controlled by The Swatch Group AG. In this respect, control is defined as the power to control the financial and operating activities of the respective company, so as to obtain benefits from its operations. This control is normally evidenced by the holding of more than half of the voting rights on share capital of an entity. Group companies are consolidated from the date on which control is transferred to the Group. Subsidiaries intended for disposal are excluded from the consolidation from the date on which control ceases.

Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. The difference between the acquisition costs and the proportional revalued net assets is referred to as goodwill. Within the scope of acquisitions, potentially existing but until now not capitalized intangible assets such as brands, usage rights and client lists are not recognized separately, but instead remain part of goodwill. Goodwill may also arise from investments in associated companies and is defined as the difference between the acquisition costs of the investment and its proportional revalued net assets. The goodwill resulting from acquisitions is recognized directly in Group equity. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the acquired goodwill would have (see Note 27).

In the event that shares of Group or associated companies are sold, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognized as a gain or loss in the income statement.

Non-controlling interests in equity and in net income are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are recognized as equity transactions, provided that control continues. Intercompany transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated in full.

Associates are all companies on which the Group exerts significant influence, but does not control. This is generally evidenced when the Group holds voting rights of 20% to 50% of a company. Representation on the board of directors or access to the current financial information of a company are also indicators of significant influence. Investments in associated companies are accounted for using the equity method and are initially recognized at cost. Unrealized gains and losses from transactions with associated companies are eliminated to the extent of the Group's participation in the associated company. The accounting policies of associated companies are adjusted where necessary in order to ensure consistency with the policies observed by the Group. Participations in joint ventures are also reported using the equity method.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### c. Scope of consolidation

At 31 December 2015, the Group's consolidation structure comprised 168 legal entities (previous year: 172) including two joint ventures (previous year: two) and five associated companies (previous year: six). The decrease resulted primarily from Group internal mergers and liquidations. Information on acquisitions and disposals of companies is available in Note 18. Note 32 includes a complete list of Group companies.

### d. Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain accounting estimates and judgments. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under the given circumstances. Real results may differ from these estimates. Management continuously reviews and, if necessary, adapts the estimates and underlying assumptions. Any changes are recognized in the period in which the estimate is revised.

### e. Changes in accounting policies

#### Changes not yet in force of existing Standards

The Group implemented early adoption at 1 January 2015 of the following changes to existing standards, which were published by the end of 2015 and which are binding as of 1 January 2016 (earlier implementation permitted):

#### **New guideline on revenue recognition: changes in Swiss GAAP FER Framework, FER 3 and FER 6**

New rules in the area of revenue recognition specify how revenue is to be recognized, valued and disclosed. Therefore, the Framework, FER 3 and FER 6 were adapted. The amendments stipulate that revenue is to be recognized when a service was provided or a tangible or intangible asset was delivered, and the risks and rewards as well as the control have been transferred to the purchaser. In addition, net revenues from sales and services are defined as revenues from ordinary business activities which include the value of services provided, less sales reductions. In the case of agents, only the value of own services performed is to be recognized. In the event of business transactions involving identifiable multiple elements, these are to be recognized and valued separately. Furthermore, the most significant sources of revenue and their recognition are to be disclosed in the notes.

The long-standing Swatch Group accounting principles already comply with the new revenue recognition rules according to Swiss GAAP FER. Therefore, the changes have no impact on revenue recognition for the Group, and it was not necessary to adjust previous year figures.

In connection with these changes, the Group has decided to discontinue publishing gross sales less sales reductions. Newly, only the net sales figure will be disclosed. This adjustment is consistent with Swiss GAAP FER.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### f. Foreign currency translation

#### Translation in the financial statements of the Group companies

The financial statements of individual Group companies are measured in the currency of the economic environment in which these companies predominantly operate (functional currency). Transactions in foreign currencies are converted to the functional currency at the prevailing exchange rate on the transaction date. Balance sheet items in foreign currency are converted using the year-end exchange rate. Any resulting gains and losses are recorded in the income statement. Foreign exchange gains or losses from the conversion of intercompany loans of an equity nature are recognized in equity without affecting the income statement. Exchange differences resulting from the conversion of investments in associated companies are also reported in equity. There are no investments in hyperinflationary countries.

#### Translation of individual financial statements to be consolidated

The financial statements of the Swatch Group are presented in the reporting currency of Swiss francs (CHF). The financial statements of the individual companies to be consolidated are translated into Group currency at the effective date with the current rate method. This currency translation is carried out for the assets and liabilities at the year-end exchange rates, for equity at historical exchange rates, and for the income statement and statement of cash flows at average annual exchange rates. Any translation differences are recognized in equity without affecting the income statement.

In the event that a foreign entity is sold, the cumulative translation differences recognized in equity, which are a result of the translation of the financial statements and intercompany loans, are reversed from the accounts and reported in the income statement as part of the gain or loss on the sale.

The main exchange rates used are:

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates
		2015	31.12.2015	2014	31.12.2014
		CHF	CHF	CHF	CHF
CNY	1	0.1540	0.1538	0.1496	0.1598
EUR	1	1.0682	1.0870	1.2139	1.2030
HKD	1	0.1250	0.1289	0.1190	0.1277
JPY	100	0.8013	0.8300	0.8683	0.8300
USD	1	0.9687	0.9990	0.9226	0.9905

### g. Sales and revenue recognition

Net sales include the inflow of economic benefits from the sale of goods and services within the scope of ordinary business during the period under review. Sales reductions such as discounts, rebates and other concessions as well as payments to third parties such as commissions, credit card fees and any value added tax have been deducted from net sales reported. All intercompany sales are eliminated during consolidation.

Revenues are reported if a Group company has transferred the significant risks and rewards of ownership of products sold to the client, and the collectability of the related receivables is reasonably secured. Revenue from services is recognized in the accounting period in which the service is rendered. Accruals for discounts granted to clients are established during the same period as the sales which gave rise to the discounts under the terms of the contract. In the case of agency transactions, only the value of own services is recognized. In the event of business transactions involving identifiable multiple elements, these are to be recognized and valued separately. This type of transaction occurs only rarely within the Group.

### h. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less current account overdrafts (Fund "Net Cash").



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**i. Marketable securities** Purchases and sales of securities are recognized in accordance with the settlement date principle. The securities are initially measured at cost, and the transaction costs are charged to the income statement. Subsequently, the listed securities are recorded in the balance sheet at market value on the balance sheet date. Private equity investments are adjusted to the current net asset value on the balance sheet date. All realized and unrealized gains and losses resulting from variations in market values and foreign currencies are recorded in the income statement.

**j. Trade receivables** Trade receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables. 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. Allowances for impaired receivables as well as losses on trade receivables are recognized as other operating expenses.

**k. Inventories** Inventories are valued at the lower of acquisition or production cost and fair value less cost to sell. Any discounts received are treated as cost reductions. Manufacturing costs comprise all costs directly attributable to material and production, as well as overhead costs incurred in building up the inventory at its current location and/or to its current condition. Acquisition costs are determined according to the weighted average method. Some production companies value their own produced inventories using the standard cost method. As these costs are regularly reviewed and updated, this method approximates the result of the weighted average method. Inventories with unsatisfactory inventory turnover are revalued accordingly.

**l. Property, plant and equipment** Property, plant and equipment (including investment property) are recorded in the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilization of the property, plant and equipment. Investments in existing property, plant and equipment are only capitalized if their value in use is sustainably increased or their useful life is extended considerably. Self-constructed assets are only capitalized if they are clearly identifiable and the costs can be reliably determined, and if the assets generate measurable benefits for the Group over a period of several years. Maintenance and repair costs that do not add value are charged directly to the result for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

– Land	no depreciation
– Investment properties	50 years
– Administrative buildings	40 years
– Production plants and workshop buildings	30 years
– Machines and technical equipment, workshop equipment	9 to 15 years
– Measuring instruments, tools, processing equipment, automation components	5 to 9 years
– Furniture, office machinery, motor vehicles	5 to 8 years
– IT equipment	3 to 5 years

The residual values and the remaining useful life of property, plant and equipment are reviewed yearly and adjusted where necessary. Investment property mainly comprises residential buildings rented to third parties. The position Plant and equipment under construction includes buildings under construction and non-refundable down payments on land and buildings. The Group does not capitalize any interest expenses incurred during the construction period.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### m. Intangible assets

#### Goodwill

The difference between the acquisition costs and the actual value of the net identifiable assets of the acquired company at the time of the purchase represents goodwill from business combinations. The goodwill resulting from acquisitions is recognized in Group equity at the time of the acquisition. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the goodwill would have (see Note 27).

Goodwill may also arise from investments in associated companies, calculated as the difference between the acquisition costs of the investment and its related net assets at fair value at the time of acquisition.

#### Capitalized development costs

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

#### Software

This heading includes in particular the following positions:

- Licenses purchased granting rights to use new technologies and software. They are amortized over their useful life (max. five years).
- Internally developed software. These costs are recognized as intangible assets if it is likely that they will generate future economic benefits. The costs include software development employee costs and the direct portion of related overhead costs. The capitalized costs are amortized on a straight-line basis over the estimated useful life (max. five years).

#### Other intangible assets

This heading mainly includes key money for strategically located retail stores. If it can be demonstrated by the existence of a market, it is capitalized as an intangible asset and amortized on a straight-line basis over the location's useful life of max. 20 years. In contrast, key money that is not refundable or only refundable under specific circumstances is treated as prepaid rent and recorded under Other non-current assets (see Note 19). This heading includes also patents and rights of use as well as development and software projects in progress. Those are transferred into the respective categories after project completion.

### n. Impairment of assets

The recoverable value of non-current assets (including goodwill recognized in equity) is verified on every balance sheet date. If there are indications of a sustained impairment, the recoverable amount of the respective assets will be determined. The recoverable amount is the higher of the net selling price and value in use.

If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the smallest group of assets to which the individual asset belongs. If the book value of an asset exceeds the recoverable amount, an impairment loss is recognized separately in the income statement. As the goodwill is already recognized in equity at the time at which it was acquired, a goodwill impairment would not result in a charge being recorded in the income statement, but leads to a disclosure in the Notes to the financial statements. In the event that a Group company is sold, any goodwill acquired at an earlier point in time and recognized in equity is taken into consideration when determining the gain or loss in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **o. Provisions**

Provisions are recognized:

- when the Group has a present legal or constructive obligation as a result of past events,
- when it is probable that an outflow of resources will be required to settle the obligation, and
- when a reliable estimate of the amount of the obligation can be made.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate receivable, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted, using a current discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision in function of time is recognized as interest expense.

### **p. Financial debts**

Financial debts are recognized as nominal values. Any transaction costs incurred are posted directly in the income statement. Financial debts are shown on the balance sheet as current liabilities, unless the Group has an unconditional right to postpone the settlement of the debt until at least 12 months after the balance sheet date.

### **q. Derivative financial instruments**

Derivative financial instruments are recognized at fair value at the trade date; the associated transaction costs are recorded as expenditure in the income statement. The method of recognizing the gain or loss from subsequent revaluations depends on the purpose for the hedging and the underlying transaction.

#### **Cash flow hedges**

The Group may hedge certain cash flows for projected intra- or extragroup transactions. This is documented accordingly upon conclusion of the transaction. In this case, the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognized in equity. The gain or loss relating to the ineffective portion of the hedging instrument is recognized in the income statement under financial result.

Amounts recognized in equity are recycled in the income statement in the periods when the hedged item affects gain or loss. The gain or loss from the effective portion of the hedging instrument related to flow of goods is recorded in the income statement under material purchases.

When a forecasted hedging transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

#### **Other derivative financial instruments**

Derivative financial instruments not designated as hedging instruments are accounted for at fair value. Changes in the fair value are recognized immediately in the income statement.

### **r. Income taxes**

The tax expense for the period comprises current income taxes and deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

#### **Current income tax**

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### Deferred tax

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply.

Deferred tax assets are recognized for all deductible temporary differences, carryforward tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is not intended that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### s. Pensions and other post-employment benefits

#### Pension obligations

Group companies operate various pension schemes, which conform to the legal regulations and provisions in force in the respective countries. The actual economic effects of pension schemes on the Group are calculated at balance sheet date. An economic obligation is recognized as a liability if the requirements for the recognition of a liability are met. An economic benefit is capitalized provided that this can be used for future Group pension contributions. Freely available employer contribution reserves are capitalized.

Employees of Swiss Group companies are insured as part of the "Swatch Group Pension Fund", which is a separate legal entity and financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26. The Group's pension costs include the employer contributions accrued in the period as well as any economic effects from the excess/shortfall and the change in employer contribution reserves.

Some foreign companies operate fully financed pension funds. These funds are treated in the same way as the Swiss plan in terms of accounting, i.e. paid contributions are basically recorded as expenses. In some countries, there are also pension plans that do not have their own assets, whereby the corresponding benefit provisions are recognized directly in the balance sheet and any changes are recognized in the income statement.

#### Other post-employment benefits

A small number of Group companies provide post-retirement medical care benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

#### Termination benefits

Termination benefits are payable when employment is terminated (in normal employment conditions) in advance of the terms of the contract, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes such benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing benefits as a result of an offer made for a voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. The company does not make severance payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### t. Share capital and treasury shares

Shares issued by The Swatch Group AG are recognized in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share capital consists of registered shares, each with a nominal value of CHF 0.45, and bearer shares, each with a nominal value of CHF 2.25. Each share carries one vote. Both categories of shares confer equal entitlement to dividends according to their nominal value.

Own equity instruments that are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. In the event of a resale at a later point in time, a gain or loss is recognized as an addition to or reduction of capital reserves.

### u. Dividends

Dividend payments to shareholders are recognized in the Group's financial statements in the period in which the Annual General Meeting of the holding company has given its approval.

### 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 (market value at grant date). 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.

A block of treasury shares has been specifically reserved for this stock option plan. No new shares were issued under this plan. 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 7).

### w. Leases

#### Finance leases

Property, plant and equipment are only leased in exceptional circumstances. A finance lease is where the lessor transfers to the lessee practically all of the risks and rewards associated with the ownership of the leased item. At the beginning of the term of the lease contract, the lower of fair value of the leased item or net present value of the future lease payments is shown in the balance sheet as assets and liabilities. Each lease payment is apportioned between the finance charges and the reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded directly in the income statement as expenditure. Capitalized leased assets are depreciated over the lower of estimated economic useful life of the asset or contract period.

#### Operating leases

An operating lease is where a significant portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. Financial risk management

#### a. Financial risk factors

In view of the global and varied nature of its activities, the Group is exposed to different financial risks, including foreign currency, market, credit and liquidity risks. The Group's financial risk management is essentially focused on identifying and analyzing exchange rate risk, mainly against the US Dollar, the Chinese Renminbi, the Euro and the Japanese Yen, with the aim of minimizing its impact on Group net income. In order to hedge exchange rate risk, the Group may use derivative financial instruments such as forward currency contracts or currency options. At year-end no cash flow hedges existed.

Risk management is conducted by the central treasury department (Group Treasury), which follows the directives issued by the Group's management bodies. Risks are assessed in collaboration with the operating units and the hedging methods are decided and implemented under the regular supervision of the Group's Top Management.

#### Credit risk

Credit risks in respect of customers arise when they may not be able to settle their obligations as agreed. The credit standing of commercial partners defined in the Group's client credit policy is periodically reviewed at Group level. As there is no independent rating for most customers, their credit quality is assessed by local credit control departments taking into account their financial position, past experience and other factors. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

In the context of securities trading, the Group guards against the risk of default by implementing directives that impose minimum credit ratings for investments in tradable securities. In general, issuer risk is minimized by only buying securities which are investment grade rated.

Counterparty risk is also minimized by ensuring that all derivative financial instruments, money market investments and current account deposits are placed with financial institutions whose credit ratings are usually at least investment grade. Exposure to this type of risk is closely monitored by Group management and is contained within strict and predetermined limits.

Given the very high standards of creditworthiness applied to the commercial and financial partners, the default risks to which the Group is exposed are estimated to be limited.

#### Liquidity risk

Liquidity risk is defined as the risk that the Group could not be able to meet its financial obligations on time. The close monitoring of liquidity at Group level and of the asset allocation allows the Group's treasury department to maintain adequate levels of liquidity at all times. In order to meet any exceptional liquidity requirements, the Group maintains lines of credit with a number of financial institutions.

At the balance sheet date, the available liquidity is summarized as follows:

(CHF million)	31.12.2015	31.12.2014
Cash and cash equivalents (Note 9)	1 280	1 202
Marketable securities and derivative financial instruments (Note 10)	388	263
<b>Short-term accessible liquidity reserves</b>	<b>1 668</b>	<b>1 465</b>
Committed credit facilities	578	539
./ Utilized credit facilities	- 36	- 40
<b>Total short-term accessible liquidity reserves and undrawn credit facilities</b>	<b>2 210</b>	<b>1 964</b>

#### b. Capital management

The primary objective of the Group with regard to capital management is to preserve a strong equity base in order to maintain investor, creditor and market confidence and to sustain future development of the business. As at 31 December 2015, equity represented 84.7% (31 December 2014: 83.7%) 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. To preserve or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new debt or redeem existing debt. There were no changes in the Group's approach to capital management during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. Segment information

#### a. Operating segment information

Operating segments are reported consistent with the internal reporting provided to the Management Board. Although the Group's operations are worldwide, the main entrepreneurial focus remains on the product portfolio. This is reflected by the Group's divisional management and organizational structure and the Group's internal financial reporting systems.

The Group's activities are organized into numerous individual business units (Profit Centers) which are aggregated in the following reportable operating segments:

– Watches & Jewelry	Design, production and commercialization of watches and jewelry
– Electronic Systems	Design, production and commercialization of electronic components, Sports timing activities

The reportable operating segments generate their revenue mainly from the manufacture and sale of products to third parties or to other Group segments.

Corporate services does not qualify as a segment but is shown separately. It includes the activities of the Group's holding, finance, research and development, real estate and several other companies. Elimination of inter-segment sales, income and expense as well as assets and liabilities is shown in the column "Elimination".

Internal Group sales are recognized at arm's length. Segment expenses are those that can be directly attributed to the segment. Centralized costs relating to Group Management, Corporate Communication, Group Human Resources, Corporate Finance, Treasury, Tax and Legal Services are not reallocated to the operating segments and remain under the heading "Corporate".

#### Income statement

2015 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	8 175	270	6		8 451
– Group	2	22	6	– 30	–
<b>Net sales</b>	<b>8 177</b>	<b>292</b>	<b>12</b>	<b>– 30</b>	<b>8 451</b>
<b>Operating result</b>	<b>1 539</b>	<b>9</b>	<b>– 97</b>	<b>–</b>	<b>1 451</b>
– In % of net sales	18.8	3.1			17.2

2014 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	8 428	274	7		8 709
– Group	1	22	6	– 29	–
<b>Net sales</b>	<b>8 429</b>	<b>296</b>	<b>13</b>	<b>– 29</b>	<b>8 709</b>
<b>Operating result</b>	<b>1 860</b>	<b>– 9</b>	<b>– 99</b>	<b>–</b>	<b>1 752</b>
– In % of net sales	22.1	– 3.0			20.1

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Balance sheet and other information**

2015 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>					
– Segment assets	11 783	375	4 857	– 3 807	13 208
– Investments in associated companies and joint ventures	7	–	55	–	62
<b>Total assets</b>	<b>11 790</b>	<b>375</b>	<b>4 912</b>	<b>– 3 807</b>	<b>13 270</b>
<b>Total liabilities</b>	<b>– 4 876</b>	<b>– 103</b>	<b>– 856</b>	<b>3 807</b>	<b>– 2 028</b>
<b>Net assets</b>	<b>6 914</b>	<b>272</b>	<b>4 056</b>	<b>–</b>	<b>11 242</b>

**Other information**

Investments in property, plant and equipment	535	31	12	–	578
Investments in intangible assets	38	2	3	–	43
Investments in other non-current assets	106	0	0	–	106
Depreciation on property, plant and equipment	– 326	– 19	– 19	–	– 364
Amortization on intangible assets	– 31	– 3	– 3	–	– 37
Impairment	– 3	–	–	–	– 3

2014 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
<b>Balance sheet</b>					
– Segment assets	11 440	397	4 225	– 3 385	12 677
– Investments in associated companies and joint ventures	6	–	64	–	70
<b>Total assets</b>	<b>11 446</b>	<b>397</b>	<b>4 289</b>	<b>– 3 385</b>	<b>12 747</b>
<b>Total liabilities</b>	<b>– 4 472</b>	<b>– 91</b>	<b>– 895</b>	<b>3 385</b>	<b>– 2 073</b>
<b>Net assets</b>	<b>6 974</b>	<b>306</b>	<b>3 394</b>	<b>–</b>	<b>10 674</b>

**Other information**

Investments in property, plant and equipment	607	13	431	–	1 051
Investments in intangible assets	44	5	2	–	51
Investments in other non-current assets	115	0	0	–	115
Depreciation on property, plant and equipment	– 288	– 25	– 11	–	– 324
Amortization on intangible assets	– 29	– 2	– 3	–	– 34
Impairment	–	–	–	–	–



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b. Information on geographical regions

(CHF million)	2015		2014	
	Net sales	Non-current assets	Net sales	Non-current assets
Switzerland	986	2 631	971	2 473
Other Europe	1 839	324	1 820	342
Total Europe	2 825	2 955	2 791	2 815
Greater China	2 869	260	3 224	248
Other Asia	1 884	249	1 814	237
Total Asia	4 753	509	5 038	485
Total America	725	131	737	122
Total Oceania	92	2	85	3
Total Africa	56	1	58	1
<b>Total</b>	<b>8 451</b>	<b>3 598</b>	<b>8 709</b>	<b>3 426</b>

For the geographical presentation, sales are reported according to the destinations that appear on the invoices. Non-current assets presented in the geographical information are broken down by location.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. Revenues and expenses

<b>a. Analysis of net sales</b>	(CHF million)	<b>2015</b>	2014
	Sale of goods	<b>8 415</b>	8 680
	Rendering of services	<b>36</b>	29
	<b>Total net sales</b>	<b>8 451</b>	8 709

**b. Other operating income** In 2015, other operating income amounted to CHF 103 million (2014: CHF 231 million). The decrease is mainly due to the time-keeping services rendered in 2014 for the Olympic Games.

<b>c. Personnel expense</b>	(CHF million)	<b>2015</b>	2014
	Wages and salaries	<b>1 928</b>	1 902
	Social security costs	<b>326</b>	316
	Share-based compensation (Note 29)	<b>19</b>	21
	Pension costs (Note 24)	<b>111</b>	104
	<b>Total personnel expense</b>	<b>2 384</b>	2 343

The development of the headcount is summarized in the following table:

(Unaudited)	<b>2015</b>	2014
<b>Average annual headcount</b>	<b>35 783</b>	34 492
<b>Total headcount at 31 December</b>	<b>36 313</b>	35 623
Men	<b>17 488</b>	17 035
Women	<b>18 825</b>	18 588
Swiss contracts	<b>17 433</b>	17 408
Non-Swiss contracts	<b>18 880</b>	18 215

Headcount is expressed as the number of employment contracts. The number of employees includes home workers, trainees and auxiliary staff.

<b>d. Other operating expenses</b>	(CHF million)	<b>2015</b>	2014
	Marketing, sales and administration	<b>1 279</b>	1 347
	Subcontracting and other direct costs of sales	<b>291</b>	304
	Maintenance, rents and energy	<b>938</b>	843
	Other operating expenses	<b>61</b>	150
	<b>Total other operating expenses</b>	<b>2 569</b>	2 644

**e. Research and development costs** Costs for research and development activities amounted to CHF 205 million in 2015, representing 2.4% of net sales (previous year: CHF 187 million or 2.1%).

<b>f. Net financial result</b>	(CHF million)	<b>2015</b>	2014
	Interest income	<b>7</b>	7
	Result from marketable securities at fair value	<b>8</b>	12
	Net currency result	<b>-57</b>	-2
	Other financial expense	<b>-4</b>	-4
	<b>Other financial income and expense</b>	<b>-46</b>	13
	<b>Interest expense</b>	<b>-1</b>	-2
	<b>Share of result from associates and joint ventures</b>	<b>0</b>	3
	<b>Net financial result</b>	<b>-47</b>	14

**g. Non-operating result** Only net income from investment property is included in the non-operating result position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. Income taxes

a. Income tax expenses	(CHF million)	2015	2014
Current income taxes		- 322	- 344
Adjustments recognized for current income taxes of prior periods		3	1
Deferred taxes		34	- 6
<b>Total income taxes</b>		<b>- 285</b>	<b>- 349</b>

#### b. Reconciliation of the Group's effective tax rate

Since the Group operates worldwide, it is subject to income taxes in many different tax jurisdictions. The Group calculates its average expected tax rate as a weighted average of tax rates in the relevant tax jurisdictions.

	2015	2014
	%	%
Group's average expected tax rate	19.3	19.1
Tax effect of:		
- Change in the applicable tax rate on temporary differences	- 0.5	- 0.7
- Recognition of unused tax losses from prior years	- 0.2	- 0.1
- Utilization of previously unrecognized tax losses	- 0.1	0.0
- Unrecognized current year tax losses	1.1	0.4
- Non-taxable income	- 0.3	- 0.2
- Non-tax-deductible expenses	0.8	0.7
- Items taxable at reduced rates	- 0.3	- 0.3
- Adjustments recognized for current taxes of prior periods	- 0.2	0.0
- Other items	0.7	0.9
<b>Group's effective tax rate</b>	<b>20.3</b>	<b>19.8</b>

The effective tax rate based on the ordinary result in the year under review was 20.3% (previous year: 19.8%).

#### c. Current income tax

	(CHF million)	2015	2014
<b>Net current income tax liability</b>			
<b>Balance at 1 January</b>		- 89	- 171
Recognized in income statement		- 319	- 343
Recognized in equity		0	-
Income taxes paid		339	428
Translation differences		- 1	- 3
<b>Balance at 31 December</b>		<b>- 70</b>	<b>- 89</b>
thereof current income tax assets		46	45
thereof current income tax liabilities		- 116	- 134

#### d. Deferred tax

Deferred tax assets and liabilities are offset within legal entities when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same taxation authority.

The deferred tax assets and liabilities relate to the following balance sheet items:

(CHF million)	31.12.2015			31.12.2014		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	329	- 396	- 67	303	- 414	- 111
Trade and other receivables	3	- 19	- 16	2	- 24	- 22
Property, plant and equipment	17	- 139	- 122	16	- 128	- 112
Intangible assets	11	- 10	1	15	- 9	6
Provisions	16	- 46	- 30	14	- 45	- 31
Retirement benefit obligations	4	- 1	3	4	- 2	2
Tax losses	28	-	28	36	-	36
Other	65	- 70	- 5	61	- 63	- 2
<b>Total deferred tax assets (liabilities)</b>	<b>473</b>	<b>- 681</b>	<b>- 208</b>	<b>451</b>	<b>- 685</b>	<b>- 234</b>
Deferred tax assets			398			370
Deferred tax liabilities			- 606			- 604

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets resulting from deductible temporary differences, tax credits or carryforward tax losses are recognized only to the extent that realization of the related tax benefit is probable.

The gross value of unused carryforward tax losses which have, or have not, been recognized as deferred tax assets, with their expiry dates is as follows:

(CHF million)	Not recognized	Recognized	Total 2015
One year	4	4	8
Two years	3	11	14
Three years	3	7	10
Four years	8	1	9
Five years	10	6	16
Six years	11	12	23
More than six years	142	61	203
<b>Total at 31.12.2015</b>	<b>181</b>	<b>102</b>	<b>283</b>

(CHF million)	Not recognized	Recognized	Total 2014
One year	2	1	3
Two years	3	12	15
Three years	3	12	15
Four years	4	7	11
Five years	3	2	5
Six years	0	11	11
More than six years	129	82	211
<b>Total at 31.12.2014</b>	<b>144</b>	<b>127</b>	<b>271</b>

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 51 million in the year under review (previous year: CHF 44 million).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. Earnings per share

#### a. Basic

	2015	2014
Net income attributable to shareholders of The Swatch Group Ltd (CHF million)	1 089	1 384
Percentage of registered shares outstanding in comparison with the share capital outstanding	44.2%	44.2%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	55.8%	55.8%
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	481	611
Average number of shares outstanding	119 847 161	119 894 096
<b>Basic earnings per share (in CHF)</b>	<b>4.01</b>	5.10
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	608	773
Average number of shares outstanding	30 308 846	30 320 769
<b>Basic earnings per share (in CHF)</b>	<b>20.07</b>	25.49

#### b. Diluted

	2015	2014
<b>Registered shares</b>		
Net income attributable to registered shareholders (CHF million)	481	612
Average number of shares outstanding – basic (as above)	119 847 161	119 894 096
Potential number of shares from options outstanding	222 525	230 587
Average potential number of shares outstanding – diluted	120 069 686	120 124 683
<b>Diluted earnings per share (in CHF)</b>	<b>4.01</b>	5.09
<b>Bearer shares</b>		
Net income attributable to bearer shareholders (CHF million)	608	772
Average potential number of shares outstanding	30 308 846	30 320 769
<b>Diluted earnings per share (in CHF)</b>	<b>20.05</b>	25.47

### 8. Dividends paid and proposed

On 28 May 2015, the Annual General Meeting approved the distribution of a dividend of CHF 1.50 per registered share and CHF 7.50 per bearer share. The distribution to holders of outstanding shares totaled CHF 407 million (2014: CHF 407 million) and has been recorded against retained earnings in the year under review. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned Annual General Meeting, no dividends were paid on the treasury shares held by the Swatch Group. This amount would have totaled CHF 10 million.

At the Annual General Meeting on 11 May 2016, payment of the following dividends for the year under review will be proposed:

		Registered	Bearer
Dividend per share	CHF	1.50	7.50
Total dividend	CHF million	186	231

The financial statements ending 31 December 2015 do not take into account this proposed dividend. Dividends will be treated as an appropriation of available earnings during the financial year 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**9. Cash and cash equivalents**

(CHF million)	31.12.2015	31.12.2014
Current accounts and liquid assets	1 021	984
Short-term deposits with financial institutions	259	218
<b>Total cash and cash equivalents</b>	<b>1 280</b>	<b>1 202</b>

The average yield on short-term bank deposits corresponds to the average interest rate on an investment on the money markets with a term of up to three months.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include the following items:

(CHF million)	31.12.2015	31.12.2014
Cash and cash equivalents	1 280	1 202
Current account overdrafts (Note 20)	0	0
<b>Total funds net cash</b>	<b>1 280</b>	<b>1 202</b>

**10. Marketable securities and derivative financial instruments**

(CHF million)	31.12.2015	31.12.2014
Equity securities	102	49
Bond securities	258	195
Investment funds and other investments	16	19
<b>Total marketable securities at fair value</b>	<b>376</b>	<b>263</b>

<b>Derivative financial instruments</b>	<b>12</b>	<b>0</b>
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<b>Total marketable securities and derivative financial instruments</b>	<b>388</b>	<b>263</b>
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The table below gives an overview of the contract values and fair values of derivative financial instruments by type of contract.

(CHF million)	31.12.2015			31.12.2014		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts in						
AUD	8	–	–0	4	–	–0
CAD	9	–	–0	7	–	–0
CNY	–	–	–	50	–	–1
EUR	489	1	–2	361	0	–1
GBP	56	0	–	40	–	–1
HKD	12	0	–0	–	–	–
JPY	21	–	–0	21	–	–0
RUB	6	0	–	6	–	–0
SGD	7	–	–0	16	–	–0
USD	1 066	11	–5	949	–	–25
Other currencies	19	0	–0	20	0	–1
<b>Total</b>	<b>1 693</b>	<b>12</b>	<b>–7</b>	<b>1 474</b>	<b>0</b>	<b>–29</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Trade receivables

(CHF million)	31.12.2015	31.12.2014
Trade receivables – gross	1 002	1 121
Allowance for impaired receivables	– 11	– 13
<b>Total trade receivables – net</b>	<b>991</b>	<b>1 108</b>

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

(CHF million)	2015	2014
<b>Balance at 1 January</b>	<b>– 13</b>	<b>– 10</b>
Translation differences	0	0
Business combinations	–	–
Utilization	2	1
Reversal	1	1
Creation	– 1	– 5
<b>Balance at 31 December</b>	<b>– 11</b>	<b>– 13</b>

The individually impaired receivables mainly relate to amounts overdue more than 12 months and to customers with solvency risks. Based on past experience with the quality of trade receivables, no material increase in credit losses is expected.

Net trade receivables are recognized in the following major currencies:

(CHF million)	31.12.2015	31.12.2014
CHF	181	208
CNY	246	294
EUR	175	182
HKD	30	57
JPY	32	30
USD	112	122
Other currencies	215	215
<b>Total trade receivables – net</b>	<b>991</b>	<b>1 108</b>

Invoices are essentially issued in the currency of the primary economic environment in which the entity operates.

### 12. Other current assets

(CHF million)	31.12.2015	31.12.2014
VAT to be refunded	104	104
Other receivables	39	31
<b>Total other current assets</b>	<b>143</b>	<b>135</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Inventories

(CHF million)	31.12.2015	31.12.2014
Raw materials, auxiliary material and supplies	346	345
Goods in progress	547	565
Semi-finished goods	1 970	2 069
Finished goods	2 959	2 659
Spare parts for customer service	329	305
<b>Total inventories</b>	<b>6 151</b>	<b>5 943</b>

Inventories with risk of obsolescence have been adjusted to their net realizable value. In 2015, the Group recognized write-downs of CHF 47 million (previous year: CHF 33 million). In addition, an amount of CHF 15 million was reversed (previous year: CHF 10 million). The net impact of these adjustments was a charge to the income statement of CHF 32 million (previous year: CHF 23 million).

### 14. Prepayments and accrued income

(CHF million)	31.12.2015	31.12.2014
Prepaid sales, marketing and administration costs	128	107
Income tax assets	46	45
Other prepayments and accrued income	142	143
<b>Total prepayments and accrued income</b>	<b>316</b>	<b>295</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15. Property, plant and equipment

(CHF million)	Land, buildings and properties <sup>1)</sup>	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
<b>Historical cost, 31 December 2014</b>	<b>2 073</b>	<b>3 527</b>	<b>476</b>	<b>108</b>	<b>6 184</b>
Translation differences	-16	-33	-13	0	-62
Acquisition of subsidiaries (Note 18)	-	1	-	-	1
Divestments of businesses (Note 18)	-10	-	-	-	-10
Additions	75	317	88	98	578
Disposals	-15	-83	-23	-7	-128
Transfers	29	6	3	-38	-
<b>Historical cost, 31 December 2015</b>	<b>2 136</b>	<b>3 735</b>	<b>531</b>	<b>161</b>	<b>6 563</b>
<b>Accumulated depreciation, 31 December 2014</b>	<b>- 646</b>	<b>- 2 267</b>	<b>- 261</b>	<b>-</b>	<b>- 3 174</b>
Translation differences	4	21	8	-	33
Depreciation on divestments of businesses (Note 18)	7	-	-	-	7
Annual depreciation	-57	-247	-60	-	-364
Impairment	-2	-	-	-	-2
Depreciation on disposals	9	78	23	-	110
Transfers	-	-	-	-	-
<b>Accumulated depreciation, 31 December 2015</b>	<b>- 685</b>	<b>- 2 415</b>	<b>- 290</b>	<b>-</b>	<b>- 3 390</b>
Net book values:					
<b>Balance at 31 December 2014</b>	<b>1 427</b>	<b>1 260</b>	<b>215</b>	<b>108</b>	<b>3 010</b>
<b>Balance at 31 December 2015</b>	<b>1 451</b>	<b>1 320</b>	<b>241</b>	<b>161</b>	<b>3 173</b>
Insured value					<b>7 331</b>
Net book value of property, plant and equipment under finance lease contracts					<b>1</b>
Total non-current assets pledged to guarantee the commitments of Group companies					<b>36</b>

<sup>1)</sup> The category Land, buildings and properties includes investment properties with a carrying amount of CHF 453 million (previous year: CHF 452 million).

(CHF million)	Land, buildings and properties <sup>1)</sup>	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
Historical cost, 31 December 2013	1 453	3 218	435	134	5 240
Translation differences	-1	29	4	-	32
Acquisition of subsidiaries (Note 18)	1	-	0	-	1
Divestments of businesses (Note 18)	-	-10	-3	-	-13
Additions	558	390	64	39	1 051
Disposals	-3	-95	-29	0	-127
Transfers	65	-5	5	-65	-
Historical cost, 31 December 2014	2 073	3 527	476	108	6 184
<b>Accumulated depreciation, 31 December 2013</b>	<b>- 600</b>	<b>- 2 129</b>	<b>- 239</b>	<b>-</b>	<b>- 2 968</b>
Translation differences	-1	-17	-1	-	-19
Depreciation on divestments of businesses (Note 18)	-	9	3	-	12
Annual depreciation	-47	-227	-50	-	-324
Impairment	-	-	-	-	-
Depreciation on disposals	2	95	28	-	125
Transfers	-	2	-2	-	-
<b>Accumulated depreciation, 31 December 2014</b>	<b>- 646</b>	<b>- 2 267</b>	<b>- 261</b>	<b>-</b>	<b>- 3 174</b>
Net book values:					
Balance at 31 December 2013	853	1 089	196	134	2 272
Balance at 31 December 2014	1 427	1 260	215	108	3 010
Fire insurance value					<b>6 667</b>
Net book value of property, plant and equipment under finance lease contracts					<b>1</b>
Total non-current assets pledged to guarantee the commitments of Group companies					<b>40</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16. Intangible assets

(CHF million)	Capitalized development costs	Software	Other intangible assets	Total
<b>Historical cost, 31 December 2014</b>	<b>99</b>	<b>123</b>	<b>115</b>	<b>337</b>
Translation differences	–	–1	–5	–6
Acquisition of subsidiaries (Note 18)	–	–	–	–
Divestments of businesses (Note 18)	–	–	–1	–1
Additions	10	13	20	43
Disposals	–3	–2	0	–5
Transfers	14	2	–16	0
<b>Historical cost, 31 December 2015</b>	<b>120</b>	<b>135</b>	<b>113</b>	<b>368</b>
<b>Accumulated amortization, 31 December 2014</b>	<b>–58</b>	<b>–92</b>	<b>–37</b>	<b>–187</b>
Translation differences	–	1	3	4
Amortization on divestments of businesses (Note 18)	–	–	0	0
Annual amortization	–18	–14	–5	–37
Impairment	–	–	–1	–1
Amortization on disposals	2	2	0	4
Transfers	–	–	–	–
<b>Accumulated amortization, 31 December 2015</b>	<b>–74</b>	<b>–103</b>	<b>–40</b>	<b>–217</b>
Net book values:				
<b>Balance at 31 December 2014</b>	<b>41</b>	<b>31</b>	<b>78</b>	<b>150</b>
<b>Balance at 31 December 2015</b>	<b>46</b>	<b>32</b>	<b>73</b>	<b>151</b>

(CHF million)	Capitalized development costs	Software	Other intangible assets	Total
Historical cost, 31 December 2013	80	111	109	300
Translation differences	0	0	–1	–1
Acquisition of subsidiaries (Note 18)	–	–	–	–
Divestments of businesses (Note 18)	–4	0	–	–4
Additions	15	16	20	51
Disposals	–1	–5	–3	–9
Transfers	9	1	–10	0
Historical cost, 31 December 2014	99	123	115	337
Accumulated amortization, 31 December 2013	–46	–84	–34	–164
Translation differences	0	0	0	0
Amortization on divestments of businesses (Note 18)	3	0	–	3
Annual amortization	–15	–13	–6	–34
Impairment	–	–	–	–
Amortization on disposals	0	5	3	8
Transfers	–	0	0	0
Accumulated amortization, 31 December 2014	–58	–92	–37	–187
Net book values:				
Balance at 31 December 2013	34	27	75	136
Balance at 31 December 2014	41	31	78	150

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. Investments in associates and joint ventures

(CHF million)	2015	2014
<b>Balance at 1 January</b>	<b>70</b>	65
Share of result from associates and joint ventures	0	3
Dividends received	-2	-3
Investments	-	-
Reclassification of previously held interests	-7	-
Investments acquired through business combinations	-	-
Translation differences	1	5
<b>Balance at 31 December</b>	<b>62</b>	70

All associates and joint ventures are recognized using the equity method. They have been listed in Note 32. Despite having less than 20% of the voting power of Hengdeli Holdings, the Swatch Group can exercise significant influence due to representation on the Board of Directors, access to current financial information and the strategic character of the investment. Therefore, this investment is defined as associate.

On 2 July 2015, Belenos Clean Power Holding AG sold its stake in Swiss Hydrogen Power SHP SA. In return, Belenos Clean Power Holding AG repurchased 10% of its own shares. With this transaction, the Swatch Group took control of Belenos Clean Power Holding AG and its stake in Belenos Clean Power Engineering AG. At this point, both Belenos companies became fully consolidated subsidiaries of the Swatch Group. The previously held stake in both Belenos companies was removed from associated companies and included in the calculation of goodwill from these acquisitions (see Note 18).

In 2015 there were no other changes in investments in associates and joint ventures.

Sales to and purchases from associates and joint ventures amounted to CHF 980 million (2014: CHF 1 044 million) and CHF 29 million (2014: CHF 12 million) respectively.

At balance sheet date, associated companies and joint ventures had no contingent liabilities (2014: none).

### 18. Business combinations

#### a. Acquisition of subsidiaries

On 2 July 2015, Belenos Clean Power Holding AG and its stake in Belenos Clean Power Engineering AG were taken over. These companies are active in the area of renewable, alternative and environmentally friendly energy. Swatch Group already held a significant influence over these companies. The previously held stake in both Belenos companies was removed from associated companies and included in the calculation of goodwill from these acquisitions (see Note 17).

In 2014, the Swatch Group acquired all the shares of René Clémence S.A. in La Chaux-de-Fonds (Switzerland). The company is a watch glass manufacturer.

The Group also acquired 100% of the shares of the Canadian company H.W. Protection Inc, Toronto in 2014. This company provides services solely to other Group companies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date, as well as the consideration paid and the goodwill arising on acquisitions:

(CHF million)	Notes	2015 Actual Values	2014 Actual Values
Cash and cash equivalents		14	1
Current assets		1	0
Property, plant and equipment	(15)	1	1
Intangible assets	(16)	0	–
Deferred tax assets		–	0
Current liabilities		–2	0
Provisions	(23)	–	0
Previously held interests	(17)	–7	–
Non-controlling interests		–7	–
<b>Net assets acquired</b>		<b>0</b>	<b>2</b>
Goodwill (recognized in equity)	(27)	–	3
Negative Goodwill (recognized in income statement)		0	–
<b>Total purchase consideration (incl. acquisition-related costs)</b>		<b>–</b>	<b>–5</b>
Cash and cash equivalents acquired		14	1
Consideration payable		–	0
<b>Cash in-/outflow on acquisitions</b>		<b>14</b>	<b>–4</b>

Negative goodwill from company acquisitions in 2015 was less than CHF 1 million and was recognized in the income statement as other operating income. No purchase price was paid for acquisitions in 2015. The transactions were settled by assets.

Goodwill from the 2014 acquisitions relates primarily to the expected operating synergies from these combinations and the acquired know-how from the takeovers.

For all acquisitions in 2014 the purchase consideration basically represented the cash payments made to the vendors. Transaction costs related to the takeovers were recognized as part of goodwill directly in equity.

### b. Divestments of businesses

On 23 October 2015, the Swatch Group sold the company Zhuhai SMH Electric Co. Ltd in China to a subsidiary of Hengdeli Holdings Limited (see Note 30). The value of net assets sold was CHF 11 million. The total sales price amounted to CHF 17 million, the balance of CHF 7 million will be paid in installments over the next two years. The profit from the disposal amounted to CHF 6 million and was recorded in the income statement as other operating income.

In 2014, Swatch Group sold its entire participation in Oscilloquartz AG, Neuenburg (Switzerland), to ADVA Optical Networking SE, Munich (Germany). The value of net assets sold was CHF 12 million. The net cash inflow of the disposal amounted to CHF 3 million.

The value of the net assets disposed of and the cash inflow from the disposals are as follows:

(CHF million)	Notes	2015 Actual Values	2014 Actual Values
Cash and cash equivalents		6	0
Current assets		1	14
Property, plant and equipment	(15)	3	1
Intangible assets	(16)	1	1
Current liabilities		0	–4
Provisions	(23)	–	0
<b>Net assets disposed of</b>		<b>11</b>	<b>12</b>
Result on divestment of businesses		6	–9
<b>Total disposal consideration</b>		<b>17</b>	<b>3</b>
Cash and cash equivalents disposed of		–6	0
Consideration payable		–7	–
<b>Net Cash inflow on disposal</b>		<b>4</b>	<b>3</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### c. Changes in non-controlling interests

In the first half of 2015, minority interests in two companies in the Middle East were sold. These transactions generated a cash flow of CHF 11 million, but had no impact on the consolidation. The Swatch Group continues to maintain control over both companies. Profit of CHF 12 million from the disposal was added to capital reserves.

In November 2015, the Swatch Group purchased an additional 1.2% of the shares of Belenos Clean Power Holding AG. The Swatch Group already had control over the company (see paragraph a). The transaction amounted to CHF 1 million. The difference between the purchase price and the proportional share of the equity of Belenos Clean Power Holding AG amounted to less than CHF 1 million and was deducted from capital reserves.

In December 2015, the remaining minority interest of 49% in the company ASICentrum spol.s.r.o. was acquired. The Swatch Group already had control over the company. The transaction will be paid in installments over the next two years in the form of treasury shares valued at CHF 2 million. The resulting difference of less than CHF 1 million to the proportional share of equity was deducted from capital reserves.

### 19. Other non-current assets

(CHF million)	Prepaid marketing and rental cost	Security deposits	Other financial assets	Total
<b>Balance at 31 December 2014</b>	<b>95</b>	<b>95</b>	<b>11</b>	<b>201</b>
Translation differences	-6	-2	0	-8
Acquisition of subsidiaries (Note 18)	-	-	-	-
Additions	94	11	1	106
Disposals	-1	-2	-	-3
Transfers to current assets	-79	-	-	-79
<b>Balance at 31 December 2015</b>	<b>103</b>	<b>102</b>	<b>12</b>	<b>217</b>

(CHF million)	Prepaid marketing and rental cost	Security deposits	Other financial assets	Total
Balance at 31 December 2013	74	71	11	156
Translation differences	2	5	0	7
Acquisition of subsidiaries (Note 18)	-	-	-	-
Additions	94	21	0	115
Disposals	-1	-2	-	-3
Transfers to current assets	-74	-	-	-74
Balance at 31 December 2014	95	95	11	201

Key money that the Group pays when renting stores in strategic locations is recognized as prepaid rent when recovery at the end of the contract is not certain. The non-current portion of key money, together with the non-current prepaid marketing costs, is recognized under Other non-current assets. The current portion of both components is transferred to Prepayments and accrued income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. Financial debts and derivative financial instruments

(CHF million)	31.12.2015	31.12.2014
Current account overdrafts	0	0
Short-term leasing commitments	1	1
Short-term bank debt	5	5
Derivative financial instruments	7	29
<b>Total current financial debts and derivative financial instruments</b>	<b>13</b>	<b>35</b>
<b>Total non-current financial debts</b>	<b>34</b>	<b>38</b>
<b>Total financial debts</b>	<b>47</b>	<b>73</b>

The exposure of the Group's financial debts to interest rate changes is limited as most of these debts have fixed interest rates. The contractual repricing dates at the balance sheet date are as follows:

(CHF million)	less than 1 year	1–5 years	over 5 years	Total
<b>At 31 December 2015</b>	<b>13</b>	<b>17</b>	<b>17</b>	<b>47</b>
At 31 December 2014	35	17	21	73

The carrying amounts of the Swatch Group's financial debts are denominated in the following currencies:

(CHF million)	31.12.2015	31.12.2014
CHF	8	29
JPY	35	39
Other currencies	4	5
<b>Total</b>	<b>47</b>	<b>73</b>

The Swatch Group had no listed debenture bonds or convertible bonds outstanding in the years under review. The long-term financial debts at the end of 2015 included a mortgage of JPY 3 750 million or CHF 31 million (previous year: JPY 4 250 million or CHF 35 million) at a fixed interest rate of 2.4% with a term until March 2021 (without a termination clause).

### 21. Other liabilities

(CHF million)	31.12.2015	31.12.2014
Advance payments received	30	36
Income tax liabilities	23	16
VAT due	15	11
Other payables	84	95
<b>Total other payables</b>	<b>152</b>	<b>158</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. Accrued expenses

(CHF million)	31.12.2015	31.12.2014
Accrued salaries and social security	165	177
Accrued sales, marketing and administration costs	156	162
Accrued income taxes	93	118
Accrued sales reductions	76	84
Other accrued expenses	191	158
<b>Total accrued expenses</b>	<b>681</b>	<b>699</b>
thereof current	604	661
thereof non-current	77	38

### 23. Provisions

(CHF million)	Warranties	Litigation	Other	Total
<b>Balance at 31 December 2013</b>	<b>87</b>	<b>6</b>	<b>26</b>	<b>119</b>
Translation differences	3	0	0	3
Acquisition of subsidiaries (Note 18)	0	0	0	0
Divestments of businesses (Note 18)	0	0	0	0
Additional provisions	97	3	3	103
Reversal of provisions	-7	-2	-1	-10
Provisions used during the year	-76	-1	-8	-85
<b>Balance at 31 December 2014</b>	<b>104</b>	<b>6</b>	<b>20</b>	<b>130</b>
thereof current provisions	72	2	9	83
thereof non-current provisions	32	4	11	47
Translation differences	-2	0	-1	-3
Additional provisions	101	1	8	110
Reversal of provisions	-13	0	-1	-14
Provisions used during the year	-82	-1	-1	-84
<b>Balance at 31 December 2015</b>	<b>108</b>	<b>6</b>	<b>25</b>	<b>139</b>
thereof current provisions	75	1	10	86
thereof non-current provisions	33	5	15	53

**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 anticipated warranty costs is based on past experience with respect to the volume of repairs and returns.

**b. Legal risks**

Some Group companies are involved in litigation arising from the ordinary course of their business. Management estimated the outcome of these lawsuits on the basis of currently available information and recorded adequate provisions. However, there are inherent risks within legal claims depending on court and adversary party behavior and opinion that may cause a significant outflow of economic benefits.

**c. Other**

Other provisions relate to various present legal or constructive obligations of the Group companies toward third parties.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24. Retirement benefit obligations

## Employer contributions reserve / Shares held by pension institutions

The Group has an employer contribution reserve in the Swiss pension fund of the Swatch Group, which amounts to CHF 5 million (previous year: CHF 5 million). This reserve is capitalized in Other non-current assets. The employer contributions reserve remained unchanged in the year under review; there has been no formation or dissolution, nor has there been a waiver of usage.

Pension fund assets included 4 934 700 registered shares (2014: 5 384 595 shares) and 1 250 bearer shares (2014: 1 100 shares) of The Swatch Group Ltd.

## Economic benefit / economic obligation and pension benefit expenses

2015

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year no income statement impact <sup>1)</sup>	income statement impact	Contributions concerning the business period	Pension costs within personnel expense
Patronage funds / patronage pension plans	325	–	–	–	–	–
Pension plans without surplus / deficit	–	–	–	–	–11	–11
Pension plans with surplus	–	–	–	–	–	–
Pension plans with deficit	–127	–4	1	1	–97	–96
Pension plans without own assets	–	–32	4	–4	0	–4
<b>Total</b>	<b>198</b>	<b>–36</b>	<b>5</b>	<b>–3</b>	<b>–108</b>	<b>–111</b>

<sup>1)</sup>The amounts without an income statement impact refer to exchange rate differences and disbursements.

2014

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year no income statement impact <sup>1)</sup>	income statement impact	Contributions concerning the business period	Pension costs within personnel expense
Patronage funds / patronage pension plans	320	–	–	–	–	–
Pension plans without surplus / deficit	–	–	–	–	–98	–98
Pension plans with surplus	–	–	–	–	–	–
Pension plans with deficit	–11	–6	0	–1	–1	–2
Pension plans without own assets	–	–32	0	–4	–	–4
<b>Total</b>	<b>309</b>	<b>–38</b>	<b>0</b>	<b>–5</b>	<b>–99</b>	<b>–104</b>

## Summary of pension benefit expenses

(CHF million)	2015			2014		
	Switzerland	Abroad	Total	Switzerland	Abroad	Total
Contributions to pension plans charged to Group companies	–96	–12	–108	–86	–13	–99
Contributions to pension plans paid from employer contributions reserve	–	–	–	–	–	–
<b>Total contributions</b>	<b>–96</b>	<b>–12</b>	<b>–108</b>	<b>–86</b>	<b>–13</b>	<b>–99</b>
Change of employer contributions reserve from evolution of fortune, impairments, discounting, etc.	0	–	0	0	–	0
Contributions and change in employer contributions reserve	–96	–12	–108	–86	–13	–99
Increase / decrease of Group's economic benefits from surpluses	–	–	–	–	–	–
Decrease / increase of economic obligations from deficits	–	–3	–3	–	–5	–5
Total changes of economic effects from surpluses / deficits	–	–3	–3	–	–5	–5
<b>Pension benefit expenses within personnel expenses of the period</b>	<b>–96</b>	<b>–15</b>	<b>–111</b>	<b>–86</b>	<b>–18</b>	<b>–104</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. Commitments and contingencies

#### a. Guarantees and sureties

At 31 December 2015, guarantees to third parties as security for commitments of Group companies amounted to CHF 46 million (2014: CHF 8 million).

Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 102 million at 31 December 2015 (2014: CHF 95 million).

#### b. Leasing and other commitments

The Group's fixed operating leasing commitments that cannot be cancelled within 12 months and which are not recognized in the balance sheet are due as follows:

(CHF million)	31.12.2015	31.12.2014
Less than 1 year	463	385
Between 1 and 5 years	1 310	959
Over 5 years	1 120	510
<b>Total</b>	<b>2 893</b>	1 854

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 2015. Leasing costs amounting to CHF 613 million were recognized in the 2015 income statement, compared to CHF 511 million in the previous year.

Other commitments relating mainly to investments in tangible fixed assets entered into by the Group, and ongoing at 31 December 2015, amounted to CHF 49 million (CHF 76 million in the previous year).

#### c. Contingent assets and liabilities

Some Group companies have contingent liabilities in respect of legal claims arising from the ordinary course of business and they may be liable to pay compensation. It is not expected that any material liabilities will arise from these contingent liabilities other than those provided for (see Note 23b).

In some cases the Group is defending its rights where there is also an inherent possibility of inflows of economic benefits if the cases are successful.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26. Share capital and reserves

#### a. Share capital

Over the past three years, the share capital of The Swatch Group Ltd has developed as follows:

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2013	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2014	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2015</b>	<b>124 045 000 at CHF 0.45</b>	<b>30 840 000 at CHF 2.25</b>	<b>125 210 250.00</b>

At year-end 2015, as well as 2014, there was no authorized or conditional capital. All issued shares are fully paid. No benefit or participation certificates exist. In accordance with the articles of incorporation of the Swatch Group, the Board of Directors shall refuse a registered share ownership of more than 5% per shareholder. In exceptional cases, the Board of Directors may consent to an exception to this rule.

#### b. Capital reserves

Capital reserves include the result from the sale of treasury shares and transactions with non-controlling interests as well as effects of capital reductions in prior years. Capital reserves include non-distributable, statutory or legal reserves amounting to CHF 99 million (2014: CHF 82 million). These reserves come from the holding company The Swatch Group Ltd.

#### c. Treasury shares

Changes in shares of The Swatch Group Ltd held by the Group (treasury shares) are presented in the following table:

	Registered shares		Bearer shares		Total CHF million
	Quantity	Value CHF million	Quantity	Value CHF million	
<b>Balance at 31 December 2013</b>	<b>4 126 296</b>	<b>136</b>	<b>505 000</b>	<b>132</b>	<b>268</b>
Acquisitions <sup>1)</sup>	385 000	33	164 000	74	107
Disposals <sup>2)</sup>	- 252 308	- 1	- 164 000	- 73	- 74
<b>Balance at 31 December 2014</b>	<b>4 258 988</b>	<b>168</b>	<b>505 000</b>	<b>133</b>	<b>301</b>
Acquisitions <sup>1)</sup>	77 000	6	65 000	22	28
Disposals <sup>2)</sup>	- 237 671	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>4 098 317</b>	<b>174</b>	<b>570 000</b>	<b>155</b>	<b>329</b>

<sup>1)</sup> In 2015, the Group acquired 77 000 registered shares (2014: 385 000) at an average price of CHF 79.68 (2014: CHF 86.28). The Group also acquired 65 000 bearer shares (2014: 164 000) at an average price of CHF 344.81 each (2014: CHF 448.63).

<sup>2)</sup> In 2015, the disposals of registered shares relate only to the employee stock option plan (2014: 10 000 registered shares at an average price of CHF 87.95). Details of the share options granted in connection with the employee stock option plan are provided in Note 29. In 2015, no bearer shares were sold (2014: 164 000 at an average price of CHF 466.11).

Treasury shares are recognized in the consolidated financial statements at their historical cost. The value of these shares is charged against consolidated equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27. Acquired goodwill

#### a. Theoretical statement of changes in goodwill

Goodwill is recognized directly in equity at the time of purchase of a subsidiary or an investment in an associated company. The theoretical capitalization of goodwill, based on a useful life of 5 to 10 years, would have the following impact on equity and net income:

(CHF million)	2015			2014		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
<b>Historical cost 1 January</b>	<b>1 389</b>	<b>48</b>	<b>1 437</b>	1 386	48	1 434
Additions	–	–	–	3	–	3
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
<b>Historical cost 31 December</b>	<b>1 389</b>	<b>48</b>	<b>1 437</b>	1 389	48	1 437
<b>Theoretical accumulated amortization</b>						
<b>1 January</b>	<b>– 532</b>	<b>– 28</b>	<b>– 560</b>	– 415	– 23	– 438
Theoretical annual amortization	– 116	– 5	– 121	– 117	– 5	– 122
Theoretical impairment	–	–	–	–	–	–
Theoretical amortization on disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
<b>Theoretical accumulated amortization 31 December</b>	<b>– 648</b>	<b>– 33</b>	<b>– 681</b>	– 532	– 28	– 560
<b>Theoretical net book value 31 December</b>	<b>741</b>	<b>15</b>	<b>756</b>	857	20	877

Acquisitions were translated into CHF with the exchange rate applicable on their respective transaction dates. As a result of this procedure, no currency adjustments were necessary in the statement of changes in goodwill.

Had goodwill been capitalized and amortized, the theoretical effect on equity and net income would have been as follows:

#### b. Theoretical impact on equity

(CHF million)	2015	2014
Equity, per balance sheet	11 242	10 674
Theoretical capitalization of net book value of goodwill	756	877
<b>Theoretical equity including net book value of goodwill</b>	<b>11 998</b>	11 551

#### c. Theoretical impact on net income

(CHF million)	2015	2014
Net income, per income statement	1 119	1 416
Theoretical amortization of goodwill	– 121	– 122
<b>Theoretical net income after goodwill amortization</b>	<b>998</b>	1 294

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28. Details to the consolidated statement of cash flows

## a. Non-cash items

(CHF million)	Notes	2015	2014
<b>Reversal of non-cash items</b>			
Share of result from associates and joint ventures	(17)	0	- 3
Income taxes	(6a)	285	349
Depreciation on property, plant and equipment	(15)	364	324
Amortization on intangible assets	(16)	37	34
Impairment		3	-
Gains on sale of fixed assets		- 3	- 3
Losses on sale of fixed assets		7	3
Fair value gains on marketable securities		- 47	- 17
Fair value losses on marketable securities		16	25
Interest income	(5f)	- 7	- 7
Interest expense	(5f)	1	2
Expenses for equity-settled compensation plan	(29)	19	21
Changes in provisions		11	8
Changes in retirement benefit obligations		0	3
<b>Total</b>		<b>686</b>	<b>739</b>

## b. Changes in working capital

(CHF million)	2015	2014
<b>Changes in working capital and other items included in cash flow from operating activities</b>		
Inventories	- 258	- 410
Trade receivables	72	- 2
Other receivables and accrued income	46	602
Trade payables	29	- 31
Other liabilities and accrued expenses	8	- 3
Other items included in cash flow from operating activities	33	- 64
<b>Total</b>	<b>- 70</b>	<b>92</b>

## 29. 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 12 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. Group equity increases from the time the options are granted over the corresponding period by the value of the employee services (net of tax). When the options are exercised, Group equity increases further by the corresponding exercise price.

At the end of 2015, this portfolio comprised 916 792 registered shares (1 154 463 at the end of 2014). In 2015, 237 671 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:

	2015	2014
	Options	Options
Options outstanding at 1 January	240 808	242 915
Granted	234 758	240 805
Forfeited or lapsed	- 2 942	- 604
Exercised	- 237 671	- 242 308
<b>Options outstanding at 31 December</b>	<b>234 953</b>	<b>240 808</b>

All options included in the table above have an exercise price of CHF 4.00.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Share options outstanding at the end of the year have the following expiry date:

<b>Expiry date</b>	<b>31.12.2015</b>	31.12.2014
2015		160 477
2016	<b>156 640</b>	80 331
2017	<b>78 313</b>	
<b>Total</b>	<b>234 953</b>	240 808

The fair value of the options granted during the period was determined by using the actual value at the grant date. The following table shows the assumptions on which the valuation of share options granted in 2015 and 2014 was based:

	<b>2015</b>		2014	
	<b>Portion exercisable in 1 year</b>	<b>Portion exercisable in 2 years</b>	Portion exercisable in 1 year	Portion exercisable in 2 years
Grant date	<b>9 June 2015</b>	<b>9 June 2015</b>	8 July 2014	8 July 2014
Expiration date	<b>9 June 2016</b>	<b>9 June 2017</b>	8 July 2015	8 July 2016
Closing share price on grant date	<b>CHF 72.60</b>	<b>CHF 72.60</b>	CHF 95.40	CHF 95.40
Exercise price	<b>CHF 4.00</b>	<b>CHF 4.00</b>	CHF 4.00	CHF 4.00
Market value of option at grant date	<b>CHF 68.60</b>	<b>CHF 68.60</b>	CHF 91.40	CHF 91.40

The first portion was immediately exercisable was subject to the exercise conditions listed above .

The personnel expense recorded in the 2015 income statement amounted to CHF 19 million (2014: CHF 21 million).

### 30. Related party transactions

#### a. Principal shareholders

On 31 December 2015, the Hayek Pool and its related companies, institutions and individuals held 62 774 550 registered shares and 1 800 bearer shares, equivalent to 40.5% of the shares issued (previous year: 40.8%) of The Swatch Group Ltd, which is the parent company of the Group.

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 40.1% of the shares issued (previous year: 40.3%).

Mrs. Esther Grether's group controlled 5.9% of the shares issued (previous year: 5.9%).

In 2015, the Hayek Group, owned by the community of heirs of N. G. Hayek, invoiced an amount of CHF 10.2 million to the Swatch Group (previous year: CHF 9.6 million). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	<b>2015</b>	2014
Audit, feasibility studies and process optimization	<b>1.1</b>	2.0
Executive functions	<b>0.9</b>	0.7
Project management in the construction sector	<b>6.1</b>	4.9
Support for projects in the materials and surface treatment technology sector	<b>0.3</b>	0.3
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	<b>0.3</b>	0.4
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	<b>1.5</b>	1.3
<b>Total</b>	<b>10.2</b>	9.6

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### b. Key management personnel

In addition to the members of the Board of Directors, the members of the Group Management Board and of the Extended Management Board are considered as key management personnel.

The total compensation of key management personnel, including pension contributions, other social benefits and share-based compensation, was as follows:

(CHF million)	2015	2014
Short-term employee benefits	27.0	27.7
– of which in salaries	8.9	9.0
– of which in bonus	17.5	18.1
– of which in expense allowances	0.5	0.5
– of which in other benefits	0.1	0.1
Share-based compensation	12.0	15.5
Contributions to pension plans	0.7	0.7
Other social benefits	3.5	3.9
<b>Total</b>	<b>43.2</b>	<b>47.8</b>

In the year under review, no termination benefits were paid to members of the Board of Directors, the Management Board or the Extended Management Board (previous year: none). The employment contracts of members of management bodies do not provide for this type of benefit. Also, no remuneration was paid to former members of management bodies for their previous functions.

### c. Share ownership

At 31 December 2015, the executive members of the Board of Directors and the members of the Management Board of the company as well as the persons close to them held directly or indirectly a total of 56 709 693 registered shares and 790 bearer shares, representing 36.6% of the voting rights (previous year: 36.5%).

In addition, at 31 December 2015, all the non-executive members of the Board of Directors as well as the persons close to them held 100 registered shares and 2 010 bearer shares, representing 0.0% of the voting rights (previous year: 0.0%).

### d. Loans to members of the governing bodies

The employees of the company may take out a mortgage loan with the Swatch Group Swiss Pension Fund for the construction or acquisition of property in Switzerland (primary residence). The conditions for these mortgage loans are set by the Swatch Group Swiss Pension Fund Foundation Board. These conditions are applied in the same manner to all employees.

In 2015 and 2014, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. Also, at the end of both 2015 and 2014, no such loans were outstanding.

### e. Associated companies and other related parties

The Group has transactions with associates, joint ventures and other related parties. A listing of the associated companies and joint ventures is included in the list of the Swatch Group companies (Note 32).

(CHF million)	2015		2014	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	29	980	12	1 044
Other related parties	0	0	0	0

At the end of 2015, receivables from associates amounted to CHF 209 million (2014: CHF 254 million), and payables to associates were CHF 4 million (2014: less than CHF 1 million). In addition, at the end of 2015 the Group held guarantees from associated companies in the amount of CHF 267 million (2014: CHF 280 million). At the end of 2015, the Group had granted no loans to associated companies (2014: none).

In 2015, the Swatch Group sold the company Zhuhai SMH Electric Co. Ltd in China to a subsidiary of Hengdeli Holdings Limited (see Note 18). The value of net assets sold was CHF 11 million. The total sale price amounted to CHF 17 million, the balance of CHF 7 million will be paid in installments over the next two years. The profit from the disposal amounted to CHF 6 million and was recorded in the income statement as other operating income.

At the end of 2015 and 2014 there were no balances outstanding with other related parties.

## 31. Events after the balance sheet date

There were no significant events after the balance sheet date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. The Swatch Group Companies – as at 31.12.2015

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Europe</b>					
<b>Switzerland</b>					
The Swatch Group AG, Neuchâtel	Holding	CHF 125.21			▼
Assemti SA, Locarno	Assembly	CHF 0.10	100	●	▲
Asulab SA, La Tène	Research and development	CHF 0.10	100	●	▼
Belenos Clean Power Engineering SA, Bienne	Research and development	CHF 0.25	40	●	▲
Belenos Clean Power Holding SA, Bienne	Holding	CHF 63.00	51	●	▼
Blancpain SA, Le Chenit	Watches	CHF 0.10	100	●	▲
Blancpain Les Boutiques SA, Le Chenit	Retail	CHF 0.10	100	●	▲
Breguet Les Boutiques SA, L'Abbaye	Retail	CHF 0.50	100	●	▲
Certina AG, Le Locle	Watches	CHF 3.50	100	●	▲
Cité du Temps SA, Genève	Communication	CHF 6.00	100	●	▼
cK Watch & Jewelry Co., Ltd., Bienne	Watches	CHF 5.00	90	●	▲
Comadur SA, Le Locle	Products in hard materials	CHF 7.86	100	●	▲
Compagnie des Montres Longines, Francillon SA, Saint-Imier	Watches	CHF 10.00	100	●	▲
Danyack SA, La Chaux-de-Fonds	Real estate	CHF 0.06	29	○	▼
Dernier Batz SA, Neuchâtel	Real estate	CHF 10.00	100	●	▼
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100	●	▲
Distico SA, Torricella-Taverne	Distribution	CHF 3.00	100	●	▲
Dress your body SA, Corcelles-Cormondrèche	Jewelry	CHF 0.10	100	●	▲
EM Microelectronic-Marin SA, La Tène	Microelectronics	CHF 25.00	100	●	▶
Evaco SA, Möhlin	Watches	CHF 0.50	58	●	▲
ETA SA Manufacture Horlogère Suisse, Grenchen	Watches, movements and components	CHF 6.20	100	●	▲
François Golay SA, Le Chenit	Watch components	CHF 0.10	100	●	▲
Hamilton International AG, Bienne	Watches	CHF 3.00	100	●	▲
Harry Winston SA, Plan-les-Ouates	Watches	CHF 0.40	100	●	▲
ICB Ingénieurs Conseils en Brevets SA, Neuchâtel	Patents	CHF 0.20	100	●	▼
Manufacture Ruedin SA, Haute-Sorne	Watch cases	CHF 2.40	100	●	▲
Mecco SA, Grenchen	Watch crowns	CHF 4.50	100	●	▲
Micro Crystal AG, Grenchen	Miniature low-frequency quartz crystals	CHF 4.00	100	●	▶
Mido AG, Le Locle	Watches	CHF 1.20	100	●	▲
MOM le Prélet SA, Val-de-Ruz	Watch dials	CHF 0.30	100	●	▲
Montres Breguet SA, L'Abbaye	Watches	CHF 10.00	100	●	▲
Montres Jaquet Droz SA, La Chaux-de-Fonds	Watches	CHF 12.00	100	●	▲
Nivarox-FAR SA, Le Locle	Watch components and thin wires	CHF 4.00	100	●	▲
Novi SA, Les Genevez	Assembly	CHF 0.14	100	●	▲
Omega Electronics AG, Bienne	Administration	CHF 1.50	100	●	▼
Omega SA, Bienne	Watches	CHF 50.00	100	●	▲
PHM Holding SA, Courtételle	Holding	CHF 0.10	100	●	▲
Rado Uhren AG, Lengnau	Watches	CHF 2.00	100	●	▲
Record Watch Co. SA, St-Imier	Administration	CHF 0.10	100	●	▼
Renata AG, Itingen	Miniature batteries	CHF 0.50	100	●	▶
René Clémence SA, La Chaux-de-Fonds	Watch-glasses	CHF 0.06	100	●	▲
Rubattel et Weyerhann SA, La Chaux-de-Fonds	Watch dials	CHF 0.15	100	●	▲
Simon et Membrez SA, Delémont	Watch cases	CHF 0.10	100	●	▲
S.I. Les Corbes SA, Val-de-Ruz	Real estate	CHF 0.10	34	○	▼
SSIH Management Services AG, Bienne	Services	CHF 0.05	100	●	▼
Swatch AG, Bienne	Watches	CHF 2.00	100	●	▲
Swatch Retail AG, Bienne	Retail	CHF 2.00	100	●	▲
Swiss Timing AG, Corgémont	Sports timing technology & equipment	CHF 2.00	100	●	▶
Technocorp Holding SA, Le Locle	Holding	CHF 6.00	100	●	▼
Termiboîtes SA, Basse-Allaine	Watch case polishing	CHF 0.10	60	●	▲
The Swatch Group Assembly SA, Mendrisio	Assembly	CHF 6.00	100	●	▲
The Swatch Group Europa AG, Bienne	Distribution	CHF 29.65	100	●	▲
The Swatch Group Far East Distribution Ltd, Bienne	Distribution	CHF 0.10	100	●	▲
The Swatch Group Immeubles SA, Neuchâtel	Real estate project & property management	CHF 0.50	80	●	▲
The Swatch Group Lab AG, Zürich	Services	CHF 0.60	100	●	▼
The Swatch Group Les Boutiques SA, Le Grand-Saconnex	Retail	CHF 3.00	100	●	▲
The Swatch Group Management Services SA, Bienne	Services	CHF 0.05	100	●	▼
The Swatch Group Recherche et Développement SA, La Tène	Research and development	CHF 0.10	100	●	▼
The Swatch Group Services SA, Bienne	Logistics, distribution and services	CHF 1.00	100	●	▼
Time Flagship AG, Zürich	Retail	CHF 6.00	100	●	▲
Tissot SA, Le Locle	Watches	CHF 5.00	100	●	▲
Universo SA, La Chaux-de-Fonds	Watch hands	CHF 0.67	100	●	▲

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. The Swatch Group Companies – as at 31.12.2015

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>Germany</b>					
Fördergesellschaft der Glashütter Uhrenindustrie mbH, Glashütte	Watches	EUR 0.03	100	●	◀
Glashütter Uhrenbetrieb GmbH, Glashütte	Watches	EUR 0.51	100	●	◀
ST Sportservice GmbH, Leipzig	Sports timing technology & equipment	EUR 3.47	100	●	▶
Swiss Prestige Uhren Handel GmbH, Eschborn	Retail	EUR 0.08	100	●	◀
The Swatch Group Customer Service (Europe) GmbH, Pforzheim	Customer service	EUR 0.50	100	●	◀
The Swatch Group (Deutschland) GmbH, Eschborn	Distribution	EUR 1.28	100	●	◀
The Swatch Group (Deutschland) Les Boutiques GmbH, Eschborn	Retail	EUR 0.20	100	●	◀
Union Uhrenfabrik GmbH, Glashütte	Watches	EUR 0.10	100	●	◀
<b>Austria</b>					
The Swatch Group (Oesterreich) GmbH, Wien	Distribution	EUR 0.04	100	●	◀
<b>Belgium</b>					
The Swatch Group (Belgium) SA, Anderlecht	Distribution	EUR 1.75	100	●	◀
Retail Services Belgium SA, Bruxelles	Services	EUR 2.09	100	●	◀
<b>Spain</b>					
The Swatch Group (España) SA, Alcobendas	Distribution	EUR 0.45	100	●	◀
<b>France</b>					
Breguet SAS, Paris	Administration	EUR 0.04	100	●	◀
Fabrique de Fournitures de Bonnétage SAS, Villers-le-Lac	Precision parts	EUR 4.56	100	●	◀
Frésard Composants SAS, Charquemont	Precision parts	EUR 1.80	100	●	◀
Centre Européen de Service Horloger SAS, Besançon	Customer service	EUR 0.70	100	●	◀
Harry Winston S.A.R.L., Paris	Retail	EUR 2.99	100	●	◀
Hour Passion SAS, Paris	Retail	EUR 10.00	100	●	◀
The Swatch Group (France) SAS, Paris	Distribution	EUR 15.00	100	●	◀
The Swatch Group (France) Les Boutiques SAS, Paris	Retail	EUR 70.13	100	●	◀
<b>Great Britain</b>					
Harry Winston (UK) Ltd, London	Retail	GBP 0.00	100	●	◀
The Swatch Group (UK) Ltd, London	Distribution	GBP 2.00	100	●	◀
The Swatch Group (UK) Les Boutiques Ltd, London	Retail	GBP 1.30	100	●	◀
<b>Greece</b>					
Alkioni SA, Athens	Retail	EUR 0.10	100	●	◀
The Swatch Group (Greece) SA, Athens	Distribution	EUR 0.06	100	●	◀
<b>Italy</b>					
Lascor S.p.A., Sesto Calende	Watch cases and bracelets	EUR 1.00	100	●	◀
The Swatch Group Europe Services S.r.l., Milano	Administration	EUR 0.01	100	●	◀
The Swatch Group (Italia) S.p.A., Milano	Distribution	EUR 23.00	100	●	◀
<b>Luxembourg</b>					
The Swatch Group SICAF-SIF, Alzingen	Finance company	CHF 463.41	100	●	▼
The Swatch Group Financial Services (Luxembourg) SA, Alzingen	Finance company	EUR 5.00	100	●	▼
The Swatch Group Re (Luxembourg) SA, Alzingen	Reinsurance	EUR 1.80	100	●	▼
<b>Netherlands</b>					
The Swatch Group (Netherlands) BV, Eindhoven	Distribution	EUR 3.45	100	●	◀
<b>Poland</b>					
The Swatch Group (Polska) Sp.zo.o., Warszawa	Distribution	PLN 10.00	100	●	◀
<b>Russia</b>					
Swiss Watch Le Prestige OOO Russia, Moscow	Distribution	RUB 0.20	100	●	◀
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB 8 544.12	100	●	◀
<b>Sweden</b>					
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK 0.50	100	●	◀
<b>Czech Republic</b>					
ASICentrum spol. s.r.o., Praha	Microelectronics	CZK 0.30	100	●	▶
ST Software s.r.o., Liberec	Sports timing technology & equipment	CZK 0.10	80	●	▶
The Swatch Group (CZ) Les Boutiques s.r.o., Praha	Retail	CZK 9.00	100	●	◀
<b>Turkey</b>					
The Swatch Group Turkey Saat Ticaret Limited Sirketi, Istanbul	Distribution	TRY 76.00	100	●	◀



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32. The Swatch Group Companies – as at 31.12.2015

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	Segment
<b>Asia</b>					
<b>Bahrain</b>					
Hour Choice W.L.L., Manama	Retail	BHD 0.02	58	●	◀
<b>Greater China</b>					
Beijing Xin Yu Heng Rui Watch & Clock Co., Ltd., Beijing	Real estate	CNY 40.00	50	○	◀
Harry Winston Commercial (China) Co. Ltd., Beijing	Retail	CNY 78.96	100	●	◀
Harry Winston (Hong Kong) Limited, Hong Kong	Retail	HKD 0.01	100	●	◀
Hengdeli Holdings Limited, Hong Kong	Retail	CNY 22.94	9	○	◀
Lanco Watches Ltd, Hong Kong	Administration	USD 0.07	100	●	◀
O Grupo Swatch (Macau) Limitada, Macau	Retail	MOP 1.50	100	●	◀
Shanghai 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 48.37	100	●	◀
Shanghai Swatch Art Centre Co. Ltd., Shanghai	Art center	CNY 148.41	90	●	◀
SMH Les Boutiques (Shanghai) Co. Ltd, Shanghai	Retail	CNY 99.69	100	●	◀
SMH Swiss Watch Trading (Shanghai) Co. Ltd, Shanghai	Distribution	CNY 7.12	90	●	◀
SMH Technical Services (Shenzhen) Co. Ltd., Shenzhen	Services	CNY 10.45	100	●	◀
The Swatch Group (China) Ltd, Shanghai	Distribution	CNY 14.88	100	●	◀
The Swatch Group (Hong Kong) Ltd, Hong Kong	Distribution	HKD 5.00	100	●	◀
The Swatch Group (Taiwan) Ltd in liquidation, Taipei	Distribution	TWD 28.00	100	●	◀
<b>Oman</b>					
Rivoli & Co. L.L.C., Muscat	Retail	OMR 0.30	58	●	◀
<b>Qatar</b>					
Hour Choice W.L.L., Doha	Retail	QAR 0.20	29	●	◀
Rivoli Watches W.L.L., Doha	Retail	QAR 0.40	29	●	◀
<b>South Korea</b>					
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW 6 300.00	100	●	◀
<b>Saudi Arabia</b>					
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33	○	◀
<b>United Arab Emirates</b>					
Al Khaleej Watches L.L.C., Abu Dhabi	Retail	AED 0.15	58	●	◀
Blue Sky Trading Company L.L.C., Abu Dhabi	Retail	AED 0.30	58	●	◀
Excel Enterprises L.L.C., Dubai	Retail	AED 1.70	58	●	◀
Golden Watch Company L.L.C., Abu Dhabi	Retail	AED 0.50	58	●	◀
Hour Choice L.L.C., Dubai	Retail	AED 3.00	58	●	◀
New Horizons General Trading L.L.C., Dubai	Retail	AED 0.30	29	○	◀
Rivoli Arcade L.L.C., Dubai	Retail	AED 0.30	58	●	◀
Rivoli Enterprises L.L.C., Dubai	Retail	AED 3.00	58	●	◀
Rivoli Group L.L.C., Dubai	Retail	AED 24.02	58	●	◀
Rivoli Investments L.L.C., Dubai	Holding	AED 0.30	58	●	◀
Al Habib Watches L.L.C., Dubai	Administration	AED 0.30	58	●	◀
Rivoli Textiles L.L.C., Dubai	Retail	AED 0.30	58	●	◀
Swatch Group Retail Middle East L.L.C., Dubai	Retail	AED 0.30	49	●	◀
Vision 2000 L.L.C., Dubai	Retail	AED 1.00	58	●	◀
<b>India</b>					
Swatch Group (India) Private Ltd, New Delhi	Distribution	INR 4 680.00	100	●	◀
Swatch Group (India) Retail Private Ltd, New Delhi	Retail	INR 0.10	100	●	◀
<b>Indonesia</b>					
PT Swatch Group Indonesia, Jakarta	Distribution	IDR 64 231.77	100	●	◀
<b>Japan</b>					
Harry Winston Japan KK, Tokyo	Retail	JPY 10.00	100	●	◀
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY 3 700.00	100	●	◀
<b>Malaysia</b>					
Micromechanics (M) Sdn Bhd, Ipoh	Assembly electronic components	MYR 35.00	100	●	◀
Swiss Luxury Watch & Jewelry Sdn Bhd, Kuala Lumpur	Retail	MYR 7.00	51	●	◀
The Swatch Group (Malaysia) Sdn Bhd, Kuala Lumpur	Distribution	MYR 1.00	100	●	◀
<b>Singapore</b>					
Harry Winston N.A. Pte Ltd, Singapore	Retail	SGD 0.00	100	●	◀
The Swatch Group S.E.A. (S) Pte Ltd, Singapore	Distribution	SGD 4.00	100	●	◀
The Swatch Group S.E.A. Retail Pte Ltd, Singapore	Retail	SGD 0.50	100	●	◀
<b>Thailand</b>					
ETA (Thailand) Co. Ltd, Samut Prakan	Assembly electronic components	THB 504.50	100	●	◀
The Swatch Group Trading (Thailand) Ltd, Bangkok	Distribution	THB 400.00	100	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32. The Swatch Group Companies – as at 31.12.2015

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
<b>America</b>					
<b>Brazil</b>					
SGA Administração de Imóveis SA, Manaus	Administration	BRL 4.92	100	●	◀
SGB Importação e Varejo de Artigos de Luxo Ltda., São Paulo	Retail	BRL 67.30	100	●	◀
SGB Serviços e Comércio de Peças Ltda, São Paulo	Customer service	BRL 45.26	100	●	◀
SMH do Brasil Administração de Bens Ltda, São Paulo	Administration	BRL 27.60	100	●	▼
<b>Canada</b>					
H.W. Protection Inc., Toronto	Services	CAD 1.94	100	●	◀
The Swatch Group (Canada) Ltd, Toronto	Distribution	CAD 4.50	100	●	◀
<b>United States</b>					
EM Microelectronic – US Inc., Colorado Springs	Microelectronics	USD 0.04	100	●	▶
Harry Winston, Inc., New York	High jewelry	USD 0.60	100	●	◀
HiPoint Technology Inc., Colorado Springs	Microelectronics	USD 0.17	25	○	▶
HW Holdings Inc., Wilmington, Delaware	Holding	USD 0.00	100	●	◀
The Swatch Group (U.S.) Inc., Wilmington, Delaware	Distribution	USD 168.90	100	●	◀
<b>Mexico</b>					
Operadora y Comercializadora de Relojes y Joyería SA de CV, Mexico	Services	MXN 1.50	100	●	◀
The Swatch Group Mexico SA de CV, Mexico DF	Distribution	MXN 43.65	100	●	◀
<b>Panama</b>					
The Swatch Group Panama SA, Panama City	Administration	USD 0.01	100	●	◀
<b>Oceania</b>					
<b>Australia</b>					
The Swatch Group (Australia) Pty Ltd, Glen Iris	Distribution	AUD 0.40	100	●	◀
<b>Africa</b>					
<b>South Africa</b>					
The Swatch Group (South Africa) (Proprietary) Ltd, Edenvale	Distribution	ZAR 0.00	100	●	◀

## 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 income statement, balance sheet, statement of cash flows, statement of changes in equity and notes (pages 167 to 208), for the year ended 31 December 2015.

#### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER 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. 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 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER 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



Gerhard Siegrist  
Audit expert  
Auditor in charge



Tobias Handschin  
Audit expert

Basel, 19 February 2016

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## INCOME STATEMENT OF THE HOLDING

	Notes	2015 CHF million	2014 CHF million
Income from investments in subsidiaries	(1)	1 121	1 135
Other income	(2)	6	5
Personnel expense		- 50	- 55
Other expenses		- 17	- 15
Depreciation and impairment	(3)	- 21	- 7
Financial expenses	(4)	- 41	- 21
Other financial income	(5)	35	33
<b>Ordinary result</b>		<b>1 033</b>	<b>1 075</b>
Non-operating result	(6)	0	0
Extraordinary result	(6)	0	0
<b>Profit before income taxes</b>		<b>1 033</b>	<b>1 075</b>
Income taxes		- 5	- 1
<b>Net income</b>		<b>1 028</b>	<b>1 074</b>

**BALANCE SHEET OF THE HOLDING**

Assets	Notes	31.12.2015		31.12.2014	
		CHF million	%	CHF million	%
<b>Current assets</b>					
Cash and cash equivalents		194	2.9	193	3.2
Assets with an observable market price	(7, 10)	194	2.9	96	1.6
Other current receivables					
– from Group companies	(8)	2 722	40.6	2 220	36.2
– from third parties		47	0.7	53	0.9
Prepayments and accrued income		2	0.0	2	0.0
<b>Total current assets</b>		<b>3 159</b>	<b>47.1</b>	<b>2 564</b>	<b>41.9</b>
<b>Non-current assets</b>					
Loans to Group companies	(8)	422	6.3	440	7.2
Investments in subsidiaries and associates	(9)	3 116	46.5	3 113	50.8
Property, plant and equipment		9	0.1	9	0.1
Intangible assets		1	0.0	1	0.0
<b>Total non-current assets</b>		<b>3 548</b>	<b>52.9</b>	<b>3 563</b>	<b>58.1</b>
<b>Total assets</b>		<b>6 707</b>	<b>100.0</b>	<b>6 127</b>	<b>100.0</b>

## BALANCE SHEET OF THE HOLDING

Equity and liabilities	Notes	31.12.2015		31.12.2014	
		CHF million	%	CHF million	%
<b>Current liabilities</b>					
Financial debts and derivative financial instruments	(10)	13	0.2	32	0.5
Other current liabilities					
– to Group companies		41	0.6	51	0.8
– to third parties		3	0.1	6	0.1
Accrued expenses		19	0.3	20	0.3
<b>Non-current liabilities</b>					
Non-current provisions		90	1.3	90	1.5
<b>Total liabilities</b>		<b>166</b>	<b>2.5</b>	199	3.2
<b>Equity</b>					
Share capital		125	1.9	125	2.0
Statutory capital reserve		99	1.5	82	1.4
Statutory reserve		10	0.1	10	0.2
Reserve for treasury shares		2	0.0	–	–
Voluntary reserve		5 572	83.1	4 860	79.3
– Profit brought forward		32		35	
– Net income for the year		1 028		1 074	
Available earnings		1 060	15.8	1 109	18.1
Treasury shares		– 327	– 4.9	– 258	– 4.2
<b>Total equity</b>	(11)	<b>6 541</b>	<b>97.5</b>	5 928	96.8
<b>Total equity and liabilities</b>		<b>6 707</b>	<b>100.0</b>	6 127	100.0

## NOTES TO THE FINANCIAL STATEMENTS

### General

The financial statements of The Swatch Group Ltd, with registered office in Neuchâtel comply with the requirements of the Swiss Code of Obligations (OR). The 2015 financial statements were prepared in accordance with Swiss Accounting Legislation (thirty-second title of the Swiss Code of Obligations).

### Valuation principles

#### a. Assets

Assets are valued at no more than their acquisition cost. Exceptions are current assets with an observable market price, which are valued at the stock price or market value on the balance sheet date. All changes in value are recognized in the income statement. No value fluctuation reserves are built.

#### b. Investments

Investments in subsidiaries and associates are valued individually provided that they are significant and that due to their similarity are not usually combined as a group for valuation.

#### c. Treasury shares

Treasury shares reserved for the stock option plan, as well as repurchased treasury shares are valued at historical acquisition value without subsequent valuation adjustment. Gains and losses from disposals of treasury shares, including transaction costs, are recorded directly in capital reserves.

#### d. Liabilities

Liabilities are valued at nominal value.

#### e. Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement.

### Details to specific items

#### 1. Income from investments in subsidiaries

(CHF million)	2015	2014
Dividends	1 055	1 071
Other income from investments in subsidiaries	66	64
<b>Total</b>	<b>1 121</b>	<b>1 135</b>

This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies.

#### 2. Other income

In 2015, other income was CHF 6 million (previous year: CHF 5 million).

#### 3. Depreciation and impairment

Depreciation and impairment was CHF 21 million (previous year: CHF 7 million).

#### 4. Financial expenses

In both 2015 and 2014, interest expense was less than CHF 1 million. The valuation of foreign currency hedging contracts taken out in favor of various Group companies resulted in a loss of CHF 33 million (2014: loss of CHF 17 million). The loss recorded on the marketable securities portfolio, including other financial expenses, amounted to CHF 7 million (2014: loss of CHF 4 million).

#### 5. Other financial income

(CHF million)	2015	2014
Interest income	22	21
Income and gains on securities	13	12
<b>Total</b>	<b>35</b>	<b>33</b>

#### 6. Non-operating / extraordinary result

Both the non-operating and extraordinary results were less than CHF 1 million in the year under review (previous year: both less than CHF 1 million).



## NOTES TO THE FINANCIAL STATEMENTS

7. Assets with an observable market price	(CHF million)	31.12.2015	31.12.2014
Marketable securities		158	86
Precious metals		23	8
Derivative financial instruments (see Note 10)		13	2
<b>Total</b>		<b>194</b>	<b>96</b>

The item "Precious metals" consists mainly of a strategic long position in gold.

**8. Receivables and loans** These positions mainly include deposits of surplus cash with the Group-internal finance company in Luxembourg as well as financing of subsidiaries.

**9. Investments in subsidiaries and associates** The list of 167 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 46.5% of total assets at 31 December 2015 versus 50.8% at end-2014. In absolute terms, the value of investments in subsidiaries amounted to CHF 3 116 million at end-2015. This amount corresponds to consolidated investments and investments in associates, and is CHF 3 million higher than in 2014.

**10. Derivative financial instruments** The following table shows the contract and replacement values of derivative financial instruments at 31 December 2015.

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	1 693	412	2 105	12	1	13	-7	-6	-13
Options	-	-	-	-	-	-	-	-	-
<b>Total at 31.12.2015</b>	<b>1 693</b>	<b>412</b>	<b>2 105</b>	<b>12</b>	<b>1</b>	<b>13</b>	<b>-7</b>	<b>-6</b>	<b>-13</b>
Total at 31.12.2014	1 424	415	1 839	0	2	2	-28	-4	-32

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2015 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2015 relate to 33 positions held in precious metals and in foreign currencies (previous year: 32). Intragroup contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intragroup financial transactions. At 31 December 2015, there was no option contract outstanding (none in the previous year).

**11. Equity** Compared with end-2014, equity increased by CHF 613 million to CHF 6 541 million in 2015. In percentage of total assets the equity ratio increased to 97.5% at 31 December 2015 (versus 96.8% in the previous year).

The table below shows the changes in equity:

	Share capital	Statutory capital reserve	Statutory reserve	Reserve for treasury shares	Voluntary reserve	Available earnings	Treasury shares	Total equity
(CHF million)								
<b>Balance at 31.12.2014</b>	<b>125</b>	<b>82</b>	<b>10</b>	<b>-</b>	<b>4 860</b>	<b>1 109</b>	<b>- 258</b>	<b>5 928</b>
Allocated in 2015					670	- 670		-
Dividend paid out						- 407		- 407
Change in treasury shares		17			44		- 69	- 8
Creation/dissolution				2	- 2			-
Net income for the year						1 028		1 028
<b>Balance at 31.12.2015</b>	<b>125</b>	<b>99</b>	<b>10</b>	<b>2</b>	<b>5 572</b>	<b>1 060</b>	<b>- 327</b>	<b>6 541</b>

### Share capital

At 31 December 2015, share capital consisted of 124 045 000 registered shares each with a nominal value of CHF 0.45, and of 30 840 000 bearer shares each with a nominal value of CHF 2.25 (unchanged from the previous year).

Balance sheet date	Registered shares	Bearer shares	Share capital in CHF
31.12.2014	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
<b>31.12.2015</b>	<b>124 045 000 at CHF 0.45</b>	<b>30 840 000 at CHF 2.25</b>	<b>125 210 250.00</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Principal shareholders at 31 December 2015

At 31 December 2015, the Hayek Pool, its related companies, institutions and individuals held 62 774 550 registered shares and 1 800 bearer shares, equivalent to 40.5% of the shares issued at this date (previous year: 40.8%). The Hayek Pool comprises the following members:

Name/Company	Location	Beneficial owners
Community of heirs of N.G. Hayek represented by Marianne Hayek	Meisterschwanden	Community of heirs of N. G. Hayek
WAT Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Ammann Group Holding AG	c/o Ernst & Young AG, Bern	Descendants U. Ammann-Schellenberg sen.
Swatch Group Pension Fund	Neuchâtel	–

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name/Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	–
Ammann families (pension funds, foundations and individuals, Madisa AG)	c/o Ernst & Young AG, Bern	Represented by Daniela Aeschlimann
Fondation d'Ebauches SA et des maisons affiliées	Neuchâtel	–
Various welfare foundations	various	–

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 40.1% of the shares issued at end-2015 (previous year: 40.3%).

Mrs. Esther Grether's group controlled 5.9% of the shares issued (previous year: 5.9%).

At 31 December 2015, the Swatch Group had no knowledge of any other group or individual shareholder having an interest of more than 5% of the total share capital.

### Statutory capital reserve

Gains and losses from the sale of treasury shares, including transaction costs, are recorded directly in the statutory capital reserve. In addition, the statutory capital reserve includes the historical proceeds from the issuance of participation certificates in excess of nominal value and issuance costs (premium).

### Voluntary reserve

In the year under review, a historical value adjustment on treasury shares amounting to CHF 44 million was dissolved. The amount was allocated to the voluntary reserve. An amount of CHF 670 million was appropriated from available earnings at 31 December 2014 and allocated to the voluntary reserve.

### Reserve for treasury shares

At 31 December 2015, there was a reserve for treasury shares amounting to CHF 2 million for shares held indirectly through Group subsidiaries (previous year: none). The reserve for treasury shares was removed from voluntary reserves.

### Available earnings

In compliance with the resolution approved at the Annual General Meeting of 28 May 2015, a dividend of CHF 1.50 per registered share and of CHF 7.50 per bearer share was appropriated from available earnings as at 31 December 2014. The total dividend amount paid to shareholders in 2015 came to CHF 186 million on the registered shares and CHF 231 million on the bearer shares. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned Annual General Meeting, no dividends were paid on the treasury shares held by the Swatch Group. This amount, which would have totaled CHF 10 million, thus remains as an integral part of equity at 31 December 2015. Finally, CHF 670 million was appropriated from available earnings at 31 December 2014 and allocated to the voluntary reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### Treasury shares

Treasury shares held by The Swatch Group Ltd and its subsidiaries at 31 December 2015 corresponded to 2.5% (versus 2.4% at end-2014) of the nominal value of total share capital. In addition to repurchased treasury shares, this position also includes registered treasury shares intended for the employee stock option plan.

The number of treasury shares held directly or indirectly by The Swatch Group Ltd changed in 2015 as shown in the table below:

<b>Shares held by:</b>	<b>Registered shares</b> Quantity <sup>1)</sup>	<b>Bearer shares</b> Quantity
<b>The Swatch Group Ltd</b>		
Balance at 31.12.2014	4 258 988	505 000
Acquisitions in 2015 <sup>2)</sup>	77 000	65 000
Disposals in 2015 <sup>3)</sup>	– 270 563	–
<b>Balance at 31.12.2015</b>	<b>4 065 425</b>	<b>570 000</b>
<b>Other consolidated companies</b>		
Balance at 31.12.2014	–	–
Acquisitions in 2015	32 892	–
Disposals in 2015	–	–
<b>Balance at 31.12.2015</b>	<b>32 892</b>	<b>–</b>
<b>Total balance at 31.12.2015</b>	<b>4 098 317</b>	<b>570 000</b>

<sup>1)</sup> of which at 31 December 2015 a total of 916 792 registered shares were reserved for the management stock option plan (1 154 463 registered shares in 2014).

<sup>2)</sup> In 2015, The Swatch Group Ltd acquired 77 000 registered shares at an average price of CHF 79.68. The Group also acquired 65 000 bearer shares at an average price of CHF 344.81.

<sup>3)</sup> In 2015, The Swatch Group Ltd sold 32 892 registered shares at an average price of CHF 65.30 to an other consolidated company. The remaining disposals of registered shares relate to the employee stock option plan. Details of the share options granted in connection with the employee stock option plan are provided in Note 29. In 2015, no bearer shares have been sold.

### Off-balance-sheet items

#### Number of full-time equivalents

In 2015, the annual average number of full-time equivalents was 147 (2014: 153).

#### Leasing liabilities

The balance of liabilities arising from buy or purchase-like contracts and other leasing commitments which do not expire or cannot be cancelled within 12 months amounted to less than CHF 1 million at 31 December 2015 (previous year: less than CHF 1 million).

#### Liabilities to pension plans

The balance sheet as at end-2015 contained no liabilities to pension plans (previous year: none).

#### Assets pledged

None of the company's assets are pledged.

#### Guarantees

At end-2015, guarantees provided by The Swatch Group Ltd amounted to less than CHF 1 million (previous year: less than CHF 1 million). This item relates to a guarantee to cover a lease commitment taken out by one of the Group's companies (unchanged to 2014).

#### Contingent liabilities

There were no contingent liabilities at the end of 2015 (previous year: none).

## NOTES TO THE FINANCIAL STATEMENTS

### Swatch Group shares and options of the Board of Directors, Group Management and employees

Article 959c paragraph 2 item 11 of the Swiss Code of Obligations require disclosure of the number and value of shares and options granted to members of the Board of Directors and Group Management as well as to employees. This information is disclosed in Note 29 of the consolidated financial statements.

In addition, Article 663c paragraph 3 of the Swiss Code of Obligations require disclosure of shares and options held by members of the Board of Directors and Group Management, including closely related persons. The table below shows the corresponding holdings at 31 December 2015 and 2014:

Name	Function	Registered Shares (number)		Bearer Shares (number)		Options (number)	
		2015	2014	2015	2014	2015	2014
Community of heirs N. G. Hayek represented by Marianne Hayek		55 704 144	55 704 144	550	550		
Nayla Hayek	BoD Chairwoman	108 208	88 208			20 002	20 002
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member	100					
Dr. Jean-Pierre Roth	BoD Member			10	10		
Georges Nicolas Hayek	BoD Member / CEO	100 991	77 991			24 000	24 000
Pierre-André Bühler	MB Member	18 716	17 366			8 002	8 002
Dr. Mougahed Darwish	MB Member	73 668	71 068			2 602	2 602
Marc A. Hayek	MB Member	105 898	93 398			12 502	12 502
Dr. Thierry Kenel	MB Member / CFO	46 252	38 252			8 002	8 002
Florence Ollivier-Lamarque	MB Member	56 668	50 668			12 000	12 000
Dr. Hanspeter Rentsch	MB Member / CLO	116 522	97 522	200	200	19 001	19 001
François Thiébaud	MB Member	103 623	93 123			12 502	12 502
Raynald Aeschlimann	EMB Member	11 867	9 867			4 001	4 001
Matthias Breschan	EMB Member	2 534	3 034			3 000	3 000
Jean-Claude Eggen	EMB Member	3 816	3 616			2 501	2 501
Yann Gamard	EMB Member					5 501	5 501
Hans-Rudolf Gottier	EMB Member	28 698	26 048			5 002	5 002
Walter von Känel	EMB Member	48 879	42 879	40	40	6 000	6 000
Thomas Meier	EMB Member	3 600	2 400			1 200	1 200
Calogero Polizzi	EMB Member	6 536	5 536			2 002	2 002
Kevin Rollenhagen	EMB Member	48 148	40 148			8 002	8 002
Dr. Peter Steiger	EMB Member	75 925	67 257			9 000	8 668
Stephen Urquhart	EMB Member	45 000	38 500			6 502	6 502
<b>Total</b>		<b>56 709 793</b>	<b>56 571 025</b>	<b>2 800</b>	<b>2 800</b>	<b>171 324</b>	<b>170 992</b>

Each option gives the right to draw one registered share. Each share (registered or bearer) represents one voting right. The principal shareholders are disclosed in Note 30 of the consolidated financial statements. Except for the community of heirs of N. G. Hayek, no member of the Board of Directors, Management Board and Extended Management Board, together with persons closely linked to them, owned as of 31 December 2015, either directly or through share options, more than 1% of the outstanding Swatch Group shares (end of 2014: community of heirs of N. G. Hayek).

Management compensation details can be found in the separate compensation report.

### Additional information, cash flow statement and management report

According to Article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the statement of cash flows and the management report are dispensed with, as The Swatch Group Ltd prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

### Events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 19 February 2016 and will be submitted to the Annual General Meeting of Shareholders for approval on 11 May 2016.

There were no other significant events after the balance sheet date.

## PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting that available earnings be appropriated as follows:

	<b>2015</b>	2014
	<b>CHF million</b>	CHF million
Net income for the year	<b>1 028</b>	1 074
Profit brought forward from previous year	<b>32</b>	35
<b>Available earnings</b>	<b>1 060</b>	1 109
Allocation to special reserve	<b>- 620</b>	- 670
Payment of a 2014 dividend, i.e.:		
– CHF 1.50 per registered share with a par value of CHF 0.45		– 186
– CHF 7.50 per bearer share with a par value of CHF 2.25		– 231
Payment of a 2015 dividend, i.e.: <sup>1)</sup>		
– CHF 1.50 per registered share with a par value of CHF 0.45	<b>- 186</b>	
– CHF 7.50 per bearer share with a par value of CHF 2.25	<b>- 231</b>	
Dividends not paid out on own shares held by the Group <sup>2)</sup>		10
<b>Balance carried forward</b>	<b>23</b>	32

<sup>1)</sup> It is planned not to pay dividends on own shares held by the Group.

<sup>2)</sup> Based on the decision of the Annual General Meeting of 28 May 2015, the dividend due on own shares held by the Group was not paid out.

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## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

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### Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of The Swatch Group Ltd, which comprise the income statement, balance sheet and notes (pages 211 to 218), for the year ended 31 December 2015.

#### 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 2015 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



Gerhard Siegrist  
Audit expert  
Auditor in charge



Tobias Handschin  
Audit expert

Basel, 19 February 2016

## THE SWATCH GROUP LTD SECURITIES

	Swiss GAAP FER				IFRS	
Average number of shares outstanding/ Average share capital	2015	2014	2013	2012	2011	
	basic	basic	basic	basic	basic	
Number of registered shares of CHF 0.45	119 847 161	119 894 096	119 514 584	118 195 194	118 399 729	
Number of bearer shares of CHF 2.25	30 308 846	30 320 769	30 335 000	30 335 000	30 335 000	
Total average number of shares outstanding	150 156 007	150 214 865	149 849 584	148 530 194	148 734 729	
Share capital registered shares of CHF 0.45	53 931 222	53 952 343	53 781 563	53 187 838	53 279 878	
Share capital bearer shares of CHF 2.25	68 194 904	68 221 730	68 253 750	68 253 750	68 253 750	
Total average share capital	122 126 126	122 174 073	122 035 313	121 441 588	121 533 628	
<b>Key data per registered share (nom. CHF 0.45) in CHF</b>						
Consolidated net income attributable to shareholders	4.01	5.10	7.08	5.91	4.70	
Cash flow from operating activities	5.17	6.81	4.83	3.70	2.61	
Consolidated equity	41.42	39.32	35.30	31.77	29.82	
Dividend	1.50 <sup>1)</sup>	1.50	1.50	1.35	1.15	
<b>Key data per bearer share (nom. CHF 2.25) in CHF</b>						
Consolidated net income attributable to shareholders	20.07	25.49	35.41	29.57	23.50	
Cash flow from operating activities	25.87	34.03	24.13	18.51	13.05	
Consolidated equity	207.12	196.58	176.52	158.84	149.11	
Dividend	7.50 <sup>1)</sup>	7.50	7.50	6.75	5.75	
<b>Stock price of registered shares (adjusted)</b>						
High	88.90	108.00	104.40	80.40	79.50	
Low	61.25	75.35	80.20	59.90	51.60	
31.12.	68.00	86.00	100.40	78.75	62.60	
<b>Stock price of bearer shares (adjusted)</b>						
High	462.50	597.00	606.50	471.70	443.70	
Low	324.10	417.10	473.00	341.70	288.50	
31.12.	350.20	444.20	589.50	461.20	351.50	
Market capitalization (CHF million)	31.12.	19 235	24 367	30 634	23 992	18 605
<b>Key ratios (year-end)</b>						
Average return on equity	%	10.2	14.0	21.2	19.7	16.8
Dividend yield registered shares	%	2.2	1.7	1.5	1.7	1.8
Dividend yield bearer shares	%	2.1	1.7	1.3	1.5	1.6
Price/earnings ratio – registered shares		17.0	16.9	14.2	13.3	13.3
Price/earnings ratio – bearer shares		17.4	17.4	16.7	15.6	15.0

1) Board of Directors' proposal.

As of 2013, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. For comparison purposes, 2012 has been restated.

### Securities

	ISIN no.	Reuters Symbol
The Swatch Group Ltd registered shares	CH0012255144	UHRN.S
The Swatch Group Ltd bearer shares	CH0012255151	UHR.VX

The securities are listed on the Swiss Stock Exchange (SIX) and on the BX Berne eXchange.

### Evolution of the Swatch Group Ltd registered shares and the Swiss Market Index (1988–2015)



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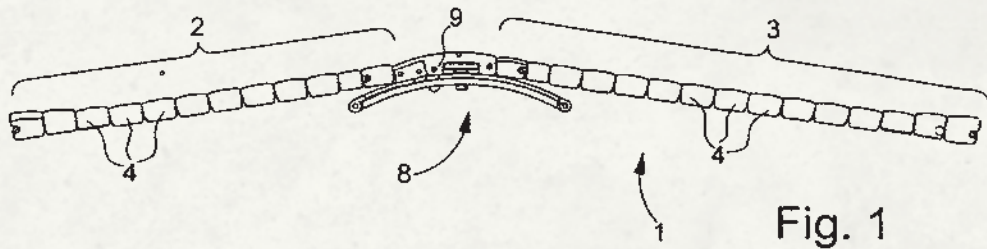


Fig. 1

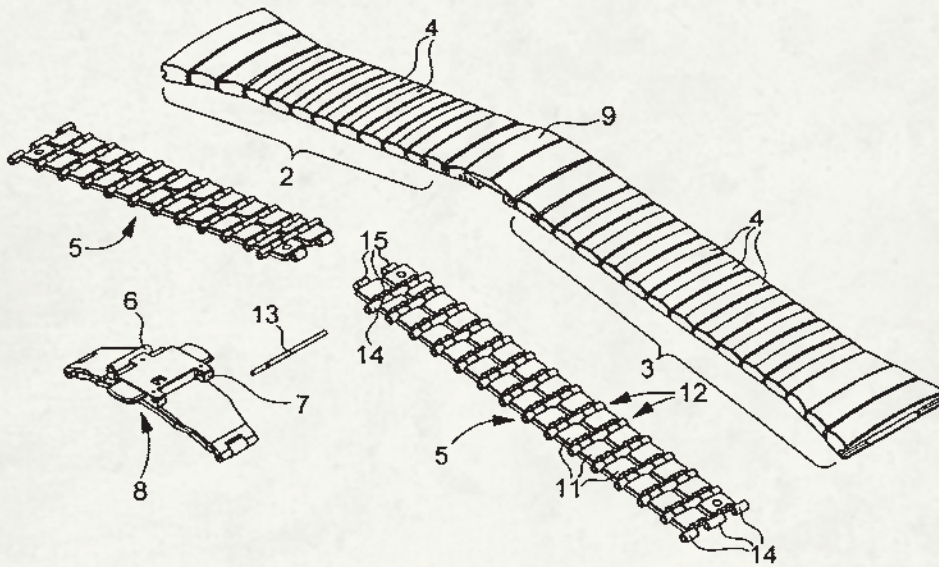


Fig. 2

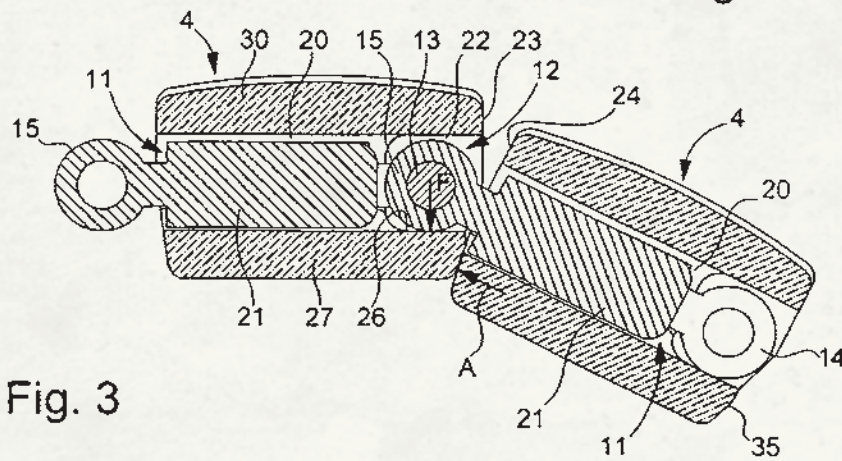
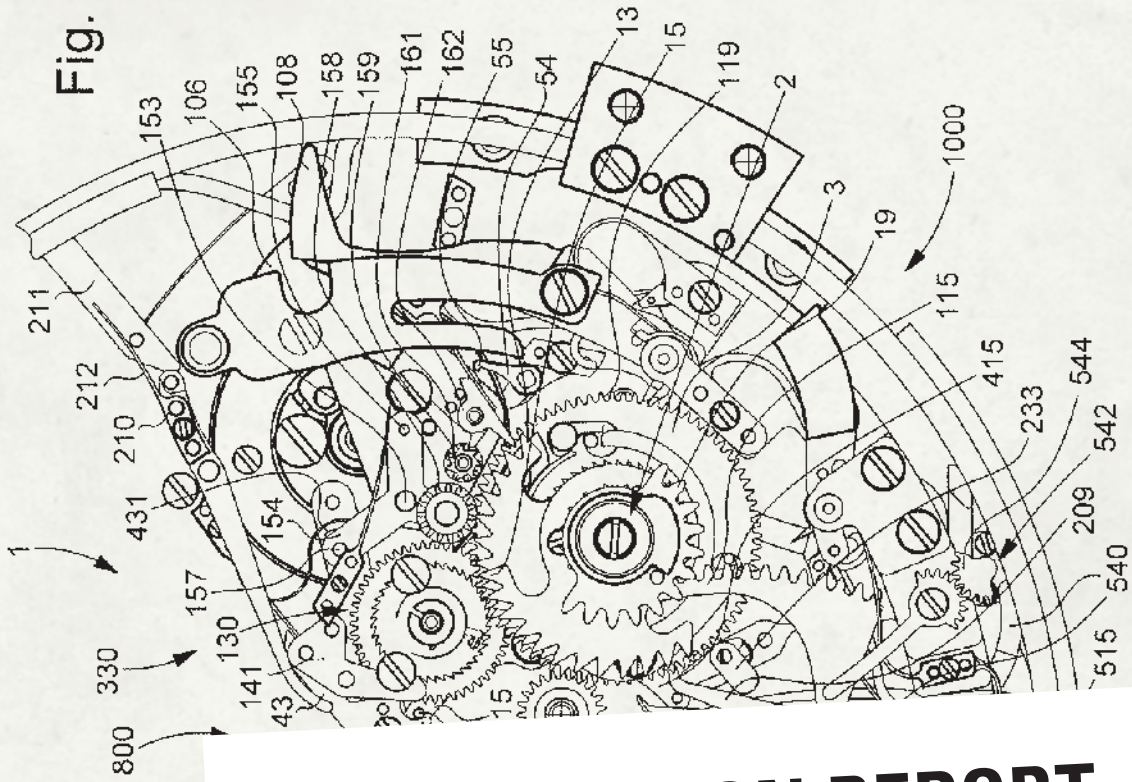


Fig. 3

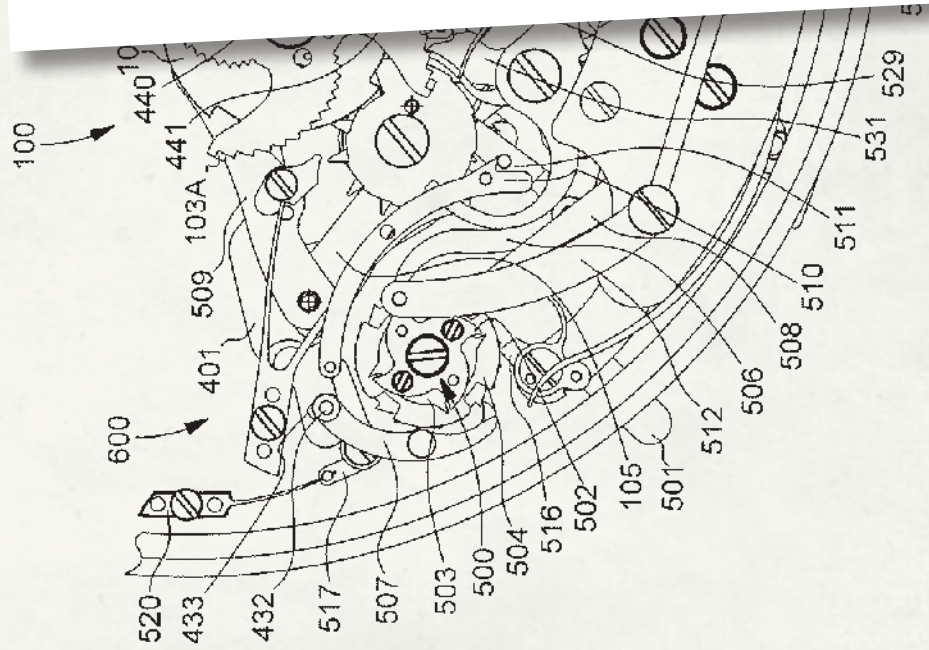


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Fig. 3



# COMPENSATION REPORT



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## COMPENSATION REPORT

Dear Ladies and Gentlemen

In accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance; Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV), which came into force on 1 January 2014, all information regarding the compensation of the Board of Directors and the Group Management Board (Executive Group Management Board and Extended Group Management Board) is presented in the Compensation Report.

With the Compensation Report, the Board of Directors and the Compensation Committee give an account of the material elements of the compensation principles, of the tasks and competences in the field of compensation, of the composition and function of the Compensation Committee, and of the various compensation elements.

The aim of the Compensation Report is to create transparency regarding the compensation provided by the company.

For the first time at the 2015 General Meeting, the compensation of the members of the Board of Directors and the Group Management Board (Executive Group Management Board, Extended Group Management Board) was voted upon.

At the same 2015 General Meeting, the framework for the Articles of Association of the Swatch Group provided for by the Compensation Ordinance, which is to apply to compensation and, in particular, to the decision-making process by the shareholders, was created.

The Compensation Report is divided into the following sections:

- one section with information regarding the structure and decision-making processes within the Compensation Committee and the Board of Directors;
- one section with the description of the compensation system; and
- one section that sets out the specific compensation in the 2015 business year.

The Compensation Report fulfils the provisions of the Ordinance against Excessive Compensation in Listed Stock Corporations, which came into force on 1 January 2014, and accordingly the provisions of the Swiss Code of Obligations. The Report essentially follows the recommendations of the Swiss Code of Best Practices for Corporate Governance issued by *economiesuisse* and the Guidelines on Corporate Governance issued by SIX Swiss Exchange Ltd.

Disclosure takes place according to the „accrual principle“. The current part of the report (Section 4a-e) was reviewed by PricewaterhouseCoopers Ltd.

### 1. Compensation Committee

#### 1.1 Composition of the Compensation Committee

As the Board of Directors of the Swatch Group is intentionally kept small in number (currently 5 members), it functions at the same time as the Compensation Committee. This eliminates the need for demarcating the areas of responsibility and ensuring the flow of information.

The Compensation Committee is chaired by Mr Ernst Tanner, Vice-Chairman of the Board of Directors.

All members of the Board of the Directors abstain from discussions and decisions regarding their compensation and from discussions and decisions regarding compensation of persons closely related to them (such as family members). No members having any cross-involvement belong to the Compensation Committee, such that no conflicts of interest arise from this point of view as well.

#### 1.2 Tasks / competences

The Compensation Committee handles the compensation policy of the company. It assists the Board of Directors in determining the compensation system and the principles of compensation, and in the preparation of motions to the General Meeting for approving compensation. The Compensation Committee may submit proposals and recommendations to the Board of Directors in all matters pertaining to compensation.

## COMPENSATION REPORT

With the coming into force of the revised Articles of Association of the Swatch Group, the Compensation Committee attends to all issues related to compensation, and proposes solutions for the attention of the Board of Directors. The decision-making body is the Board of Directors. The Board of Directors will submit the necessary resolutions to the General Meeting for its approval.

At the 2015 General Meeting, the General Meeting voted for the first time on the fixed total compensation of the members of the Board of Directors until the next General Meeting and of the members of the Executive and Extended Group Management Board for the 2015 business year along with the variable compensation of the members of the Executive and Extended Group Management Board for the 2014 business year.

### 1.3 Meetings

The Compensation Committee met twice during the 2015 business year.

## 2. Compensation system

### 2.1 General principles of compensation

The members of the Board of Directors and the Executive Management are entitled to compensation corresponding to their job function and degree of responsibility.

The company may award compensation for activities in undertakings that are directly or indirectly controlled by the company and for activities at the order of the undertaking. The compensation may be awarded by the company or by the companies that it controls.

The compensation of the non-executive members of the Board of Directors comprises only fixed compensation elements.

The compensation of executive members of the Board of Directors and the members of the Executive Management comprises fixed and variable compensation elements. The fixed compensation comprises base salary and may include additional compensation elements. The variable compensation is guided by the achievement of certain performance objectives.

The performance objectives may include personal goals, company-specific and division-specific objectives, along with key economic or market-related figures. In doing so, the function and the level of responsibility of the recipient of the variable compensation are taken into account.

At the request of the Compensation Committee, the Board of Directors sets the performance values and objectives of the variable compensation elements and their achievement.

The compensation system of the Swatch Group is in line with market conditions and based on performance. It is reviewed on an annual basis and adjusted when necessary.

### 2.2 Compensation elements

#### a) Non-executive members of the Board of Directors

The non-executive members of the Board of Directors receive fixed compensation. It is graduated according to functions.

#### b) Executive members of the Board of Directors, members of the Executive and Extended Group Management Board

The compensation system for the executive members of the Board of Directors and the members of the Executive and Extended Group Management Board provides for the following elements:

- a base salary;
- a lump-sum expenses payment;
- a bonus programme with variable compensation;
- a share programme with annual share allocations and a minimal guaranteed value;
- payments to the pension fund (Swatch Group Pension Fund) and to the Management Fund of the Swatch Group (in one specific case where the EKL-member is a foreign national, payment was made to the local pension fund).

### 2.3 Information on individual elements

#### 2.3.1 Base salary

The base salary is usually paid out monthly in 13 equal instalments. The thirteenth instalment is paid each year in December. The degree of responsibility, the position and education are taken into account in the base salary.

#### 2.3.2 Lump-sum expenses

The members of the Board of Directors and the Executive Group Management Board receive a lump-sum compensation for expenses in the amount of CHF 30,000.00; the members of the Extended Group Management Board receive such compensation of up to CHF 24,000.00. This lump-sum compensation payment covers representation and small expenses and has been agreed with the tax authority of the Canton of Bern. Executive members of the Board of Directors who at the same time belong to the Executive Management receive the lump-sum compensation only once.

## COMPENSATION REPORT

### 2.3.3 Bonus programs

The executive members of the Board of Directors, of the Executive Group Management Board and of the Extended Group Management Board annually receive a variable bonus, which depends on the development of the Group and the business division entrusted to the respective person (brands, countries, functional area) as well as individual performance.

At the start of the year, a so-called „bonus potential“ is defined, which is paid out if the objectives are achieved. If the objectives are surpassed, more than 100% of the 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 start of the year, once the annual accounts are available. A recipient with a Swiss contract and residence in Switzerland receives an advance payment in December. This is usually 70% of the bonus potential, provided that the set objectives (turnover, operating profit) will foreseeably be achieved; if not, a payment of 50% will be made.

The assessment criteria that apply are, among other things: turnover development, development of operating profit and EBIT, changes in market share, development of inventory and receivables, accomplishment of development and set-up projects, success in negotiations, successful implementation of costreduction programs, personnel fluctuation, and motivation of employees. The assessment criteria are individually tailored to the function holders and weighted accordingly.

For the particular promotion of the Group's interests, a part of the bonus is awarded as a Group bonus. The percentage share of the Group component varies according to function.

### 2.3.4 Share program

On an annual basis, a number of shares with a low exercise price are offered to the executive members of the Board of Directors and the members of the Executive Group Management Board and the Extended Group Management Board. In 2014 and 2015, this amounted to CHF 4.00. One-third of the allocation may be exercised and subscribed immediately. In one and two years respectively, an additional one-third may be exercised and subscribed. After subscription, the security may be freely disposed of. In the event of an early departure, the allocations for non-exercised options expire; upon retirement, they are immediately available.

The allocation of the share subscription rights takes place through the Board of Directors after the ordinary General Meeting. In 2015, the General Meeting decided for the first time on the overall allocation upon a motion of the Board of Directors. A certain minimum allocation value was contractually guaranteed to the executive members of the Board of Directors and the members of the Executive Group Management Board and the Extended Group Management Board. For executive members of the Board of Directors and members of the Executive Group Management Board, this amounted to CHF 50,000.00; for members of the Extended Group Management Board, this amounted to generally CHF 25,000.00 (allocation value = share price minus CHF 4.00 exercise price).

The tax value or the daily value at the time of the allocation is used as the basis for calculation for the compensation of the allocated shares. The tax value is equal to the average price of the share during the subscription-payment period, less the exercise price. This exercise price applies for the first one-third of the allocated shares, which can be paid up from the date of allocation over a period of one month. The daily value is equal to the share price on the date of allocation, less the exercise price. This price is used for the assessment of the second and the last third of the allocated shares, which may be exercised after one or two years, respectively.

The following values apply for 2014 and 2015:

	2015	2014
Date of grant	9 June 2015	8 July 2014
Tax value	CHF 73.80	CHF 89.05
Share price on the day of allocation	CHF 72.60	CHF 95.40
Exercise price	CHF 4.00	CHF 4.00
Daily value on the date of allocation	CHF 68.60	CHF 91.40

### 2.3.5 Pension Fund / Management Fund

The executive members of the Board of Directors and the members of the Executive Group Management Board and of the Extended Group Management Board respectively, are insured by the Swatch Group Pension Fund and the Swatch Group Management Fund.

The Swatch Group Pension Fund insures incomes of up to CHF 320,000.00.

The Management Fund covers income components between CHF 320,000.00 and CHF 846,000.00.

The Management Fund provides for contributions of 10%. 75% of such contributions are assumed by the employer.

## COMPENSATION REPORT

### 3. Additional contractual elements

#### 3.1 Term and termination periods of employment contracts

All employment contracts of the Executive Group Management Board and of the Extended Group Management Board respectively, are concluded for an indefinite term.

They may be terminated by either party with a notice period of six months as per the end of a month.

#### 3.2 Payment of salaries

Salaries are paid on a monthly basis. No advance payments are made, either for the current month or for longer periods. The same applies to compensation within the framework of mandate relationships.

#### 3.3 Compensation upon commencement of the employment relationship

Swatch Group does not pay any compensation upon the conclusion of an employment contract or upon the start of work („golden hellos“/„golden handshakes“).

Moreover, no compensation is provided to settle share options or other financial benefits of a prior employer that were rendered void through the job change.

#### 3.4 Loans and credits to members of governing bodies

The company or companies controlled by it may grant loans and credits to executive members of the Board of Directors and the Group Management Board on market terms. Such loans and credits may not exceed the amount of the fixed annual compensation of the person concerned. The fixed annual compensation of the previous year shall be taken as the basis for the grant of credit or loan (Article 41 of the Articles of Association).

In addition, just like all employees of the Swatch Group in Switzerland, the executive members of the Board of Directors and the members of the Executive Group Management Board and of the Extended Group Management Board respectively, have the option of taking out a mortgage loan with the Swatch Group Pension Fund to finance the purchase of real estate in Switzerland. Such a mortgage loan may be granted only for a primary residence. The applicable conditions are the same as those that apply to all employees of the Swiss Swatch Group companies (lending limit, interest rate, etc.).

#### 3.5 Deployment in governing bodies of Group companies

It regularly occurs that executive members of the Board of Directors and members of the Executive Group Management Board and of the Extended Group Management Board respectively, must sit on governing bodies of subsidiaries, both in Switzerland and abroad (as board members, members of supervisory boards, members of advisory boards, or as managers). No additional compensation is awarded for such tasks and functions, either by the Swatch Group or by the relevant Group company.

#### 3.6 Severance payments

The employment contracts of the members of the Executive Group Management Board or the Extended Group Management Board do not provide for severance payments or any payments whatsoever upon termination of the employment relationship.

In addition, no payments („golden parachutes“, etc.) are provided in the event of a change of control.

#### 3.7 Mandates with former members of the Executive Group Management Board or the Extended Group Management Board

It may occur that members of the Executive Group Management Board and of the Extended Group Management Board respectively, who have resigned from their functions are employed on a mandate basis from time to time. In all such cases, clear written mandate contracts are concluded; these must be approved by the President of the Executive Group Management Board. Such mandate contracts contain the same restrictive conditions as employment contracts (contractual term, payments, etc.).

## COMPENSATION REPORT

### 4. Compensation for the members of the Board of Directors and Group Management Board (KL/EKL) in 2015

This part of the report is subject to revision by PricewaterhouseCoopers Ltd

#### a. Board of Directors (BoD)

2015 Name	Function	Compensation for functions in the BoD <sup>1)</sup>	Compensation for executive functions				Total <sup>6)</sup>
			Base compensation <sup>2)</sup>	Bonus <sup>3)</sup>	Share options <sup>4)</sup>	Other compensation <sup>5)</sup>	
		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek	Chairwoman	231 294	1 001 928	1 400 000	1 406 663	382 066	4 421 951
	Vice-						
Ernst Tanner	Chairman	166 146				8 772	174 918
Georges Nicolas Hayek	Member	157 186				7 186	164 372
Prof. Dr. h.c. Claude Nicollier	Member	155 603				7 997	163 600
Dr. Jean-Pierre Roth	Member	155 603				7 997	163 600
<b>Total</b>		<b>865 832</b>	<b>1 001 928</b>	<b>1 400 000</b>	<b>1 406 663</b>	<b>414 018</b>	<b>5 088 441</b>

2014 Name	Function	Compensation for functions in the BoD <sup>1)</sup>	Compensation for executive functions				Total <sup>6)</sup>
			Base compensation <sup>2)</sup>	Bonus <sup>3)</sup>	Share options <sup>4)</sup>	Other compensation <sup>5)</sup>	
		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek	Chairwoman	231 378	1 001 928	1 450 000	1 812 335	418 934	4 914 575
	Vice-						
Ernst Tanner	Chairman	166 146				8 850	174 996
Esther Grether <sup>7)</sup>	Member	64 835				3 362	68 197
Georges Nicolas Hayek <sup>8)</sup>	Member	157 186				7 186	164 372
Prof. Dr. h.c. Claude Nicollier	Member	155 603				8 068	163 671
Dr. Jean-Pierre Roth	Member	155 603				8 068	163 671
<b>Total</b>		<b>930 751</b>	<b>1 001 928</b>	<b>1 450 000</b>	<b>1 812 335</b>	<b>454 468</b>	<b>5 649 482</b>

<sup>1)</sup> Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred. The compensation contains an amount of CHF 20 000 for functions in the Compensation Committee and the Audit Committee as well as lump-sum expense payments in the amount of CHF 30 000 per year.

<sup>2)</sup> Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred.

<sup>3)</sup> Bonus payments allocated on a cash or accrual basis.

<sup>4)</sup> The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4. In 2015 and in 2014, Mrs N. Hayek was allocated 20 000 share options.

<sup>5)</sup> Other compensation includes pension benefits in the amount of CHF 65 064 (2014: 63 424). The remaining social benefits (employer's contributions) amounted to CHF 348 954 (2014: CHF 391 044) for the year under review.

<sup>6)</sup> All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

<sup>7)</sup> BoD member until May 2014.

<sup>8)</sup> The compensation for the executive functions is set forth in paragraph b of this chapter.

## COMPENSATION REPORT

### b. Executive Group Management Board (KL) and Extended Group Management Board (EKL)

2015

Name	Base compensation <sup>1)</sup> (CHF)	Bonus <sup>2)</sup> (CHF)	Share options <sup>3)</sup> (number)	Share options <sup>3)</sup> (CHF)	Other compensation <sup>4)</sup> (CHF)	Total <sup>5)</sup> (CHF)
Georges Nicolas Hayek (MB President / CEO)	1 501 925	3 120 000	24 000	1 688 000	568 775	6 878 700
Total other members	6 042 612	12 973 655	127 300	8 953 395	3 306 280	31 275 942
<b>Total</b>	<b>7 544 537</b>	<b>16 093 655</b>	<b>151 300</b>	<b>10 641 395</b>	<b>3 875 055</b>	<b>38 154 642</b>

2014

Name	Base compensation <sup>1)</sup> (CHF)	Bonus <sup>2)</sup> (CHF)	Share options <sup>3)</sup> (number)	Share options <sup>3)</sup> (CHF)	Other compensation <sup>4)</sup> (CHF)	Total <sup>5)</sup> (CHF)
Georges Nicolas Hayek (MB President / CEO)	1 501 925	3 170 000	24 000	2 174 800	610 320	7 457 045
Total other members	6 039 698	13 453 993	127 300	11 535 518	3 654 367	34 683 576
<b>Total</b>	<b>7 541 623</b>	<b>16 623 993</b>	<b>151 300</b>	<b>13 710 318</b>	<b>4 264 687</b>	<b>42 140 621</b>

<sup>1)</sup> Total annual base compensation allocated on a cash or accrual basis, including lump-sum expense payments but not including any reimbursement for travel and other business expenses incurred.

<sup>2)</sup> Variable bonus payments allocated on a cash or accrual basis.

<sup>3)</sup> The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4.

<sup>4)</sup> Other compensation includes pension benefits in the amount of CHF 644 781 (2014: 624 557). The remaining social benefits (employer's contributions) amounted to CHF 3 172 736 (2014: CHF 3 511 582) for the year under review. Other compensation also includes further benefits in the amount of CHF 57 538 (2014: CHF 128 548).

<sup>5)</sup> All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

The figures presented include all direct and indirect compensation.

Mr G.N. Hayek, as the CEO, received the highest compensation.

No compensation payments whatsoever were distributed to former members of the Board of Directors and of the Group Management Board respectively, in connection with prior activities as members of the governing bodies of the company.

### c. Loans and credits to the Board of Directors and the Group Management

In the 2015 business year, no loans or credits were granted to members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively. Moreover, no loans or credits were granted to former members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively. The same holds true for the previous business year.

At the end of 2015 and 2014, there were no credit or loans to (current or former) executive members of the Board of Directors or the Group Management Board.

### d. Compensation, loans, and credits to closely related persons

In the 2015 business year (as in the business year 2014), no non-market-based compensation was awarded to persons who are closely related to the members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.

### e. Impermissible compensation

In the 2015 business year (as in the business year 2014), the company did not award any severance payments to the members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.

Likewise, in the 2015 business year (as in 2014), no compensation was paid in advance to members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.



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## REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF THE SWATCH GROUP LTD, NEUCHÂTEL

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We have audited the content of sections 4a-e of the Compensation report dated 19 February 2016 of The Swatch Group Ltd for the year ended 31 December 2015.

### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

### Auditor's responsibility

Our responsibility is to express an opinion on the accompanying Compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the Compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the Compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the Compensation report of The Swatch Group Ltd for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

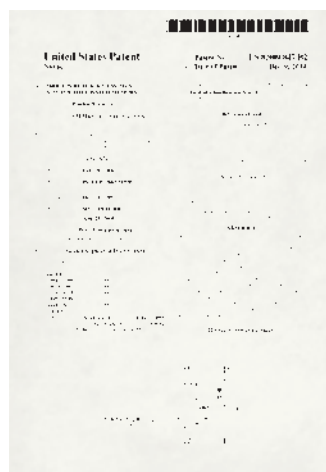
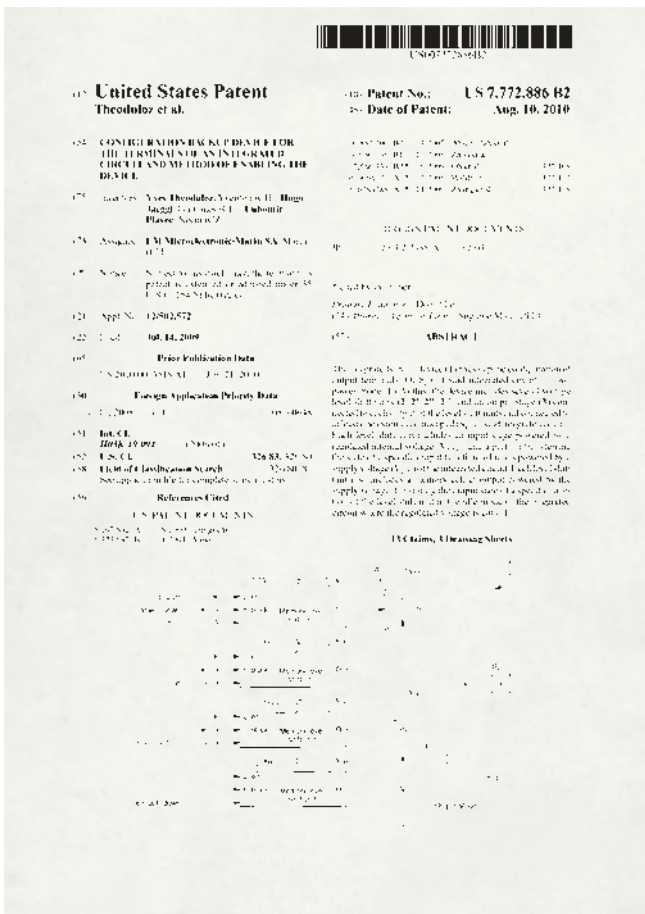
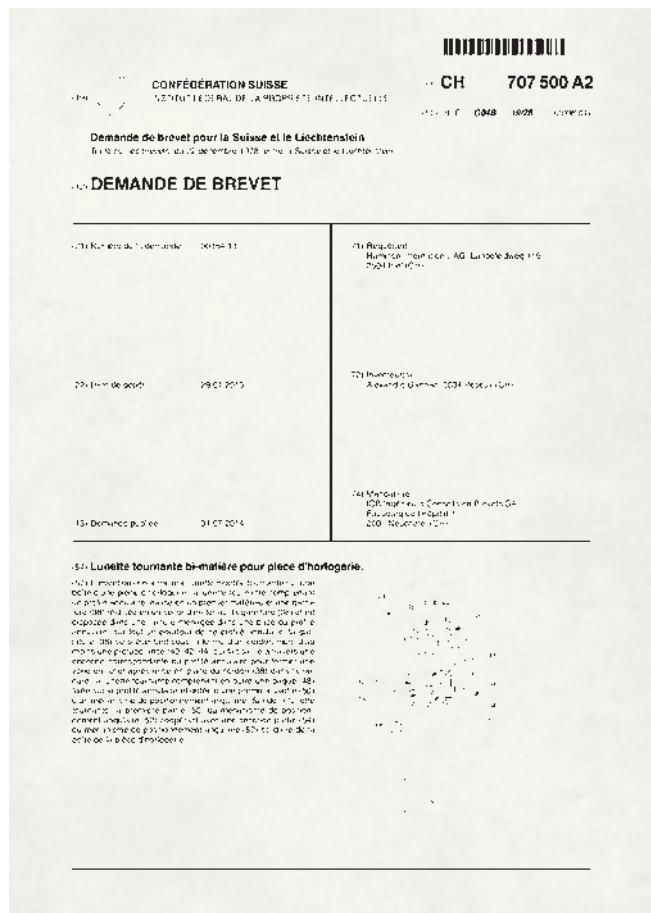
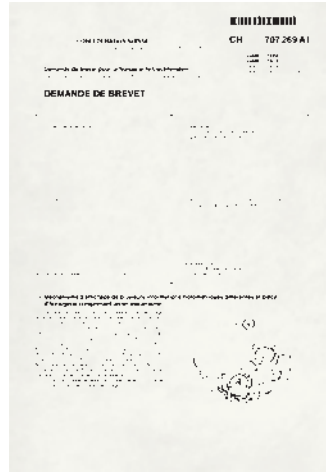
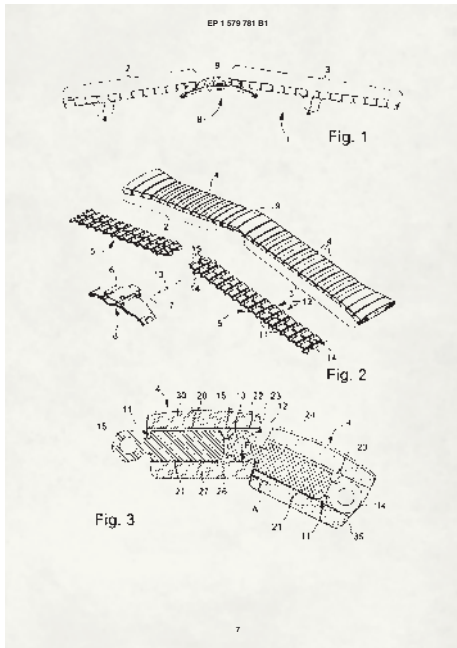


Gerhard Siegrist  
Audit expert  
Auditor in charge



Tobias Handschin  
Audit expert

Basel, 19 February 2016





(11) **EP 1 825 219 B1**

(12) **FASCICULE DE BREVET EUROPEEN**

- (45) Date de publication et mention de la délivrance du brevet:  
**26.05.2010 Bulletin 2010/21**
- (51) Int Cl.:  
**G01C 21/20 (2006.01) G01C 23/00 (2006.01)**  
**G04B 47/06 (2006.01) G04B 19/00 (2006.01)**
- (21) Numéro de dépôt: **05806463.5**
- (86) Numéro de dépôt international:  
**PCT/EP2005/011941**
- (22) Date de dépôt: **08.11.2005**
- (87) Numéro de publication internationale:  
**WO 2006/061072 (15.06.2006 Gazette 2006/24)**

(54) **PIECE D'HORLOGERIE CONSTITUANT UNE AIDE A LA NAVIGATION POUR LES AVIATEURS ET LES MARINS**

**UHR MIT EINER NAVIGATIONSILFE FÜR FLIEGER UND SEEFÄHRER**  
**TIMEPIECE WITH NAVIGATION AID FOR AVIATORS AND SAILORS**

- |  |  |
|--|--|
| <p>(84) Etats contractants désignés:<br/><b>AT BE BG CH CY CZ DE DK EE ES FI FR GB GR HU IE IS IT LI LT LU LV MC NL PL PT RO SE SI SK TR</b></p> <p>(30) Priorité: <b>07.12.2004 EP 04028918</b></p> <p>(43) Date de publication de la demande:<br/><b>29.08.2007 Bulletin 2007/35</b></p> <p>(73) Titulaire: <b>Hamilton International Ltd.</b><br/><b>2504 Bienne (CH)</b></p> <p>(72) Inventeur: <b>EL KADIRI, Hakim</b><br/><b>CH-2072 Saint-Blaise (CH)</b></p> | <p>(74) Mandataire: <b>Ravenel, Thierry Gérard Louis et al</b><br/><b>ICB</b><br/><b>Ingénieurs Conseils en Brevets SA</b><br/><b>Faubourg de l'Hôpital 3</b><br/><b>2001 Neuchâtel (CH)</b></p> <p>(56) Documents cités:<br/><b>EP-A- 0 331 544 CH-A- 192 393</b><br/><b>FR-A- 2 652 156 GB-A- 555 155</b><br/><b>US-A- 2 775 404</b></p> <ul style="list-style-type: none"> <li>• <b>PATENT ABSTRACTS OF JAPAN vol. 014, no. 554 (P-1140), 10 décembre 1990 (1990-12-10) -&amp; JP 02 236488 A (SEIKO EPSON CORP), 19 septembre 1990 (1990-09-19)</b></li> </ul> |
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**EP 1 825 219 B1**

Il est rappelé que: Dans un délai de neuf mois à compter de la publication de la mention de la délivrance du brevet européen au Bulletin européen des brevets, toute personne peut faire opposition à ce brevet auprès de l'Office européen des brevets, conformément au règlement d'exécution. L'opposition n'est réputée formée qu'après le paiement de la taxe d'opposition. (Art. 99(1) Convention sur le brevet européen).



CH 703 330 A2

**Description**

1001) Le présent brevet a pour objet un mécanisme d'avance par saut périodique d'une cage de carrousel, tel qu'il est représenté sur les figures annexées, et plus particulièrement un tel mécanisme qui permet de faire avancer périodiquement un cadran d'horloge.

1002) Le mécanisme est constitué d'une cage 10, d'un ressort 11, d'un ressort 12, d'un ressort 13, d'un ressort 14, d'un ressort 15, d'un ressort 16, d'un ressort 17, d'un ressort 18, d'un ressort 19, d'un ressort 20, d'un ressort 21, d'un ressort 22, d'un ressort 23, d'un ressort 24, d'un ressort 25, d'un ressort 26, d'un ressort 27, d'un ressort 28, d'un ressort 29, d'un ressort 30, d'un ressort 31, d'un ressort 32, d'un ressort 33, d'un ressort 34, d'un ressort 35, d'un ressort 36, d'un ressort 37, d'un ressort 38, d'un ressort 39, d'un ressort 40, d'un ressort 41, d'un ressort 42, d'un ressort 43, d'un ressort 44, d'un ressort 45, d'un ressort 46, d'un ressort 47, d'un ressort 48, d'un ressort 49, d'un ressort 50, d'un ressort 51, d'un ressort 52, d'un ressort 53, d'un ressort 54, d'un ressort 55, d'un ressort 56, d'un ressort 57, d'un ressort 58, d'un ressort 59, d'un ressort 60, d'un ressort 61, d'un ressort 62, d'un ressort 63, d'un ressort 64, d'un ressort 65, d'un ressort 66, d'un ressort 67, d'un ressort 68, d'un ressort 69, d'un ressort 70, d'un ressort 71, d'un ressort 72, d'un ressort 73, d'un ressort 74, d'un ressort 75, d'un ressort 76, d'un ressort 77, d'un ressort 78, d'un ressort 79, d'un ressort 80, d'un ressort 81, d'un ressort 82, d'un ressort 83, d'un ressort 84, d'un ressort 85, d'un ressort 86, d'un ressort 87, d'un ressort 88, d'un ressort 89, d'un ressort 90, d'un ressort 91, d'un ressort 92, d'un ressort 93, d'un ressort 94, d'un ressort 95, d'un ressort 96, d'un ressort 97, d'un ressort 98, d'un ressort 99, d'un ressort 100.

CONFÉDÉRATION SUISSE  
INSTITUT FEDERAL DES PROPRIÉTÉS INTELLECTUELLES

CH 703 330 A2

Demande de brevet pour la Suisse et la Liechtenstein  
Date de dépôt: 03.07.2004

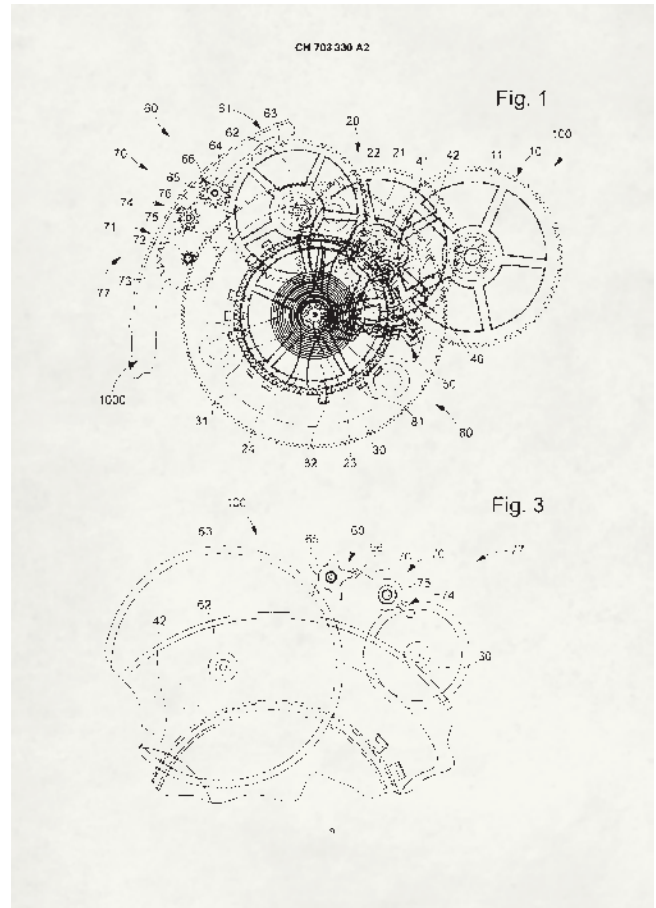
**DEMANDE DE BREVET**

011) Numéro de la demande	703 330 A2	012) Inventeur	Stangasson SA, Le Polder 17 558 Le Noisier, CH
013) Date de dépôt	11.06.2004	017) Inventeur(s)	Stangasson SA 558 Le Noisier, CH
014) Demandeur	Stangasson SA	018) Mandataire	CH Ingenieurbüro Cometa mbH 2048 Basel, CH

**104) Mécanisme d'avance par saut périodique d'une cage de carrousel.**

105) Le présent brevet a pour objet un mécanisme d'avance par saut périodique d'une cage de carrousel, tel qu'il est représenté sur les figures annexées, et plus particulièrement un tel mécanisme qui permet de faire avancer périodiquement un cadran d'horloge.

106) Le mécanisme est constitué d'une cage 10, d'un ressort 11, d'un ressort 12, d'un ressort 13, d'un ressort 14, d'un ressort 15, d'un ressort 16, d'un ressort 17, d'un ressort 18, d'un ressort 19, d'un ressort 20, d'un ressort 21, d'un ressort 22, d'un ressort 23, d'un ressort 24, d'un ressort 25, d'un ressort 26, d'un ressort 27, d'un ressort 28, d'un ressort 29, d'un ressort 30, d'un ressort 31, d'un ressort 32, d'un ressort 33, d'un ressort 34, d'un ressort 35, d'un ressort 36, d'un ressort 37, d'un ressort 38, d'un ressort 39, d'un ressort 40, d'un ressort 41, d'un ressort 42, d'un ressort 43, d'un ressort 44, d'un ressort 45, d'un ressort 46, d'un ressort 47, d'un ressort 48, d'un ressort 49, d'un ressort 50, d'un ressort 51, d'un ressort 52, d'un ressort 53, d'un ressort 54, d'un ressort 55, d'un ressort 56, d'un ressort 57, d'un ressort 58, d'un ressort 59, d'un ressort 60, d'un ressort 61, d'un ressort 62, d'un ressort 63, d'un ressort 64, d'un ressort 65, d'un ressort 66, d'un ressort 67, d'un ressort 68, d'un ressort 69, d'un ressort 70, d'un ressort 71, d'un ressort 72, d'un ressort 73, d'un ressort 74, d'un ressort 75, d'un ressort 76, d'un ressort 77, d'un ressort 78, d'un ressort 79, d'un ressort 80, d'un ressort 81, d'un ressort 82, d'un ressort 83, d'un ressort 84, d'un ressort 85, d'un ressort 86, d'un ressort 87, d'un ressort 88, d'un ressort 89, d'un ressort 90, d'un ressort 91, d'un ressort 92, d'un ressort 93, d'un ressort 94, d'un ressort 95, d'un ressort 96, d'un ressort 97, d'un ressort 98, d'un ressort 99, d'un ressort 100.



107) Le présent brevet a pour objet un mécanisme d'avance par saut périodique d'une cage de carrousel, tel qu'il est représenté sur les figures annexées, et plus particulièrement un tel mécanisme qui permet de faire avancer périodiquement un cadran d'horloge.

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