

ANNUAL REPORT 2016



“EMBRACE THE FANTASY AND
IMAGINATION OF YOUR CHILDHOOD!”

> NICOLAS G. HAYEK, 1993



ALEX (8)

COVER: ANNA LYNN (5)

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Swatch Group's Annual Report and Compensation Report are published in French, German and English. Pages 1 to 149 are originally published in French and pages 150 to 230, as well as the Compensation Report, in German. These original versions are binding.

MESSAGE FROM THE CHAIR

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

Even more than in successful years, it is in the difficult ones that the two key principles guiding all our activities demonstrate their effectiveness: on the one hand, to remain true to the strategic courses we have steered throughout the existence of Swatch Group; and on the other, to act according to a long-term perspective.

Among these fundamental strategic courses, several deserve a special mention:

- the firm commitment to maintaining jobs throughout this difficult time even in the event of a significant reduction in turnover, or – still more significantly – in the event of a substantial reduction in net profit. We have never, even in hard times, regarded our staff simply as commodities, but as partners fully involved in future results, in innovation and in ensuring that our company thrives.

- the firm commitment not to exert negative pressure on our partners and retailers, but rather to continue investing in marketing in order to appeal to our millions of consumers all over the world.

- the refusal to adhere to an “end of the world” mentality and not to give way to the oft-predominating global catastrophe scenario.

- the unshakable confidence in our expertise and the Swiss Made concept, the bedrock of all the fine qualities of our products.

Perhaps all of you may remember that these management principles and the desire to focus on the long term are those held by my predecessor in the position that I currently occupy as Chair of the Board of Directors of Swatch Group. Among all the tangible, rational and reasonable steps in the face of difficulties that were constantly suggested and supported by the great man himself, there is one that might give the impression of being a black sheep in the midst of a white herd, namely: “Embrace the imagination of your six-year-old self, the fantasy of your childhood!” A veritable leitmotiv repeated on many occasions was: “You must be able to maintain the spirit of your childhood and continue to believe in Santa Claus. Dare to pursue your ideas, even the crazy ones.” Or: “For years, I have been trying to persuade my colleagues, employees and friends to retain the imagination they had as six year-olds throughout their lives.” Not to mention: “The entrepreneur filled with innovative ideas and imagination is in fact every one of us from the moment of our birth. Remember when we were six year-olds playing in the sand and building sand castles? Our imagination was boundless!”

These days, we only believe in Santa Claus in a somewhat distant manner. We have, however, decided to revisit this powerful idea of embracing the spirit of when we were six, the spirit of our childhoods. We have decided to make it the theme of this year’s Annual Report, to reflect upon it and to see how it can open up new perspectives for us in a global environment beset by all sorts of issues, not least of which is terrorism.

Significantly, at six years old, you never lose hope: if, when on holiday by the sea, a wave destroys the sand castle you’ve been working on for hours while Mom worked on her tan and Dad was thinking about having a drink, you start all over again. You start over because the result is not the only thing that counts. What matters is the project and carrying it through.

At six years old, we have not yet really assimilated that wonderful thing that is such a help in finding direction in life, both professional and private, even if the latter does not always respect it: logic! Simultaneously wonderful and awful because it can be the worst of all strangleholds. A six year-old is at the dawn of the first phase of reasoning, the dawn of rationality. And it is that which constitutes the strength of a six year-old child: he pursues his dreams without restraint; he starts building his sand castle filled with optimism; he is not held back by the idea that this tower is absurd where it is located; this wall too weak; this door ridiculous; this moat unviable: he goes for it, and it is up to reality to put him back on the right track. That straight path of reality separating what is possible on the one hand from what is impossible on the other. A path that is often *too* straight and filled with stones, devoid of trees offering protection from the sun and rain, and very barren for those who prefer the small, romantic, winding lanes of the countryside.

This imagination that we must rediscover, keep and use is that which, combined with all our business experience, in conjunction with our in-depth assessments, our informed strategic decisions and our tireless endurance will enable us to return to the brilliant results that were denied us in the 2016 fiscal year. It is this imagination that has enabled us, together with Swatch, to implement 'the coolest way to pay' with the Bellamy in China; to relaunch the POP collection; to develop the SISTEM51 Irony; to launch the "Deep Black" at Omega and the new version of the Fifty Fathoms at Blancpain; to dazzle with Harry Winston's incredible pieces of jewelry; to introduce the 'Industry 4.0' concept at ETA and in our production companies; to continue to develop innovative industrialization methods at Renata for watchmaking batteries; and to conceptualize so many other exceptional products created by our company each year.

This imagination that we had when we were six is precisely what so many people lack – especially those who have chosen to work in the financial sector. Imagination in an adult is to do with the heart, not the head. And heart is what is required – perhaps more than anything else – of the management of a global industrial company.

Net sales of 7553 million Swiss francs for the Group, a decrease of 10.6% in comparison to last year; an operating result of 805 million Swiss francs, equivalent to an operating margin of 10.7% (down 44.5% compared to 2015); net income of 593 million Swiss francs, equivalent to a net margin of 7.9% (down 47.0% compared to the previous year); and equity of 11.1 billion Swiss francs, equivalent to a still very high equity ratio of 84.5%. In view of these disappointing results, and while the first few months of 2017 are encouraging, the Board of Directors of Swatch Group is proposing a dividend of CHF 6.75 per bearer share and CHF 1.35 per registered share. Please note that despite the 47% decrease in net profit from last year, there is only a 10% drop in dividend from that paid in 2016 based on the results from the 2015 fiscal year.

Ladies and Gentlemen, Fellow Shareholders, by taking part in the future of our company, you share both the good and the more difficult times with us. I would like to express my warmest 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, and to all of our 35 700 colleagues for their unwavering commitment during a year that was particularly filled with hurdles to overcome. Finally, I would like 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, 2016

> 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
 CHH Microtechnique
 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

> SWATCH GROUP

ORGANIZATION AND DISTRIBUTION IN THE WORLD

as at December 31, 2016

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

> SWATCH GROUP

BOARD OF DIRECTORS

as at March 1, 2017



NAYLA HAYEK

Chair of the Board of Directors

Company Secretary
Jennifer Meyer-Kluge

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PricewaterhouseCoopers
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ERNST TANNER
Vice-Chairman



DANIELA AESCHLIMANN



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, 2016 are outlined in the Corporate Governance chapter on pages 153 and 154 of the present Annual Report.

> SWATCH GROUP

EXECUTIVE GROUP MANAGEMENT BOARD

as at March 1, 2017



NICK HAYEK

President of the Group Management Board



**FLORENCE
OLLIVIER-LAMARQUE**



PIERRE-ANDRÉ BÜHLER



DR. MOUGAHED DARWISH



MARC A. HAYEK



DR. THIERRY KENEL



FRANÇOIS THIÉBAUD

> SWATCH GROUP

EXTENDED GROUP MANAGEMENT BOARD

as at March 1, 2017



RAYNALD AESCHLIMANN



MATTHIAS BRESCHAN



JEAN-CLAUDE EGGEN



YANN GAMARD



HANS RUDOLF GOTTIER



WALTER VON KÄNEL



THOMAS MEIER



CALOGERO POLIZZI



KEVIN ROLLENHAGEN



DR. PETER STEIGER

The function descriptions and responsibilities of the members of the Executive Group Management Board and of the Extended Group Management Board at December 31, 2016 are outlined in the Corporate Governance chapter on pages 155 to 158 of the present Annual Report.

> DEVELOPMENT OF SWATCH GROUP

Swatch Group consolidated		2016	2015	2014	2013	2012
Net sales	CHF million	7 553	8 451	8 709	8 456	7 796
– Change from previous year	%	– 10.6	– 3.0	3.0	8.5	15.3
Operating result	CHF million	805	1 451	1 752	2 314	1 978
– As a % of net sales	%	10.7	17.2	20.1	27.4	25.4
Net income	CHF million	593	1 119	1 416	1 928	1 604
– As a % of net sales	%	7.9	13.2	16.3	22.8	20.6
– Change from previous year	%	– 47.0	– 21.0	– 26.6	20.2	25.7
Cash flow from operating activities	CHF million	1 010	1 404	1 848	1 309	999
– As a % of net sales	%	13.4	16.6	21.2	15.5	12.8
Equity	CHF million	11 073	11 242	10 674	9 574	8 573
– As a % of balance sheet total	%	84.5	84.7	83.7	82.3	82.2
Balance sheet total	CHF million	13 106	13 270	12 747	11 639	10 430
Personnel as at 31.12.	Employees	35 705	36 313	35 623	33 590	29 788
Annual average	Employees	35 827	35 783	34 492	31 114	28 942
Personnel expense	CHF million	2 342	2 384	2 343	2 144	1 988

The Swatch Group Ltd		2016	2015	2014	2013	2012
Dividend income	CHF million	1 005	1 055	1 071	1 565	1 065
Net income	CHF million	992	1 028	1 074	1 880	1 085
Investments	CHF million	3 422	3 116	3 113	3 056	2 493
Share capital	CHF million	125	125	125	125	125
Equity	CHF million	6 808	6 541	5 928	5 215	3 926
– As a % of total assets	%	95.1	97.5	96.8	96.3	95
Total assets	CHF million	7 162	6 707	6 127	5 415	4 131
Dividend ¹⁾	CHF million	375 ²⁾	403	407	407	366
– As a % of share capital	%	300.0	322.4	325.6	325.6	292.8

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

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ART & PHILANTHROPY

ART & PHILANTHROPY



Keenly aware of its social responsibility, Swatch Group is committed, directly or through its brands, to various causes all over the world. In this regard, art is another field of the company's philanthropic expression. This is a non-exhaustive summary of concrete examples in an area where actions speak much more loudly than words.

Last year, Breguet launched an exclusive new partnership in France with the Château de Versailles. Pursuing the sponsorship that enabled the restoration of the Petit Trianon, in 2016 the brand had the pleasure of supporting a fascinating retrospective devoted to Queen Marie-Antoinette. The exhibition, entitled *Marie-Antoinette, a queen in Versailles*, took place from Tuesday, October 25, 2016 to Sunday, February 26, 2017 in the well-known Tokyo Mori Arts Center Gallery in Japan. The choice of Japan for the retrospective was intentional, stimulated by Marie-Antoinette's popularity in a country outside of France.

Throughout 2016, Harry Winston continued its charitable commitment on behalf of people in need through its funding of a high number of local causes throughout its *Harry Winston Brilliant Futures™* philanthropy program. In the United States, Harry Winston provided support to organizations in local communities established close to its salons, notably the *Voices for Children Foundation* and the *Mattel Children's Hospital UCLA*, as well as the *CHOC Children's Hospital* in Orange County, California. Since 2013, Harry Winston has also supported *Chance for Children* in Japan, which grants children in need access to crucial training programs. Thanks to the help provided by the brand, children have an opportunity to participate in after-school programs and benefit from after-school mentoring. As a result, a large number had a chance to learn English for the first time. In addition, this year, hosted by Harry Winston, children from the area devastated by the earthquake that struck the northeastern part of the country in 2011 were given a chance to enjoy an extremely enriching experience.

To celebrate the second year of its partnership with the American Foundation for AIDS Research (amfAR), Harry Winston created the Countdown to a Cure watch. Exclusively designed to support the amfAR campaign of the same name, this limited edition timepiece is the first creation specially designed to support the efforts of the Foundation to develop the scientific basis for a cure for AIDS by 2020. Twenty percent of the net proceeds of this timepiece are assigned to the amfAR research program. Gala events held by amfAR and sponsored by Harry Winston in 2016 raised \$ 41 535 795 for AIDS research. In addition, Harry Winston donated certain pieces from its iconic prestigious jewelry collections to each of the gala events held in 2016. This initiative resulted in an additional \$ 904 174 being raised on behalf of the foundation.







Blancpain continued to develop close ties with the world of diving, an adventure started in 1953, which was the launch date of the watch that was destined to become an icon: the Fifty Fathoms. In 2016, the new Fifty Fathoms Blancpain Ocean Commitment II was a clear expression of the brand's determination to continue its commitment to the preservation of the oceans. Several events and roadshows (notably in China, the United States, Italy, England, Germany and Australia) brought together clients of the brand as well as the press, highlighting both this new timepiece as well as the work achieved by Blancpain and its partners. The efforts made by the brand under the auspices of the *Blancpain Ocean Commitment* are driven by three fundamental principles arising from the brand's DNA: optimism, long-term vision and innovation. In the past few years, the manufacture has co-financed ten major scientific expeditions. The brand is also proud to have been able to help double the surface area of protected marine zones with more than three million additional kilometers.

Glashütte Original was once again part of a fruitful collaboration with the Berlin International Film Festival. For the fifth time, in conjunction with the *Perspektive Deutsches Kino* section, the brand awarded the special *Made in Germany – Förderpreis Perspektive* prize, which rewards young producers both financially and in terms of ideas. In 2016, this award went to Janna Ji Wonders. In addition, the *Glashütte Original Music Festival Award* went to exceptional conductor Andris Nelsons at the 13th edition of the event. Consisting of 25 000 euros, the prize was awarded to the Latvian conductor not only for his powerful performance ability, but also for his commitment to the transmission of classical music heritage and for his encouragement to young musicians.

Jaquet Droz supported a project to restore three major watchmaking pieces undertaken by the *Automata and Marvels* association in Switzerland. It also sponsored the restoration of a spectacular Empire-style songbird pendulum clock, with a mechanism made by Pierre Jaquet-Droz, which will be completed for the brand's 280th anniversary in 2018.

Over the 12 months leading up to the Rio 2016 Olympic Games, Omega presented a large variety of social welfare programs in partnership with the *Viva Rio* association. Founded in December 1993 by civic groups, *Viva Rio* is a non-profit Brazilian organization involved in the creation of public policies designed to promote a culture of peace and social integration. The organization today provides aid to more than two million people through tangible projects targeting inhabitants of favelas through the management of government services. *Viva Rio* is active in six areas: health, sport and education, the environment, security, communication and volunteer work. In partnership with Omega, one of the programs was to support mothers and children in distress. Through education and group activities, the latter are able to learn techniques and practices that stimulate the development of their babies during pregnancy and the first years of their lives. This is key to improving medical and psychological support given to families.







Longines continued its work with the charity organizations with which its Elegance Ambassadors are involved. Children for Tomorrow, Stefanie Graf's foundation, is engaged in rebuilding the psychological integrity of abused children in exile, and the Andre Agassi Foundation for Education provides free education for young people in trouble. Kate Winslet's Golden Hat Foundation is involved in improving daily life for autistic people. The Swiss brand has also cooperated for several years with JustWorld International within the framework of show jumping competitions. This enabled the distribution of 60 000 meals to 6500 children last year.

Rado once again partnered with design platforms all over the world, enhancing its position as a leading watch brand in avant-garde design. Two new *Rado Star Prizes* were launched: one in Italy, in collaboration with the Istituto Marangoni, a well-known design school, and the other in the United States, in partnership with NYCxDESIGN, New York City's design week. Rado also partnered the World Design Capital project which took place in Taipei. In honor of this partnership, it teamed up with two local stylists to create two limited edition watches, sold exclusively in Taiwan. The brand also organized a large design fair in Munich, where it celebrated the launch of the new Rado Ceramica, a creation achieved together with Konstantin Grcic, a well-known industrial designer.

In collaboration with the *China Youth Development Foundation* in Chongqing, Mido continued to support disadvantaged children through educational programs. Mido's aim is to develop sustainable activities in order to inspire children to accomplish their dreams.

The ninth edition of the *Hamilton Behind the Camera Awards*, created in tribute to the incredible work achieved by those who labor in the wings, took place in November in Los Angeles. It is in fact due to the talent and relentless work on the part of many people off camera that we owe the wonderful costumes, magnificent décor, indispensable accessories and brilliant filming – all key to achieving a successful movie production. In recognition of their immense talent, Hamilton is proud to be able to honor these heroes in the shadows for their personal contributions in favor of the movie industry. Under the auspices of Bellamy Young, this event attracted a wide range of celebrities, such as Mel Gibson, Matthew McConaughey, Natalie Portman and many others, all delighted to abandon the limelight for an evening in order to pay tribute to their colleagues for their untiring work behind the cameras.



Swatch continued to support artistic creation in various forms: together with artist Tobias Rehberger, the brand created a bridge between art and design, on the path which connects the *Beyeler Foundation* in Basel (Switzerland) with the *Vitra Campus* in Weil am Rhein (in Germany), enhancing the trail consisting of 24 sculptures produced by the German artist. At the *Festival del film Locarno*, Swatch affirmed its commitment to supporting young artists by awarding two prizes to promising young producers. At the Swatch Art Peace Hotel, the brand celebrated the fifth anniversary of artists' residency with a series of contemporary artistic initiatives, held at the same time as the official opening of the 11th Shanghai Biennale, within the framework of a new partnership with the Power Station of Art (the local Museum of Contemporary Art).





ANNA LYNN (5)



BIG BRANDS

**WATCHES AND JEWELRY
RETAILING AND PRESENCE**

PRESTIGE AND LUXURY RANGE

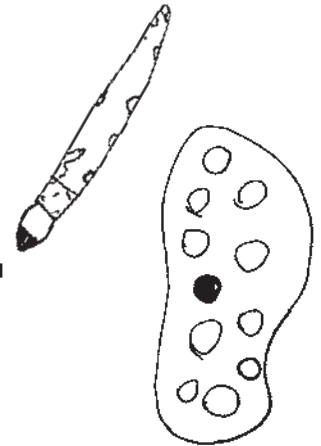
HIGH RANGE

MIDDLE RANGE

BASIC RANGE

swatch[®]+

I ALWAYS WANT MORE...



> TRENDS

2016 will remain in the mind of Swatch as a very active and successful year. As in other years, the brand took the Chinese New Year festival as an opportunity to launch an appealing and energetic special edition: the New Gent Lucky Monkey, devoted to the astrological sign of the monkey, which is regarded as dynamic and sophisticated. The Swatch POP took the world by storm: the collection with a near-cult status was reinterpreted and launched. The fact that the brand's iconic creation became such a huge success was also due to a highly creative digital campaign that attracted worldwide attention. Digital influencers from all over the world were inspired by the work of digital celebrities such as RJ Puno and Zach King, and uploaded thousands of visuals and videos, demonstrating and interpreting better than ever the multifaceted, creative and very individual personality of the POP Swatch collection. Dedicated in-store presentations and powerful PR programs took care of the rest, establishing Swatch POP as a new member of the family, its accessories and interchangeable straps perfectly in tune with the customization needs of the market.

In the second part of the year, as Summer and Fall collections continued to attract a passionate global customer base, the market "joined the revolution" with the launch of SISTEM51 Irony. The revolutionary automatic movement, presented in timeless stainless steel cases with a contemporary classic design language aligned with a prevalent market trend, attracted new customers who understand and enjoy mechanical movements – especially those with unique personalities and stories behind them. With SISTEM51 Irony, Swatch underlined its Swiss Made know-how and reinforced its aura as a creative, innovative and provocative pioneer.

Swatch Bellamy introduced "the coolest way to pay" in China, Brazil and Switzerland – again a pioneering statement showing Swatch's ability to break through boundaries, push people and institutions to think differently and to be straightforward and committed to delivering the best and least complicated customer experience.

2016 also saw Swatch launch its "Destination Watches": unique, engaging designs that tell a story, they are sold exclusively in the city that inspired them, attracting proud locals as well as tourists looking for a unique, high-quality memento. The watches were a great success, as many capitals of the world now aspire to have their own Destination Watch. They're an absolute favorite of Swatch Collectors worldwide – the spirit of the hunt is back!







> CREATION

The spirit of Swatch POP was the signature of Swatch style in spring 2016: bold, colorful, visible, and fun! Accessories such as pocket chains, necklaces and desk and wall clock holders have contributed to making Swatch POP not just a watch, but a state of mind, an accessory, a style and personality signifier, a playful companion. The language continues to evolve, supported by a unique presentation setting in the Swatch stores.

For SISTEM51 Irony, the challenge to establish a contemporary classic style was met by creating a coherent collection. Functional dials, with extremely high-quality looks in the finish of the metallic surfaces, plain yet soft and natural touch leather straps, sporty and evergreen metal bracelets or textured rubber ones, offered a great variety. All these elements as well as the signature decorated movement, fully visible from the back, re-interpreted in sophisticated tone-in-tone and more subdued versions, contributed to the strong identity of this unique product, inviting customers worldwide to join the mechanical revolution!

The Swatch Spring/Summer and Fall/Winter collections continued to tell engaging stories: Swatch flooded the world with flowers in spring, with the Floralia theme and worldwide success of Fiorinella and Jardin Fleuri; with Archi-Mix and hot-seller Guimauve; with the colors and beach party atmosphere of summer's Beach Swing!; with irreverent black humor in the Fall (Duck-issime and Sir Dog) and with a touch of glamorous glitz for the year-end Holiday season (Look Fab collection).

2016 was yet another year where Swatch was proud to say: there is a Swatch for everyone!

> PRESENCE

> RETAIL & SALES

In 2016 Swatch retail made its mark with dynamic statements at key addresses around the world. The new Times Square location presented a unique design concept celebrating life in NYC, topped by the biggest video display ever seen at Times Square, a manifesto visible to the entire world. The Champs-Elysees store in Paris reopened after a renovation, offering a fresh, colorful and vibrant shop experience. The first Swatch store in Belgium opened right on the incredibly beautiful Grande Place, in a historic building renovated for the occasion. In Macao, Swatch opened in the heart of this amazing Asian destination's historic center. Overall, in-store product presentation was enhanced, in particular for the Irony and Originals families.

e-Commerce

Growth in online sales continued in 2016 as Swatch opened online channels in Canada, Taiwan, Brazil, Hong Kong and Mexico and two pilot projects with distributors. Multi-channel services "e-reservation" and "click and collect" enhanced opportunities to build loyalty.



Europe

Swatch continued to develop the main European markets, with new store concepts implemented in Amsterdam, Zermatt, Glasgow and elsewhere. The shop-in-shop concept in Zurich's Jelvoli department store premiered new ways to differentiate products in this environment. Eastern Europe saw store openings/renovations in Bulgaria, Cyprus and Albania, shop-in-shops in Iceland, Romania and the Ukraine, e-commerce in Bulgaria; southern Europe expanded distribution in touristic markets such as Malta. Overall, a shift in marketing and communication strategy brought increased focus on the digital world.

Americas, Middle East & Africa

The Swatch World Trade Center Store opened at One World Trade Tower, the tallest building in New York City. The Latin American & Caribbean market saw qualitative expansion of Swatch stores, market share growth in the main markets and continuing commitment to *Proyecto Sofia Mulanovich* for young Peruvian surf talents. Swatch continued to strengthen its presence through distribution networks, renovations and multiple relocations of its Middle East stores. Intensive employee training took place in several countries, and the area's first Destination Swatch was dedicated to Dubai. In Africa new stores and shop-in-shops strengthened brand presence.

China & Hong Kong

China had a very eventful 2016 with the first Swatch concept store opening at Shanghai Disneytown. The creative launch of POP and stylish debut of SISTEM51 Irony were very well received by media and consumers, and the Swatch & Art romance continued with celebrations marking the 5th anniversary of the Swatch Art Peace Hotel. In Hong Kong, increased customer outreach with events, shop activations and 360° marketing campaigns led to improvements in both shop traffic and sales.





Asia

A special Swatch exhibition at the Korea International Art Fair in October showcased Swatch & Art collections and the Swatch Art Peace Hotel, and a new POS debuted in South Korea's leading department store. Japan timed its SISTEM51 Irony launch to coincide with the opening of a new Pop-Up store in Yokohama Takashimaya and strengthened its retail network with a new flagship in Osaka, two other new stores and three renovations. In Taiwan Swatch opened new stores in Sogo Hsinchu and Taroko Mall Kaohsiung; POP and SISTEM51 Irony launches received strong media exposure. May saw the 177 square meter St. Paul store open in the Historic Center of Macau, a UNESCO World Heritage site. Thailand confirmed strong double-digit growth in sales with store openings in tourist spots Hat Yai, Chiang Mai and Pattaya. Australia saw a unique concept store open in the country's biggest shopping center.

> SWATCH & ART

24 Stops Rehberger

Swatch and Tobias Rehberger built a bridge between art and design with the "24 Stops" footpath connecting the *Fondation Beyeler* in Basel, Switzerland with the *Vitra Campus* in Weil am Rhein, Germany. 24 Rehberger sculptures marked the five kilometer cross-border trail. Swatch and the artist also collaborated to create Cuckoolus, a playful Swatch with two hands of the same size.

Festival del film Locarno

As Official Partner of the international *Festival del film Locarno*, Switzerland, Swatch confirmed its substantial support for young artists with two major prizes for emerging filmmakers: the CHF 15000 *Swatch First Feature Award*, and the unconventional (and invaluable) *Swatch Art Peace Hotel Award*: a stay for the winning filmmaker in Shanghai with resident artists at the Swatch Art Peace Hotel.

Swatch Art Peace Hotel

Swatch celebrated the 5th anniversary of the Swatch Art Peace Hotel's artist residency with a series of contemporary art initiatives timed to coincide with the official opening of the 11th Shanghai Biennale. A new partnership with Power Station of Art (PSA) saw the Swatch Art Peace Hotel (a City Project of the Shanghai Biennale) host *Grain God Narrative*, an exhibition curated by the winners of PSA's *Emerging Curators Project 2016*.

Swatch Bellamy

The innovative contactless payment watch saw three major launches in 2016, in China, Switzerland and Brazil. Following the launch in China, Swatch joined forces with Cornèrcard bank and technology enabler Visa Europe to launch this coolest way to pay in Switzerland. The Brazilian launch was timed to coincide with the Rio 2016 Olympic Games.



> SPORTS

In 2016 Swatch gained high visibility with its support for international sport platforms. The world's best freeride ski & snowboard athletes competed at *Swatch Freeride World Tour* events in Vallnord, Chamonix, Fieberbrunn and Haines with the final extravaganza in Verbier. *The Swatch Beach Volleyball Major Series* saw the top beach volleyball nations battle for the championship in Hamburg, Porech, Gstaad and Klagenfurt with the finals in Toronto. 20000 freestyle mountain bike fans formed a noisy and enthusiastic stage for the launch of Swatch Touch Zero Two during the *Swatch Prime Line* event in Munich. The *California Swatch Women's Pro* event, one of the most important *World Surf League* tour stops, recreated the perfect environment to host the official launch of the Coco Ho Sports special watch.

> SWATCH CLUB

In 2016 the Swatch Club grew to over 210 000 members in 175 countries, implementing a true brand engagement marketing strategy in the process. The official Swatch Club watch, Silverscape, combined utility and fashion. Swatch Club also partnered with Ed Banger Records to create a unique, much-coveted watch: Ed Banger Time. Co-designed by the French electronic music label designer and Swatch, the watch was launched in Germany, USA, France and Switzerland. It was even offered at colette.fr and quickly sold out. The second Club watch of 2016, Piolin's Time, was created by the Argentinian artists Chiachio & Giannone. After the successful *Gold & Pioneer* event held in Lucerne and Interlaken in Switzerland, the *Xmas* event took place in Rotterdam and Amsterdam. Both events sold out in less than ten minutes and gathered more than 300 lucky brand fans.

> ADVERTISING

The powerful Swatch brand campaign *I ALWAYS WANT MORE* guided all communication actions throughout 2016. The success of the plastic SISTEM51 campaign generated a need for a grown up version – SISTEM51 Irony. The new campaign took the iconic plastic mechanical watch to another level and invited everyone to "join the mechanical revolution". For the POP campaign Swatch collaborated with digital influencers for the first time, engaging social media artists, designers and fashionistas around the world and challenging them to "Create the unexpected" with original artwork featuring the POP watches and accessories and to post their work on their favorite social media channels.

> SOCIAL MEDIA

Swatch maintained its focus on the digital world and growth across all social media channels. The POP ad campaign #POPitUP saw Swatch work with digitally influential artists such as RJ Puno and Zach King. The number of Swatch's Instagram followers nearly doubled in approximately 18 months, from 350 000 in April 2015 to 643 000 in November 2016. Swatch also launched its own Snapchat account, providing exclusive inside views and highlights of events.



PRESTIGE AND LUXURY RANGE	HIGH RANGE	MIDDLE RANGE	BASIC RANGE
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PRECISION LEADS THE WAY



> TRENDS

2016 was an extraordinary year for highlighting Omega’s storied dedication to precision and excellence.

At Rio 2016, Omega once again brought its timekeeping experience to the Olympic Games. In front of a global audience of billions, the brand’s unrivalled accuracy and expertise was trusted implicitly by athletes, judges and spectators alike.

This high standard of precision and excellence was further enhanced within Omega’s iconic watchmaking. At Baselworld in March, the brand unveiled six new Master Chronometer movements. This was an important step in the future progression of the company. Along with these new calibers, Omega’s 2016 watches also welcomed innovative new materials and technologies. Certainly, each piece was received with great positivity and admiration around the world.

Along with even more exquisite products, timekeeping duties, partnerships and celebrations, Omega remained true to its pioneering spirit and its reputation went from strength to strength in 2016.





> CREATION

Six new Master Chronometer movements

Among the 105 new Omega timepieces presented at Baselworld, one of the brand's biggest highlights in 2016 was the roll-out of six new Master Chronometer movements that included Annual Calendar, Chronograph, Moonphase, Small Seconds and GMT complications.

Seamaster Planet Ocean 600M

Omega revolutionized its Seamaster Planet Ocean 600M Collection in 2016. The updated models combined many of Omega's most innovative materials and technologies, such as ceramic dials and bezels. Certified as Master Chronometers, the collection represented the pinnacle of precision and performance. Within this collection, four unique "Deep Black" models were also released. As the combination of a GMT model and a diving watch, the true technical breakthrough was producing a ceramic timepiece that can withstand the pressures of the oceans' depths.

Globemaster Annual Calendar

A year after its release as the world's first Master Chronometer, the Globemaster entered a new phase, with the 2016 launch of the Globemaster Annual Calendar. The new complication added aesthetic and technological value to the updated model, which for the most part, stayed true to the original Globemaster's design. The look, inspired by the 1952 Constellation, included the celebrated "Pie Pan" dial, with a central hand that instantaneously jumps to the correct month of the year elegantly written on each of the dial's 12 facets.

Speedmaster "CK2998" Limited Edition

Taking inspiration from the original style and spirit of the 1959 Speedmaster "CK2998", Omega produced a new Limited Edition version that was updated for a new generation. The watch was notable for its blue coloring, ceramic bezel, opaline silvery dial and the reintroduced "lollipop" seconds hand.

Constellation Petite Seconde

In 2016, Omega created the world's first Master Chronometer made specifically for women, the Constellation Petite Seconde. Blending state-of-the-art technology with a traditionally-feminine design, the new Petite Seconde featured a captivating mother-of-pearl dial and a charming new twist on the stunning timepiece – a 'small seconds' feature placed at 9 o'clock with four diamond markers.





> PRESENCE

> SPORT

The Rio 2016 Olympic Games

For the 27th time since 1932, Omega fulfilled the prestigious role of Official Timekeeper at the Olympic Games. Omega travelled to Rio de Janeiro with 450 timekeepers and 480 tons of equipment, including the new Scan'O'Vision MYRIA photofinish camera and many other pieces of highly innovative technology. During the event, Omega reinforced its reputation for precision timekeeping by recording every second of every sport without fault. This included 28 new world records and 65 Olympic records.

Throughout the Olympic Games, many unmissable evenings were hosted at Omega House on Ipanema Beach. Brand ambassadors, VIP guests and athletes were all able to enjoy two full weeks of events and activities. With views out across the sand, the interior of the members-only club was created around the pillars of the Omega brand.

The Ryder Cup

When the historic Ryder Cup golf tournament was contested at the Hazeltine National Golf Club in Minnesota, Omega was on hand as the Official Timekeeper. As well as releasing two Ryder Cup watches, the brand was also the choice of Team USA.

Other Sports

In addition to its busy timekeeping commitments at Rio 2016 and the Ryder Cup, Omega played a vital role in many other international sporting events, including title sponsorship of three key tournaments on the global golfing calendar: the Omega European Masters at Crans Montana, the Omega Dubai Ladies' Masters, the Omega Dubai Desert Classic, and Official Timekeeping at the 2016 PGA Championship in Springfield, New Jersey. The brand also served as Official Timekeeper at the Youth Olympic Games in Lillehammer, where the Omega-designed sport of Monobob made its debut.



MEN'S 100M FINAL
Rio 2016 Olympic Games

Rank	1st	2nd	3rd	4th	5th	6th	7th	8th
1	USA	10.06	USA	10.11	USA	10.12	USA	10.13
2	USA	10.14	USA	10.15	USA	10.16	USA	10.17
3	USA	10.18	USA	10.19	USA	10.20	USA	10.21
4	USA	10.22	USA	10.23	USA	10.24	USA	10.25
5	USA	10.26	USA	10.27	USA	10.28	USA	10.29
6	USA	10.30	USA	10.31	USA	10.32	USA	10.33
7	USA	10.34	USA	10.35	USA	10.36	USA	10.37
8	USA	10.38	USA	10.39	USA	10.40	USA	10.41

Omega logo and Olympic rings are visible at the bottom of the broadcast screen.

> LIFESTYLE

The Globemaster event with Eddie Redmayne

On March 1st, Oscar-winning actor and Omega ambassador Eddie Redmayne joined a host of VIP guests and media at Los Angeles' famous Mack Sennett Studios to celebrate the release of the Globemaster, the world's first Master Chronometer. The gifted actor is a great fan of the Globemaster and wore the timepiece to the event. He spoke warmly about his love of traditional watches and his respect for Omega's legacy.

Planet Ocean and "Deep Black" tour

Beginning in New York, Omega launched its revolutionary Planet Ocean and "Deep Black" Collections at many exclusive events around the world. Taking place at creative venues in each market, the events brought Omega's technology to life and helped heighten anticipation for the products.

Women's event in Beijing

In September, Omega celebrated its proud legacy of ladies' watchmaking in Beijing with an event-filled day and night devoted entirely to women's watches. It was attended by Oscar-winning actress and Omega ambassador Nicole Kidman. The day involved photo-shoots in breathtaking Beijing settings and a visit to Omega's flagship boutique. In the evening Nicole Kidman was guest of honor at a special Omega dinner and exhibition, which showcased timepieces from all eras. Special attention was paid to the new Constellation Petite Seconde, the first Master Chronometer made specifically for women.

Planet Omega

The *Planet Omega* exhibition dazzled visitors throughout Asia in 2016 during its global tour. Projected onto large installations, the exhibition highlights the diverse heritage and activities of the brand including Watchmaking, Sporting Spirit, Master Chronometer Innovation, Ladies' Watches, Going to Space, James Bond, and Social Engagement.

Her Time

Following its successful 2015 debut in Milan, Omega's *Her Time* exhibition continued to inspire women around the world. In 2016, the exhibition moved on to Moscow and Shanghai, proudly displaying many of Omega's most iconic timepieces from the early 20th century right through to the present day, as well as fine examples of vintage artwork and Omega advertising.





> SOCIAL ENGAGEMENT

Viva Rio

In the 12 months before Rio 2016, Omega’s “Community Countdown” with *Viva Rio* helped to reinvigorate and equip a wide selection of education and community programs in Rio. With a different project taking place every month, the partnership also left a lasting legacy for many of the city’s vulnerable young people.

Good Planet

Early 2016 saw the debut screening of *Terra*, a film created by Omega and *GoodPlanet*. Directed by Yann Arthus-Bertrand, it looked at the fragile relationship between humans and animals. The documentary was complemented by two environmental projects in Botswana for which proceeds from the Seamaster Aqua Terra 150M “GoodPlanet” GMT helped with funding.

Solar Impulse

In 2016, Solar Impulse completed the first ever round-the-world flight powered only by the sun. The solar-powered aircraft landed safely in Abu Dhabi on Tuesday the 26th of July. It marked the start of an exciting new era in aviation and a proud moment for Omega. The brand served as Main Partner, Technology Provider and Timekeeper of Solar Impulse 2, working closely alongside pilots Bertrand Piccard and André Borschberg to help achieve their momentous goal.

> OTHER MARKETING

Omega Lifetime

In 2016, *Omega Lifetime*, the brand’s twice-yearly lifestyle magazine, was again published in ten languages. This year saw the publication of the Journey and Winter editions.

Omega online

In 2016, omegawatches.com saw another increase in traffic, largely from China and the rest of Asia. During the Olympic Games, the website received more visitors than ever before. The previous year’s website redesign has proven to be highly beneficial and important as 60% of visitors now connect via mobile phone. Customers with Master Chronometer cards can also now access their METAS test results online via the new MyOmega platform.

Omega’s popular presence on social media also increased thanks to engaging lifestyle content, live event coverage and major international campaigns. It was boosted by relevant hashtagging as well as sponsored / paid campaigns and the involvement of bloggers, brand ambassadors and social influencers. Omega’s Facebook page reached a million followers and the Instagram account is fast approaching that same number.

Advertising and promotion

The year’s advertising campaigns included a London photoshoot and film with Eddie Redmayne to promote the new Globemaster collection. There was also a full Rio 2016 campaign that featured four competing brand ambassadors including Michael Phelps, Chad le Clos, Sergio Garcia and Jessica-Ennis Hill. This was anchored by the campaign headline *Recording Dreams Since 1932*. Among many themes, there were also global advertising campaigns focused on the new Seamaster Planet Ocean “Deep Black” models, the Seamaster Aqua Terra Ladies collection and the Constellation Petite Seconde.

> FINE JEWELLERY

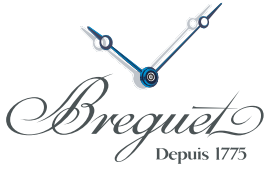
The year's highlight in Omega's Fine Jewellery was the Ladymatic Collection, where many of the eye-catching Ladymatic design features were beautifully adapted into a range of rings, earrings, pendants and bracelets. Like the rest of the brand's jewelry pieces, they perfectly reflect the brand's luxurious universe.

Sunglasses

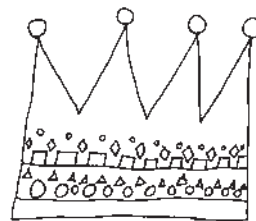
Omega's very first collection of sunglasses was launched for both men and women. Representing the next expansion of the Omega universe, design inspiration for the sunglasses was taken from the brand's heritage and its products.



PRESTIGE AND LUXURY RANGE	HIGH RANGE	MIDDLE RANGE	BASIC RANGE
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BREGUET, A HISTORY, GREAT CHARACTERS



> TRENDS

Breguet dedicated 2016 to its history, calling to mind the prestige of its pieces. Since its foundation in 1775, the Maison has counted a number of illustrious characters among its clientele, including Marie-Antoinette, Napoleon Bonaparte and even Winston Churchill. Eight famous personalities and the timepieces they owned or inspired were the subjects of a themed traveling exhibition. The promotion of this heritage provided Breguet with increased visibility and gave rise to several large-scale projects, initiated by world-renowned institutions. BBC television produced and broadcast a gripping documentary dedicated to the legendary Marie-Antoinette pocket-watch, which resulted in excellent returns immediately. Breguet also took part in the making of a feature film retracing the life of Winston Churchill, for which a replica of the n° 765 pocket-watch, a chronograph that had belonged to the British Prime Minister, was produced. These activities were accompanied by the uploading of a new module to the History section on Breguet's website.

In 2015, the Maison set a new milestone in watchmaking history with the marketing of its Breguet Tradition Minute Repeater Tourbillon. The result of a revolutionary approach and several years of research in the fields of acoustics, magnetism and new materials, this piece caused a sensation among clients, collectors and the media. In addition, 2016 saw the enhancement of the Breguet collection with new feminine models in the Tradition, Classique, Reine de Naples and High Jewellery lines. In parallel, the brand continued to accumulate awards for one of its flagship pieces in 2015, the Tradition Chronographe Indépendant. Named Best Complication by the magazine *Revolution*, this model also





received the 2016 *GQ Spain* "Watch of the Year" award. The *Robb Report* awarded the Tradition Chronographe Indépendant model its "Best of the Best" title in the Conceptual Innovation category. No fewer than five awards have been received in tribute to this emblematic piece since it was launched in 2015.

Finally, 2016 was marked by strong public interest in the Fine Watchmaking professions. Breguet welcomed clients and VIP journalists to its premises within the framework of exclusive group visits. These communication activities met with enormous success and allowed the brand to highlight the extreme attention given to every detail during the course of the various manufacturing steps, from finishing to assembly of its pieces. This coincided with the publication of an article on the new Vallée de Joux (VD) workshops in the corporate magazine, *Le Quai de l'Horloge*.

> CREATION

Tradition Répétition Minutes Tourbillon 7087

Launched in 2015 for the first time, the Tradition Minute Repeater Tourbillon once again took center stage after undergoing adjustments designed to improve its sound and performance. It was presented in its final form and marketed in 2016. More than just a Grande Complication timepiece, the Tradition Minute Repeater Tourbillon is a technical masterpiece that can be proud of its six new patents and five unprecedented major constituent parts in the repeater watch mechanism.

Tradition Dame 7038

The Tradition collection now includes a feminine model, the Tradition Dame 7038. This self-winding timepiece displays ultra-modern graphic architecture, highlighting almost all the movement parts on both sides of the baseplate. The off-centered Tahiti mother-of-pearl dial with the hours and minutes display is complemented by a retrograde small seconds subdial at 10 o'clock.

Classique Hora Mundi 5727

Breguet's Classique Hora Mundi is the first mechanical timepiece equipped with an instant time-zone jump, synchronized date, and with 24-hour and city indications. In 2016, Breguet revealed a new execution of this iconic piece. Instead of a view of the world map, the dial of reference 5727 presents various types of hand-crafted engine-turned motifs. This piece is powered by a self-winding movement with a base caliber 777 featuring a silicon escapement and equipped with an additional module.

Classique 7147

In 2016, the reference 7147 joined the circle of Breguet's emblematic models. This piece is a remarkable example of the skilled craftsmanship of the Manufacture, which has practiced the art of engine-turning on the dials of its watches since 1786. This new Classique, available in white and rose gold, houses an extra-thin mechanical self-winding movement with an offset oscillating weight.

Classique Phase de Lune Dame 9087 & 9088

Breguet made a timelessly elegant addition to its feminine timepiece collection with its Classique Phase de Lune Dame 9087 & 9088. This 30 mm diameter watch comes in various versions. Breguet clients thus have a choice of a white or rose gold case, set or non-set. They also have the option of a case in *grand feu* enamel or natural hand-guilloch  mother-of-pearl.

H ritage Grande Date 5410

Breguet's H ritage line brings a 21st century shape to its classic repertoire. With their curved, tonneau-style outline, ensuring perfect positioning on the wrist, H ritage timepieces are a perfect example of technical mastery. With this piece in 2016, Breguet's intention was to extend the complications range with the H ritage Grande Date 5410. The much-appreciated date indicator positioned at 12 o'clock brings to life a face worked in silvered gold whose lines espouse the double curvature of the case.

Reine de Naples Princesse Mini 9818

The Reine de Naples Princesse Mini 9818 completes the pieces by the same name launched in 2015. With the oval shape that is the hallmark of the Reine de Naples collection, this timepiece in white gold with its 32.7 x 27.3 mm dimensions is set with brilliant-cut diamonds on the bezel and lugs, as well as a briolette-cut diamond on the crown. Made of lavender colored mother-of-pearl, its subtly domed dial displays two large hour-markers worked in natural white mother-of-pearl marquetry.

Type XXI 3817

In 2016, Breguet supplemented its historic Type XX collection with a new model, the Type XXI 3817 Chronograph. Its vintage looks embody the history and origins of the Type XX line, while its technical characteristics demonstrate its 21st century identity. Mounted on a calf leather strap, the Type XXI 3817 Chronograph offers a vintage dial, framed by a perfectly proportioned steel case. The mechanical self-winding movement is equipped with a flyback function, which has been a feature of Type XX chronographs since 1954.

> PRESENCE

Partnerships

Breguet's commitment to art and culture continued throughout 2016 through strong partnerships, notably in Europe and Asia.

In Italy, the Maison partnered with the Teatro Dell'Opera in Rome. The announcement of this sponsorship was an occasion for Breguet to invite VIP clients and journalists to a performance of the *Barber of Seville* opera, which has special meaning for the brand. In Spain, Breguet extended its partnership with the Teatro Real in Madrid, which it has sponsored for several years. A one-off concert given by soprano Ren e Fleming sealed this new collaboration. In the United Kingdom, for the first time, Breguet sponsored the Glyndebourne Opera Festival, a highly sought-after musical event.

Continuing its involvement in support of the restoration of the Petit Trianon (2006-2008), Breguet sponsored the *Marie-Antoinette, a queen in Versailles* exhibition in Japan. This gripping retrospective providing a full overview of the life of the last queen of France was presented on Japanese soil for the first time at the Mori Arts Center Gallery in Tokyo from October 2016 to February 2017. Its inauguration was celebrated at an exceptional evening. One hundred and twenty personalities gathered at the French Embassy in Tokyo, where they attended the international launch preview of two sophisticated creations.





Traveling exhibitions

Breguet started 2016 with the launch of its roadshow, *Breguet, a Story Among the Greats*, held at the Cité du Temps in Geneva, which retraces the links connecting the Maison to certain renowned celebrities, writers and composers. After a stop in Basel, the traveling exhibition took up temporary residence at the Teatro Real in Madrid, Spain. It subsequently set off for China, where it traveled to Beijing, Shenyang, Hangzhou and Shanghai before returning to Switzerland for its presentation in Zurich.

At the same time, the retrospective dedicated to the many Breguet innovations, inaugurated in 2014, was much in demand. For a month, visitors to Les Ambassadeurs boutique in Zurich had the opportunity to discover two centuries of inventions and technological developments. Travelers departing from Geneva were also able to acquaint themselves with innovations from the Manufacture within the context of an exhibition lasting several weeks and presented in the transit area of the international airport.

Local events

In 2016, Breguet enjoyed a strong presence across the world. The year was punctuated by a large number of events organized by the brand or in collaboration with its distributors as well as with prestigious institutions.

In Germany, Russia and the United States, Breguet partnered with Tourbillon to present its collections. Reunited in the form of exhibitions, simple watches as well as high complication and Haute Joaillerie timepieces delighted the public.

In France, Breguet hosted its VIP clients at an unprecedented evening event at The Queen’s Hamlet, Marie-Antoinette’s Versailles estate, which was entirely taken over for the occasion. In Italy, guests of the brand were invited to Milan’s sumptuous Palazzo Litta baroque theater to attend a performance by Paris Opera star ballerina, Eleonora Abbagnato.

In the UK, the Breguet boutique in London increased its visibility through themed events, including an evening dedicated to Winston Churchill, who was an illustrious Breguet client, represented by his great-grandson. On a glamorous, feminine note, the Maison held an exclusive exhibition of its Perles Impériales collection in the Fine Watch Room area of its London partner, Harrods. Finally, Breguet marked its presence in the English capital through the inauguration of a new point of sale at Watches of Switzerland, in the business district of Canary Wharf.

In Asia, Breguet organized a series of events on the theme of *Métiers d’Art*. The Maison visited the Chinese cities of Beijing, Shanghai, Changchun and Ningbo, as well as Taiwan, to present its ancestral know-how through practical workshops with the enthusiastic participation of its VIP guests. The Breguet boutique in Taipei was the setting for a new kind of event in the form of an appreciation of watchmaking seminar on the Manufacture’s expertise, conducted by the editor of *Revolution Taiwan* magazine.



In South Korea, Malaysia and Thailand, the Breguet boutiques in Shinsegae, Lotte, Hyundai Main and Kuala Lumpur, along with the retailer, Pendulum, paid tribute to feminine pieces by the Maison, inspired by clients as famous as they were elegant, such as Marie-Antoinette, the Empress Josephine and Caroline Murat, queen of Naples. Breguet also strengthened its presence in Asia, by setting out to meet Fine Watchmaking collectors and enthusiasts in Singapore, Vietnam and Cambodia. The latter were invited to discover the story of Breguet, told by one of its vice-presidents and a specialist in watchmaking and the life and work of Abraham-Louis Breguet in particular.

> HIGH JEWELLERY

Since its beginnings, Breguet has attracted its feminine clients with creations that combine sophisticated jewelry and mechanical prowess. In order to produce sumptuous gem-set timepieces, the Manufacture's watchmakers and master jewelers draw inspiration from the prestigious clients who marked its history. In 2016, Breguet sought to pay tribute to the Empress Josephine with the Perles Impériales creation. Set with more than 130 diamonds totaling nearly six carats and with a pearl clasp, this sparkling watch is accompanied by a matching ring and earrings, resulting in a flamboyant High Jewellery set.

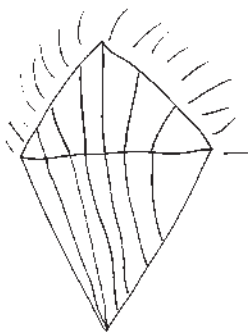


PRESTIGE AND LUXURY RANGE	HIGH RANGE	MIDDLE RANGE	BASIC RANGE
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HARRY WINSTON

HARRY WINSTON



> TRENDS

In 2016, under the direction of Chief Executive Officer Nayla Hayek, Harry Winston continued to share its rich history and compelling brand story with new and existing audiences around the globe by investing in the key segments of the business that have helped to define its legacy as one of the most prestigious brands within the luxury industry today. This was achieved through new product launches – for both fine jewelry and timepieces – that reinforce the House’s innovative design heritage; the opening of new salons in key markets and the renovation of existing locations; an expanded digital footprint, which included a Chinese and Japanese version of the Brand’s website; high jewelry events and brand exhibitions that explore its more than 80 year-long history and further demonstrate its historic reign as the “King of Diamonds;” and a renewed presence as the “Jeweler to the Stars,” with major Harry Winston diamonds holding court at the most acclaimed events of the year.

For more than 80 years, the Harry Winston name has represented the ultimate in craftsmanship, design and quality, and this year the Brand further demonstrated its commitment to this most timeless tradition with a new event concept, entitled “Iconic Brilliance,” which paired Harry Winston’s one-of-a-kind high jewelry creations with vintage pieces and designs from its extensive archives. In Macau this concept was taken one step further to include a brand exhibition that was on public display for the month of November.

Building upon its portfolio of fine jewelry designs, the Brand introduced two new collections throughout the course of the year: a new diamond-led collection that speaks to the heritage of the Brand, entitled Sparkling Cluster; and the HW Logo Collection, a more contemporary line geared towards the next generation of fine jewelry connoisseurs. To support the launch of the HW Logo Collection, the brand introduced a new advertising visual that was more modern in its design and approach, and placed an added emphasis on digital platforms.

Harry Winston also continued its enduring tradition of luxury innovation and creativity in design, with the introduction of extraordinary new timepiece novelties that continue to push creative bounds, at the 2016 Baselworld trade fair.

With the opening of four new salons and the renovation of four existing locations, including its flagship on New Bond Street, Harry Winston grew its global retail distribution network, and introduced the Brand to more luxury consumers worldwide.

In April 2016, Harry Winston unveiled a new bridal film, *Brilliantly in Love*. Celebrating one of life’s greatest gifts – true love – the new film captured the personal moments of a







bride and groom on their wedding day, while highlighting Harry Winston's exquisite bridal collections, and was used as part of a 360° marketing campaign, which included advertising, social media and public relations.

Further expanding upon its digital presence, in 2016 Harry Winston launched both the Chinese and Japanese versions of its branded website, as well as an official WeChat account, allowing the Brand to better connect with its clients across multiple platforms.

In looking towards the year ahead, Harry Winston will continue to invest in the key areas of the business that will bring the brilliance of its many facets to life.

> CREATION

Sparkling Cluster

Sparkling Cluster is a stunning fine jewelry collection that recalls Mr. Winston's enduring commitment to making brilliant celebrations shine even brighter with magnificent diamonds. Harry Winston first shared his extraordinary jewels with society's great charitable galas in 1947, highlighting his generous nature and active participation in the social scene. Since then, Harry Winston's brilliant jewels have continued to shine at the most highly anticipated events of the year. With Sparkling Cluster, the House honors this treasured legacy through a series of enchanting jewels designed to perfectly complement the most special of occasions.

HW Logo Collection

A hallmark of a renowned legacy, the Harry Winston lozenge has proudly stood at the forefront of the House for more than five decades. With the introduction of the HW Logo Collection, Harry Winston looked to this emblematic motif as a way to inspire its next generation of exceptional jewelry. Exploring the refined lines of this geometric form, Winston Designers translated the legendary logo of the House into a captivating series of pendants, earrings, bracelets and rings that are fashioned out of 18 karat gold—white, yellow and rose—and destined to become modern icons of unsurpassable style.

Harry Winston Emerald Timepiece

The Harry Winston Emerald Timepiece is a collection straight from the heart of America's legendary "King of Diamonds", Mr. Harry Winston. For Mr. Winston, the emerald cut was the most elegant and flattering cut for precious stones and became intimately associated with the creations of the New York jeweler. It is precisely this emerald-cut shape that has inspired the sophisticated profile of the white or rose gold case of the new Harry Winston Emerald timepiece, a motif which is reinforced on the dial with the iconic emerald-cut Harry Winston logo applied in gold at 12 o'clock. The intense blue and white dials, the diamonds and the distinctive shaped case of the Harry Winston Emerald timepieces allude directly to Mr. Winston's extraordinary legacy.

Project Z10

Lightweight, technical, and stunning, Project Z10 by Harry Winston continues a long line of exceptional timepieces. With its openwork dial composed of a blue anodized aluminum structure, this timepiece adopts a remarkably advanced mechanical aesthetic. Featuring a double retrograde display in an ultra-lightweight case, composed entirely of Zaliu™ – an alloy exclusive to Harry Winston – the Project Z10 is designed with an emphasis on ergonomics and comfort. This exclusive complication timepiece, while highly technical in nature, is quite versatile and designed for everyday life. Project Z10 showcases a double retrograde movement with automatic winding, through an openwork dial, whose skeleton structure reveals its meticulous finishes. Inspired by the Manhattan Bridge, this high-intensity technical design recalls the ambitious work of the early steel era, and the origins of the Project Z series.

Histoire de Tourbillon

Harry Winston's Histoire de Tourbillon is a sophisticated collection of limited edition timepieces dedicated to the craftsmanship of one of the most revered and complex horological complications.

For the seventh consecutive year, Harry Winston unveiled an outstanding interpretation of contemporary Haute Horlogerie. Featuring two biaxial tourbillons, the Histoire de Tourbillon 7 takes another step forward in the world of high-end watchmaking and challenges current High Complications. Exceptionally creative, complex, and graphic, this timepiece showcases Harry Winston's innovative expertise, while remaining faithful to Histoire de Tourbillon Collection, by maintaining the reliability of its complications and commitment to superlative watchmaking.





> PRESENCE

> SALON OPENINGS

In 2016, Harry Winston expanded its retail distribution network through the opening of new salons in key locations around the world, including Dusseldorf, Moscow, and Houston. Harry Winston also celebrated the opening of its new location in Nagoya, Japan, in November, with a ribbon-cutting ceremony attended by renowned Japanese actress Satomi Ishihara.

Throughout the year, the Brand also saw the reopening of several of its existing locations, including its flagship salon on New Bond Street in London, which had been closed for renovations.

> RED CARPET

Harry Winston's exquisite fine jewelry and timepiece collections continued to adorn Hollywood's brightest stars in 2016. From Jennifer Lopez dripping in more than 200 carats worth of Harry Winston diamonds at the Golden Globes, to Charlize Theron's jaw-dropping appearance at the Academy Awards, to Adele's memorable performance at the Grammys, and Chris Lee's stunning presence at the Cannes Film Festival, Harry Winston jewels were front and center at the most prominent global events of the year, further proving that the Brand is still the undisputed "Jeweler to the Stars."

> PHILANTHROPY

Throughout the year, Harry Winston continued to give back to those in need, by supporting local causes through the *Harry Winston Brilliant Futures™* Charitable Program.

In the U.S., Harry Winston furthered its support to organizations based within its salon communities, including the *Harlem Academy*, *Voices For Children*, *Mattel Children's Hospital UCLA* and *CHOC Children's Hospital*; while in Japan, the Brand entered its third year of partnership with *Chance for Children*. Globally, 2016 marked Harry Winston's second year of partnership with amfAR.

Harlem Academy

Since 2011, Harry Winston has supported *Harlem Academy* in New York City, a school preparing bright, low-income students to thrive at the highest academic levels, succeed at top secondary schools, and one day make a mark on the world.

In 2016, Harry Winston supported the school's middle school science program, challenging students with a rigorous curriculum and positioning them with the skills, knowledge, and confidence they need to excel in the sciences.

Mattel Children's Hospital UCLA

Mattel Children's Hospital UCLA in Los Angeles is one of the most highly rated children's hospitals. In 2014, Harry Winston announced a five year commitment to support three fellows annually focused on research to prevent, treat and cure disease in children. The 2015–2016 Harry Winston Fellows made impressive progress towards their research for treatments for pediatric heart disease and gastrointestinal illness.

Chance for Children

Since 2013, Harry Winston has supported *Chance for Children* in Japan to provide children in need with access to vital educational programs. With Harry Winston's support, children have participated in after school programs and tutoring, with many learning English for the first time. Hosted by Harry Winston, the children also had the opportunity this year to travel from the area devastated by the Northeastern earthquake to Tokyo for an enriching experience.



amfAR

In honor of its second year of partnership with amfAR, Harry Winston launched the Countdown to a Cure Timepiece. Designed exclusively for amfAR's *Countdown to a Cure* for AIDS initiative, the limited-edition timepiece is the first official product to benefit the Foundation's efforts to develop the scientific basis of a cure by 2020, with 20% of the net proceeds donated to amfAR's research efforts.

amfAR galas, sponsored by Harry Winston, in 2016, raised \$ 41 535 795 for AIDS research. In addition, Harry Winston also donated pieces from its iconic fine jewelry collections for select 2016 gala events, which helped to raise an additional \$ 904 174 for the Foundation.



PRESTIGE AND LUXURY RANGE	HIGH RANGE	MIDDLE RANGE	BASIC RANGE
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INNOVATION IS OUR TRADITION



> TRENDS

In 2016, Blancpain did not encounter the same difficulties experienced by other prestige brands in its price range, thanks to the creativity of its artisans and to the ever larger number of attractively-priced steel models housing complications. The brand continued its communication strategy in the field of oceanic protection with the *Blancpain Ocean Commitment*, as well as in motorsports and the art of living. These major commitments are an integral part of the brand's long-term vision.

Blancpain maintained its high quality standards for its boutiques and their locations, and thereby consolidated its worldwide distribution network with various reopenings, refurbishments of points of sale and boutique relocations.

The *Blancpain Ocean Commitment* pursued its ambitious program with *Gombessa III*, a new scientific expedition to Antarctica and a major traveling exhibition, as well as with the launch of the Fifty Fathoms Bathyscaphe BOC II watch. This 250-piece limited model features an all-blue ceramic case. For each timepiece sold, a thousand euros is donated to funding scientific expeditions. The 250000 euros raised will add to Blancpain's contributions to protecting the oceans.

With regard to the art of living side of the brand's activities, the world's most multi-starred chef – he now has 31 – and friend of the brand, Joël Robuchon, reinforced his ties with Blancpain with a set of shared interviews and events organized around the world. Blancpain has also established a new collaboration with Michelin-starred Spanish chef Dani García, a leading figure on the Spanish gourmet scene. Blancpain also continued its cooperation with *Leading Hotels of the World* and *Relais & Châteaux*.

Over the past eight seasons, the *Blancpain GT Series* championship, combining five endurance races and five speed races, has become the gold standard among GT competitions, with one of the largest line-ups. In 2016, the *Blancpain GT Series Endurance Cup* races attracted an average of 57 cars, with 37 for the *Blancpain GT Series Sprint Cup*.





> CREATION

> FIFTY FATHOMS COLLECTION

The Fifty Fathoms Bathyscaphe in gray plasma ceramic

The three-hand Fifty Fathoms Bathyscaphe model appeared for the first time in 2016 with a deep blue dial echoing the oceans' depths. The case features gray plasma ceramic technology, which gives the case a subtly metal-tinted appearance. The gray plasma ceramic bezel has a blue ceramic insert and hour-markers in Liquidmetal® alloy. The Fifty Fathoms Bathyscaphe is water-resistant to 30 bar, or approximately 300 meters. The self-winding movement powering this model is the famous caliber 1315, distinguished by its sturdiness and its exceptional chronometric performance. Its three series-coupled barrels, providing the movement with a five-day power reserve while guaranteeing constant energy, are a technological feat in and of themselves.

Fifty Fathoms Bathyscaphe Blancpain

Ocean Commitment II (BOC II) Flyback Chronograph

The brand proudly presented the new timepiece in the Fifty Fathoms collection with its first ever blue ceramic case. Two techniques were employed to achieve this uniform and lasting color over the entire case: a compaction process was used for the case-middle, case-back, bezel and insert, while a second injection method was adopted for the crown and pushers. The grey ceramic bezel has a satin finish.

The new BOC II Flyback Chronograph is equipped with caliber F385 with its balance wheel beating at 36 000 vibrations per hour (5 Hz). The F385 comprises a variable-inertia balance with gold screws, guaranteeing enhanced sturdiness and a finer adjustment than the usual regulator device. This watch is issued in a 250-piece limited edition. For each watch sold, the brand commits to paying a thousand euros towards funding scientific expeditions.



> VILLERET COLLECTION

Villeret Quantième Annuel GMT in steel

The new Villeret Quantième Annuel GMT with a steel case has enriched Blancpain's collections and is the first complication that the brand has offered in this metal. The sapphire crystal caseback reveals the guilloché-worked yellow gold oscillating weight. The hands and hour-markers match the case material, while the movement has been designed to facilitate the readings of the annual calendar on the dial, with the day, date and month displayed one after the other. The Villeret Quantième Annuel GMT is driven by the self-winding caliber 6054F. Its case is fitted with Blancpain's patented under-lug correctors that are adjusted simply with one finger without any need for a correcting tool and remain entirely out of sight when the watch is on the wrist.

Villeret Métiers d'Art, La Grande Vague

Inspired by *The Great Wave off Kanagawa* woodblock print, this creation from the Blancpain Métiers d'Art workshops highlights a fine stone used by the brand for the very first time: silver obsidian from Mexico. The artisans employed a technique favored by Blancpain: the Japanese rokushō patina, which involves several phases. A shakudō base is first applied before being immersed in a bath of copper acetate rokushō solution. Once the patina is achieved, the shakudō is removed. This set of operations gives the model a fascinating shimmering appearance playing on different shades and accentuating the sense of mystery pervading the dial. For this model, Blancpain modified the famous hand-wound caliber 13R0, now called the 13R3A. The power reserve is no longer positioned on the bridge side of the model, thereby freeing up space to ensure ideal visibility of the engraving.

Ultra-Slim 6104

Blancpain introduced a reinterpretation of one of its stellar ladies' models, the Villeret Ultra-Slim, with its pure design and lines embedded in the brand's DNA. At the heart of this new model beats the new caliber 913 incorporating many of the Manufacture's innovations and contemporary expertise including, notably, the case of the glucydur balance wheel equipped with gold micrometric adjustment screws that is now equipped with a silicon balance spring. The sapphire crystal reveals a white gold oscillating weight adorned with a snailed bevel and polished chamfers as well as straight and circular *Côtes de Genève*. Blancpain vividly demonstrates its multiple skills by uniting this range of delicate and sophisticated processes.

Ladybird

"Be the first importer on your market of the world's smallest round watch" ran the 1956 advert at the time of its launch, when the fashion was for jewelry watches whose ornamentation tended to take preference over dial size. The Ladybird resulted from a Blancpain stroke of genius in launching the world's smallest round movement: caliber R550. 2016 marked the anniversary of this legendary timepiece, commemorated by a 60-piece limited edition. The Ladybird collection also welcomed two new models that were given an exclusive first showing at Baselworld. The first, in white gold, with a mother-of-pearl dial graced with four tiny ruby hearts; while the second is in red gold with an opaline dial enhanced by shimmering reflections through its sparkling full-set bezel.





> PRESENCE

Blancpain Ocean Commitment

Blancpain has woven close ties with the diving world since 1953, the launch date of a watch that has become an icon: the Fifty Fathoms. Today, the Fifty Fathoms Blancpain Ocean Commitment II expresses the brand's determination to pursue its dedication to the oceans. Several events and roadshows took place in China, the United States, Italy, England, Germany and Australia, attended by clients and the press. In presenting its new timepiece, Blancpain was able to show the work undertaken in cooperation with its partners. The efforts made by the brand, united within the *Blancpain Ocean Commitment*, are guided by three fundamental principles stemming from its DNA: optimism, long-term vision and innovation. Over the years, Blancpain has co-funded ten major scientific expeditions. The Manufacture is also proud to have contributed to doubling the surface area of protected marine zones, with more than three million additional square kilometers.

Additional donation via the BOC I watch

During the *Gombessa II* expedition in 2014, scientists noted a very high density of gray reef sharks (*Carcharhinus amblyrhynchos*), and observed that they appeared to have a nocturnal pack hunting strategy. Were this behavior to be confirmed, it would bring into question our knowledge of these marine animals. Against this background, Blancpain decided to make an additional 250 000 euro donation, connected with the first BOC I watch, to the Gombessa team to implement a new scientific project focusing on the pack hunting behavior of gray sharks. The project was launched in June-July 2016 and will continue in 2017 with the publication of images and spectacular results.

New motorsport record

Over the past eight seasons, the *Blancpain GT Series* championship, which combines five endurance races and five speed races, has become the gold standard among GT competitions, with one of the largest line-ups. In 2016, the *Blancpain GT Series Endurance Cup* races attracted an average of 57 cars, with 37 for the *Blancpain GT Series Sprint Cup*.

2016 also saw the launch of the *Blancpain Sports Club*. This European championship perfectly combines the art of living with motorsports. An average of 25 participants per weekend faced off in the new Sprint format, exclusively dedicated to amateur gentlemen drivers.

Also created in 2016, the *Blancpain Ultracar Sports Club* is intended for owners of exceptional cars (valued at one million Swiss francs or more), enabling them to drive during on legendary tracks on race weekends so they can better enjoy the extreme performances of their speed machines.

Finally, the partnership with the Lamborghini brand brought together around 100 vehicles for the *Lamborghini Blancpain Super Trofeo* on three continents, a record figure.

Art of Living

The quest for excellence, along with passion, expertise, precise touches and meticulous hand-crafted work, are among the values that Blancpain shares with the art of living and haute gastronomy. To perpetuate and strengthen these ties, Blancpain organized an event to mark the opening of its Queen's Road Central boutique in Hong Kong. Joël Robuchon was on hand to enable VIP clients and members of the press to discover the common denominators between the world's most multi-starred chef and the brand's watch creations. For the second consecutive year, Blancpain awarded the *Heritage Trophy* at the Relais & Châteaux annual congress. This year's winner was the Ballyfin Demesne hotel in Ireland. This prize rewards the philosophy upheld by the establishment in terms of passing on its values and expertise. Blancpain has also been partnering the Leading Hotels of the World for the past 16 years and annually honors the year's finest hoteliers with a Blancpain timepiece.

> CORPORATE

Marilyn Monroe watch

The Manufacture is delighted to have acquired Marilyn Monroe's Blancpain watch. It was among the legendary movie star's personal effects, accessories and jewelry put up for sale by Julien's Auctions. The Blancpain watch is a platinum model entirely set with round and marquise-cut diamonds. The dial bears the Blancpain signature and the movement is engraved with the inscription "Blancpain, Rayville Watch Co." Marc A. Hayek, President and CEO Blancpain, expressed his satisfaction with this purchase in these terms: "We are thrilled to have in our possession this exceptional watch that belonged to the most iconic American star. This watch is now returning to its original home, in Switzerland."



PRESTIGE AND LUXURY RANGE	HIGH RANGE	MIDDLE RANGE	BASIC RANGE
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Glashütte
ORIGINAL

A TIME OF EXCELLENCE



> TRENDS

For Glashütte Original, 2016 was marked by significant reputational growth and stable demand. In the key markets, notably Germany, Europe, China and the Middle East, the brand successfully consolidated its already strong position.

The opening of new Glashütte Original monobrand boutiques in Paris and Vienna allowed the brand to achieve a new milestone in its exclusive distribution and to reinforce its presence in these two important European metropolises. The Glashütte Original Boutique in Dubai, officially inaugurated at a celebratory event in November by the new President, Thomas Meier, was one of the year's highlights.

The launch of an innovative movement was celebrated at Baselworld, laying the foundations of a new generation of timepieces. The new automatic Caliber 36 powering the classic, elegant Senator Elegance was a hit with its extreme stability, total precision, impressive power reserve and timeless aesthetics. An individual inspection certificate guarantees that each owner's watch meets the highest watchmaking standards.



> CREATION

New Manufacture caliber

The newly developed Caliber 36 celebrated its premiere at the heart of a classic in the collection, the Senator Excellence. With its minimalistic design, this model reflects the unadulterated essence of the Glashütte (Saxony) art of watchmaking. For the first time, its caliber offers Glashütte Original 100 hours of autonomy with a frequency of 4 hertz and is enhanced with an innovative silicon balance spring.

With this caliber, Glashütte Original has defined a new type of quality standard. The special engraving on the caseback of each watch represents a promise. Together with its individual inspection certificate, it guarantees that the watch meets the highest standards of stability, longevity, precision and aesthetics and that it has undergone long-term tests that go beyond the conditions prescribed for German chronometers.

Senator Chronometer

With the latest edition of the Senator Chronometer, the Saxon brand presents its certified precision in a highly expressive dark blue version. The model thus combines two traditional elements closely linked with the history of the brand: watchmaking excellence and a commitment to timelessly elegant aesthetics.

Lady Serenade

In 2016, Glashütte Original presented three new versions of its Lady Serenade, which play on sophisticated contrasts, demonstrating how opposites attract in the most beautiful way imaginable. The new models in the flagship Lady Serenade line artfully blend the nobility of black and the innocence of white on a feminine wrist. With its colors, decorations and materials, each model brings a personal, distinctive note.

> PRESENCE

Partnership with the Berlinale

For the sixth consecutive year, Glashütte Original enjoyed a rewarding collaboration with the Berlin International Film Festival. For the fifth time, together with the *Perspektive Deutsches Kino*, the brand presented the *Made in Germany – Förderpreis Perspektive* award, which recognizes young directors, both financially and with regard to their ideas. The winner in 2016 was Janna Ji Wonders.

Music Festival Prize awarded to an exceptional conductor

The winner of the 13th edition of the *Glashütte Original Music Festival Prize* was the exceptional Latvian conductor, Andris Nelsons. Worth 25 000 euros, the prize honored the conductor not only for the sensitivity of his performances, but also for his commitment to the transmission of the heritage of classical music and his encouragement of young musicians.

International presentation of *Impressions*: a book published by the Manufacture

The publication of *Impressions* in five new languages represented another significant milestone. In particular, the book was presented in Los Angeles, Madrid and Milan. Launched in 2015 for the first time, this multi-faceted work has since been presented to a large number of specialized journalists, clients and friends of the Manufacture at events in key cities.



PRESTIGE AND LUXURY RANGE	HIGH RANGE	MIDDLE RANGE	BASIC RANGE
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THE ART OF ASTONISHMENT



> TRENDS

The Philosophy of the Unique

In 2016, Jaquet Droz continued its development thanks to its exclusive products and a presence in the world that enables the sharing of the Jaquet Droz experience. Through its philosophy of the unique, the brand offers fans the ultimate luxury of personalization.

Automata Collection

Jaquet Droz has created a new line that is entirely focused on the automatons that are the backbone of the brand's reputation. In a workshop specially dedicated to the Charming Bird and Lady 8 Flower timepieces, Jaquet Droz watchmakers contribute to providing these precision mechanics with a soul and to enhancing the brand's very high standards of quality.



> CREATION

Petite Heure Minute Thousand Year Lights

Celebrating the historic expertise that has driven Jaquet Droz for nearly three centuries, the Petite Heure Minute Thousand Year Lights is a masterpiece of decoration, designed to enhance the beauty of flowers and the women for whom they are intended. In line with the ancestral Najeon Chilgi technique, mother-of-pearl is first lacquered and then carefully polished. Engraving artisans then produce tiny painted volumes by hand, enhancing these plant canvases with their incomparable sparkle and mirror effect. The timepiece is available in five versions with 28 examples of each, presented in generous cases in rose or white gold with or without diamonds.

Grande Seconde Off-Centered

Jaquet Droz offers an unprecedented notion of time with the Grande Off-Centered. Following the great tradition of the brand's mineral dials, it features an onyx disk that has been carefully shaped and polished. The second hand has been offset at 7 o'clock and the hours-minutes to 1 o'clock. The winding crown is offset to 4 o'clock bringing an additional touch of vibrancy to this new icon.





Grande Seconde Dual Time

Beating to the rhythm of history and the travels accomplished by Pierre Jaquet-Droz in the 18th century, the Grande Seconde Dual Time celebrates the magic of time in two steps, thanks to a new mechanism and an elegantly positioned second time zone. Conducive to dreams of distant travel, the Grande Seconde Dual Time is available in three 43 mm versions: ivory Grand Feu enamel dial and red gold case; silvered opaline or onyx dial with steel case.

Grande Seconde Deadbeat

A rare complication and masterpiece of precision watchmaking, the Grand Seconde Deadbeat was created during the Enlightenment era, at the same time that Jaquet Droz was travelling Europe to present his timepieces. This technique allows the second hand to move in a way that is no longer linear but by effecting a jump per second, thus enabling immense precision.

> PRESENCE

Boutiques

In 2016, Jaquet Droz continued to strengthen its international presence and inaugurated new points of sale across the world, notably in Sydney and Beijing. At the reopening of its flagship boutique located in the heart of the Nicolas G. Hayek Center in Tokyo, the brand held a preview of its exclusive Meteorite collection.

Travelling exhibition in the United States

The brand celebrated its expertise and rich history at three exceptional exhibitions in Texas, in California and in New Jersey, highlighting the magic of its *Métiers d'Art*, the beauty of its automata pieces and the ultimate luxury of personalization.



Miniature painting workshop

Across the four corners of the planet, Jaquet Droz has enabled privileged clients and journalists to discover the infinite delicacy of miniature painting on dials, through workshops held specially for this purpose by an artist from its *Ateliers d'Art*.

Diana Vishneva

In 2016, for the first time, alongside Diana Vishneva, Jaquet Droz took part in the *Context. Diana Vishneva* international festival, which aims to develop contemporary dance in Russia and offer young choreographers a chance through subsidies. The brand is proud to count the famous star dancer among its ambassadors, as the perfect embodiment of the excellence, delicacy and sophistication of the watchmaking brand.

Automates et Merveilles

Jaquet Droz is supporting a restoration project involving three key watchmaking pieces under the auspices of the *Association Automates et Merveilles*, by sponsoring the renovation of a spectacular Empire-style songbird pendulum clock with a mechanism made by Pierre Jaquet-Droz, which will be completed for the brand's 280th anniversary.



PRESTIGE AND LUXURY RANGE

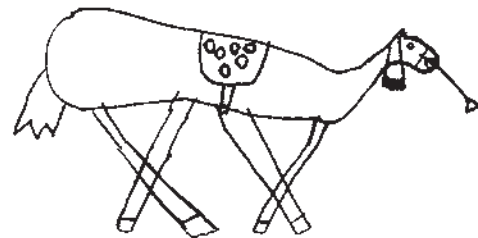
HIGH RANGE

MIDDLE RANGE

BASIC RANGE



CONTINUITY, COHERENCE AND FOCUS



> TRENDS

In 2016, Longines maintained its position and continued to develop its distribution network. At Baselworld, the brand presented a large number of variations of its emblematic feminine collections. Throughout the year, it also presented a series of re-editions which expanded its Heritage line.

Longines further strengthened its links with the equestrian world, for the first time presenting the *Longines World's Best Horse Race* prize. Parallel to this, new models were added to enhance its Equestrian Collection.

True to its values, the brand reinforced its commitment to charity through various partnerships throughout the year. Longines also continued its support of young athletes in the disciplines of riding, tennis and downhill skiing.



> CREATION

In 2016, Longines expanded its feminine collections and presented timepieces inspired by its rich history and by its sports partnerships.

The Longines Equestrian Collection

Longines supplemented The Longines Equestrian Collection line with new variations, inspired by the rectangular buckle on the bridle of the only Swiss horse breed, the *Franches-Montagnes*, also known as the *Freiberger*.





Longines DolceVita

In 2016, Longines launched resolutely feminine, glamorous new variations of its landmark collection in gold and steel. The crown in solid rose gold complemented by a touch of rose on the dial was harmoniously echoed by a bracelet combining steel and a rose gold cap.

Conquest Roland Garros

This chronograph is sure to delight sporty women wishing to flaunt a timepiece combining dynamism and performance on their wrists, but refusing to compromise on elegance in any way. The watch reflects the woman behind its development, Stefanie Graf, Longines Ambassador of Elegance and six-time winner of the French Open.

The Longines Railroad

The Longines Railroad, inspired by a model developed in the 1960s, meets the exacting requirements of aesthetics, quality and precision necessary for railway men.

> PRESENCE

Boutiques

In 2016, Longines continued to open monobrand boutiques in exceptional places, including a second one in Paris, located on Faubourg St-Honoré, as well as at the New York World Trade Center. Several boutiques also opened in Asia.

Kate Winslet visits St-Imier

On May 18, the Longines Ambassador of Elegance visited Saint-Imier (BE) to become acquainted with what happens behind the scenes of Longines' watch manufacturing and the treasures in the brand museum. The British actress fell in love with a model from the Flagship collection, which will be reissued in 2017.

Charity commitment

To raise public awareness of the refugee issue, Longines and Children for Tomorrow, the charitable foundation of Ambassador of Elegance Stefanie Graf, organized a media event at the organization's headquarters, located in Hamburg. The brand also works with the Andre Agassi Foundation for Education.

Longines supports the Golden Hat Foundation belonging to its Ambassador of Elegance, Kate Winslet. This charity strives to change the image and perception of autists in society and to highlight their potential.

To celebrate the tenth anniversary of its partnerships with the French Open Roland-Garros and Royal Ascot, the brand contributed to the Du Sport et Plus organization, which aims to improve the daily lot of children in hospital as well as The Injured Jockeys Fund.

Equestrian sports

Longines has maintained close links with equestrian sports for more than a century. In the world of horseracing, Longines timed, for the first time, the Longines Golden Slipper in Australia, the President's Cup in Moscow and the Longines International Racing Festival Istanbul, in Turkey. It also partnered with the Hoppegarten racecourse to install an LPS timing system, inaugurated during the Longines Grosser Preis von Berlin. In partnership with the International Federation of Horseracing Authorities (IFHA), the brand presented,



for the first time, the *Longines World's Best Horse Race* award to the French race, the Qatar Prix de l'Arc de Triomphe. Longines also presented the *Longines World's Best Racehorse* prize to the horse American Pharoah, historic winner of the *Triple Crown* in 2015, the *Longines and IFHA International Award of Merit* to the Romanet family, and the *Longines World's Best Jockey* award to Ryan Moore, who had previously won it in 2014. The brand produced two new television advertisements at Chantilly, the setting for the Prix de Diane Longines.

In the world of show jumping, the brand had the honor of timing Marco Kutscher winning the Longines Masters bonus for his two victories at the Longines Grand Prix in Hong Kong and Los Angeles. In 2016, the Longines Global Champions Tour stopped off in Mexico, the only leg held on the South American continent.

For the first time, the brand timed competitions at Ascona (TI), Lausanne (VD) and Crans-Montana (VS). Longines also partnered with rider Ludger Beerbaum and Jing Li to create the Longines World Equestrian Academy, intended to develop jumping in China.

In its capacity as Top Partner to the FEI, the brand officiated as Title Partner, Official Timekeeper and Official Watch at the Longines WEG World Endurance Championships, which took place in Slovakia.

Longines presented a *Longines Ladies' Award* to Her Royal Highness Princess Anne for her contribution to the world of equestrian sport at a ceremony at the Natural History Museum in London.

Tennis

As partner and Official Timekeeper to the French Open Roland-Garros, Longines celebrated its tenth anniversary of working with the great tennis tournament and launched a ladies' version of its Conquest Roland Garros.

In addition to Roland-Garros, Longines organized a seventh edition of the *Longines Future Tennis Aces* which brought together 16 players under the age of 13 at which María Dolores López Martínez (Spain) beat Kristina Volgapkina (Russia). The two players then played an exhibition match with Arantxa Sánchez Vicario, sponsor of the 2016 edition, and Kim Clijsters.

The brand also partnered with the *Rendez-vous à Roland-Garros* operation for the second time, to enable the best junior girl and boy players to win a wild card for the big Parisian event. Japan's Ayano Shimizu and Brazilian Rafael Wagner won the final.

Alpine skiing

Official Timekeeper of the FIS Alpine Skiing World Cup, Longines also supports young hopes in what is known as "the great white circus". In St. Moritz, at the end of the 2015–2016 season, the brand presented the *Longines Rising Ski Star* awards to American Mikaela Shiffrin, Longines Ambassador of Elegance, and Norwegian Henrik Kristoffersen, both already winners the previous season.

For the first time, St. Moritz was also the scene of the *Longines Future Ski Champions* competition, which saw 14 skiers under the age of 16 compete in a two-heat giant slalom in conditions identical to those on the professional circuit. Austrian Joshua Sturm won the event.

Gymnastics

As official partner to the International Gymnastic Federation (FIG), Longines had the honor of being Title Partner, Official Timekeeper and Official Watch at the 2016 European Championships in Men's and Women's Artistic Gymnastics in Bern. On this occasion, Longines awarded the *Longines Prize for Elegance* to gymnast Rebecca Downie (UK) and gymnast David Belyavskiy (Russia). Longines Ambassador of Elegance, Giulia Steingruber won two gold medals for floor and vault.

Archery

Official partner to the Archery World Cup, Longines awarded the *Longines Prize for Precision* to two archers, Brady Ellison (USA) – winner of this award for the fourth time – and Tan Ya-Ting (Taipei), during the final in Odense (Denmark).



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

BASIC RANGE

RADO
S W I T Z E R L A N D

A WELL-DESIGNED YEAR



> TRENDS

Lightness

Lightness was in the spotlight in 2016 as Rado sought to highlight one of the main benefits of its signature material, high-tech ceramic. One of the lightest and most durable materials used in luxury watchmaking, high-tech ceramic is also a key material in the minimalistic and atmospheric watch designs in Rado's 2016 collection. 2016 saw an intense and fruitful focus on the lightness trend, including an off-site gallery exhibition at Baselworld and over 20 themed events in key markets around the world.

Colorful ceramic

Two new high-tech ceramic hues, the latest proof of Rado's mastery of materials, made their debut in 2016. Deep blue and British racing green joined Rado's ever-expanding spectrum of colors alongside immaculate white, cool grey, metallic-look plasma, and last year's newcomer, chocolate brown.

The Rado True family was the first to benefit from the new ceramic colors, offering both blue and green models in the new True Colours collection. These colorful timepieces offer all the same benefits as Rado's other high-tech ceramic wristwatches: in addition to being hypoallergenic and readily adaptable to body temperature, high-tech ceramic is also known for its incredible scratch resistance.







> **CREATION**

Ceramica

The Rado Ceramica, the iconic timepiece known for its striking linear shape and visionary use of high-tech ceramic, was relaunched this year with a new look created in collaboration with renowned industrial designer Konstantin Grcic. In this new design, the linear bracelet silhouette of the original evolved into a more classic watch shape, with the gently curved edges of the monobloc case taking center stage. Like the original upon which it is based, the new Ceramica is a high-tech ceramic timepiece for those who appreciate purist, modern aesthetics.

HyperChrome 1616

The bold and masculine Rado HyperChrome 1616 was inspired by Rado's vintage Cape Horn collection. Its angular, impossible to overlook case measures 46 mm, and it is available in two high-tech ceramic colors – black or brown – each with an extra-wide leather strap. The name is a tribute to the 400-year anniversary of the courageous discovery of Cape Horn – a fitting name for a watch intended for the adventure-minded gentleman.

True Open Heart

With its enigmatic, lightness-inspired design, the Rado True Open Heart was a unique and stylish addition to the Rado family in 2016. Crafted in either white or black high-tech ceramic, it features stylized cutouts in the dial covered by an ultrafine mother-of-pearl layer, giving the wearer a glimpse into the pulsating movement below. The one-of-a-kind Rado True Open Heart was honored with the 2016 Red Dot Product Design award, further expanding the brand's extensive array of award-winning timepieces.



HyperChrome Ultra Light

Crafted from a trio of incredibly light materials – silicon nitride ceramic, anodized aluminum, and hardened titanium – the HyperChrome Ultra Light's minimalist design and featherweight components helped it win the Australian Good Design Award® – the brand's second design award in 2016. The case is made of silicon nitride, a high-performance material that boasts even more hardness than traditional high-tech ceramic while being only half the weight. Sandblasted side inserts made of hardened titanium, another Rado materials innovation, add to the HyperChrome Ultra Light's featherweight feel, and the automatic movement's anodized aluminum *ébauche* protects against corrosion and wear while significantly reducing the overall weight of the timepiece.



> PRESENCE

Time for tennis

Rado continued its activities on the international tournament circuit in 2016, with Rado branding and corner clocks prominent at 15 international tournaments. The brand also expanded its sponsorship presence, acting as official timekeeper for Brisbane International for the first time.

Rado's *YoungStar* program, designed to support up-and-coming young tennis players, also enjoyed successes in 2016: South Korean Hyeon Chung was named *Most Improved Player of 2015* in the ATP World Tour Awards, and Russian Karen Khachanov soared in the rankings after winning his first ATP World Tour title.

Dedication to design

Rado once again teamed up with design platforms around the world, strengthening its position as the leading watch brand when it comes to cutting-edge design. Two new *Rado Star Prizes* were launched: in Italy in conjunction with renowned design school Istituto Marangoni and in the USA in partnership with NYCxDESIGN, New York City's design week.

Rado was once again partner of *World Design Capital*, held this year in Taipei. In honor of the partnership, Rado teamed up with two local designers for two limited edition watches, available exclusively in Taiwan: the Rado True N25E121 and the Rado True Taipei. Rado also held the first ever Rado Star Prize Taiwan.

Rado took its celebration of design to Munich, where the brand celebrated the launch of the new Rado Ceramica, which was designed jointly with the distinguished industrial designer Konstantin Grcic. The event was attended by European media, who were treated to an intimate panel discussion with the designer as well as an exhibition explaining the Ceramica in depth. All guests received a copy of *True Design #1*, Rado's newly launched official magazine that explores the brand's design story and also offers a wealth of insight into the design world as a whole. The Ceramica was also launched in France with a media event and gallery open to the public during *Paris Design Week*. The French launch was held in conjunction with another successful edition of the *Rado Star Prize France*.

Around the world with brand ambassadors

2016 was another star-studded year for Rado thanks to the numerous media and retail events with brand ambassadors that took place around the world. Indian film star Hrithik Roshan and Bollywood beauty Lisa Ray both toured the subcontinent: Highlights included Hrithik opening the new Rado boutique at the Mall of India in Noida and Lisa launching Rado's latest collection in Amritsar and Ahmedabad.

Brand ambassador and Chinese actress Tang Wei joined Rado for the unveiling of the new Centrix Open Heart collection at an exclusive launch event in Beijing. The eye-catching watch collection, which was inspired by the romantic legend behind Chinese Valentine's Day, was launched in conjunction with a celebration of the world's largest Rado boutique, located in the heart of downtown Beijing.

Rado brand ambassador and tennis superstar Agnieszka Radwanska took part in a meet-and-greet at the Hour Passion in Lodz, Poland. Guests, who included VIP customers and fans, were treated to a Q&A session and autographs with the Rado tennis ambassador and current world number three.



PRESTIGE AND LUXURY RANGE

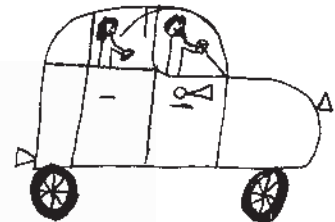
HIGH RANGE

MIDDLE RANGE

BASIC RANGE

UNION
GLASHÜTTE/SA.

TIMELESS BEAUTY AND INTRINSIC VALUES



> TRENDS

Despite challenging market conditions, in 2016 Union Glashütte was able to gain significant market share in its main markets and generate increasing sales. In Switzerland, Russia and the Czech Republic, the brand expanded its distribution operations, which further accelerated this positive sales trend.

A new partnership strengthened the company's involvement in renowned vintage car rallies: 2016 saw Union Glashütte become watch partner to the Paul Pietsch Classic, which means that it is now represented at a total of five interregional vintage events.

To mark the occasion of the *Sachsen Classic* rally, the watch brand introduced a special new model. Demand for the limited edition run of 250 Belisar Pilot Power Reserve models far exceeded the volume of watches that was produced. Readers of the *Welt am Sonntag* newspaper and *ArmbandUhren* magazine had already voted this model *Watch of the Year* in the sports watches category.

In the current collection, Union Glashütte is using a new movement that offers greater stability of the watch's rate and a higher power reserve.



> CREATION

Belisar Pilot Chronograph and Belisar Pilot Date

A sporty co-pilot with staying power: The Belisar Pilot Chronograph combines the qualities of a modern pilot watch with a stopwatch function and a power reserve of up to 60 hours. The three-hand version comes with the new UNG 07.01 movement, which stands out thanks to the longer power reserve, more stable rate and improved winding performance.

Belisar Pilot Power Reserve Limited Edition Sachsen Classic 2016

The perfect companion on a journey into the unknown. To mark the occasion of the *Sachsen Classic* vintage car rally, Union Glashütte presented a limited edition of the Belisar Pilot Power Reserve model with a striking blue dial. Sporty yet elegant, this timepiece suits any outfit and any occasion, as it comes with two interchangeable straps and a silk pocket square.

Belisar Chronograph Moon Phase

The new Belisar Chronograph Moon Phase from Union Glashütte promises the moon – and honors this promise every day. The elegant timepiece offers all of the displays of a full calendar and a mechanical chronograph movement with a power reserve of up to 60 hours.

Viro Date for men and women

Beautiful simplicity is simply beautiful. With the relaunch of its Viro collection, the German watch brand has once again demonstrated its flair for a thoroughly classic design that rises above all trends. The selection includes four ladies' watches and five men's models – ranging from an elegant design with a leather strap to a sporty design in stainless steel. When worn as a pair, these watches are, thanks to their timeless style, perfect for couples.

> PRESENCE

Partner event

At the end of April, Union Glashütte invited its most important specialist retailers to Dresden and Glashütte (Saxony), where they were impressed by the high level of vertical integration of the production and where they also had the opportunity to order the new products. The event was rounded off with a visit to the German Watch Museum.

Customer and press events in the markets

Customer events in Germany, Austria, Russia and the Czech Republic also contributed to giving end customers a better understanding of Union Glashütte's high standard of watchmaking skills. The response was often overwhelmingly enthusiastic. As a special treat, journalists came to a gentlemen's brunch in Munich: In the authentic atmosphere of a classic barber shop, they were able to discover the latest collection while indulging in the full barber experience.

Vintage rallies

For the seventh time, Union Glashütte was at the starting line of the *Sachsen Classic* rally as the official watch partner. Since its debut at this vintage rally in 2010, four other renowned events have been added: *Silvretta Classic*, *ADAC Deutschland Classic*, *ADAC Trentino Classic* and, finally, the *Paul Pietsch Classic*. These rallies are an ideal platform for meeting connoisseurs of mechanical systems that are steeped in tradition.



PRESTIGE AND LUXURY RANGE

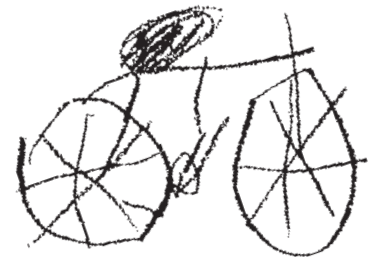
HIGH RANGE

MIDDLE RANGE

BASIC RANGE



A TOUR OF THE YEAR



> TRENDS

The Tissot T-Touch, particularly the solar version, continued to be the brand's iconic product. New lines looked to the past and present for their design – from the sports-inspired watches such as the NBA, Tour de France and MotoGP Special Edition Collections, to the on-trend Tissot Bella Ora, with its feminine silhouette, all the way to the vintage-inspired Tissot Heritage 1936.

Dedicated to accuracy and peak performance, Tissot continued its association with high-profile sports around the globe. Key partnerships included the National Basketball Association (NBA), the Tour de France and MotoGP™.

Tissot welcomed two new brand ambassadors: five-time motorcycle World Champion Jorge Lorenzo and Captain of the *Indian Test* cricket team, Virat Kohli.

The 14000 Tissot points of sale now encompass more than 4000 shop-in-shops and 325 boutiques. Openings in 2016 included the largest Tissot boutique in the world in Moscow and a fourth in New York City.

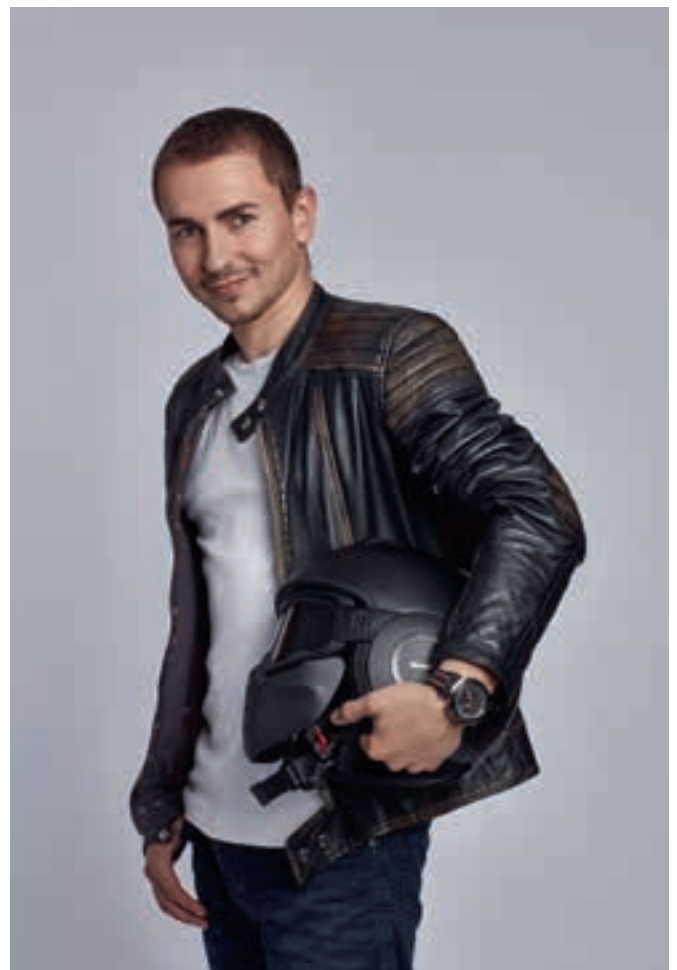
> CREATION

The brand's collaboration with the NBA resulted in the Tissot NBA Collection of 39 watches, including a Tissot T-Touch Expert Solar NBA Special Edition and the Tissot Quickster Special Edition for each of the 30 NBA teams in their colors, with their own logo on the caseback.

Tissot produced five Tour de France Special Edition timepieces: the Tissot T-Touch Expert Solar, which depicts the Arc de Triomphe backdrop to the finishing line, and the Tissot T-Race Touch, Tissot T-Race, Tissot PRC 200 and Tissot PR 100. All have accents of yellow (the color of the race leader's jersey) and the Tour de France logo engraved on the back.

Marrying classic looks with state-of-the-art technical prowess is the new gents' Tissot Tradition Automatic Open Heart, whose Powermatic 80 movement – visible through a window on the dial and via the see-through caseback – delivers a power reserve of up to 80 hours. The design incorporates grain-d'orge decoration and a gently curved case.







Another standout from 2016 is the Tissot Bella Ora, which translates loosely from Italian as “beautiful hour” and takes its influence from Italian fashion. The theme is expressed in an elegant contemporary oval dial and stainless steel Milanese bracelet; a soft-as-silk leather strap is also available.

Continuing its long history of blending tradition with innovation, Tissot presented the Tissot Heritage 1936 – a handsome reinterpretation of one of its timepieces from 80 years ago – with a see-through caseback, stylized numerals (1 to 12 and 13 to 24) and a cream-stitched brown leather strap.

> PRESENCE

A highlight of this year’s event calendar was a basketball game at the Top of Europe, organized with Tissot’s partner the *Jungfraubahn*, starring NBA player and Tissot ambassador Tony Parker. On September 14th, a court was put up especially for the match on the Jungfrauoch, 3454 meters above sea level. In spite of the high altitude, Tony demonstrated his speed and agility; performing under exacting conditions is something Tony and Tissot watches have in common.

On December 1st, Tissot President François Thiébaud took part in a gift-giving ceremony for current NBA champions, the Cleveland Cavaliers, following a multi-year partnership deal for Tissot to be the team’s Official Watch. A Tissot PRS 516 Cleveland Cavaliers Championship Watch was given to each player and to General Manager David Griffin ahead of the Cavs’ home game against the Los Angeles Clippers – with Mr Thiébaud as honorary captain.

In April, MotoGP™ World Champion Jorge Lorenzo – the most decorated Spanish rider in history – joined the Tissot brand ambassador family. Jorge was the youngest participant in the World Championship when he made his debut on his 15th birthday in 2002. He went on to win titles in both the 250cc category and MotoGP™ in 2010, 2012 and 2015.

To mark the close of the 2016 MotoGP™ season, at the final race in Valencia on November 12th, Tissot presented the two limited edition 2017 timepieces (one automatic, the other quartz) of the Tissot MotoGP™ Collection. New ambassadors Jorge Lorenzo and Thomas Lüthi (Switzerland) also had a preview of their dedicated watches. François Thiébaud awarded the *Tissot Pole of Poles* to MotoGP™ World Champion Marc Marquez, Moto2™ World Champion Johann Zarco and Brad Binder, Moto3™ World Champion.



The Tissot lady ambassadors joined the crowds in Paris for the final stage of the Tour de France on July 24th. Leading Bollywood actress Deepika Padukone, who has represented Tissot for almost a decade, and popular Chinese actress and singer Liu Yifei witnessed the thrill of the riders speeding along the Champs-Élysées.

Liu Yifei also took part in the Tissot Heritage 1936 launch event in one of the world's most famous and Hong Kong's oldest hotel, the Peninsula, which embraces the brand's philosophy of heritage and perfection. The guests had an exclusive preview of the new Tissot Chemin des Tourelles Collection TV spot, which stars the ambassador. The new TV advertisement is set in a Paris hotel where Liu Yifei receives a red version of the timepiece and a note inviting her on a romantic rendezvous...

Record-breaking Indian cricketer Virat Kohli also became Tissot brand ambassador in February. Part of the winning team at the ICC Cricket World Cup 2011, Virat is captain of the *Indian Test* cricket team. His precision, power and commitment to excellence, along with his style and confidence, make him ideal for the Tissot position.

Sponsorship

In the world of basketball, Tissot delivered a cutting-edge shot clock and integrated timing system developed exclusively for the NBA in July. This is the first time the league will use the same clocks and timing equipment across all arenas. The LED glass integrates the 24-second, timeout and game clocks in one piece of hardware – also a first for the NBA.

The system was showcased in Shanghai at the Mercedes-Benz Arena for the *NBA Global Games*, with Mr Thiébaud and NBA Executive Vice President, Basketball Operations Kiki VanDeWeghe among those present.

As Official Timekeeper of Amaury Sport Organisation (A.S.O), Tissot lent its expertise at a large number of major events, from Paris-Nice to Paris-Tours, including La Flèche Wallonne, the Tour de France and the Vuelta a España.

Retail

Tissot created a new merchandising concept – a journey through the brand's history and an experience of the seven distinct collections. Following its success in the boutiques of Zermatt (VS) and Times Square at the end of 2015, Tissot implemented it worldwide in March.

Featuring this new concept is its largest Boutique in the world, opened on August 5, on Moscow's famous Tverskaya Street – a fitting step for the company, as it has had close ties with the Russian watch market for much of its history.

A few weeks later, Tissot opened the doors to its fourth New York City boutique, in the Westfield World Trade Center, joining those of Times Square, Fifth Avenue and Wall Street. Legendary NBA player and native New Yorker Nate "Tiny" Archibald cut the ribbon, met fans and signed autographs. Visitors could play the 3D basketball video game *Hoops by Tissot* for a chance to win a gift.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

BASIC RANGE

Calvin Klein

watches + jewelry

LIFE IN THE NOW



> TRENDS

In 2016, Calvin Klein watches + jewelry made a step forward with its “Life in the now” brand message, which was successfully executed worldwide and implemented across all touch points with final consumers. The brand, which has been under Carlo Giordanetti’s presidency since October 1st, strengthened its global leadership, reinforcing its unique lifestyle positioning while maintaining focus on the high quality of the only fully Swiss-made watch assortment in the category, and on its strong design in both watches and jewelry pieces.

The new campaign and the new collections communicated modernity and the latest cultural and social shifts becoming relevant and meaningful for a wider consumer base. They embraced diversity and dynamism, opening up to a cheerful and emotional brand message.

Shot in New York City by American photographer Cass Bird, renowned for her fresh and youthful style, the vibrant new campaign expressed the depth of the present moment, the immediacy of time and the richness of relationships. Authentic stories, positive emotions, and spontaneity were at the heart of the images, providing a reflection of the lives we live today.

Stories and products were highlighted through a series of modern and dynamic couples: actress Lisa Bonet and her daughter, musician and actress Zoë Kravitz; American actor Will Peltz and his girlfriend, the model Kenya Kinski; models John Hein and Tilda Lindstam; and for the second year in a row, South Korean model and actor Kim Woo Bin who, this time, joined his friend Xiao Wen Ju, the Chinese model and street style star.

The new message was a successful one, merged with the extension of the #ckminute global digital campaign which launched in 2015. Relevant to the target audience and in line with the evolution of the brand, the social media initiative evolved in both scale and messaging through the tagline “Life in the now. SHARE YOUR #CKMINUTE”, collaborating with key influencers worldwide and leveraging users’ engagement by encouraging them to capture and share personal, spontaneous, meaningful moments in connection with their Calvin Klein watches + jewelry pieces.





With a growing interest from local customers and a strong 2016 product offering, Calvin Klein watches + jewelry reinforced its unique positioning as the only Swiss-made designer fashion brand offering beautiful watch and jewelry pieces at an affordable price. It also pursued the aggressive expansion of its distribution network in Asia, in China and Japan in particular, as well as in Hong Kong where, despite reduced traffic, the brand gained market share.

On the challenging European stage, Calvin Klein watches + jewelry showed outstanding resilience thanks to great awareness, strong demand and a consistent showcase.

Overall, while China remained the leading market, where the brand grew healthily and steadily, double-digit growth was achieved in South Korea, Mexico, Canada and Thailand.

> CREATION

Modernity, purity and neo-minimalism reigned supreme among the 2016 offering, setting a progressive return to natural and basic shapes and reflecting the brand's most intrinsic values. Stars of the year included the bold and graphic Calvin Klein class feminine best-selling watch with its unique cut-out bracelet designed for a resolutely contemporary look. Raw and alluring, the unisex timepieces from the Calvin Klein even collection, available in both NATO and leather straps, drew their inspiration from the enigmatic textures abounding in natural landscapes, pairing essential design elements with rhythmic elemental surfaces.

Light and airy, the jewelry collection was an ode to freedom and movement: pure, futuristic designs with an urban undertone merged to offer a crisp clarity of geometric shapes. Cast in polished stainless steel, the Calvin Klein beyond jewelry line struck a chord with the public with its sleek and assertive design. Structured and luminous, the overall 2016 collection was launched to great acclaim.

> PRESENCE

The year kicked off in style in January in Tokyo with an exclusive presentation of the new 2016 timepieces and jewelry showcased at Academy Hills, an understated but breathtaking event space providing the perfect backdrop for the collection's simple, modern, authentic approach. The event also celebrated the launch of the brand's jewelry line in Japan. The presentation was followed by a dinner on the rooftop of Andaz, in the presence of Ulrich Grimm, Creative Director of Calvin Klein's Men's & Women's Shoes & Accessories. The event was attended by special guest Kim Woo Bin, top influencers Megbaby, Misha Janette, Pascal Marie Desmarais, Alisa Uneo and George Inaki, as well as editors and other industry notables.

At Baselworld, Calvin Klein watches + jewelry celebrated the 2016 lines during a special dinner for top journalists worldwide. Featuring a powerful musical performance by indie pop American band *Wet*, the event was the talk of the town, transforming the city's Halle 7 into an energetic New York City scene.





PRESTIGE AND LUXURY RANGE

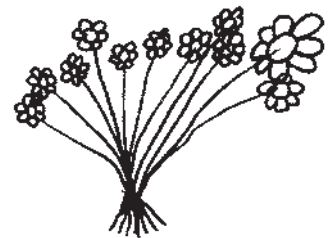
HIGH RANGE

MIDDLE RANGE

BASIC RANGE

BALMAIN
swiss watches

BALMAIN AND ARABESQUE WATCHES... A LOVE STORY WITH AN ELEGANT HEART



> TRENDS

To deal with the current economic climate and an uncertain political situation in 2016, Balmain focused primarily on its key markets: the Middle East, Europe, Russia and India.

The innovations presented at Baselworld once again stood out with unprecedented models that captivated the most demanding women. Every collection embodied the famous Arabesque – so classical and yet so modern – which is the true DNA of the brand.

Small watches along with those offering a perfect combination of steel and pink or gilt PVD were also a huge success. The highly accomplished aesthetics of these pieces, with their sophisticated materials and shapes, pay tribute to the brand's origin, the celebrated Parisian haute couture designer.

> CREATION

Euphelia: classical yet dazzling

Euphelia by Balmain is the embodiment of elegance. This new timepiece was designed for modern, fabulous women who treasure their own unpredictability. The sophisticated Euphelia watches, both chic and refined, are suited to every occasion, irrespective of mood or moment.



Fairy Arabesques: a secret rendezvous with time

Balmain knows that for today's women, time is exceptionally precious. Accordingly, the Maison has endowed its Fairy Arabesque watches with a magnificent, rotating arabesque, partially concealing the dial, in order to better contain the passing minutes and hours and protect them from indiscreet observers. This jewel of stolen moments combines perfection and Swiss watchmaking precision with the art of modern jewelry in an exquisite, timeless symbiosis.

Kerria: when music flirts with botany

The Kerria watch by Balmain is an ode to sophistication. This new collection borrows the lines of its arabesques from the swirls on a violin and draws its name from a magnificent flowering plant. Making this dream come true required expertise and determination in equal part. While the design was far from easy from a technical perspective, the result is staggering. The Kerria watch captivates with its elegance, feminine charm and huge confidence. Once again, Balmain has found the best way to express itself through flowers.

Madrigal Lady II: what women want

Women hold no secrets for Balmain! Since 2005, Balmain, a preferential partner of the Miss Switzerland competition, has had the honor of presenting the most beautiful woman in the country with the watch that will ensure that she is on time... and on trend! A blend of sophistication and modernity, this piece is a winner due to the attention given to detail and its appealing allure.

> PRESENCE

Various events were organized in the most strategic markets. In February 2016, Balmain took part in the famous *Bride Show* held in Dubai. The ensuing media coverage of this event had a highly positive effect on sales.

At Baselworld, Balmain organized a cocktail party attended by Lauriane Sallin, current Miss Switzerland, who successfully won the hearts of all the brand's guests with her natural manner, her beauty, her youth, and her smile.

In October, in India, no fewer than 54 points of sale took part in a national training program. At its conclusion, actress Soha Ali Khan, a member of the Pataudi royal family, presented the different certificates and awards. The famous Bollywood performer conquered the entire gathering with a highly motivating speech on her day spent with the Balmain brand.

Due to its heritage and its potential for innovation in the area of design, Balmain is still positioned as a must-have mid-segment brand combining watchmaking expertise, elegance, femininity and accessibility.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

BASIC RANGE



SPORT, PRECISION AND TRADITION



> TRENDS

In European markets and in Russia, the launch of the new DS Podium PreciDrive™ 1/10th-sec. chronograph was an instant hit, its design and characteristics clearly resonating with consumers. Riding the wave of this resounding success, Certina further strengthened its position as a sport-watch brand and increased its market share in all geographical locations. In addition, Certina's involvement in timekeeping for both the FIA World Rally Championship (WRC) and the ADAC GT Masters Series also contributed favorably to Certina's steadily growing popularity and greater brand visibility.

In Asia, the DS-1 Himalaya Special Edition launched to mark the historic 1960 Swiss expedition to the Dhaulagiri was an instant crowd-pleaser. Certina strengthened its worldwide status as a sporty, precise, traditional brand.

> CREATION

DS Podium Chronograph – Sporty as ever, now with PreciDrive™

Powered by the highly-accurate PreciDrive™ quartz movement with its 1/10th of a second precision, the DS Podium is undeniably one of the flagship lines in the Certina line-up. The PVD all-black-case version with a brown leather strap stitched in contrasting anthracite boasts large numerals and PVD rose gold hands.



DS First Lady Moon Phase – Lunar magic and sporty ceramic

The DS First Lady Moon Phase is a fascinating timepiece that captivates as much with its performance as with its aesthetically pleasing design. Its sporty looks, sophisticated PVD rose gold trim and ceramic bezel add a resolutely on-trend touch.

DS-2 Chronograph Flyback

This premium timepiece is equipped with a highly accurate and exclusive PreciDrive™ quartz movement that brings together a versatile complement of standard chronograph features and a “flyback” option for quick resetting through the standard right-hand pushers. A further pusher at 10 o’clock provides a split-seconds function enabling its wearer to time several simultaneous events.

DS-1 Powermatic 80 – A history of precision and achievement

The new DS-1 Powermatic provides a power reserve of up to 80 hours. The model pays tribute to the early DS-1 worn by team climbers during the first successful ascent of the Dhaulagiri in 1960. To commemorate the expedition, two special versions of the DS-1 Powermatic 80 have been created, with a transparent caseback and commemorative panoramic etching bearing the words “Dhaulagiri, 8167m, 1960” and “Certina Mechanical Watches since 1888” on the oscillating weight.

> PRESENCE

Launch of the DS Podium Big Size Chronograph – WRC Limited Edition

As Official Timekeeper of the FIA World Rally Championship (WRC), Certina invited its top Polish-market partners to the Rally Poland event in Mikolajki to witness the launch of a special edition of the DS Podium Big Size WRC Limited Edition chronograph.

ADAC GT Masters Championship Series

Certina developed a special “Cube” showcase to display its products at these exciting super-sport series races, giving thousands of motorsport fans the opportunity to examine the brand’s latest watchmaking creations during the races timed by Certina.

Press Event with Ole Einar Bjørndalen

For many years, Certina has partnered Ole Einar Bjørndalen, biathlon legend and the greatest athlete in the history of this discipline. Ole Einar Bjørndalen is not only a household name in Scandinavian countries but is also extremely popular in Russia and in Eastern Europe. In tribute to his outstanding career, Certina launched the DS-2 Ole Einar Bjørndalen Limited Edition timepiece at a press event in Moscow in April 2016.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

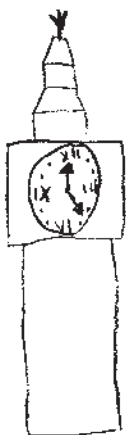
MIDDLE RANGE

BASIC RANGE

MIDO®

SWISS WATCHES SINCE 1918

#BeInspiredByArchitecture



> TRENDS

For Mido, 2016 was characterized by improved visibility, the celebration of the 40th anniversary of the iconic Baroncelli and the launch of cutting-edge technology in the mid-price segment. Innovation, aesthetics and functionality remain Mido's key values, which it shares with the architecture that inspires its collections. During the year, Mido strengthened these ties through an interactive communication campaign and its new models.

> CREATION

Baroncelli

Mido celebrated its 40th anniversary of the creation of its flagship collection in style. The festivities began with slimness and lightness for the new Heritage, a watch among the thinnest on the market, underscoring Baroncelli's attachment to watchmaking classicism. The Baroncelli Caliber 80 Chronometer Si is enhanced with a movement with a silicon balance spring, a first for Mido. In its constant quest for precision, Mido sought to equip its



flagship movement with this incredible component associated with luxury watchmaking. Thanks to its antimagnetic properties and better resistance to shocks, the silicon balance spring offers long-term precision far superior to that of a standard balance spring.

Belluna

All curves and roundness, Belluna watches combine elegance and performance. Equipped with a Mido Caliber 60 chronograph movement with up to 60-hour power reserve, or with a small complication, these new watches express perfect harmony of shape and reveal a classical, timeless elegance. The Belluna Lady Mother-of-Pearl models celebrate a mother-of-pearl symphony consisting of 13 pieces, together with the Mido Caliber 80 and its 80-hour power reserve.

Multifort

Those who enjoy getting off the beaten track now have the perfect timepiece to accompany them, the Multifort Adventure. Its robust anthracite PVD-treated steel case is finished with a magnificent strap in perforated natural brown calf leather. An unusual model with a strongly defined character, this new Mido is designed for adventure.

Ocean Star

Sturdy and reliable, the Ocean Star is made for exploring the depths. It is water-resistant up to 20 bar (200 m / 660 ft.) and delivered with a unidirectional rotating bezel and folding buckle with a diver's extension, advantages sure to captivate fans of the ocean.

> PRESENCE

Mido organized a world tour of significant monuments in the context of its interactive campaign #BeInspiredByArchitecture. The 12-week journey started on August 25 in Hong Kong and gave the public an opportunity to vote for an architectural building as a source of inspiration for Mido. Twelve cities and 60 buildings were revealed in successive weeks. The result was that the Solomon R. Guggenheim Museum in New York City was chosen to inspire a new Mido model. This campaign was promoted all over the world, on social networks and through local events in the various stopovers.

Furthermore, the 40th anniversary of the Baroncelli and the new 2016 models were highlighted in Mido's communication, as well as at very important events, notably in Taiwan, China, Hong Kong, Mexico and the United States.

Mido successfully improved its visibility in 2016 with the opening of a number of points of sale and monobrand boutiques, while remaining true to its original values and emphasizing its attachment to architecture.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

BASIC RANGE



AMERICAN SPIRIT ■ SWISS PRECISION



> TRENDS

In 2016, Hamilton enjoyed a successful year, particularly in the important markets of Japan, Italy and the US. The brand enhanced its international presence with the opening of key stores in South Korea, Macau and Hong Kong,

This year's highlights included the launch of the Broadway product family, the development of a new GMT chrono quartz caliber H-41e and the 9th Edition of the *Hamilton Behind the Camera Awards* in Los Angeles.

> CREATION

Product standouts in 2016 included the Jazzmaster Thinline Gold, the Khaki Navy Frogman and the new family, Broadway.

With its 18 karat rose gold case, the Jazzmaster Thinline Gold is the essence of timeless elegance. It was issued in an exclusive limited edition of 1892 pieces, in tribute to the year Hamilton was founded.

Created for the US Naval “frogmen” teams and featured in the 1951 smash-hit movie *The Frogmen*, the Khaki Navy Frogman is clearly built to meet the exacting demands of its underwater challenges. The collection comprises five timepieces, with water resistance ranging from 30 bar to 100 bar.

Hamilton completed its portfolio with the modern, sporty urban Broadway line. In this metropolitan design perpetuating the brand’s resolutely American style, Broadway offers three distinct versions inspired by New York City’s skyline and designed to suit the most discerning urban travelers.

> PRESENCE

Hamilton started its event season with the *Red Bull Air Races*, with eight races taking place around the world. Brand ambassador Nicolas Ivanoff was the fastest pilot at the first stop in Abu Dhabi in February, kick-starting the competition debut. Nicolas is more motivated than ever to start the 2017 season!

Hamilton returned to the big screen in the summer of 2016 in 20th Century Fox’s new blockbuster, *Independence Day: Resurgence*, twenty years after the first chapter. Time matters, as the world unites to save the planet from alien invasion and human destruction. Fighting from the skies was pilot Jake Morrison, played by Liam Hemsworth, who wore a robust Khaki X-Wind Auto Chrono. The action-packed movie also featured some other Hamilton timepieces worn by cast members, including David Levinson, portrayed by Jeff Goldblum, who sported an elegant Jazzmaster automatic GMT. The film’s worldwide distribution kicked off in June.

In September 2016, Hamilton revealed the first Swiss project focused on the creation of an electric aircraft made for aerobatics, the *Hamilton aEro*. Sharing such common values as innovation and future-forward thinking, it was only natural for Hamilton to partner with *Hangar 55*, founded by Air Zermatt pilot Thomas Pfammatter and aerobatic paragliding champion Dominique Steffen. Together, they have become electric airplane pioneers with this exceptional and unique project in the aviation world.

The 9th edition of the *Hamilton Behind the Camera Awards* took place at the beginning of November in Los Angeles in recognition of people working behind the scenes on movie sets. It is the talent and hard work of these individuals that generate the beautiful costumes, effective props and brilliant camera work that contribute to a film’s overall success. In grateful appreciation of their immense talent, Hamilton is proud to honor the off-screen heroes for their personal contributions to the movie industry. Hosted by Bellamy Young, the event attracted A-list celebrities like Mel Gibson, Matthew McConaughey, Natalie Portman and many others who gladly gave up the spotlight to award their colleagues working behind the camera.



PRESTIGE AND LUXURY RANGE

HIGH RANGE

MIDDLE RANGE

BASIC RANGE



flik flak

TOP OF THE CLASS!



> TRENDS

Flik Flak continued to live the values it grew up with, remaining top of the class in responsibility and sustainability. This meant staying true to its mission to create Swiss-made watches that are safe and durable for modern kids everywhere. The world's favorite children's watch also showed itself to be resilient in business terms, enjoying a successful year in 2016.

> CREATION

"Edutainment" is what makes the Flik Flak brand tick. The 2016 collections and specials celebrated this in style and were loved by kids and grownups alike. Each watch was a ticket for the imagination to head off on anything from heroic adventures in the wilds to catwalk dreams. Telling and inspiring captivating stories paved the way to a wide variety of designs throughout the year. From summery lollipop rain and soccer sensations, to winter wonders for wannabe snow princesses and snowball fight champions, there was something for everyone. Two stunning highlights in the appearance stakes were double-tour straps and neon colors. Happy endings all around came from design with zero tolerance for compromising educational objectives and quality.

> PRESENCE

Flik Flak was proud to launch a new app to teach kids to tell the time, developed in close collaboration with teachers. *Telling the time with Flik and Flak* is available free of charge as an Android or iOS app. Using a games-style approach to learning, it works on smartphones and tablets and comes in five languages. A total of six levels guides the child through the learning experience and full customization is possible to incorporate individual daily routines, from school hours to bedtimes.

An entirely new visual language revolutionized the Flik Flak communication world in 2016. Fun graphics and vibrant colors logically connect kids and adults throughout the entire brand experience. Underlining the inclusive approach, four more language versions joined the www.flikflak.com repertoire, bringing the total to 13.



RETAILING

PRESENCE



EXCLUSIVE TIMEPIECES IN LUXURY BOUTIQUES



The Tourbillon boutiques retailing Swatch Group's prestigious brands offered exceptional services driven by a passion for excellence. The remarkable Breguet, Harry Winston, Blancpain, Glashütte Original, Jaquet Droz and Omega collections all shone at exclusive events with high levels of expertise, innovation and focus on detail.

In Lausanne, passionate clients curious to experience the brands' technological progress were privileged to discover the fascinating innovations launched at Baselworld. Another not-to-be-missed event held by the boutique was a tasting of local wines, organized in collaboration with *Côte Magazine*, on the occasion of the *Soirée des Vendanges*.

In the same spirit, the Tourbillon Boutique in Amsterdam hosted a unique exhibition of Omega, the International Partner and Official Timekeeper of the European Athletics Championships. Together with Jaquet Droz, the Lugano boutique drew connoisseurs of art in all its forms to an opening organized with the Galleria San Giorgio. As the end-of-year festivities approached, the boutique also worked with the Gabbani Restaurant to bring fine watchmaking and gastronomy together.

In the United States, the Tourbillon boutiques in Seattle, South Coast Plaza and Short Hills celebrated Breguet's exceptional Reine de Naples during a *Queen for a Night* cocktail evening. At the World Economic Forum in St. Petersburg, guests were treated to the most incredible evening at the amazing Grand Hotel Kempinski.

The range of events enabled exceptional sales such as Breguet's Double Tourbillon, Harry Winston's Ocean Tourbillon Jumping Hour, Blancpain's Carrousel Répétition Minutes, the Julius Assmann 4 Tourbillon by Glashütte Original and finally, the Grande Seconde Tourbillon Aventurine by Jaquet Droz.





RETAILING

PRESENCE

HOUR
PASSION

STRONG, SELECTIVE EXPANSION

In 2016, the Hour Passion distribution network enjoyed strong development despite the difficult economic climate.

Thanks to its selective approach and expertise in project management, the multibrand store specializing in the distribution of watches and jewelry in Swatch Group's medium- and high-end segment opened 13 new points of sale. Hour Passion's strong growth was supported by improved performance. At the end of 2016, Hour Passion consisted of 52 POS spread over 15 countries in Europe, Asia and North America.

In airports, Hour Passion emphasized its strong ambitions in the area of travel retail with the opening of six key points of sale. The brand renewed its concessions in London Gatwick's North Terminal in the United Kingdom, as well as in Switzerland with the Swatch store at Geneva's Cointrin Airport. The springtime inauguration of a luxurious 250 square meter sales space in the international area in Zurich Airport constituted a major event, followed by the opening of a second boutique at the end of the year, half of whose surface area was dedicated to an Omega shop-in-shop. In France, at Nice Côte d'Azur Airport, Hour Passion opened a new concept store in the recently transformed Terminal 1. Finally, in Italy, the multibrand store opened in the luxurious, new extra-Schengen extension at Rome's Fiumicino Airport.

Hour Passion also developed its operations in quality outlet villages such as Parndorf (Austria), London's Bicester, Rome's Castel Romano, Taiwan, Vancouver's Richmond, Warsaw's Fashion House and Stuttgart's Metzingen.

The added value of the Hour Passion model lies in the combination of strong, complementary brands. Improvements made in 2016 were both daring and innovative. These were designed with the aim of expressing the brands' creativity and promoting their heritage, such as the original example of the giant LED arch at Gatwick Airport and the interactive *Watch Emotive Experience* digital program in Nice.

Recognized for its positioning as a leader in the retail sector, its operating standards and its international brands, Hour Passion has a large number of assets at its disposal that can be leveraged in the pursuit of healthy, sustainable growth.



RETAILING

PRESENCE

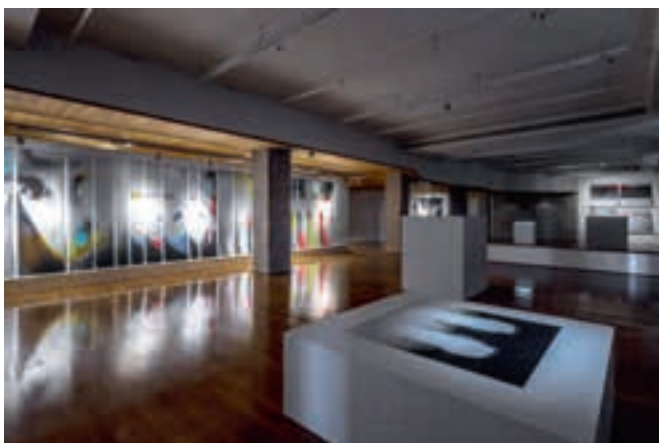
斯沃琪和平飯店藝術中心
THE SWATCH ART PEACE HOTEL

SWATCH ART PEACE HOTEL



Continuing its work in support of contemporary artistic creation, the Swatch Art Peace Hotel celebrated the fifth anniversary of its artists' residency program in 2016. Since its inauguration in November 2011, the residence has hosted 229 artists of 45 different nationalities, involved in all different kinds of creative activities, including the most unexpected and the most extravagant of them. One example is certainly the Mongolian artist who creates imposing sculptures using virtually only scrap rubber tubes from a large number of construction sites in Shanghai; another is the French artist who has clothes woven directly by silkworms prior to dyeing them using an incredible process involving a fire made of juniper branches; and yet another is the Portuguese artist who has created a whole urban universe in schoolchildren's exercise books, combining the innocence of a child's drawing with the subtlety of surrealist irony.

Keen to ensure that the Swatch Art Peace Hotel does not turn into an ivory tower, and drawing on a highly motivated local team firmly integrated in the local artistic and cultural scene, several initiatives were launched and completed. The *Split* exhibition by American photographer Alec Von Barga resulted in an informal collaboration with Photofairs | Shanghai, a large photography fair and an essential element of the contemporary art landscape that is held each September in Shanghai. At once colorful and somber, and a deep-seated interrogation of the duality of human beings, things and life, Alec's work enjoyed the benefit of a magnificent setting in the Swatch Art Peace Hotel exhibition hall. A former artist in residence, Alec is the perfect embodiment of how Swatch views its role in supporting artists: providing a workspace as well as following both the artists and their work, before reconnecting one day for a joint project.



More focused on the long term and with the ambition in China of addressing the entire contemporary art community, Swatch and the Swatch Art Peace Hotel launched a collaborative endeavor with Power Station of Art (PSA), the largest official institution devoted to contemporary art in Shanghai and indeed in all of China. Located in the city's former power plant, a huge building whose chimney is visible from far away despite the forest of skyscrapers, the PSA is the annual organizer of the Shanghai Biennale that enjoyed its 11th edition in 2016. In seeking an interesting means of working together, a decision was made to support the *Emerging Curators Project 2016*, an initiative designed to promote young talent: exhibition curators and potential future museum curators. This collaboration resulted in two press conferences, one at the PSA and the other at the Swatch Art Peace Hotel, followed by the *Grain God Narrative* exhibition curated by one of the competition's three winning groups. This took place in the Swatch Art Peace Hotel, enabling it to be one of the *City Projects* of the 11th Shanghai Biennale and ensuring huge visibility. This cooperation with the PSA also resulted in a pleasant evening enhanced by Swiss cheeses and wine, and at which all of the artists taking part in the Biennale – nearly a hundred – visited the residence and met its guest artists.

During the open studio day marking the fifth anniversary of the Swatch Art Peace Hotel artists' residency program, which coincided with the inauguration of the Biennale, Italian artist and former resident Chiara Luzzana dazzled guests with the debut performance of her musical work, *Sounds of Cities*, commissioned by Swatch. Based on a narrative project involving sound recordings in cities such as Zurich, Tokyo, New York, Milan, Venice and Shanghai, it is also – but not only – a particularly successful accompaniment to the brand's Destination Watch series.





CITÉ DU TEMPS



The Cité du Temps hosted 20 exhibitions and over 75 events in 2016

Brand showcase

Swatch Group brands feel very at home in the unique Geneva location. They continued to use it as a successful platform for sharing proud highlights with a receptive public. Breguet presented an impressive hall of fame in an exhibition about famous owners of its timepieces, from Marie-Antoinette to Sir Winston Churchill. Harry Winston told the brilliant story of its development from 1932 to today, narrated by a breathtaking selection of watches and jewelry. The summer months brought a special exhibition by Tissot, *The pinnacle of precision*, with precision time and precision timekeeping in the spotlight.

Inclusivity rules

The open mind of the Cité du Temps welcomed a huge spectrum of art. Photography, collages and installations depicting CERN's equipment for exploring the secrets of the universe emerged as harmonious neighbors to Béatrice Mazzuri's pictures focusing on familiarity to balance extremes. While Colombian artist Cristina Rodriguez provided a painted walking tour of Geneva, visitors to *insideout* by Maud Guye-Vuillème stood on tiptoe to enjoy scented photographs. The Pop Art of Pierre Jeunet and Olga Sokolova enabled the likes of David Bowie and Albert Einstein to endorse the venue's commitment to inclusivity. And Erik Janssen's refreshing street photography sealed many visits with a smile.



Art without frontiers

The topic of building bridges between different cultures, mindsets and times left a clear footprint. Vanessa Renoux offered a visual exploration of New York at different times of the day and year. *Instant Karma* by Claude Bakta Sandjivy shared the artist's fascination with borders, such as those between yin and yang and the figurative and abstract. The imagined took center-stage as Deyrmon showed his visions of dreams and Annick Zimmermann reminded visitors that "A picture is complete when it has given the imagination sufficient means to find or prolong a story." To be continued!



ARVID (8)



PRODUCTION

WATCHES / JEWELRY



> **ETA MANUFACTURE HORLOGÈRE SUISSE**

www.eta.ch



For ETA Manufacture Horlogère Suisse, 2016 was presented a difficult economic and business environment. The company continued to make an intense effort to improve the competitiveness and cost-effectiveness of its activities, notably through the digitization of production methods, while paying close attention to the wealth represented by its existing human capital.

Verticalization and automation processes were consolidated in ETA factories thanks to experience and innovations gained from SISTEM51. These production technologies enabled the production of high-quality Swiss-made goods as well as the underpinning of Swatch Group competitiveness, and were supported by the development of new monitoring instruments and the improvement of existing ones.

ETA consolidated its expertise in the manufacture of tools for its own production. Thanks to 3D printing, injection molds could be produced very quickly and flexibly. Combined with a mini injection molding press, the use of this technology enabled high-precision manufacturing and four times less processing time.

Several developments were undertaken to support Swatch Group brands in the area of mechanical movements. A new intermediate-size product for Omega, the A15A11 caliber (Omega Co-Axial Master Chronometer 8800 / 8801) powers the Planet Ocean 600M. It benefited from all the expertise at the Villeret assembly site. The result of a successful collaboration between ETA and Omega, "Technospace" demonstrated Swatch Group technologies used in Omega movements as well as in watch manufacturing

Nivarox-FAR's skill in the production of silicon parts opened new avenues. New oscillators equipped with silicon balance springs are currently being introduced to C07 movements on behalf of Tissot and Mido.

Monitoring of dimensional adjustments to pressing machinery using measurement instruments enabled improvements to the production of mechanical movement parts, reducing processing time by half.

In the quartz product range, the PreciDrive™ and PowerDrive™ technologies were deployed to the entry level F0X range and to the G10 and 251 product ranges respectively. The new F06.811 caliber incorporates an unparalleled GMT function.

At the same time, ETA increased the visibility of its products with professionals in the industry by returning to Baselworld, as well as through targeted media campaigns.

The new Swatch SISTEM51 Irony benefited from the adaptability of the assembly lines, which are fully automated at Boncourt (JU), as well as from skills acquired in MIM (Metal Injection Molding) for its stainless steel case. ETA continued to innovate using MIM technology and also offered a very high standard of quality for large-volume production of watch exterior components. The use of 3D volumes and 3D print technology during new product prototyping phases reduced the production lead times from several months to a few weeks.

The company worked on several initiatives to improve its services to clients. On-time deliveries reached high levels in 2016. Purchasing, Human Resources and Customer Service expanded their online services. Customer Service, for example, offered electronic monitoring of repairs. With the B2B shop, ETA offers an e-commerce solution to compare, configure and order quartz movements.

The development of production technologies was accompanied by the establishment of a participative structure and organization as well as a human resource management system encouraging employee adaptability. New professions that focused on future technologies were among the areas of training offered by ETA to young learners.

On July 1, 2016, operations at François Golay and the ETA Les Bioux factory were successfully transferred to a new entity called CHH Microtechnique. This regrouping was intended to consolidate existing synergies.

ETA continued to offer a reactive response tailored to the needs of the market. The progressive incorporation of the Industry 4.0 concept as well as constant innovation in its areas of industrial competencies and in new products had a great impact during the year and will continue into the future.



MICROTECHNIQUE
COMPOSANTS DE HAUTE HORLOGERIE

> MECO

www.meco.ch

2016 was marked primarily by the establishment of new structures and processes and by significant investment in the automation and optimization of new production equipment.

Meco's main activity is based on its cooperation with Swatch Group brands to design and produce aesthetic and technical interfaces with movements, such as crowns and pushers. Meco's contribution was notably expressed in 2016 through the success of various products for the Breguet, Blancpain and Glashütte Original brands, as well as the Aqua Terra, the Trilogy 1957, the Planet Ocean, the Skywalker ETNZ 2017 and the Seamaster Diver models for Omega. In the future, Meco will continue to invest in the renewal of its production equipment and in new automated manufacturing technologies. Sustaining competitiveness is an important part of proactively meeting the ever-growing demands of Meco's clients. Continuous training, an essential element of the corporate staff policy, will be further developed in 2017.

> CHH MICROTECHNIQUE

The new high-end industrial division in the Vallée de Joux.

CHH Microtechnique has existed since July 1, 2016. CHH is an acronym for Composants de Haute Horlogerie. This new industrial division results from a merger between François Golay, a well-known company in Le Brassus (Vallée de Joux, VD), and an ETA site located at Les Bioux (Vallée de Joux, VD), decided upon at the end of 2015 and made official in July 2016. This move brings together 400 highly qualified employees and strengthens synergies with the companies' clients, not only with regard to Swatch Group luxury brands, but also to third parties. It has resulted in both a concentration and a verticalization of strengths and activities.

The new entity offers a very wide range of parts and sub-assemblies produced from A-Z under one roof. This implies obvious gains for the company clients: a reduction in the number of intermediaries and shorter supply chains. This merger also facilitates working on wider batch sizes, from very small series to much larger counterparts, even of several thousand pieces.

In addition to the manufacturing of movement blanks and watchmaking components designed for high-end, prestige and luxury brands, the competencies developed by CHH Microtechnique enable the development and production of a number of tools that are not available on the market. Many of the latter are used for turning and cutting operations, including press tools. CHH Microtechnique also has highly developed skills in the areas of electroplating, surface and heat treatments. A gold center rounds out its activities.

The new industrial division consists of several production sites spread across the heart of the Vallée de Joux (VD). The geographical reorganization of the activities per site has already begun and the workshop transfers are currently taking place.

2017 will be a good and highly constructive year, with the continuation of harmonization and performance improvement projects.





> NIVAROX-FAR

www.nivarox.com



Preparing for the future!

Confronted by a difficult market, Nivarox-FAR is restructuring in order to prepare the products of the future required to improve chronometry and Swiss-made timepieces.

Against this background, the site at Villeret (BE) acquired a large white room department with several automated production lines for the sprung-balance and assembly of silicon balance-springs produced at the industrial site at Marin (NE) and for all Swatch Group brands. In parallel, verticalization of production of oscillators took place at Villeret. Indeed, in 2016, for the first time, the site produced all of the technologies related to Omegametric, Superspiromatic and Breguet curve settings as well as those with ferro-nickel or silicon balance springs.

At Fontaines (NE), the site was transformed with the expansion of a machining division (profile-turning, milling, diamond polishing, stamping and polishing) of parts in precious metals used for the manufacture of movements and exteriors for all Swatch Group brands. This division was also verticalized in the area of high-end polishing used for the screws of watchmaking movements. At the same time, the site was enhanced with a new space for maintaining machinery, with the benefit of qualified experts and mechanics, and a special place dedicated to apprentices training in the micromechanical trades, as well as a new activity in the form of calculating and producing sets of profile-turning cams.

At Le Locle (NE), the company pursued its centralization program for all departments, concluding with the transformation of the Girardet 53 building, which will house all the technical departments. The site also restructured its manufacturing line for balances, and in particular with a new fully-automated diamond polishing unit.

In 2016, the site at Marin substantially increased its production capacity for silicon parts, notably balance springs. This unit also continued verticalization of its production of LIGA parts while regrouping all its activities, thus facilitating industrial synergies.

At Boncourt (JU), Nivarox-FAR acquired the means for turning barrel parts (arbor, drum and cover) with the goal of delivering a complete function, specifically a barrel assembled complete with its spring. At the same time, the automation of a line dedicated to the manufacture of the Swatch SISTEM51 escapement module was completed.

The Charquemont site refocused its production with primary pieces (turning, cutting and burnishing) as well as assembly.

These numerous investments enabled Nivarox-FAR to meet all the Swatch Group brands' needs and to continue improving Swiss-made watchmaking parts.

> COMADUR

www.comadur.com



2016 was marked by the development of a large number of new products and by an improvement in processes to meet the many needs of the Swatch Group brands in the areas of specialties and small series. For Blancpain, blue ceramic was introduced to the Bathyscaphe line. Omega's ceramic case collection was also expanded for the Planet Ocean "Deep Black", "Deep Black" Ceragold, "Deep Black" Red and "Deep Black" Blue models. In parallel, new ceramic rings were introduced to the Planet Ocean line using silicon nitride or incorporating rubber to the ceramic. The Ploprof watch was enhanced with a new ring in orange ceramic.

For Rado, the New True collection benefited from four new ceramic colors: gray, green, brown and blue. For the HyperChrome line, two limited series in silicon nitride were developed. With regard to the sapphire crystal production line, demand remained strong with more than 80 new models produced. These included a large number of specialties in very limited quantities, in particular on behalf of Harry Winston.



In order to continue to reinforce the Swiss Made label, Comadur implemented the first EFG (edge-defined film-fed growth method) sapphire manufacturing machines at the Bad Zurzach (AG) site. The company will thus be able to ensure sustainable production volumes of sapphire material for Swatch Group brands. Significant investment is currently being made in crystal machining in order to provide an industrial solution to the brands' needs at very competitive rates. Against this backdrop, an additional 5000 square meters of surface area has been rented since 2016 for sapphire crystal production on the L.-J. Chevrolet 41 site in La Chaux-de-Fonds (NE).

In the watchmaking stone sector, efforts were focused primarily on surface finishing and conditioning in order to further improve movement outputs.

Finally, since the end of November, all of Comadur's administrative services have been centralized in the new loft at the Col-des-Roches (NE) site with 1210 square meters of usable space.

> RUBATTEL ET WEYERMANN

Following the transfer of its operations to the new 10000 square meter site in 2015, Rubattel et Weyermann restructured with the objective of managing constantly growing volumes generated by the brands in the mid- and high-end segments. In addition to this escalation, the creation of a profit center devoted to dials resulted in increasingly significant collaborative initiatives through which dial production for all brands was both revitalized and consolidated.

Designed purely for industrial purposes, the building plays an important part in the reinforcement of compliance with Swiss Made standards. Advanced technologies – in 2016 focusing on the automatic fitting of appliques, combined with its more traditional professions – not only ensure the required production capacity, but also help constitute a center with a wide range of varied, highly creative competencies dedicated to serving the brands of Swatch Group. In 2016, special attention was also paid to processing hard materials (ceramics and zirconia) as well as to chemical deposition processes and surface treatments.

> MOM LE PRÉLET

In 2016, MOM Le Prélet successfully adjusted its activities to its size and considerable expertise in the processing of dials, both for medium and small series. The progressive phasing in of luxury brands into this structure demonstrated a significant ability to adapt. The development team was expanded, with each employee bringing his or her own skillset and responsiveness to the technical requirements imposed by clients. Particular emphasis was placed on the development of a product culture in order to establish greater identification with the luxury segment. Due to the increasing integration within the Group's different brands, MOM Le Prélet will continue to enhance its development processes with regard to new products, while fulfilling its clients' numerous qualitative and decorative needs in the area of dials.





> UNIVERSO

www.universo.ch



When the end of the 2016 financial year proved to be difficult, the European leader in the manufacture of hands and dial appliques made arrangements to adapt the workload for all its production lines.

New product development activities for Swatch Group brands were in full swing, as were the industrialization and set up of new processes with regard to both the hand and appliques divisions. One of the key development directions concerned galvanic treatments. With the aim of vertically integrating the manufacturing and optimizing services offered to its clients, Universo acquired the means required for the deposition of a PVD (Physical Vapor Deposition) coating on hands and appliques in 2016. Among other projects undertaken, putting the manufacturing and maintenance of all diamond cutting tools used in production in place allowed Universo to maintain its autonomy and in the near future, to offer this service to other Swatch Group companies. In order to meet the strong demand for dial appliques in the best way possible, Universo established its first industrial production line in 2016.



Almost all relocations to the new site have been completed, with the exception of the installation of certain Comadur activities in Building B, which will be finalized during the first semester in 2017. The ETA training center for first-year apprentices in mechanical engineering, located south of Building A, was officially inaugurated in autumn at a ceremony attended by representatives from community and cantonal authorities and executive management, once again demonstrating Swatch Group's commitment to training through apprenticeship.





L A S C O R

> MANUFACTURE RUEDIN

In the year under review, Manufacture Ruedin was involved in extensive administration with regard to the implementation of the new Swiss Made legislation. The aim was to bring a good understanding of its specifics to the area of watch case production and thus leverage its expertise on the subject within Swatch Group as a whole.

With regard to the production workshops, the restructuring of machining presented a major challenge in 2016. In effect, 12 brand new turning centers were set up, enabling a significant increase in productivity and the ability to respond satisfactorily to its clients' high standards.

Swatch Group brands have complete confidence in the Jura Manufacture, with which they work on the design of new products. During the year, a significant amount of work was achieved with Omega on the new Planet Ocean collection as well as the Globemaster Annual Calendar model. Longines focused on the extension of the Flagship, Conquest and Master collections. With Rado, effort was focused on the new Ceramica S and L, whose design was created by Konstantin Grcic. At Hamilton, the Frogman line was expanded with the production of a 46 mm diameter model.

Manufacture Ruedin also sought to reinforce its image as an attractive employer, for young people in particular. As a result, in 2016 the company took part in several trade shows, with the aim of presenting the different professions practiced at the Manufacture.

In future, Manufacture Ruedin will continue to offer an increasingly well-rounded service to Swatch Group brands. With this objective, significant effort will be made in the area of continuous education, as the staff complement remains the company's key asset.



> LASCOR

During the course of 2016, Lascor continued to intensify the transformation of its production process with the aim of specializing in the manufacture of high-end steel bracelets on behalf of Swatch Group brands. Production was also improved with the industrialization of the manufacture of new buckles and clasps.

The project to adapt production technologies resulted in the introduction of mass production machinery and preparation for the creation of automated lines for finishing and assembly. A new building was acquired for the mass production of base components for the manufacture of steel bracelets. The site is currently under development and will be operational from 2017. Its aim is to offer Lascor clients a high level of productivity combined with high-quality products and services.

In 2016, Lascor, which celebrated its 60th anniversary in the high-end sector, obtained certification of its Management Integration System of Quality, Environment and Security in line with international standards ISO 9001, ISO 14001 and BS OHSAS 18001.



SIMON & MEMBREZ

HABILLAGE HORLOGER HAUT-DE-GAMME



> SIMON ET MEMBREZ

www.simon-membrez.ch



In 2016, Simon Et Membrez made investments that were principally focused on developing the production of bracelets. The new high-end bracelet division is thus now operational and production is in full swing. This workshop remains fully autonomous, with very high-performance tools and specially-trained employees. The company was also able to optimize its logistics planning system (ERP), reduce stock levels, improve its industrialization process, and to conduct training and versatility campaigns, as well as to integrate new generation equipment not only in its new bracelet production workshops, but also in its tool manufacturing workshop. The first tranche of investments was deployed for the manufacture of bracelets made of precious metals. Simon Et Membrez strengthened its versatility in every area of activity with a view toward further enhancing its ability to meet its clients' requirements. 2016 was, accordingly, a year devoted to development and improvement in the area of high-end bracelet and watch production.

> NOVI

In 2016, a considerable degree of adaptability was required of Novi to successfully continue its development in four areas: "Flexibility – Quality – Competitiveness – Respect for deadlines".



New Swatch Group brands joined its order portfolio. The company consequently reviewed certain processes in the areas of mechanical movement assembly (T1), watch finishing (T2) and after sales service in order to better meet the needs of Swatch Group brands.

Accordingly, Novi restructured T2 production into cells by segment, which allowed it to provide Swatch Group's mid-range brands to benefit from its expert services. The implementation of a bracelet (T3) assembly cell also made it possible to offer a new service. In the high-end workshop, an air recirculation system was installed to ensure a working environment in line with the latest standards.

In the T1 department, the installation of a modular assembly cell was completed and the implementation of indicators enabling the monitoring of progress in series was continued.

2016 was also marked by ongoing improvement, as well as by internal and client audits. Constantly looking to the future, Novi continues to grow, supported by flexible, versatile employees keen to develop their skills.



> SWATCH GROUP ASSEMBLY

For Swatch Group Assembly, the key feature in 2016 was the size of the volumes produced, along with a plethora of new products. The great variety of batches and products in the same process resulted in an adaptation of the organization. The company resized its assembly process and implemented more automated solutions. Islands were retained and were adapted to suit the rapid changes required by the market. The integration of all labor guidelines and instructions, directly accessible from the user's location, enabled Swatch Group Assembly to better meet increasingly specific quality standards and to consolidate the flexibility of its processes. The implementation of more robotic industrialization allowed for greater control and repeatability of monitoring in its quartz sector. Future challenges will factor in new client requirements, training, the environment, and ongoing staff development. Thanks to these activities, Swatch Group Assembly is set to consolidate its position as Switzerland's biggest finisher in the mid-range product segment.





> DRESS YOUR BODY (DYB)



Dress Your Body (DYB) enjoyed a year filled with new projects and developments in a difficult global economic environment. The order volume entrusted to the setting and manufacturing department led the company to place its emphasis on multi-skilling between its different professions with the objective of using its production capacity in accordance with its clients' needs.

The increase in traditional setting capacity was supported by training the existing team and staff from other departments.

Industrialization of the total manufacture of set parts continued and became fully operational at the end of the year. The transfer of production and measuring capacity from other companies in the group enabled DYB to meet the needs of its clients.

In order to adapt to ever increasing requests for more complex developments resulting in smaller series, DYB rolled out a Product Lifecycle Management (PLM) system in order to safeguard and accelerate such developments as well as the delivery of prototypes, and production. The same approach also led to the incorporation of state-of-the-art programming solutions that derive greater benefit from all the technical capacities offered by DYB's machines while reducing programming time.

The jewelry department once again developed and manufactured several lines, including the new Breguet Perles Impériales collection.

Enamel also remained a highlight of DYB's activities, a good example of which was the completion of a large number of projects for Omega.

DYB Gems, the purchasing center for diamonds and precious stones for Swatch Group brands, regrouped its gemology and supply experts. As a participant in the development of its clients' products, DYB Gems continued to provide advice during the selection process, and subsequently to procure the best stones for its clients' needs.

In 2016, the diamond market was marked by continued pressure on suppliers, linked to the decrease in demand as well as new quality standards. Leveraging its knowledge of actors in the market as well as synergies between complementary purchases by Swatch Group brands, DYB Gems once again guaranteed that its clients were supplied at the best possible market conditions while strictly maintaining quality standards. Thanks to the development of new services, DYB Gems contributed to optimizing logistical flows of diamonds significantly within Swatch Group.



PAULA (4)



ELECTRONIC SYSTEMS



> **EM MICROELECTRONIC**

www.emmicroelectronic.com



EM Microelectronic took advantage of 2016 to strengthen its integrated circuits product pipeline significantly. At the same time, EM Microelectronic also expanded its customized electronic modules business. While seeing a slight decline in volume – very much in line with the worldwide semiconductor market trend – EM Microelectronic is now well positioned to return to growth in 2017.

The productivity of the IC front-end fab increased by 10% in Q1 compared to the same quarter in 2015. New equipment, which was dedicated primarily to the next technology generation, also helped make this excellent result possible. Cycle time improvement was the focus of the second half of 2016, allowing faster feedback loops for production and development lots.

The next technology generation for best-in-class low-power / low-voltage products is in preparation. The concept has already been validated through the use of external subcontractors and the goal for 2017 is to manufacture the first fully-functional prototypes. Subsequently, the respective equipment has to be installed and qualified.

In the *Motion & Optical Sensing* segment, 2016 saw deliveries of record volumes of sensor interface circuits to the consumer electronic segment – specifically, pressure sensors for mobile phones for some of the largest customers worldwide.

EM Microelectronic was able – while the volume growth is expected to be more moderate for 2017 – to place its inertial sensor fusion chips in new high run rate sockets.

In parallel, EM Microelectronic maintained substantial business in the optical sensor space for computer peripherals and successfully broke into the high-end gaming sector for the first time.

The new power management product family has now expanded to three standard products offering unparalleled energy conversion efficiency for solar and thermal harvesting systems in the *Intelligent Power Solutions* segment.

In the *Wireless & Sensing* segment, the business unit continued to consolidate its portfolio of low-power connectivity solutions. The ruggedized enterprise beacon is a new entry in EM Microelectronic's Bluetooth beacon offering, complementing the two existing tiny coin-cell standard and sensor-based beacons by offering significantly extended autonomy. The enterprise version comes within a robust housing that makes it suitable for deployment in demanding areas. It is compatible with a variety of communication formats, such as iBeacon, AltBeacon or EMBeacon.

EM Microelectronic – building on the company's solid Bluetooth IC and module know-how – developed a Smart Sensor beacon for ABB, which presented it at CeBIT 2016. This new condition-monitoring solution for low-voltage motors provides vital performance intelligence that helps improve uptime, extend motor lifetime and increase machine performance and productivity.

EM Microelectronic also announced the EM9304, its next generation Bluetooth Low Energy chip. This chip has been optimized in terms of size and performance in order to act as the ideal Bluetooth version 4.2 companion chip to any MCU or ASIC EM's customers might have.

In the *RFID* segment, EM Microelectronic's engineers complemented their em|echo dual frequency portfolio with a tamper detection version able to continuously monitor a conductive loop and report the result to either a long distance RAIN reader for industrial and logistics applications or an NFC-enabled Smartphone to enhance the consumer's experience. Typical applications include alcohol and pharmaceutical anti-counterfeiting by checking the integrity of the bottle cap. In December in Paris, EM Microelectronic was awarded Best Technological Innovation for Connected Objects for its em|echo at the Connect+ Event, an exhibition dedicated to innovative identification solutions and smart objects.

Another area of focus was RFID with cryptography-based security for applications such as wireless and batteryless product authentication.

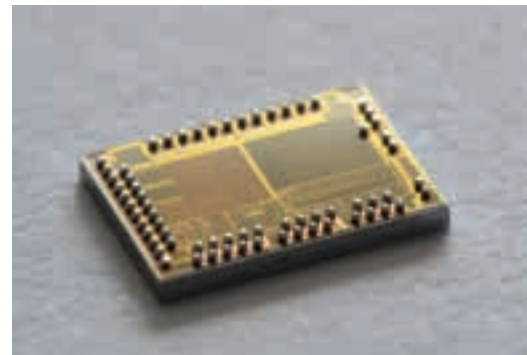
The *Smartcards* segment focused its efforts on gradually complementing its commodity SIM card-heavy product portfolio with ASIC circuits, which offer higher added value.

In the *Watch* segment, EM Microelectronic successfully released a new watch micro-controller accepting any kind of batteries from 1V to 3.6V and featuring a magnetic field detection interface; this MCU enhances EM's offering for several independent motors with PreciDrive™. Additionally, the newest thermo-compensated watch module shows precision greater than ± 5 seconds/year, thus pushing the PreciDrive™ limits to new record levels.

Finally, the *Display & Touch* segment addressed new market sectors with its plastic display technology. Examples are electronic dimming filters for smart eyewear, smart cards with a dot matrix plastic display or curved displays for industrial applications.

Fancy new colors are continually being developed to ensure the renewal of the Swatch Touch collections; new display generations are under development in close collaboration with the Swatch Group R&D team to address the short- and medium-term requirements of EM's internal watch customers.

In 2016, EM Microelectronic continued its overall effort to move away from commodity products toward higher value added standard or application-specific circuits. The company relies on interdisciplinary teams spread over its three development centers in Marin (NE), Prague, and Colorado Springs.





> **RENATA**

www.renata.com



Keeping firmly focused on the future was Renata's leitmotif in 2016 as the near-Basel-based specialist in battery production successfully launched its latest innovations.

A completely new production concept for watch batteries was developed, which is now being transferred to new facilities following a series of successful tests on a prototype line. The same is true of new technologies in the area of flexible thin-film cell production and rechargeable button cell batteries, for which prototype lines have also been completed and tested. The shift to industrialization and large-scale marketing is imminent in 2017. In addition, working together with Belenos Clean Power, Renata set up a complete line for prototype cells used for electromobility at the Itingen (BL) site. The company also successfully demonstrated its competitive edge in existing markets and once again countered the downward trend observed in the electronic watch sector. As in previous years and in striking contrast to the development of the international market, the sector of blister-packaged coin cells intended as replacement parts enjoyed sustainable growth. The year's growth also led to an increased need for lithium batteries, doubtlessly resulting from the constantly growing trend towards small sensors and mobile devices, for which lithium products are increasingly used. Tighter new transport conditions for such batteries necessitated further adjustments to logistics, both in Europe and in Asia. One of Renata's strengths is its ability to react flexibly and quickly to new conditions. The past year was even more intense with the participation, together with other Swatch Group companies, in a large number of trade fairs. Renata was present at the Swatch Group Electronic Systems booth at the CES in Las Vegas and at Electronica in Munich. The company also took part in the CeBIT fair in Hanover and shared a booth with ETA at Baselworld.





> MICRO CRYSTAL

www.microcrystal.com

Micro Crystal is of great strategic importance both for Swatch Group and for the entire Swiss watchmaking industry. In its capacity as the only non-Asian manufacturer of quartz for the industry, it ensures the independence of Swiss watchmakers from foreign suppliers. In the past few years, Micro Crystal's expertise in quartz manufacture has enabled it to develop watch modules for quartz watches with significantly improved operating accuracy as well as low energy consumption and new features. These highly technical innovations would not have been possible without close cooperation with Swatch Group companies EM Microelectronic, Micro Crystal and ETA. Micro Crystal also made a shift to the industrialization of its watch modules, which enabled it to increase production volumes significantly in 2016.

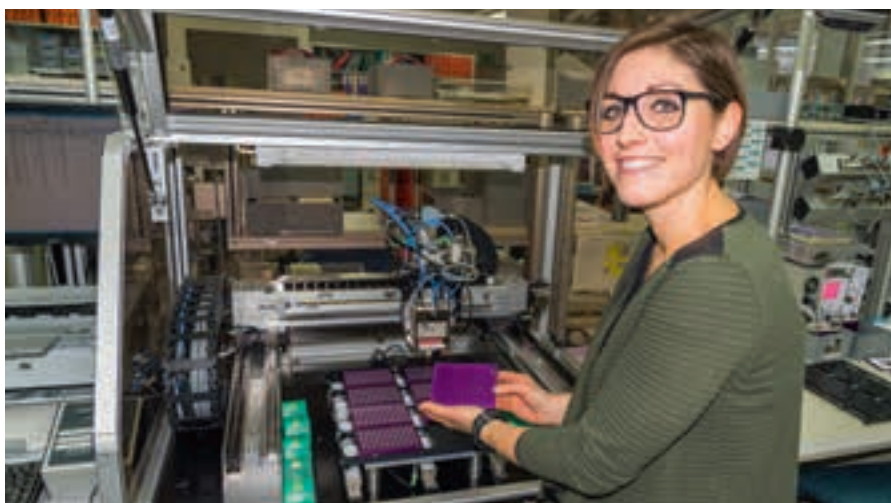
Over the past year, Micro Crystal's strategic focus achieved a new milestone. The company evolved, moving from simple quartz manufacturer status to a supplier of products with a high level of integration, as in the case of its oscillators and Real Time Clocks. The use of the latter has become widespread and today is employed as much in high quality industrial devices, automobiles and security cameras as it is in consumer applications such as fitness bands. The low power consumption of these modules – the lowest in the world – also allows Micro Crystal clients to further extend the lifespan of the batteries in their devices.

In 2016, in collaboration with Swiss research institutes, Micro Crystal once again developed integrated circuits designed for even more intelligent real time modules incorporating many additional features. Their manufacture by sister company EM Microelectronic ensures very low power consumption and offers protection against their being swiftly copied by competitors.

In 2016, Micro Crystal affirmed its position as the biggest supplier of quartz crystal tuning forks in the medical sector for pacemakers, defibrillators and neuro stimulators and its development in this area will continue in 2017.

Along with these high quality and integrated new products, Micro Crystal continues to position itself as a mass producer in the area of crystal quartz tuning forks. The company has successfully positioned itself in this highly competitive market by leveraging sophisticated production processes with an elevated level of automation.

In 2017, positive synergies resulting from extremely competitive quartz mass production and their incorporation into integrated modules will enable Micro Crystal to maintain the favorable position it currently enjoys in the market.





> SWISS TIMING

www.swisstiming.com



Swiss Timing, Swatch Group's sports timekeeping specialist, works with the Swatch Group's brands to deliver state-of-the-art timing and scoring systems, services and expertise at the world's top sporting events. Every Olympic Games year is thrilling for Swiss Timing and 2016 was no exception. In Rio, under the Omega banner, some cutting-edge technologies made their Olympic debuts. Among these was the Scan'O'Vision Myria photofinish camera, which records 10 000 images per second at the finish line. Photocell technology was also enhanced: the latest generation uses four cells instead of two for improved detection of body patterns and greater accuracy. Making their first Olympic appearance were starting blocks whose built-in sensors measure force against the footrest 4000 times per second. Golf returned to the Olympics and Swiss Timing's radar measurement system sent information – including the height, speed and estimated distance of every ball – directly to the scoreboard. The new automated archery targeting system's laser scans the target, identifies the exact position where the arrow strikes and displays the result immediately. In 2016, Swiss Timing continued to deliver its industry-defining services to sporting events and federations around the world. Under the auspices of Tissot, it worked with the National Basketball Association to develop a precision timekeeping system that was installed in each of the league's 29 arenas at the start of the 2016–2017 season. It also assumed the role of official timekeeper of the Tour de France and the Vuelta a España in cooperation with Tissot. 2017 promises to be another exciting year with highlights including the Alpine Skiing World Championship in St. Moritz (GR) and the Winter Universiade in Almaty (Kazakhstan), the World Games in Wroclaw with Tissot, the FINA World Championships in Budapest and many others.

WOMEN'S 400M FINAL
Rio 2016 Olympic Games

Rank	Lane	Run Name	NOI	Time	P. Lane
1	7	EST Shireen BULLOCK	USA	49.85	1-101
2	8	1268 Shireen BULLOCK	USA	49.87	1-101
3	9	280 Shireen BULLOCK	USA	49.88	1-101
4	10	1267 Shireen BULLOCK	USA	49.89	1-101
5	11	1266 Shireen BULLOCK	USA	49.90	1-101
6	12	1265 Shireen BULLOCK	USA	49.91	1-101
7	13	1264 Shireen BULLOCK	USA	49.92	1-101
8	14	1263 Shireen BULLOCK	USA	49.93	1-101

Omega logo and Rio 2016 Olympic Games logo are visible on the board.

FINN (8)



CORPORATE, BELENOS



> SWATCH GROUP RESEARCH AND DEVELOPMENT

Founded in 2005, The Swatch Group Research and Development Ltd encompasses the activities of Swatch Group’s research divisions as well as certain others responsible for pilot productions and special projects. Along with these activities, the company is also involved in coordinating technological innovations for various other Swatch Group companies.

> DIVISION ASULAB

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 2016, Asulab achieved this mission by offering the brands its expertise and high-performance equipment 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 in order to ensure that the technical results obtained corresponded as closely as possible to the needs expressed. The acquisition, implementation and development of new competencies and technologies continue to be important objectives for Asulab, which achieves them through targeted collaborations with renowned research institutes in Switzerland and abroad with the aim of finding new opportunities.

Thanks to the multidisciplinary skills within Asulab and a good working relationship with Swatch Group internal partners, particularly good results were achieved in 2016. An especially good example is the achievement of several decorative and functional components combining the individual properties of amorphous metal (a ceramic bezel with inlaid hour-markers; a ceramic disk with an inlaid moon and a magnifier-type hand) presented on a complete product at Baselworld.

Mechanical watches also enjoyed the benefit of new ideas and technological advances, which will enable the review of certain norms in the future and the undertaking of significant improvements on functional, energy and chronometry-related levels.

Finally, other innovations were also completed and made available to the brands and manufactures. These include new visual and acoustic means of interacting with the watch wearer. Several wireless systems displayed very interesting performance and will soon be marketed. Pilot equipment for aesthetic monitoring was also produced to meet the specific needs of Asulab’s sister companies.





> DIVISION MOEBIUS

www.moebius-lubricants.ch

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 particularly in watchmaking applications. Along with production, its mission is to innovate and develop new products designed to meet future challenges. In 2016, Moebius marketed a new eco-friendly epilame that meets current environmental standards. Within the framework of its development program, Moebius works closely with a large number of Swatch Group companies, such as Nivarox-FAR and ETA, as well as prestigious brands such as Blancpain, Breguet and Omega.



> DIVISION CDNP (CENTRE DE DÉVELOPPEMENT DES NOUVEAUX PRODUITS)

In 2016, the CDNP reinforced its support of Swatch Group brands and companies in the areas of product and process innovation.

The CDNP – already in the vanguard of the digital design, modelling, prototyping and simulation chain – expanded its offering to the brands by proposing realistic virtual pre-views of prototypes and pre-collections, as well as product animations on e-commerce sites.

Against a backdrop of accelerating industrialization and commercial launches of new products, new equipment for digital and 3D printing has been installed to speed up the timeline from design development to market entry. In parallel, new inks and innovative additives have been successfully developed, paving the way for new design and decoration options. Digital equipment like this also enables the rapid manufacture of tools and injection molds in particular.

The flexibility offered by machining and finishing operations allowing the production of all sorts of prototypes and limited series in a range of metals, ceramics and polymers remains highly attractive to the brands and production companies alike.

Technical and industrial partnerships aimed at mastering new materials and high tech processes have resulted in successful technological transfers and their use for watch-making components, and notably for exteriors and movements. These have been incorporated into finished products marketed by the brands.

Knowledge bases related to best practices and current regulations with regard to the manufacture of cases, clasps and bracelets were enhanced through feedback from the successful industrial launch of new designs, materials and processes.

The multidisciplinary nature of the team remains a key strength in offering the brands and production companies a full spectrum of services – ranging from design development to industrial transfer. New experts in the material and digital fields joined the CDNP to support its growth.





> BELENOS CLEAN POWER

www.belenoscleanpower.com



In 2016, Belenos successfully focused on developing battery parts and an important milestone was marked with the signing of a Memorandum of Understanding with a Chinese car manufacturer. The micro-inverter project made good progress, as did the development of the high speed compressor.

The lifespan and the number of charge-discharge cycles of electric batteries were improved, thanks to the incorporation of a carbon anode. This development corresponds to the characteristics of batteries received from Belenos' Chinese partner and to Chinese standards for batteries. The idea is also to produce a battery with very high energy density.

Not yet optimized, the first cells made from material sourced from the synthesis production line showed remarkable results with regard both to energy density and to lifespan. The synthesis production line was installed in the second quarter, as was a production line for cells based on vanadium, which incorporate all the phases required for their manufacture, including their assembly in the dry room. Several cell formats can be produced according to the different applications that are found in the mobility sector.

The EL-Lab, specializing in electronic research and development, develops electronic products such as the micro-inverter – mass produced for the first time – for Belenos and other Swatch Group companies. The micro-inverter is mounted directly behind a solar panel and allows the energy produced to be injected directly into the 230V electrical grid. In 2016, mass production started and the first four installations (roofs of the Omega factories 1 and 2, Swatch and the Omega parking building), representing more than 2700 pieces, were completed. In order to be able to produce, assemble and test products, the company installed an electronic assembly line with ESD flooring, as well as a test room with a climate-controlled chamber. In conjunction with the department responsible for the development and production of batteries, the EL-Lab also manufactured and tested pack batteries as well as the required electronic parts.

Committed to its high speed compressor project, the mechanical department began high-speed production of a prototype. The 3D study and simulations demonstrated the feasibility of the project. In 2017, the first actual tests on vehicles will deliver their results. In parallel, negotiations with key partners for the manufacture and industrialization of this project are underway.



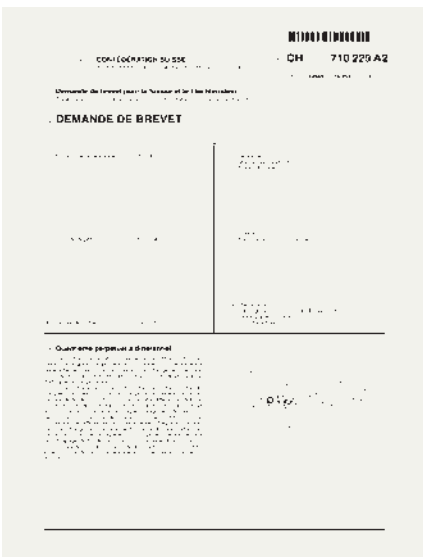
> ICB INGÉNIEURS CONSEILS EN BREVETS

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

In 2016, ICB continued its activities to identify technical innovations in the various research and development companies and divisions in order to ensure optimal protection of their technological assets. The number of new patent applications filed to protect Swatch Group company developments remained high in comparison to previous years. This was the result of the continued awareness – among all those involved in research and development – of the importance of patents as part of the strategy of an innovative company, as well as the efficient synergies between ICB and all the engineering and research teams from the different Swatch Group companies. This collaboration was again particularly important, not only in the watchmaking domain, but also in the company's non-watchmaking activities in the Group.

Substantial efforts were made to support Swatch Group brands in their strategies for penetrating international markets. With this in mind, financial investments to obtain patent protection in Switzerland and abroad for new products and new developments continued in a targeted manner, 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 wherever and whenever this was required.





In 2016, 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**

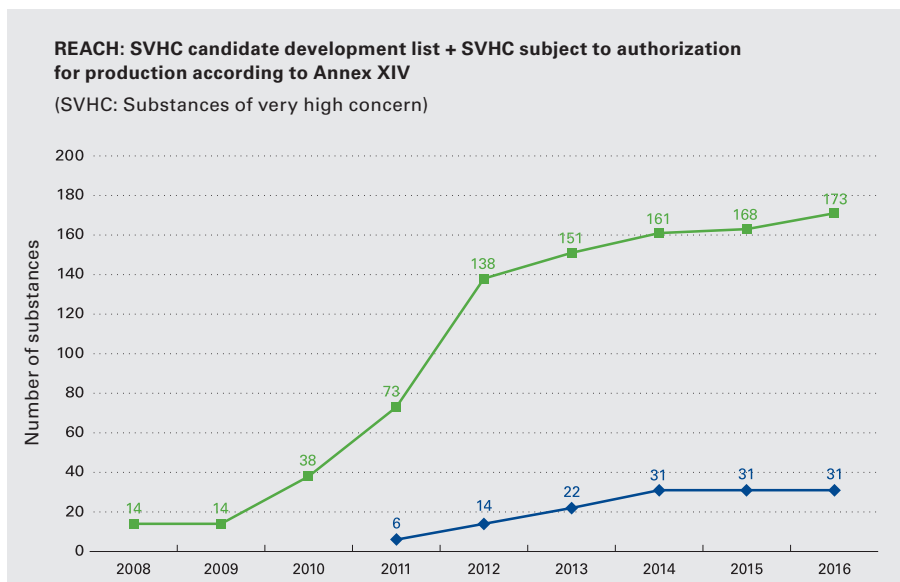
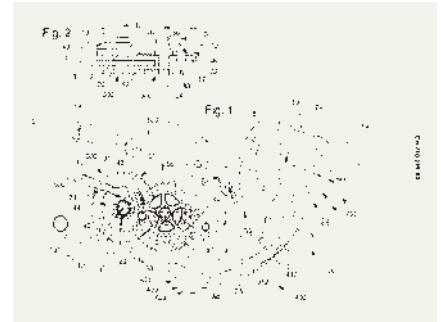
The mission of Swatch Group Quality Management (SGQM) is to establish the standards of quality assurance and the security of products brought to the market. The aim is to ensure both their legal compliance and their reliability by leveraging specific competencies for the benefit of Swatch Group companies.

Legal compliance

In 2016, SGQM monitored the evolution of the following legislation:

RoHS (Restriction of Hazardous Substances): China implemented legislation resembling that of the European RoHS (Restriction of Hazardous Substances) directive, which affects quartz watches in particular. The basic requirements are similar to the European version that Swatch Group has observed since the directive came into force in 2006. New markings, requiring the manufacturer to indicate EPUP (Environment Protection Use Period) have nevertheless had to be introduced.

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals): A new restriction concerning ethoxylates of nonylphenol was voted into effect by the European Parliament in January 2016. This ruling has, in fact, already been applied by Swatch Group on an anticipatory basis since 2014. The rate of recording of Substances of Very High Concern (SVHC) on the authorization list according to the European REACH regulation has decreased considerably. Despite the fact that they are not yet banned by REACH, Swatch Group already strictly limits the use of these products on a responsible and voluntary basis.



■ Actual: Candidate substances cumulative
 ◆ Actual: Substances in Annex XIV cumulative (with sunset date for production)



Lithium batteries: In 2016, in line with IATA Regulations, air transport conditions for batteries and accumulators made of metal lithium and lithium ions were tightened. Cell batteries in certain multifunction watches containing small quantities of lithium metal (less than 0.3 g) were the subject of a special procedure applied by Swatch Group companies.

Wood Policy: The implementation of the Swatch Group Wood Policy continued in 2016. This was further embedded in a responsible approach, targeting the use of only non-threatened species harvested with respect for principles of sustainable development. This further entrenches the requirements of the 995 / 2010 European Regulation related to the commercialization of wooden products and watch boxes in particular.

Continuous Improvement

Standards and Specifications: Once again, Swatch Group companies delegated more than 30 experts to support activities related to watch standardization at the national (NIHS) and international (EN and ISO) levels. The SGQM had the privilege of coordinating Mirror Work Groups active in the areas of materials, construction and processes as well as manufacturing methods or tests. These work groups contributed to overcoming the challenges of standardization through the achievement of consensus between the various players, thus encouraging cross-border trade exchanges.

> SWATCH GROUP SERVICES

Division European Distribution Center (EDC)

EDC's core business, the distribution of watches to Europe, was extended by integrating new products, like sunglasses for Omega and Swatch, accessories for Omega, and warranty exchange shipments to Spain and the Benelux. The growing e-commerce business was enhanced by introducing new services and tools for better last-mile delivery. Substantial improvements were achieved by optimizing internal warehouse processes, resulting in reduced administrative effort and increased process safety. The distribution of Renata products, integrated in the previous year, has been growing. The responsibility for export administration and transport management was transferred to EDC. Together with the creation of a shared retail warehouse, this will allow the use of synergies in the field of transport, administration, and warehousing and an increase of service level for Renata's customers in Europe.

Division Swatch Group Logistics (SGL)

Specialists in the implementation and management of supply chains (planning systems, management of logistic details, and process and flow optimization) as well as in the fields 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 simply confined 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 2016 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 has created a knowledge sharing center, the SGL-Campus. Within this framework, subsidiaries were able to follow an initial online planning course successfully. Collaboration with well-known Swiss schools also allows the logistics teams to enjoy useful and rewarding academic input.

Division Swatch Group IT Services

In 2016, Swatch Group IT Services continued the implementation of new IT systems in support of the Group's brands and companies. The Distribution IT team continued the design and improvement of the IT systems in the distribution companies worldwide, with special attention paid to customer service and logistics. A new Digital Marketing IT Department, focusing on the growing needs for digital systems in the marketing domain, was also created. Within this department, several customer relationship management systems were launched, including those for Glashütte and Longines, and new websites and e-commerce systems became operational for, among others, Hamilton in Italy, Swatch in Canada and New Zealand and Tissot in Austria and Belgium. An e-commerce website was also set up for ETA that focused on the online sale of quartz movements. The Technology team supported Omega at the Olympic Games with the setup of the local event IT infrastructure. The team also successfully implemented a new storage and computing system to meet the IT service needs of the Group's companies and in addition, continued with the evaluation project for the planned data center in Switzerland.

Division Swatch Group Corporate Customer Service (CCS)

The Swatch Group Corporate Customer Service Division (CCS) is committed to the continuous improvement in the quality of services provided to end customers and to maintaining a highly qualified and trained customer service (CS) staff worldwide.

Swatch Group subsidiaries and brands: To suit business needs and to ensure consistency in the delivery of qualitative services to its valued customers, the network of CS centers progressively evolves. The CCS sets benchmarks and supports brands' and subsidiaries' CS projects. The implementation of the new China CS strategy has been launched. The Thailand, India-Bangalore, and Russia service centers were reorganized and expanded, moving into their respective new premises. The prestige hub in Pforzheim (Germany) is operational and servicing watches from all over Europe. To support the watch services, customer care initiatives were implemented, supported by newly-developed financial and management tools.

Schools and training programs: Focus was placed on reinforcing the initial and continuous training programs for teachers and trainers. The pilot results of the one-year watchmaking course conducted in Shanghai and Hong Kong have now been integrated into the curriculum. Additional instructors in standard diagnostics and quality control as well as examination experts were trained in Switzerland to augment the six-week Swatch Group-certified technician training program, which enables CS employees to perfect their technical skills.

Selective Spare Parts Distribution (SSPD): The SSPD program, which aims to improve the quality standard of services for end customers, has been deployed to all European countries with a Swatch Group subsidiary and is being rolled out in the European agent countries.

IT systems: The service center in South Korea migrated to the SG CS IT platform, enhancing customer relations, internal communication and optimizing CS work. Centrix, the Swatch Group Spare Parts and Technical Information Management Tool, was implemented in the traditional Swatch Group brands.





Division Real Estate Development

For the Real Estate Development division, 2016 was a busy year with Swatch Group companies both in Switzerland and abroad.

The modernization process, upgrading of the real estate portfolio and infrastructure improvement continued, notably at Blancpain in Le Sentier (VD), Comadur in La Chaux-de-Fonds (NE), Dress Your Body in Cormondrèche (NE), the Manufacture Ruedin in Bassecourt (JU), Nivarox-FAR in Fontaines (NE) with the construction of a company cafeteria and in Crêt-du-Loche (NE), Renata in Itingen (BL), Swatch Group Export in Neuchâtel (NE), and in Biel (BE) at Omega, Swatch Group and Swatch Group Services. All these projects were part of a policy of improving employee safety at work and company values, as well as keeping production facilities in perfect condition. They also correspond to a will to optimize and verticalize production flows and to improve facilities to generate better production quality. In addition, they reflect a policy to reduce fossil and electric energy consumption.

Totalling 45000 square meters, the new Universo and Rubattel et Weyerermann buildings in La Chaux-de-Fonds (NE) have been progressively prepared for production. With the building of a 25000 square meter production building, the second phase of the Swatch Group companies' industrial park in Boncourt (JU) will soon be complete. The Omega and Swatch site in Biel is well-advanced, with the construction of a 50000 square meter surface area that will become available bit by bit until 2018.

The Real Estate Development division was also responsible for coordinating the construction of the Baselworld booths for Swatch Group brands and companies, totaling a 10000 square meter exhibition and sales area. To this end, the division deployed consulting services, produced feasibility studies and designed concepts and layouts.

Finally, Real Estate Development was extremely active in the development and updating of the vast boutique network on behalf of Swatch Group's most prestigious brands: for Harry Winston, the boutiques in Düsseldorf, Hawaii, Houston, London, Miami, Moscow, Nagoya and Tokyo as well as shop-in-shops in key locations all over the world; for Swatch, in Times Square in New York City; for Tourbillon, in Baden-Baden, Lausanne, Porto Cervo (Italy) and Singapore; and for the luxury multi-brand boutiques in Nice, Riyadh and Zurich.

> SWATCH GROUP IMMEUBLES

www.swatchimmo.ch

For Swatch Group Immeubles, 2016 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.

SIMON (5)



SWATCH GROUP IN THE WORLD



> SWISS MARKET

Swatch Group once again aimed high in Switzerland in 2016 with the achievement of a long-term agreement with the Bürgenstock Resort above Lake Lucerne. Swatch Group will have several shops that are scheduled to open mid-2017 in the new hotel complex perched at an altitude of 1128 meters above sea level.

Breguet inaugurated a new roadshow called *Breguet, a Story Among the Greats*. Through this traveling exhibition, the brand invited its fans to explore the world of personalities that have marked its history. At the Cité du Temps in Geneva, Harry Winston told the brilliant tale of its development, from 1932 to the present, with a selection of breathtaking watchmaking and jewelry pieces.

Jaquet Droz experienced an excellent year in the Swiss market, once again achieving a record result. For Omega, 2016 was highlighted by the Crans-Montana European Masters (VS), which took place at the beginning of September, and by the inauguration of a boutique in Zermatt (VS). Omega's clientele was also invited to take part in other events, including the Weltklasse Zürich and Athletissima Lausanne athletics meetings.

Longines timed the European Longines Gymnastic Championship in Bern. For the first time, the brand also served as official timekeeper of the Longines CSI Ascona (TI), the Jumping Longines Crans-Montana and the International Longines Horse Show of Lausanne (VD). Rado intensified its commitment to the world of tennis with a new partnership as Official Timekeeper for Swiss Tennis. Union Glashütte opened several new points of sale, notably in places that attract large numbers of tourists.

Tissot successfully won new market share and, with the Jungfrau Railways, organized an unprecedented event in the form of a basketball game on the Jungfraujoch glacier starring Tony Parker. At Baselworld, Balmain held a cocktail party attended by Lauriane Sallin, the current Miss Switzerland. Official timekeeper of the FIA World Rally Championship (WRC), Certina organized large-scale promotional operations on this theme at the airports in Geneva and Zurich. Mido continued to elevate its position and reputation on Swiss territory thanks to quality distribution and enhanced communication.

For Hamilton, 2016 was a year filled with events related to aviation, in particular with the presentation of *Hamilton aEro*, the first Swiss project for an electric airplane designed for aerobatics. Calvin Klein watches + jewelry intensified its long-term collaboration with key retailers while expanding its distribution.

Swatch continued its development, implementing new boutique concepts, such as the one in Zermatt. The shop-in shop in department store Jelmoli in Zurich enabled the testing of new presentation ideas for the brand's products. On the home front, Flik Flak's event calendar provided a large number of occasions for children to test the brand's new application for learning to tell the time.

With regard to distribution, the Tourbillon boutiques enabled the different brand collections to shine. An example was the Lugano boutique, which, in collaboration with Jaquet Droz, attracted connoisseurs of art in all its forms to an opening organized by the Galleria San Giorgio. Swatch Group's multi-brand activities at Zurich Airport expanded with the opening of two key Hour Passion boutiques.



> SWATCH GROUP GERMANY

Swatch Group Germany enjoyed a stable year thanks to its select distribution channels.

Breguet held a sneak preview of its innovations as well as a selection of exceptional timepieces at Bucherer in Frankfurt. Blancpain presented the limited edition Ocean Commitment II to journalists and distinguished clients at its boutique. For Glashütte Original, the year was highlighted by the launch of the Senator Excellence model, enhanced with the innovative new Manufacture Caliber 36. Jaquet Droz presented its products in an exclusive decor at a renowned jewelry boutique. Omega held a major Planet Ocean event and sent its VIP clients and journalists to the Rio Olympic Games. On the occasion of brand ambassador Stefanie Graf's visit, Longines presented her with a donation to the charity she founded. Rado introduced journalists to its new Ceramica, designed in collaboration with industrial designer, Konstantin Grcic. In Glashütte (Saxony), Union Glashütte demonstrated the production depth used in the manufacture of its watches to important retailers. The brand, in its capacity as partner, also attended five vintage car rallies. Tissot made its debut as official timekeeper to the Tour de France, an event that generated a buzz in Germany. JP Performance, one of the best-known German YouTubers in the automotive world, now sports a Certina DS Eagle on his wrist. Mido set up an inflatable advertisement in Munich on one of the busiest shopping streets in Europe. Hamilton invited its clients and the media to the German Red Bull Air Race, which takes place on the Lausitz Circuit. Calvin Klein watches + jewelry enhanced the approach to the A7 highway as well as the cities of Berlin and Düsseldorf with a superb outdoor poster campaign. Swatch affirmed its leadership in the lower-end mechanical watch segment with the successful launch of the SISTEM51 Irony model. Finally, at the Frankfurt Book Fair, Flik Flak launched a new application with a fun way of learning to tell the time.





> SWATCH GROUP AUSTRIA

Swatch Group Austria successfully maintained high standards, thanks notably to the opening of two new boutiques in high traffic areas. Breguet installed a guilloché machine in its Vienna boutique in order to introduce interested parties to the art of guilloché. Glashütte Original inaugurated its first boutique on Austrian soil in Vienna at an exclusive event. Omega developed a large number of activities at its Vienna boutique including the refurbishing of the museum section and events highlighting its innovative technologies. Longines was the official timekeeper at several significant ski races and the Vienna Masters showjumping event. Together with Joshua Sturm, Austria won the Longines Rising Ski Star 2016. Rado presented its new Ceramica at the Vienna Design Week, along with works by well-known industrial designer, Konstantin Grcic. Union Glashütte tackled the task of acquiring new clients and organizing events with its retailers; the brand also partnered the Silvretta Classic Rally. The role of official timekeeper at MotoGP™ races in Spielberg, as well as the Tour de France, were highlights of the year for Tissot. Certina focused on expanding its distribution and on special presentations. Calvin Klein watches + jewelry presented the year's innovations and developed partnerships with bloggers. Leveraging a plethora of activities, Swatch focused on the Swatch Club, which surpassed the 25 000 member mark. Finally, Flik Flak focused on the "Back to School" theme and on partnerships with various bloggers.



> SWATCH GROUP BELGIUM

Following the tragic events that took place in the country, Swatch Group Belgium maintained its momentum with regard to its brands. Breguet enhanced its reputation through media campaigns and events organized with retailers. Blancpain hosted select guests at the Blancpain Race Weekend at the Spa-Francorchamps Circuit. Omega continued its Olympic trajectory by holding an Ambassador Training event during the week of the 40th anniversary of the Memorial Van Damme athletics meet. At four prestigious steeplechases, Longines presented new models from the Equestrian collection, a tribute to its passion for the equestrian world. Rado scored a great success at Baselworld with its exhibition on the theme of lightness, organized with trend forecaster, Lidewij Edelkoort. Sponsorship of the Tour de France and classic cycling races enabled Tissot to improve its visibility and image. Certina strengthened its presence with regard to distribution through the promotion of four different lines in its collection. Balmain maintained its unique positioning on the market with its ambassador, Miss Switzerland, Lauriane Sallin. Hamilton, active in the world of cinema, organized a communication campaign around a preview of the film *Independence Day: Resurgence*. Calvin Klein watches + jewelry focused on its distribution network with customized window displays. Swatch launched the Ketje From Brussels watch, representing the famous Brussels statue, the Manneken Pis, and hosted singer Mika for an autograph session. Flik Flak held competitions for children.



> SWATCH GROUP NETHERLANDS

What better place to launch a combination divers' / GMT watch than in a country lying largely below sea level? Omega's "Deep Black" was unveiled in Amsterdam. Longines was honored to be the first partner of the Dressage World Cup Young Horses in Ermelo. Rado successfully introduced watches made of light high-tech materials to the press. Tissot focused on Tour de France local activation and a partnership with a well-known light art festival. Balmain strengthened its qualitative customer base in the Netherlands with a new POS. Certina launched a new line in its successful Podium family. Hamilton reinforced its positioning as an aviation brand with proud partnerships with the Apache and F16 squadrons. With its #ckminute activation, Calvin Klein watches + jewelry activated influencers to engage end consumers. In July, Swatch opened a Megastore in Amsterdam. Flik and Flak introduced their time-teaching app in the Swatch pop-up Store at Schiphol Airport.

> SWATCH GROUP LUXEMBURG

Throughout 2016, Swatch Group Luxemburg's companies further assisted Swatch Group's international development with their support activities by providing their services in the areas of operation financing, liquidity management and optimization of insured risk, this in a still challenging and volatile financial market environment. Located in the financial heart of Europe, Swatch Group Luxemburg benefits from the vast range of services provided by an internationally recognized and efficient banking and insurance system, which is regulated and supervised by national and European authorities.

> SWATCH GROUP FRANCE

Following an excellent year in 2015, Swatch Group France was affected by the repercussions of terrorist attacks committed in the country. Despite this environment, the brands rose to the challenge and were involved in a large number of events.

Breguet, major sponsor of the Petit Trianon, welcomed VIP guests for an evening at the Domaine de Marie-Antoinette at the Château de Versailles. Within the framework of the *Blancpain Ocean Commitment*, static apnea was introduced to a selection of privileged guests by world record holder, freediver Gianluca Genoni. On October 11th 2016, Glashütte Original celebrated the official opening of the boutique at 6, rue de la Paix in Paris. The Printemps Haussmann logo flew Omega's colors during the Rio 2016 Olympic Games. The brand will soon be opening its first boutique in Monaco, located on the premises of the principality's casino.

Longines enjoyed a year filled with 23 events. The brand opened a boutique in the heart of Parisian luxury on the Right Bank at 16, Rue du Faubourg-Saint-Honoré. For the fifth consecutive year, Rado partnered the Paris Design Week. The brand awarded its Rado Star Prize to Elodie Rampazzo, at an event attended by designer Konstantin Grcic.





Tissot once again became official timekeeper and partner to the Tour de France 2016. Sebastian Perret, winner of the Mido watchmaking design competition, presented his creation, inspired by London's iconic Big Ben tower, to Bucherer, the media and clients of the largest watch retailer.

Calvin Klein watches + jewelry exhibited its Calvin Klein class watch on the façade of the Automobile Club of France, located on the famous Place de la Concorde in Paris. The display windows of the Galeries Lafayette Haussmann paid tribute to watches in the Colors line by combining them with swimming costumes under a "bright colors" theme.

Swatch presented its new range of sunglasses to journalists during a road trip through the center of Paris in the spring sunshine, aboard a two story bus redecorated for the occasion. The Champs-Élysées Megastore launched its new concept in July.



> SWATCH GROUP SPAIN

During 2016, Swatch Group Spain achieved great success, overcoming all the challenges it faced and consolidating its strong position in the market. Breguet Spain hosted the exhibition *Breguet, A Story Among the Greats* at the Royal Theatre. Blancpain welcomed a new ambassador to its family, Spanish chef Dani García, who was introduced to the media during a very special event at his new restaurant in Madrid. Glashütte Original had the chance to release its book, *Impressions*, at the Thyssen Museum in Madrid. Omega launched the film *Terra* with the presence of Yann Arthus-Bertrand and the Globemaster Collection. The Olympic Games, with Omega as timekeeper, enjoyed strong focus in the Spanish market. Longines welcomed brand ambassador Andre Agassi at a special lunch with top journalists. The year was exciting for Tissot with the new Spanish ambassador, the MotoGP™ driver Jorge Lorenzo. Certina, Hamilton, and Calvin Klein watches + jewelry offered, as every year, a Baselworld presentation, which is always welcomed by journalists. Swatch had three important launches during 2016: POP Collection, SISTEM51 Irony and Swatch The Eyes, which had a very good reception. Swatch collaborated with Spanish artist Brianda Fitz-James Stuart, who will design a watch for the brand. It also reinforced its relationship with influencers. Flik Flak closed the year with a special Christmas party for journalists' kids.





> SWATCH GROUP ITALY

To mark the 200th anniversary of *The Barber of Seville*, Breguet organized an event at Teatro dell'Opera di Roma for the premiere of Rossini's famous opera. At an event in Milan, ballerina Eleonora Abbagnato performed at the historical Teatro Litta. Blancpain presented the *Blancpain Ocean Commitment* roadshow at Pisa Orologeria in Milan in October and launched the Fifty Fathoms Bathyscaphe Chronograph Flyback Ocean Commitment II. Glashütte Original celebrated the Italian launch of the book, *Impressions*, at Circolo Filologico Milanese. Omega presented its Seamaster Planet Ocean "Deep Black" collection at Milan's Villa Necchi Campiglio. The Longines FEI World Cup™ Jumping in Verona was enhanced by the Longines Carousel, which was activated via the Longines website and social media. Rado launched the first Italian edition of the Rado Star Prize with students of Istituto Marangoni. In July, Tissot celebrated its new boutique in Milan and launched a special project with a new campaign, This Is Your Time. Mido's growth was thanks to expanded distribution and focused advertising. Hamilton continued to support cinema, partnering the 70th Anniversary of Nastro D'Argento and awarding director Gabriele Mainetti for his film *They Call Me Jeeg*. Calvin Klein watches + jewelry focused on consumer proximity through a strong engagement on and offline. During the Milan Design Week in April, Alessandro Mendini celebrated the launch of the model Spot the Dot in the Swatch Montenapoleone flagship. In summer, Swatch Club Members and Mika's fans enjoyed two autograph sessions in Milan for the launch of the Mumu watch.



> SWATCH GROUP UNITED KINGDOM

In a challenging political environment, Swatch Group United Kingdom enjoyed double digit growth, increasing market share across all brands. Breguet had an excellent year with strong retail sales and events and celebrated its heritage and association with Sir Winston Churchill at a VIP evening showcasing the much-loved pocket watch. Blancpain hosted a press conference presenting its *Blancpain Ocean Commitment* program and a new limited edition piece. Jaquet Droz took part in the Metiers d'Art exhibition at Salon QP, attracting new clients with a visual display of enamel painting. Glashütte Original strengthened sales with key retail partners. Another Olympic year for Omega, the team continued on the success of London 2012 with increased sales and extensive press coverage. It also hosted VIP events to celebrate the new Seamaster Planet Ocean "Deep Black" collection and a dinner to highlight the Globemaster with ambassador and British actor, Eddie Redmayne. Longines celebrated 10 years of partnership with Royal Ascot and hosted The World's Best Racehorse Awards, where the Princess Royal was honored for services to racing. Rado strengthened its distribution, introducing new accounts and increasing doors across existing retailers. In a year of sport, Tissot was Official Timekeeper of the RBS 6 Nations rugby and the Tour de France.





NBA standout Horace Grant appeared at the Tissot Boutique on Oxford Street. Hamilton celebrated its ties with Hollywood, with a screening of *Independence Day: Resurgence*, where four actors wore the brand. Calvin Klein watches + jewelry continued steady growth focusing on the opening of new key accounts, and Certina immersed guests into the world of the World Rally Championship, where it was Official Timekeeper. Swatch continued to build on its retail network, opening two new stores, and celebrated two new launches. Swatch The Eyes was launched on the iconic London Eye, which revolved as guests tried on their sunglasses, and VIP guests partied the night away for the launch of POP. Flik Flak ran its first Instagram campaign alongside parenting bloggers, driving traffic to e-commerce.

> SWATCH GROUP IRELAND

Swatch Group Ireland maintained a strong performance in a challenging market. Longines continued its support of equestrian sports at the Dublin Horse show and Irish Champions weekend, resulting in strong press coverage across all media. Rugby is the ultimate sport in Ireland and as proud Official Timekeeper of RBS 6 Nations, Tissot partnered with rugby legends who shared their Tissot #TopMoments of the matches and their predictions with fans. Fans responded passionately by posting their own pictures of #TopMoments on social media. Tissot was delighted to be at the center of these engaging exchanges between fans and experts. Swatch took prime promotional space with a POP pop-up boutique to launch the highly anticipated collection. Flik Flak hosted a time teaching workshop with a retail partner during their Kids weekend – a huge success that increased sales.





> SWATCH GROUP NORDIC

Denmark

Swatch Group Denmark had an exciting year, with several brands investing in shop design and improved customer experience. Appropriately, Omega launched its new Planet Ocean watches in June at an event at the Blue Planet aquarium. With its focus on social media and bloggers, Longines reached a dynamic new target group. Rado added two exclusive retailers and Tissot conducted enjoyable team-oriented training sessions for in-store staff, covering corporate and product knowledge and sales techniques. Certina increased its presence on Copenhagen's beautiful pedestrian street, Stroget, opening key POS. Calvin Klein watches + jewelry inspired retailers, creating concepts for in-store/social media events. Swatch again had a great year, thanks to the unique new SISTEM51 Irony collection.

Finland

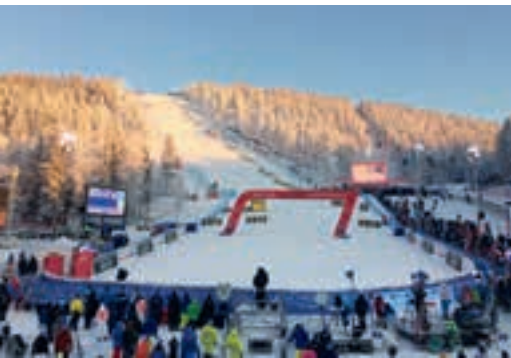
Swatch Group Nordic Finland remained stable in a demanding economic environment. The Olympics focused attention on Omega, whose product launches for the Speedmaster and Seamaster families were successful. With its title sponsorship of the FEI World Cup™ Jumping in Helsinki and its timing of the Alpine World Cup skiing in Levi, Longines again – with the support of retailers – raised brand awareness among Finnish consumers. Calvin Klein watches + jewelry added market share with new products and successful launches.

Norway

Omega was the Official Timekeeper at the Lillehammer 2016 Winter Youth Olympic Games and arranged an outstanding hospitality program for clients from the Nordic countries and from Switzerland. Longines was official partner of the popular Oslo Horse Show. Rado had a strong year with effective PR. The Tissot Everytime range was well received and its new partnership with the Tour de France had a positive impact on the market. The Certina DS-1 Himalaya Special Edition was a market success.

Sweden

Omega had an excellent year with increased market share and great visibility, especially during the Olympics. Longines increased its brand recognition through equestrian sports, hosting the FEI World Cup™ Final and the Falsterbo Horse Show. Rado's strong year was based on its improved footprint in key cities and growing brand awareness. Tissot had a rewarding year, focusing primarily on Le Tour de France, ice hockey and a new shop-in-shop environment. Certina maintained its position as one of the most successful brands in the mid-price segment, concentrating on motor sports that generated extensive PR coverage. Calvin Klein watches + jewelry maintained its solid position and implemented shop-in-shops in key POS. Swatch had an exciting year, concentrating on travel retail and e-commerce.





> SWATCH GROUP GREECE

In 2016, Swatch Group Greece enhanced the remarkable presence of its brands in a select, exclusive network. This strategy focused on short- and long-term sales development and the expansion of the Group's client base and market share. Omega's newly-renovated boutique in Athens stimulated media and consumer interest and was a showcase for the introduction of the brand's newest collections. Longines expanded its shop-in-shop network nationally. Its digital marketing activities generated strong social media support. Rado made a bold impression with its SEA campaign and continued to promote its duty-free shops in Greece and Cyprus. Tissot created a buzz with its newly-opened boutique in one of Athens' best shopping areas. Hamilton's promotion around the movie *Independence Day: Resurgence* was supported by online and print campaigns, promotional activities at POS and an advance premiere for retailers and media. Calvin Klein watches + jewelry's new jewelry line helped strengthen the brand's share in the domestic and touristic markets. Swatch continued the renovation of its shop-in-shop network and invested in a strong social media presence, partnering with opinion leaders. Flik Flak enjoyed an impressive sales increase and an enhanced digital media profile.





> SWATCH GROUP TURKEY

In 2016, Swatch Group Turkey increased its number of distribution channels and continued to invest in spite of the year's economic and political incidents. At Rio 2016, Omega was the Official Timekeeper of the Olympic Games for the 27th time and Turkey's key retailers were invited to experience the Omega spirit. By becoming Title Partner and Official Timekeeper of Longines International Racing Festival Istanbul, Longines marked a significant milestone and delighted its retailers and media by presenting new products at prestigious events. Rado continued to hit the courts as the Official Timekeeper of the Istanbul Open ATP Tennis Tournament, successfully increasing its market share and presence. Tissot reinforced its visibility with shop-in-shop installations, leading retailers to enhance the quality of their stores. Balmain passionately expanded its network with new partners. Hamilton proudly celebrated its launch with a gala event and product show at Soho House Istanbul. Calvin Klein watches + jewelry maintained its leading market position with a positive focus on distribution and PR activities. Swatch significantly extended its high quality retail network with the opening of eleven corporate stores in 2016 in Istanbul, Ankara, and Antalya.

> SWATCH GROUP POLAND

Omega presented the Globemaster and Constellation Petite Seconde at successful Warsaw Boutique events, opened new POS in Warsaw and Poznan, and enjoyed extensive media coverage of its Rio 2016 timekeeping on primetime TV newscasts. Longines was the official timekeeper of the international equestrian event CSIO Sopot. The public voted the Longines Heritage RailRoad the *2016 Watch of the Year*. With its Baselworld debuts, Rado successfully increased market share in the premium segment. Certina celebrated Polish racing fans with its DS Podium Big Size Chronograph WRC Limited Edition Poland. Tissot focused on training programs for sales associates and further improvement of its visibility at POS. It successfully exploited the potential of partnerships with the NBA and Tour de France, almost doubling its Facebook following during the year. Swatch continued retail chain expansion with new stores in Cracow and Poznan. Events promoting the main collections attracted top journalists and celebrities. Swatch focused on cooperation with Polish bloggers and influencers to increase market awareness. Hour Passion continued its double digit growth, opened its first outlet boutique in Warsaw and hosted Rado ambassador Agnieszka Radwanska at M&G event in the boutique in Lodz.



> SWATCH GROUP RUSSIA

In 2016, Swatch Group Russia retained its position as a leading retailer in the local watchmaking market in every price segment. With the aim of strengthening its brands, Swatch Group Russia conducted large-scale media campaigns. Among them was the presentation of watches from the Tourbillon boutique at the St. Petersburg International Economic Forum, along with the launch of different collections from the brands in the Moscow boutique.

Brands in the premium segment posted solid results. Breguet continued its collaboration with Evgueny Mironov, the famous Russian actor, who attended a major charity concert held by the brand at the Bolshoi Theater in support of Caisse SOS, as well as a performance of Chekov's *Ivanov*. The end of the year was also marked by the opening of the luxurious Harry Winston boutique on Stoleshnikov Pereulok, Moscow's most prestigious street. Blancpain revealed the mysteries of its unprecedented Minute Repeater watch at exclusive workshops in Moscow, St. Petersburg, Krasnodar, Chelyabinsk and Vladivostok. Finally, Jaquet Droz supported its first Russian ambassador, ballerina Diana Vishneva, at the Bolshoi Theater this year.

Omega paid tribute to its ladies' watches through the major *Her Time* exhibition held in the GUM department store. The brand inaugurated the Omega Space Lounge at the museum of modern art, the Multimedia Art Museum in Moscow, as well as its fifth mono-brand boutique in the country, located in the capital on Kouznetsky Most street.

Longines became partner and official timekeeper to the country's main horse races, including the President's Cup, organized by the Russian Equestrian Federation. Rado scored points by sponsoring the Kremlin VTB Cup, the international tennis tournament. Union Glashütte strengthened its visibility in the market, thanks to sponsoring a vintage car rally in Moscow and a classical music festival in Omsk.

Tissot inaugurated the countdown of the IIHF 2016 World Ice Hockey Championships attended by Vladislav Tretiak, the legendary Soviet hockey player. The brand also timed the veterans' hockey match on Red Square in Moscow, which was followed by an exhibition of historic watches at the GUM shopping center. Tissot sponsored the prestigious Russian basketball tournament, the Moscow Open. It also opened one of its biggest POS in the world on Tverskaya, the main street in the Russian capital.

Certina strongly enhanced its visibility on the web, in particular by presenting its innovations with Ole Einar Bjørndalen, the famous Norwegian biathlete. Mido, new to the Russian market, opened its first shop-in-shop in Moscow and St. Petersburg. Hamilton made an impression on the internet with the launch of a photographic competition related to the Spitzberg expedition and its flagship model Ventura, Elvis Presley's watch. The Calvin Klein watches + jewelry collection was highlighted at the Exposed art gallery.

Swatch reached a young audience with its active participation in big festivals and other events, such as Vogue Fashion Night Out, Bosco Fresh Fest and Piquenique Afisha. The new Swatch POP collection took over the Mars art gallery for the duration of a colorful launch event, making a highly positive impact on sales.

Client service was hugely successful in 2016. Together with its new workshops, it was acclaimed by specialists as the country's best after-sales service.

Swatch Group Russia enjoyed stable development in 2016 and forecasts positive results for 2017.





> SWATCH GROUP USA



Swatch Group USA enhanced its presence by expanding its footprint across all brands and forging ahead with new store openings and brand events focusing on the development of its overall business. Breguet celebrated the achievements of Abraham-Louis Breguet with a nationwide tour of the reproduction of the Breguet n° 5 pocket watch, which exemplifies the brilliance of the man who created the first successful self-winding timepiece. The *Blancpain Ocean Commitment* was the brand's focus in 2016. To support this global initiative, VIP events with the *Blancpain Ocean Commitment* roadshow were held in Las Vegas and in Santa Clara, CA. Glashütte Original celebrated the US launch of its first manufacturing book, *Impressions*, in Los Angeles at the renowned MILK Studios. Journalists and friends of the brand experienced exclusive readings by contributors like Joel McHale. Jaquet Droz celebrated its history with exhibits at Tourbillon boutiques in Houston, South Coast Plaza and Short Hills, focusing on its *Métiers d'Art*, the beauty of its automaton pieces and the luxury of customization. Omega continued its timekeeping legacy at some of the most iconic sports events including the 2016 Olympic Games, PGA Championship and Ryder Cup. The brand also unveiled its Seamaster Planet Ocean "Deep Black" collection.



Longines served as Official Timekeeper and Watch of the Triple Crown series and the Breeders' Cup World Championships and was the Title Partner, Official Timekeeper and Watch of Longines FEI World Cup™ Jumping North American League. It opened its third US boutique in the World Trade Center mall. Rado reinforced its design heritage with the sponsorship of NYCxDESIGN and a brand exhibition at WantedDesign Brooklyn. The inaugural Rado Star Prize US also launched in 2016. Tissot entered its second year as Official Timekeeper of the NBA with the launch of its new timing system. It also announced team deals with the Charlotte Hornets and the Cleveland Cavaliers and created Tissot PRC 200 NBA watches for the NBA Draft. With the help of NBA legend Nate Archibald, Tissot opened its World Trade Center Boutique. Reinvigorating its American heritage, Hamilton partnered with US Navy Athletics. Hamilton continued to shine on the big screen with *Independence Day: Resurgence*. The year culminated with the star-studded 9th Annual *Hamilton Behind the Camera Awards*. Mido reinforced its market strategy in American football, launching products reflecting the sport's heritage, including the Multifort Touchdown, featuring a strap made from authentic football leather. Calvin Klein watches + jewelry displayed its 2016 collection on the JCK show floor in Las Vegas, resulting in advanced exposure nationwide. Swatch celebrated the opening of its new Times Square location and the launch of the POP collection with a star-studded event in May. It also hosted the Swatch Women's Pro Trestles event in California and continued its retail expansion in New York City by opening its doors in the World Trade Center mall.

> SWATCH GROUP CANADA

In a successful year, Swatch Group Canada launched its first Hour Passion boutique in Vancouver. Breguet, Blancpain, Glashütte Original and Jaquet Droz reinforced their prestigious images through selective distribution. Omega strengthened its market leadership through special events and expansion of shop-in-shops. Longines elevated its image through participation in equestrian events and POS investment. Rado took a leading role in Canadian design and expanded its digital footprint as the timepiece partner for the *Azure AZ Awards* international design event. Tissot hosted guests at the NBA All Star Game in Toronto, including road show activations in all venues. Hamilton increased its retail presence with the installation of four new shop-in-shops. Mido continued its successful launch in Canada. Calvin Klein watches + jewelry expanded with the Hudson Bay Department Store, strengthening the brand's positioning in the fashion segment. Swatch saw significant growth with a new boutique in Montreal and launched e-commerce. Toronto hosted the Swatch Beach Volleyball Major Series Final.



> SWATCH GROUP CARIBBEAN AND LATIN AMERICA

In 2016, Swatch Group Caribbean and Latin America focused on increasing the distribution level, resulting in a record year for some brands. Glashütte Original reactivated its existing network while exploring new channels. Omega expanded its cruise ship presence with a super corner aboard the Harmony of the Seas; with the opening of its boutique in Lima, the brand is now present in every major Latin American country. Longines expanded its market presence with extensive distribution changes and unveiled super corners aboard the Queen Mary 2 and the Costa Fortuna. Rado experienced steady growth and opened a new boutique in San Juan. Tissot expanded its distribution with a super corner in Grand Cayman and the relocation of its boutique in Bogota. Mido and Hamilton maintained strong market presence and brand awareness. Calvin Klein watches + jewelry experienced significant growth in both the Caribbean and Latin America. Swatch forged ahead with its expansion of stores and kept its commitment to projects like the Proyecto Sofia Mulanovich, established for young surf talents in Peru.

> SWATCH GROUP MEXICO

2016 was a strong year for Swatch Group Mexico. Breguet partnered with the Opera Gala Concert featuring renowned Mexican tenors and opened a premium POS in Los Cabos. Blancpain opened a shop-in-shop at La Isla Fashion Harbor Cancun. Omega introduced the Globemaster Annual Calendar Collection; its new Seamaster Planet Ocean "Deep Black" timepieces were equal to depth-defying challenges in a marine environment. Mexico hosted the Longines Global Champions Tour, welcoming Tour and Mexican Equestrian Federation authorities. The Rado Lightness event offered a space to discover contemporary design in a quest for lightness, design, technology and innovation. Double-digit growth in Mexico earned Hamilton branding space in its new and existing networks. Traveling road shows and an increase in the number of shop-in-shops reinforced Tissot's presence in department stores. Mido inaugurated two new boutiques and officially opened Fashion Week Mexico with a contest to choose its next inspiration. Calvin Klein watches + jewelry engaged through its jewelry offering and enhanced its corporate visual identity in its POS. Swatch launched the POP collection in Mexico and opened its largest store at Playa del Carmen and expanded its high-quality retail network.





> SWATCH GROUP BRAZIL

As Official Timekeeper of the Olympic Games, Omega played an essential role in Rio 2016, enchanting both the media and the public. The Omega House, with its themed rooms and exciting events, was the place to be during the Games. The new corporate boutique in São Paulo, which opened in April with VIPs and celebrities, elevated brand awareness in Brazil. Tissot increased its presence among major prestigious clients in São Paulo and Belo Horizonte, successfully implementing the new shop-in-shop concept. Underscoring Brazil's great design legacy, Mido celebrated a partnership with *Diário do Arquiteto*, São Paulo's leading group of architects and designers, at a brilliant event in November. Swatch, expressing its true Olympic spirit, launched the Olympic Collection and Swatch The Eyes in a perfect sunset party at Rio's Copacabana Palace.





> SWATCH GROUP AUSTRALIA

The focus in 2016 was on evolving the distribution platform for all brands and on operational excellence. Breguet gained a new wholesale partner and grew its marketing platform with a strategy emphasizing a unique link to Australia's history. Focusing on local brand awareness, Blancpain continued its contribution to diving and ocean conservation by reinforcing the *Blancpain Ocean Commitment* and Fifty Fathoms collection. Jaquet Droz experienced substantial growth by strengthening its distribution platform. Glashütte Original opened its first two POS in Australia supported with a VIP event. Omega had a strong year of key events, a Rio 2016 Olympics marketing campaign and expansion of its retail footprint with three new boutiques. Longines grew its partnership with the Sydney Autumn Carnival with title sponsorships of the Golden Slipper and Queen Elizabeth Stakes horse racing events. Rado's focus was on in-store presentation through increased shop-in-shop projects and on improving brand awareness via sponsorships such as the Brisbane International. Tissot enhanced its qualitative POS presence and introduced an innovative in-stadium LED countdown at AFL matches and celebrated the NBA partnership with an 'All Stars NBA vs AFL Challenge'. Calvin Klein watches + jewelry maintained a strong focus on driving brand awareness through consistent training, increased public relations and digital activities. Swatch continued its retail expansion with new operations in Sydney, Melbourne and Brisbane. Product launches for POP and SISTEM51 Irony were key highlights supported with strong outdoor and digital campaigns.

> SWATCH GROUP CHINA

Swatch Group China sustained its market leadership position in 2016. Brands focused on product promotion, target customers and digital platforms. Key initiatives included the successful launch of a new IT retailing system, the development of an e-learning platform, the launch of Tissot's e-Commerce brand site, the strengthening of digital knowhow, a payment solution cooperation with China Union Pay and the implementation of the CS movement repair project.

Drawing on archives that enable Breguet to trace the sales of its watches from 1787 to the present day, the *Breguet, A Story Among the Greats* exhibition linking the brand to historical figures was presented in four cities. Harry Winston established its first Chinese timepiece boutique at Hangzhou Tower; two more are planned for 2017. The House opened the *Discover Zalium™ by Harry Winston* exhibition at its Salon in the Peninsula Shanghai. Blancpain expanded to ten corporate boutiques and brought its *Bathyscaphe Ocean Commitment Limited Edition* and *Blancpain Ocean Commitment* roadshow to China. Glashütte Original celebrated the launch of the Senator Cosmopolite with its *Time Travelers* exhibition in Beijing SKP and Nanjing Deji Plaza. Jaquet Droz unveiled its new boutique at Beijing APM. Omega launched the Globemaster at a press conference at Shanghai's Swatch Art Peace Hotel, showcasing its pioneering spirit and introducing a new quality standard for the industry. The *Her Time* exhibition and an event with Nicole Kidman underscored Omega's commitment to ladies' watchmaking. Longines built on its solid leadership position for another great year. The Longines Equestrian Beijing Masters was held in the Bird's Nest Stadium with ambassador Eddie Peng. Rado opened its largest boutique worldwide in downtown Beijing with ambassador Tang Wei. Tissot proudly launched its NBA timing





system and shot clocks. The brand celebrated its NBA and CBA partnerships with ambassador Huang Xiaoming at basketball-themed roadshows. Ambassador Liu Yifei shot the first Tissot TVC in France during the Tour de France. Mido celebrated the 40th anniversary of the Baroncelli. In the #BeInspiredByArchitecture campaign, more than 12000 photos were posted on Weibo by Mido China followers. Hamilton returned to the big screen in *Independence Day: Resurgence*. The sales performance and confidence in Certina was buoyed by in-store promotional campaigns. Calvin Klein watches + jewelry presented its new *Life in the now* campaign. Ambassador Kim Woo Bin generated a positive media response. The first Swatch concept store opened at Shanghai Disneytown, capturing the hearts of the world's young-at-heart. The launch of POP as well as the debut of SISTEM51 Irony were well received by media and consumers. The romance between Swatch & Art was celebrated with the 5th anniversary of the Swatch Art Peace Hotel. The newly launched *Telling the Time with Flick and Flak* app works on smartphones and tablets in five languages, providing an opportunity for parents to play time-telling games with their kids.





> SWATCH GROUP HONG KONG

Swatch Group Hong Kong's growing network of Flagship Stores was the basis of its further development in the Hong Kong market. Significant product launches, CRM activities, staff training and all forms of communication with customers were focused on this important asset.

Breguet sponsored a concert as part of *Breguet's Celebration of Excellence* to promote cultural collaboration through music. To celebrate the arrival of Harry Winston's Baselworld collection, two exhibitions were held with retailers where the public could preview the offering. On May 13th, 2016, Blancpain officially unveiled its newest flagship boutique in the heart of Central. Glashütte Original invited watch enthusiasts to attend exclusive presentations and watchmaking sessions in the boutique in Causeway Bay. Jaquet Droz partnered with *Hong Kong Tatler* for a private dinner and presented its new Baselworld products. The enamel painter, Ngoc Thanh Le, flew in from Switzerland and demonstrated his craft. Omega celebrated its Olympic timekeeping legacy with an exhibition at Harbour City. The Seamaster Planet Ocean "Deep Black" was launched in October, further showcasing the brand's innovation.

Three Longines boutiques were opened in 2016. Longines was, for the fifth year, the sponsor and timekeeper for the Longines HK International Races and Longines HK Masters. Rado celebrated the grand opening of its store in Harbour City with the presentation of the Designing Lightness Exhibition. Its Baselworld Product Premiere and Media Luncheon was held in January. The Tissot Limitless Challenge 2016 in September attracted more than 10000 participants. Tissot's ambassador Liu Yifei appeared in HK for the first time during the launch of the Heritage 1936 collection. Balmain introduced its newly-launched Kerria in a popular women's magazine, demonstrating the elegance and charm of the design. Certina launched a celebratory DS-1 Powermatic Himalaya Special Edition to mark the historic first successful climb of the Dhaulagiri in 1960. Hamilton strengthened its distribution by opening its first boutique in Tsim Sha Tsui. The store has achieved good results since its opening in September. The new Calvin Klein watches + jewelry store in Langham Place spans over 50 square meters, adopting the latest retail concept, which expresses a clean and minimal new visual identity. Mido's In-depth City Architecture Tours and its Timepieces x Architectural Paper Art Exhibition were included as part of the world-tour of the #BeInspiredByArchitecture campaign.

Swatch reached its customers with 360° campaigns covering different touchpoints, including the busking tour for the POP collection as well as a vision game and viral video made for the SISTEM51 Irony.

> SWATCH GROUP MACAU

In 2016 Swatch Group Macau reinforced its position with the continued development of its brands, specifically on the enhancement of new retail outlets. Blancpain and Glashütte Original opened new boutiques at The Parisian Macau. Omega continued its distribution development with the opening of a new boutique at Studio City. An event was also held to launch the new Globemaster watch at Galaxy Macau. Longines expanded its presence through the openings of two new boutiques. Rado had a breakthrough year in terms of sales growth and presence with its first exhibition at the Venetian Macau and a new boutique at the Parisian. Tissot continued to strengthen its retail network, opening its fourth and fifth boutiques. Balmain strengthened its sales network, opening a new POS. Certina launched the DS-1 Powermatic Himalaya Special Edition in Macau. Hamilton opened its first corporate kiosk in the region at the Parisian Macau. Mido held a successful event at the Venetian Macau while also expanding its retail network at the Parisian Macau. Calvin Klein watches + jewelry opened its first kiosk at the Parisian Macau, while Swatch opened a specially-designed two-level store located in the Ruins of St. Paul's World Heritage Site.



> SWATCH GROUP TAIWAN

In a challenging economic climate, Swatch Group Taiwan increased domestic market share by focusing on long-term operational goals. Breguet communicated its tradition and craftsmanship with targeted events. Blancpain cemented its reputation as a protector of the oceans with *Blancpain Ocean Commitment*. Glashütte Original strengthened its brand image with exciting window displays and visuals. Omega successfully launched the Globemaster and the Planet Ocean "Deep Black" with themed events. Longines hosted successful dealer events and cultivated local partnerships. At World Design Capital® Taipei 2016, Rado unveiled its limited edition timepieces with two local designers. Tissot increased its market share with an enhanced retail presence and successful PR and social media. Mido achieved market growth after launching such innovations as Ocean Star and Baroncelli Heritage. Hamilton enjoyed sales growth, relocating and expanding the Mega City Banchiao shop-in-shop and marketing the Khaki Navy Frogman. Calvin Klein watches + jewelry opened 10 new POS and renovated 13 others. Swatch strengthened its presence with its retail distribution development and strong media exposure. Flik Flak engaged young consumers with events on Children's Day and Halloween.



> SWATCH GROUP SINGAPORE

Swatch Group Singapore, amidst a backdrop of weak global growth, adopted prudent strategies to continue strengthening local brand positioning and its distribution network. VIP guests were treated to intimate dinners hosted by Breguet. Harry Winston continued to develop the local market. Blancpain leveraged a Valentine's Day event at The Cliff Sofitel to raise brand awareness through social media. Glashütte Original's first flagship in South-east Asia opened with VIP guests at Marina Bay Sands. Leading journalists were pampered with sumptuous Swiss food at a cooking studio during the presentation of Jaquet Droz's Charming Bird watch. Omega's Seamaster Planet Ocean "Deep Black" collection made a splash with media and high-profile VIPs at ION Art Gallery. An exhibition tennis court was built at Marina Square's central atrium to showcase Longines' longstanding relationship with the French Open. Rado strategized with a strong OOH advertising presence in high-traffic locations while Tissot successfully launched two Basketball World roadshows at Vivocity and Waterway Mall. OOH advertising was Balmain's main focus for brand exposure. Mido persevered with marketing investments in outstanding billboard advertising. Hamilton enjoyed a successful movie launch of *Independence Day: Resurgence*. Calvin Klein watches + jewelry rolled out impactful glass wall advertisements as well as column wraps in ION Orchard. Swatch's new POP collection was a big hit with the media.



> SWATCH GROUP MALAYSIA

Malaysia's economy in 2016 was impacted by the diminishing revenue from the export of oil and gas, as well as the continued weakening of the local currency. Despite all these uncertainties and turbulences, most of the Swatch Group brands fared satisfactorily in their respective price segments. Blancpain debuted its first ever *Blancpain Ocean Commitment* roadshow at the concourse area of the premier shopping destination Suria KLCC. Omega opened a new boutique in the same mall, offering, for the first time, the brand's new eyewear, just before the year's end. Longines expanded its brand presence to suburban states and implemented numerous digital campaigns over the social media platform. Rado enhanced its image in the popular KL Pavilion Mall by upgrading its mono-brand store with luxurious decoration and design and moving to a more prominent location. Tissot conducted various roadshows to announce its association with two major International sporting events – the Tour de France and the NBA. Certina and Mido were able to strengthen their presence in the market by scheduling joint promotional activities with key retailers. Calvin Klein watches + jewelry managed to sustain its growth in the country through both the wholesale and retail channels. Swatch continued to fascinate its fans with the Spring/Summer and SISTEM51 Irony events.



> SWATCH GROUP THAILAND

Swatch Group Thailand continued to expand its market share by improving retail distribution and strengthening brand presence in wholesale channels. The strategy was supported by the opening of a new customer service center in Bangkok. Breguet hosted VIP clients at exclusive events dedicated to high complication and jewelry watches. Blancpain increased brand awareness through investment in OOH advertising. Glashütte Original increased its distribution through travel retail. Omega launched the Seamaster Planet Ocean “Deep Black” at a dazzling event in Bangkok. Longines’ growth was buoyed by arriving tourists. Rado presented the True Thinline at two major events, attracting new customers. Tissot introduced its ladies’ watches to local influencers at an event designed to lift women’s spirits. Mido’s new collection helped drive the brand’s growth. Hamilton celebrated its first year of operation in Thailand and hosted the Hamilton World of Cinema event to showcase its products, including watches starring in movies. Calvin Klein watches + jewelry renovated its Siam Paragon POS, giving it a vibrant appearance. Swatch sustained healthy growth and continued its ambitious retail development with new corporate store openings in major cities and with the renovation of a key shop-in-shop in Bangkok.



> SWATCH GROUP SOUTH KOREA

2016 was a good year for Swatch Group South Korea. Positive sales resulted from a realignment of the retail distribution network and support from the tourism sector. Breguet opened a fourth boutique in August with an exhibition of high jewelry pieces and Baselworld highlights. Blancpain enhanced brand awareness through the *Blancpain Ocean Commitment* roadshow at Seoul’s JNB Gallery. In March, Omega celebrated the Globemaster launch and the reopening of a flagship boutique with floors dedicated to products, exhibitions and events. Longines celebrated a special year with an international event, Longines’ *Roland Garros in the City*, in the center of Seoul. Rado presented ‘Salon de Rado’ – a gallery space with history, design heritage and the brand’s latest collections. Tissot launched its Tissot Tradition Open Heart with celebrities and VIPs at a party in Seoul. Mido enhanced brand awareness with its #BeInspiredByArchitecture exhibition at the Lotte World Mall and cinema advertising. Hamilton launched the Khaki Navy Frogman at the Lotte World Aquarium, and opened two new monobrand stores. As the leading fashion watch brand, Calvin Klein watches + jewelry, with its dynamic social media presence, showed signs of a solid recovery. Swatch participated in the Korea International Art Fair, presenting a *Swatch x ART* project emphasizing Swatch’s heritage and its passion for art. Hour Passion held an Automatic Watch Class at the Lotte World Mall for VIP customers and watch lovers from the online watch community.



> SWATCH GROUP JAPAN

In a challenging environment, Swatch Group Japan brands continued to strengthen their retail operations while optimizing their distribution networks. New boutiques and shop-in-shops were opened and staff training programs and CRM activities were implemented. These actions and strategies enabled the brands to strengthen their market shares.

The Nicolas G. Hayek Center, in the middle of the high-end district of Ginza, remains Swatch Group’s most powerful tool for the distribution of its brands.

In October, Breguet invited 120 distinguished guests to the Residence de France in Tokyo to celebrate the inauguration of the *Marie-Antoinette, a Queen in Versailles* exhibition. In tribute to Marie-Antoinette, the brand unveiled two new creations. Blancpain continued to strengthen its position in the Japanese market by optimizing its distribution and opening three new shop-in-shops in key department stores. In November, Glashütte Original and Jaquet Droz inaugurated their joint boutique.

Omega had a busy year. On June 22nd, the brand welcomed Olympic athletes to the Hayek Center to encourage them in their quest for gold in Rio. The event marked the start of the successful *Omega Olympic* roadshow. Omega invited some 200 guests, including VIPs, celebrities and key partners, to the launch event for the Seamaster Planet Ocean “Deep Black”. It took place at the Yokohama Cruise Terminal, which had been completely redecorated for the occasion. This dazzling event contributed to the collection’s amazing reception in Japan.

In 2016, Longines proudly opened a new boutique to match its strong development in Japan. It was officially inaugurated in March by Ambassador of Elegance, Stefanie Graf.





Rado's unique and pure design is a key factor for its success in Japan and its *Marriage of Material and Design* event in Roppongi in January attracted great media interest. 2016 was an important year for Tissot, as the brand opened its first flagship store in Osaka, with the celebrated Japanese dance group, World Order. The promotional video became a viral sensation on social media, and contributed significantly to a successful start. Mido, introduced in Japan in 2015, enjoyed healthy growth.

It was a great year for Hamilton, which was able to consolidate its leading position in its price category. Thanks to its success, the brand could optimize its distribution and develop new shop-in-shops. Calvin Klein watches + jewelry had a record year in Japan. The successful launch of its jewelry collection allowed the brand to consolidate its position in the fashion segment. Thanks to its strong digital campaigns and promotions on social networks, Swatch's two main product launches of the year were very successful. The POP watch event in the fashionable district of Shibuya drew a trendy young crowd, which enjoyed the uniqueness of the brand's culture.

> SWATCH GROUP INDONESIA

Swatch Group Indonesia continued to expand its distribution networks and, in a volatile economic climate, increased sales. After its first full year of operations, the country's first wholly-owned Customer Service Center invited local media for a visit and received enthusiastic support. Omega refurbished its two monobrand boutiques in Jakarta and opened the fourth standalone boutique in Surabaya with the Seamaster Planet Ocean "Deep Black" collection. The opening generated extensive press coverage and welcomed premium customers. Longines's brand prestige was elevated through its partnership with Time International Group, a leading Swiss watch distributor. Rado continued to revitalize its distribution platform and increased customer recognition through joint promotion activities with local vendors. Tissot enjoyed an outstanding response to the launch of its NBA Collection, which was promoted by roadshows in Jakarta and Yogyakarta. Certina continued to focus on training retailers and introduced the new Baselworld products. Mido achieved a significant sales increase and solidified its shop-in-shop concept stores while local media were invited to a Calvin Klein watches + jewelry press event in Japan, which received positive coverage in Indonesia.

> SWATCH GROUP INDIA

Swatch Group India gained market share in a challenging year when regulatory changes affected customer behavior toward high-end brands. Breguet continued its leadership position in the Haute Horology segment and increased sales of Complications and Haute Joaillerie. The Double Tourbillon High Jewellery watch was the most expensive Breguet ever sold in India. Harry Winston was introduced in India with a new point of sale. Blancpain exhibited unique Grand complication watches at events in Mumbai, Delhi and Chennai. In addition to regular PR, Jaquet Droz organized an exhibition of special watches for VIP customers in Delhi. Omega leveraged its Olympic association with a boutique event in Bangalore with Olympian Saina Nehwal and celebrated its watchmaking excellence with Globemaster at a glitterati event with ambassador Abhishek Bachchan. Rado ambassador Hrithik Roshan promoted the brand's new collection at Mumbai and Hyderabad boutiques. He also wowed the customers at the new boutique opening in Noida. These events resulted in Rado trending number 1 on Twitter. Rado organized roadshows in five cities with ambassador Lisa Ray to showcase diamond timepieces for women. Longines organized city-specific events for key POS, ending the year with the launch of its new DolceVita watch at the new boutique in Noida with ambassador Aishwarya Rai Bachchan. Tissot announced the signing of cricketer Virat Kohli as brand ambassador at an event in Mumbai amplified by a strong digital campaign. Ambassador Deepika Padukone visited Tissot boutiques in Delhi, Hyderabad and Kochi launching its new collection. Balmain organized a training session in Mumbai with staff from 54 POS where actress Soha Ali Khan was presented a watch. Calvin Klein watches + jewelry held a special preview of its 2016 collection for bloggers and media in Delhi. Swatch opened six corporate stores with the first one inaugurated by actress Radhika Apte in Mumbai; a media session was held for the Spring Summer Collection. The third company customer service center was opened in Bangalore.



> SWATCH GROUP MIDDLE EAST

Swatch Group Middle East challenged the region's economic odds and strived to grow in every segment. Strategic allocation of resources along with energetic personnel fueled its market strength.

Breguet continued Haute Horlogerie leader. It opened new POS in Qatar and Saudi Arabia and introduced its new products and most iconic watches at the Jewellery Arabia 2016 exhibition in Bahrain. Harry Winston excelled in the region as the top luxury jewelry and timepiece brand. It opened three new POS in Saudi Arabia and two in Qatar for its watches. Its participation in the Jewellery Arabia 2016 further elevated brand awareness. Blancpain highlighted its 2016 Fifty Fathom watches at the Dubai Aquarium and Underwater Zoo. They were warmly received by customers who also showed their support for oceanic environmental causes. Glashütte Original opened its renovated boutique in the Dubai Mall and used the occasion to introduce two new models. Jaquet Droz strengthened its position by opening new shop-in-shops. It hosted an evening presentation for VIP watchmaking enthusiasts. Omega retained its market leadership and sponsored *Designing 007*, the James Bond exhibition held at the prestigious Burj Khalifa Annex. It also maintained its title sponsorships of the Dubai Desert Classic and Dubai Ladies Masters golf tournaments.

Longines again pursued its association with major equestrian events in the region. It retained its partnership with the world's richest race, the Dubai World Cup. Consistency in the quality of distribution and the depth of the collection contributed to another successful year in the region, particularly in UAE. Rado continued to serve as Official Timekeeper of the Mubadala World Tennis Championship in Abu Dhabi. It also expanded its retail presence, opening a stylish new boutique in the Dubai Mall.

Tissot continued to be the market leader in its segment. New-concept shop-in-shops were rolled out in the UAE and the brand reinforced its online communication mix with key campaigns focusing on the T-Touch Solar & Chemin des Tourelles collections. Balmain invested further in key markets and its bridal show in Dubai generated great brand affection among matrimonial customers. Certina increased its marketing communications and PR through its Official Timekeeper role at the World Rally Championship. Hamilton agents organized impressive events and campaigns around the film *Independence Day: Resurgence*, and made good use of its partnership with ambassador Nicolas Ivanoff with an event in Abu Dhabi Marina Mall. Calvin Klein watches + jewelry offered a balanced product mix, maintaining a global look while offering products that catered to the local client base, as well as increased visibility. It generated significant growth in the region.

Swatch strengthened its presence in the market through its distribution networks. 2016 marked the launch of the Dubai Destination Swatch Desert Beauty, the first Middle East Destination Watch and the ultimate souvenir of the city.





> **SWATCH GROUP SOUTH AFRICA**

Despite a difficult economic year, Swatch Group South Africa showed positive growth and continued to build its market share with all brands strengthening their positions in their respective market segments. Breguet ended the year positively with an increase in local brand awareness; focus was placed on training and targeted marketing campaigns. Blancpain experienced fantastic growth and has established a strong market position. The new Omega Seamaster Planet Ocean “Deep Black” collection was launched for the first time in South Africa at an event attended by VIP guests including Omega brand ambassador and Olympian Chad le Clos. In a remarkable year supported by targeted advertising, Longines South Africa gained substantial market share. Rado further improved its distribution network. In a strategic move, bold format billboards were used to generate brand awareness; there was a renewed focus on staff training throughout the year. After Tissot welcomed Philip Snyman as a Friend of the Brand, he claimed a rugby sevens bronze medal at the Rio 2016 Olympic Games. Hamilton managed to partner with the key retailers in the country. The brand will focus on increasing awareness in 2017. Calvin Klein watches + jewelry hosted a local press and retailer event. Distribution continues to grow and improve. Setting the benchmark, Swatch joined the *Men’s Health* annual fashion show for the first time. Swatch partnered with a local up-and-coming designer who tailored his range to fit in with the Swatch brand identity.



JOHANNA (9)



GOVERNANCE

ENVIRONMENTAL POLICY

SOCIAL POLICY

CORPORATE GOVERNANCE

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 the Swatch Group, which are respected, promoted and implemented daily by every employee of Swatch 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 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 110, and in the area of environmental protection and safety, from the Swatch Group Quality Management statement on pages 111–112.



> 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 management is its policy of independence. Consequently, dependence on single suppliers, distribution partners, and financial service providers is reduced to the most reasonable. 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 CO₂ 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.

CO₂ 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 CO₂ exemption program. In the process, the voluntary economic and ecological measures toward reduction of energy consumption and its associated CO₂ 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 CO₂ 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, 2014 and 2015, and additional opportunities to reduce CO₂ 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 CO₂ reduction and tax exemptions for production sites. The action plan is regularly reviewed and updated, so that a significant contribution to climate protection can also continue to be made. Annual target achievement is of course 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 reached and the audit has been completed.

As early as 1990, Swatch Group supported reduction of CO₂ 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.

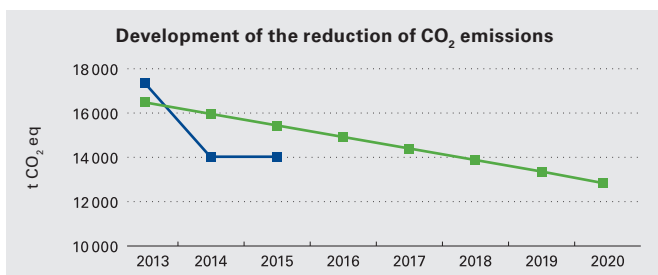
The following diagrams show CO₂ emissions from the start of the new program in 2013, as well as the targets to reduce them 27% by 2020. Since the start of this new program, CO₂ emissions were already reduced by a total of 3332 tons, as shown in the following **diagram 1**.

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**. In the first two years after implementation of the new program, the diagram shows that the predetermined increase in energy efficiency has been slightly exceeded.

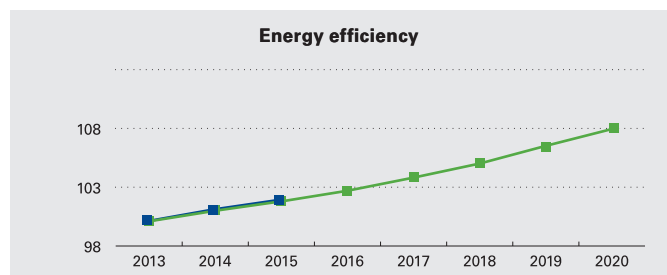
The audited Figures 2016 will be available mid 2017

■ Setpoint value ■ Real value

> DIAGRAM 1



> DIAGRAM 2



The electricity consumption increased by 3.3% in 2015, as well as the heat consumption by 8.6% compared to the previous year. Based on climate conditions (heating degree days), the benchmark average consumption increase would have been 10.6%, hence the increase of 8.6% is significantly lower. In spite of the increased consumption, the CO₂ emission could be kept at previous year's level, hence clearly in line with the objectives, by substitution of fossil fuel (refer to diagram 1).

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.

Heat consumption by effective area (kWh/m² per year)

Energy consumption from fossil energy such as heating oil, natural gas and district heating in kWh per m² effective area and year decreased by 9.1% in the year under review, despite 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, this target could be reached. Due to continuous investment, heat consumption by effective area has been far more than halved since the beginning of the program in 2001.

Power consumption by effective area (kWh/m² per year)

Measured in kWh per m² and year, power consumption decreased by 6.8% over the previous year. The decrease in consumption was achieved despite the integration, commissioning and startup 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 is 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 a cleaning process within production as well as further internalization of production, the amount of hazardous waste (excluding watch batteries) increased by 41.8% in the year under review. In the same period, the portion of recovered and/or recycled hazardous waste increased by 16.2%. In addition, other industrial waste such as paper, cardboard, synthetic material, and electronic components decreased by 2.9%.





Battery recycling

Excluding internal elimination of expired batteries and liquidation of surplus stock at Renata AG, over 10.6 tons of batteries were delivered to authorized recycling firms in the year under review.

Water management

Due to startup of new production plants, integration of additional production facilities, and additional air conditioning installations, fresh water consumption increased by 11.4% compared to the previous year, with non-potable water decreasing by 4.6%. Special mention should be made regarding the reduction of waste water achieved by installing closed water circulation systems, by increasing the efficiency of water treatment plants, and by using rainwater recovery systems to obtain water for cooling and sanitary installations.

VOC (Volatile Organic Components) emission

Due to integration of new production plants and further internalization of production in the year under review, VOC consumption increased compared to the previous year, mainly due to the use of acetone, alcohol and gasoline as cleaning agents for produced components. Corresponding VOC emission increased by 5.8%. On the other hand, 0.8% 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, IUCN *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.

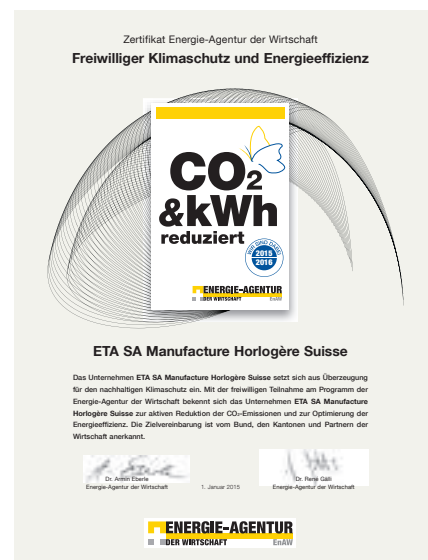
Precious metal sourcing

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.



SOCIAL POLICY



Those who succeed are those who work every day to produce beautiful pieces, to create the watches of the future, to industrialize, to produce and to serve their clients in a professional manner striving unwaveringly for excellence.

To boost the entrepreneurial spirit that is required at every level, Swatch Group and its companies are committed to offering all those who place their trust in them a set of working conditions that is both modern and motivating in order to ensure that their talent has a means of expression on a daily basis.

> JOBS

2016 was marked by a decline in demand from the markets, following sociopolitical events such as terrorism, armed conflicts, turbulence in the stock markets and other tensions between the major powers. This had an effect on tourism and consumption, which experienced a strong decline compared to 2015.

Despite these conflicting headwinds, management is clearly committed to retaining all the talents that are, in turn, prepared to engage and to demonstrate their flexibility and their trust in the course taken to steer the great ship that is Swatch Group.

Accordingly, 2016 was an opportunity to accomplish, develop and encourage internal mobility programs that enabled committed, competent employees to advance their careers, thanks to the acquisition of new skills and responsibilities.

Everyone sharing these values retained their jobs within the Group, which decided, of its own volition, not to resort to short-time work.

Professional Development

Following the downturn in watchmaking demand in the market, internal training programs designed to increase versatility and skills were implemented with the aim of ensuring reliable lead times regarding projects, production and product delivery.

Thanks to this asset, employees open to a certain degree of mobility were able to assume new responsibilities as senior members of staff retired.

Initial Professional Training

Despite the prevailing economic difficulties in 2016, Swatch Group offered fixed-term contracts to all technical apprentices who completed their training in June, enabling them to improve their knowledge and flourish in their companies.

A firm commitment was also made to replace the outgoing apprentices with the same number of new apprentices in August. Thus, the total number of nearly 500 apprentices remained identical to that in preceding years.

Language exchanges were also carried out despite the difficult economic climate. Three German-speaking apprentices went to Paris, while three of their Swiss French-speaking counterparts went to Berlin. Two watchmaking apprentices spent 11 weeks in Hong Kong. Apprentices from Swatch Group Germany also visited Switzerland to supplement their watchmaking expertise.



Swatch Group companies once again took part in meetings and forums to introduce the various professions. They were also a main sponsor of the Capa'Cit  week held in canton Neuch tel and at the Federal Institutes of Technology in Lausanne and Zurich.

Swatch Group was also present at the *Championnats Suisses des M tiers*, the SwissSkills Championships, with a young apprentice who made it to the final in the category *design engineer with Federal VET Diploma*. During an incredible week in Basel from November 15 to 18, the 12 best apprentices in Switzerland competed to qualify for the World Championships in Abu Dhabi. Although the young apprentice did not finish on the podium, it was a wonderful experience.

Nicolas G. Hayek Watchmaking Schools

The six Nicolas G. Hayek Watchmaking Schools continue to be as great an inspiration as ever in countries lacking their own watchmaking cultures. Each year, all apprenticeship openings are filled by motivated young people who identify with the company philosophy and wish to promote the spirit of watchmaking in their regions. Following their training, most are hired by the subsidiaries and points of sale where their technical expertise is highly appreciated, especially with regard to advising clients on ever more specific questions.

Professional Development

As a result of the decline in demand that the company has had to face, staff competency observation workshops were consulted on a daily basis to facilitate the development of new skills with the aim of encouraging mobility and strengthening versatility.

> SOCIAL PARTNERSHIP AND WORKING CONDITIONS

On December 2, 2016 the new collective labor agreement for the Swiss watchmaking industry was signed and will come into force on January 1, 2017 for a five-year period.

A certain number of advantages for employees were introduced as part of the new agreement, such as 18 weeks of maternity leave and ten days of paternity leave from the second child.

Companies will also increase their health insurance contributions, as well as the vocational training allowances for the children of their employees.

In addition to these benefits for the entire watchmaking sector, Swatch Group maintains its ergonomic approach to work stations, both at the production level and at the office and service levels. Similarly, in terms of mobility, car-pooling and the use of public transport were further encouraged. This is one of the many measures undertaken by the Group to reduce environmental impact and, in particular, the CO₂ emission levels.



> 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 208 to 211 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 230.

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

1.2 Significant shareholders

As of 31 December 2016, the Hayek Pool, related parties, institutions and persons control 62 136 850 registered shares and 2 800 bearer shares, totalling 40.1% (previous year 40.5%) of all the votes.

The Hayek Pool comprises the following members per 31 December 2016:

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

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

Name/Company	Location	Beneficial owners
Hayek Holding 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 Ammann Group Holding AG, Bern	Represented by Daniela Aeschlimann
Fondation d'Ebauches SA et des maisons affiliées	Neuchâtel	—
Various employer-funded foundations ¹⁾	Various	—

¹⁾ Wohlfahrtsstiftung der Renata AG, ETA Wohlfahrtsstiftung, Fonds de prévoyance d'Universo, Fondation Technocorp, Fondation de prévoyance de The Swatch Group Les Boutiques SA 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 39.7% (previous year 40.1%) of all the votes; third party Pool members are represented therein, they comprise 3.5% of all the voting rights.

> CORPORATE GOVERNANCE

Mrs Esther Grether's group has been dissolved in June 2016. The group controlled as of 31 December 2015 5.9% of all the voting rights.

On 31 December 2016, 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 2016, 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
Total share capital as of 31.12.2016	CHF	125 210 250.00

2.2 Authorized and conditional capital

No authorized and conditional capital existed as of 31 December 2016.

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
31.12.2014	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
31.12.2016	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 2015 and 2016, is published on page 175. For The Swatch Group Ltd, it is published for the year 2016 in note 11 on page 222. With regard to the previous years we refer to the annual reports 2013, 2014 and 2015.

2.4 Shares and participation notes

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

2.5 Benefit certificates

No benefit certificates exist.

2.6 Limitations on transferability and nominee registrations

The 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, with the takeover of control of the Swatch Group by the Hayek Pool, a block of shares was reserved in favor of a management stock option plan. As of 31 December 2016, the content of this portfolio amounted to 680 644 registered shares; this corresponds to 0.2% of the total share capital (previous year 916 792 registered shares, 0.3% of the total share capital). In 2016, 236 148 registered shares (or 0.1% of the total share capital per 31.12.2016) were consequently sold at a preferential price of CHF 4.– per registered share in accordance with the following details:

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription/payup
2014	78 426	201	2016
2015	79 436	203	2016
2016	78 286	216	2016
Total	236 148		

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

Year of issue	Number of registered shares	Number of beneficiaries	Year of subscription/payup
2015	76 387	195	2017
2016	77 036	213	2017
2016	77 248	213	2018
Total	230 671		

The allocation results from personnel reviews and proposals for employees who stood out through special achievements in the past year and have performed with above-average commitment. The allocation is then approved by the Board of Directors / the Compensation Committee. It allows a first purchase of a third of the promised number of registered shares in the current year, which can be paid up and claimed immediately, and another third in one and two years respectively. The beneficiaries may choose to block their shares for a vesting period of 5 or 10 years. With the exception of Mrs Nayla Hayek and Mr 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

The Board of Directors on 31 December 2016 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. As a member of the World Arabian Horse Organization (WAHO), and as international Arabian horse judge, Mrs Hayek's top-level contacts contribute to many of the business and promotional activities of the Swatch Group and she is responsible for the local organization in Dubai (Swatch Group Middle East) on site. Mrs Hayek is Chairwoman of the Board of Directors of the Rivoli Group, Dubai and represents there the interests of Swatch Group. Following the acquisition of Harry Winston as per 26.03.2013, Mrs Hayek was appointed president and CEO of this new business entity. She is also a member of the Board of Directors of Belenos Clean Power Holding Ltd. As Board member of the Hayek Holding AG, she is responsible for Hayek Engineering AG, Hayek Immobilien AG and Hayek France SA. 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 1992, firstly as Swatch Ltd Marketing Manager, then as Swatch Ltd President and finally as Delegate of the Board of Directors of Swatch Ltd. In the mid-eighties, he founded his own production company, Sesame Films in Paris, and worked in Switzerland and abroad. His involvement in a number of film productions (e. g. a series of documentaries for Swiss Television), then the production of a number of short films (e. g. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and 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 was responsible for the test flights. He is member of the Board of Directors of Belenos Clean Power Holding Ltd. and Chairman of the Board of Directors of CSEM in Neuchâtel. Mr Nicollier does not exercise any operative functions at Swatch Group, does not have any business relationship with Swatch Group and holds no political office.

Dr Jean-Pierre Roth, Swiss citizen, Dr oec. Graduate Institute (HEI) Geneva, has been a member of the Board of Directors since 2010. Following postgraduate studies at the Massachusetts Institute of Technology in the USA, Mr Roth taught at the University of Geneva and at the Graduate Institute (HEI). In 2009 the University of Neuchâtel conferred him a honorary doctorate in economics. Jean-Pierre Roth joined the Swiss National Bank in 1979 where he was active in various areas in Zürich and Bern. On May 1, 1996 he was appointed Vicepresident of the board. On January 1, 2001 he was elected President of the board. 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). In April 2015 Mr Roth retired from the Board of Swiss Re. Since July 1, 2010, Mr Roth is President of the Banque Cantonale de Genève (BCGE)

> CORPORATE GOVERNANCE

Daniela Aeschlimann, a Swiss national, has been a member of the Swatch Group Board of Directors since 2016. Ms Aeschlimann studied Business Economics and graduated with a Bachelor of Science in Business Administration from Lucerne University of Applied Sciences. In 2016, she successfully completed an Executive MBA at the University of St. Gallen. Since 2010, she has been a member of the Board of Directors of the Avesco Group and since 2013, has also served as the Board's vice-president. Ms Aeschlimann serves on several other boards of directors and trustees including, notably, a seat on the Board of Directors of Belenos Clean Power Holding SA that she has held since 2014.

3.2 Elections and terms of office

The members of the Board of Directors are elected at the Ordinary General Meeting of the shareholders for a term of one year. The period between two Ordinary General Meetings is regarded as one year. The members of the Board shall be eligible for re-election at any time. There is no limit on the age and/or term of office. According to Article 19 of the Swatch Group 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 2017
Georges Nicolas Hayek	2010	up to 2017
Prof. Dr. h.c. Claude Nicollier	2005	up to 2017
Dr. Jean-Pierre Roth	2010	up to 2017
Ernst Tanner	1995	up to 2017
Daniela Aeschlimann	2016	up to 2017

On the occasion of the General Meeting 2016 the members of the board of directors were re-elected for another term of one year.

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

3.3 Changes in the Board of Directors

In the year under review Ms. Daniela Aeschlimann has been newly elected in the Board of Directors. Apart from that there were no changes in the Board of Directors.

3.4 Internal organizational structure of the Board of Directors

At the General Meeting 2016, the Chairwoman of the Board of Directors (Mrs Nayla Hayek) was elected by the shareholders (until the next General Meeting). Moreover, the Board of Directors is self-constituting. It has appointed a Vice-Chairman (Mr Ernst Tanner) from its midst. The office of Secretary to the Board of Directors is carried out by Mrs Jennifer Meyer-Kluge. The Secretary to the Board of Directors is not a member of the Board. The term of office of the Chairman, the Vice-Chairman and the Secretary respectively is one year. They are all re-eligible for a further term of office. If an officer is substituted, the successor completes the remainder of the term of the predecessor. The Board of Directors has an Audit Committee and a Compensation Committee at its disposal. These committees, which sit separately (normally immediately following an ordinary meeting), because of the relatively small number of company directors, comprise all the members of the Board of Directors. The Audit Committee is chaired by Mrs Nayla Hayek. The office of Chair of the Compensation Committee is conducted by Mr Ernst Tanner, Vice-Chairman of the Board of Directors. The Chairwoman of the Audit Committee and the Chairman of the Compensation Committee were elected by the Board of Directors at their first meeting after the General Meeting 2016.

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 2016.

> 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) (the latter only until end of August 2016) 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 (since September 2016 it is instead the Chief Financial Officer (CFO)). Where there are discussion points concerning a person present, such person withdraws from the meeting.

3.5 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 management of The Swatch Group Ltd.

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

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

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

The management of The Swatch Group Ltd. is responsible for the current operative business of the The Swatch Group Ltd.

3.6 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, 2016

4.1 Members of the Executive Group Management Board

Nick Hayek, Swiss citizen, pursued two years' study at the University of St. Gallen (HSG), then attended the Film Academy CLCF in Paris. President of the Executive Group Management Board since 2003 and member of the Board of Directors since 2010, Mr Hayek has worked with the Swatch Group since 1992, firstly as Swatch Ltd Marketing Manager, then as Swatch Ltd President and finally as Delegate of the Board of Directors of Swatch Ltd. In the mid-eighties, he founded his own production company, Sesame Films in Paris, and worked in Switzerland and abroad. His involvement in a number of film productions (e. g. a series of documentaries for Swiss Television), then the production of a number of short films (e. g. 1st prize at the Thessaloniki Film Festival, an official contribution to the Cannes Film Festival, etc.) and his activity as producer and 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.

> CORPORATE GOVERNANCE

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, CHH Microtechnique 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 2012, he is responsible for Corporate Finance, Reporting, Investor Relations and Swatch Group Greece. 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-Sperry 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).

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 President of Tissot. 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

**4.2 Members of the
Extended Group
Management Board**

Raynald Aeschlimann, Swiss citizen, graduated with a degree in economics and an M.A. from the University of St. Gallen (HSG). He was appointed to the Swatch Group's Extended Group Management Board in 2013. Since 2016 Mr. Aeschlimann is President of Omega Ltd. Prior to that, he was Vice President and International Director of Sales, Retail and Distribution at Omega Ltd. since 2001. He joined Omega in 1996 as Sales and Marketing Project Manager. He was also Brand Manager of Omega and Blancpain Spain in 2000 and has been the Group Coordinator for the Swatch Group's Indian subsidiary since 2010. Mr. Aeschlimann is on the Executive Board of the Federation of the Swiss Watch Industry FH. He had previously worked at Longines and Complementa 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 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, Swiss 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. Since October 2016, Mr Meier is CEO of Glashütte Original. Before joining Swatch Group, Mr Meier worked as development engineer for Junghans 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.

> CORPORATE GOVERNANCE

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 Macau and 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, Swatch Group South Africa and Swatch Group US. He started his career with the Group in 1989 as Head of Finance and Administration with PC Quartz. Later, Mr Steiger held leading finance and logistics positions within various Group companies (among others Swatch and Longines). Before joining the Swatch Group, he had worked with international groups in Switzerland and abroad (Shell, Philips).

4.3 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.

> CORPORATE GOVERNANCE

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

During the year under review, Dr Hanspeter Rentsch has retired from the Executive Group Management Board. Likewise Mr Stephen Urquhart has retired from the Extended Group Management Board.

4.5 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.

4.6 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 usually 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 13 important country organisations. In addition, there are further members who are appointed by the Executive Group Management Board from among the presidents of the further country organisations (rotation principle).

5. Compensation, shareholdings and loans / credits

5.1 Compensation

Since 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.

The total compensation of the members of the Board of Directors and the Group Management will 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 2016 may be consulted on page 225.

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 the independent voting-rights representative.

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 modification of the representation restrictions is only possible through a change of the provisions of the Articles of Association. For such modification a decision of the General Meeting with a relative majority is required.

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

6.2 Statutory quorums

In addition to the special quorum regulations provided in Art. 704 CO, the 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 14 (3) 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. 10 of the Statutes in conjunction with Art. 135 FinfraG).

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 is the auditor in charge (Group Engagement Partner) of the audit of the consolidated financial statements since the financial year 2011.

8.2 Auditing fees and additional fees

The following auditor's fees have been charged to the 2016 annual accounts:

(CHF million)	Audit	Taxes	Other Services	Total
PricewaterhouseCoopers	4.4	0.3	1.4	6.1
Other Auditing Companies	0.6	0.4	0.8	1.8
Total 2016	5.0	0.7	2.2	7.9
Total 2015	4.9	0.8	1.1	6.8

8.3 Supervisory and control instruments pertaining to the audit

The supervision and final verification of the external audit is exercised by the Audit Committee, and by the full Board of Directors, respectively (see also the duties and functions as described under 3.5). The Audit Committee evaluates together with the Group Management the performance of the auditors and recommends the independent external auditor to the Board of Directors for election by the General Assembly. As a general rule, the Audit Committee meets twice a year with the auditors. The auditors prepare a report for the Audit Committee regarding the findings of the audit, the financial statement and the internal control. 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.

> CORPORATE GOVERNANCE

9. Information policy

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

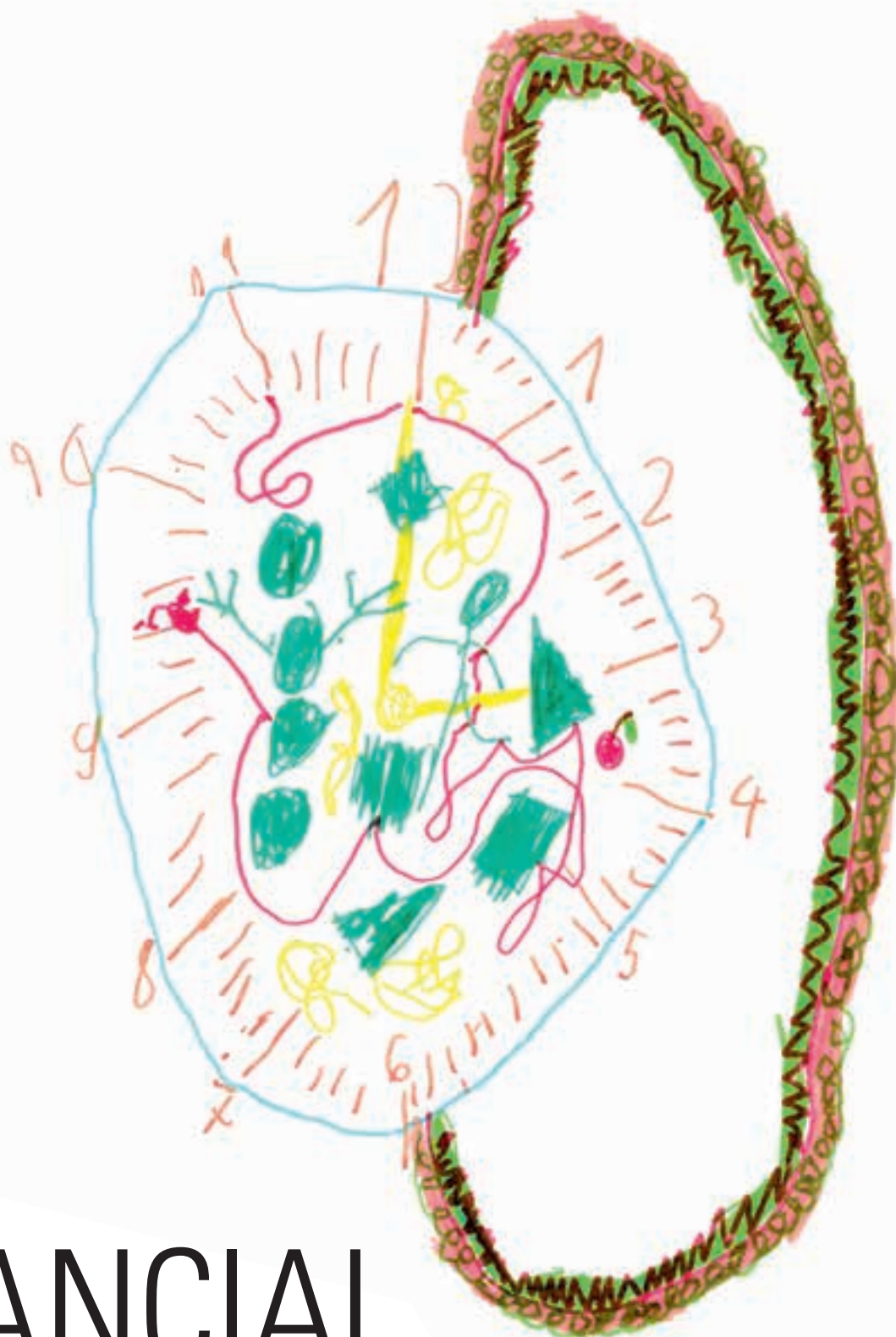
- February 2, 2017 Key figures 2016
- March 16, 2017 Press conference / annual report 2016
- May 23, 2017 General Meeting of Shareholders
- August 3, 2017 Half-year figures 2017

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, 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. In addition, the 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. 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.

NICO (9)



FINANCIAL STATEMENTS 2016

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

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> FINANCIAL REVIEW

Key financial developments in 2016

– Net sales:	Net sales of CHF 7 553 million for the Group, at current exchange rates, a decrease of 10.6%, or CHF 7 534 million, a minus of 10.8% at constant exchange rates.
– Operating result:	Operating result of CHF 805 million, equivalent to an operating margin of 10.7% (minus 44.5% compared to previous year).
– Net income:	Net income of CHF 593 million, equivalent to a net margin of 7.9% (minus 47.0% compared to the previous year).
– Equity:	Equity practically unchanged at CHF 11.1 billion, due to the share buyback of CHF 332 million, equivalent to an equity ratio of 84.5% (previous year: 84.7%).
– Dividend:	Dividend proposal: CHF 6.75 per bearer share and CHF 1.35 per registered share (previous year: CHF 7.50 per bearer share, CHF 1.50 per registered share).

Financial review

1. Key figures Group

(CHF million)	2016	2015	Change in %		Total
			at constant rates	currency effect	
Net sales	7 553	8 451	– 10.8%	+ 0.2%	– 10.6%
Operating result	805	1 451			– 44.5%
– in % of net sales	10.7%	17.2%			
Net income	593	1 119			– 47.0%
– in % of net sales	7.9%	13.2%			
Equity	11 073	11 242			– 1.5%
– as a % of balance sheet total	84.5%	84.7%			

> FINANCIAL REVIEW

2. Environment /
Financial year

Development net sales and operating result

(CHF million)	2016			2015		
	Third	Group	Total	Third	Group	Total
Net sales						
Watches & Jewelry	7 304	1	7 305	8 175	2	8 177
Electronic Systems	244	16	260	270	22	292
Corporate	5	6	11	6	6	12
Elimination		-23	-23		-30	-30
Total	7 553	-	7 553	8 451	-	8 451

(CHF million)	2016		2015	
	Total	in % of net sales	Total	in % of net sales
Operating result				
Watches & Jewelry	894	12.2%	1 539	18.8%
Electronic Systems	10	3.8%	9	3.1%
Corporate	-99		-97	
Total	805	10.7%	1 451	17.2%

In 2016, Swatch Group generated net sales of CHF 7 553 million at current exchange rates, equivalent to a decrease of 10.6%. At constant exchange the net sales amounted to CHF 7 534 million which represents a decrease of 10.8%. Calculated at 2010 exchange rates, the Swatch Group lost cumulatively CHF 5 billion in revenues from 2011 up to and including 2016. The past financial year was marked by worldwide turbulence in a very challenging economic environment. The decline in consumption, already evident since the end of 2015, intensified particularly in the first half of 2016. As in the previous year, the tragic terrorist attacks in France, Belgium, Germany and Turkey, as well as new legal regulations in various countries, led to rapid regional shifts. The slightly positive currency trend for the US Dollar, Japanese Yen and Euro was almost completely neutralized by the weakening of the British Pound as a result of the Brexit decision on 24 June and the devalued Chinese Renminbi. The Swiss Franc remains strongly overvalued, reason why the long-term strategy of favoring a defensive price adjustment policy over short-term profit thinking is maintained.

In the Watches & Jewelry segment, including Production, net sales decreased 10.7% compared to the previous year at current exchange rates to CHF 7 305 million. The currency impact of 0.2% was slightly positive. The segment achieved an operating margin of 12.2% (previous year: 18.8%). Compared to the first half year, operating margin improved by 2 percentage points in the second half.

While the sales development in part of Europe was declining due to the important decrease of the number of tourists, mainly from China, the situation in Hong Kong normalized in recent months, not only in Retail but also in Wholesale. In Mainland China, as well as in the Middle East, the very positive demand in recent months lead to a double-digit growth. Business in North America was slightly below the previous year, while sales in Middle America performed positively. The sales share for the Group's own retail rose to approximately 30%, with over 100 additional points of sale in the best locations.

Production integrated into the Watches & Jewelry segment recorded significantly lower capacity utilization than in the previous year. Unchanged fixed costs for unused production capacities resulted in a temporary decline in the operating result for this area. Thanks to the maintaining of production capacities, as well as a highly motivated workforce, we can immediately respond to the expected increased demand, which will also lead to an improved situation in this area in 2017.

The Electronic Systems segment generated net sales of CHF 260 million in 2016, 11.0% lower than the previous year, due to continuing price pressure on products. Despite this, the operating result could be increased to CHF 10 million (previous year: CHF 9 million).

Low capacity utilization in Production with a practically unchanged workforce, as well as shifts in the country mix, impacted the operating result in 2016. Marketing investments were held at the same level, also due to the presence of Omega as official timekeeper at the Olympic Games in Rio de Janeiro.

The operating result amounted to CHF 805 million (minus 44.5% compared to the previous year), equivalent to an operating margin of 10.7%.

> FINANCIAL REVIEW

Development net income

(CHF million)	2016	2015
Operating result	805	1 451
Net financial result	- 32	- 47
Ordinary result	773	1 404
Non-operating result	4	0
Profit before income taxes	777	1 404
Income taxes	- 184	- 285
Net income	593	1 119
- in % of net sales	7.9%	13.2%
- Change from previous year in %	- 47.0%	- 21.0%

**Basic earnings per share –
 expressed in CHF per share:**

- Registered shares	2.14	4.01
- Bearer shares	10.69	20.07

In the year under review, the net financial result was a loss of CHF 32 million (compared to a loss of CHF 47 million in 2015). This is mainly due to the negative net currency result of CHF 28 million (2015 resulted in a net currency loss of CHF 57 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 23.7% in the reporting year, compared to 20.3% in the previous year. On the one hand the expected average tax rate increased slightly and on the other hand the Group continues to capitalize carry forward tax losses only very cautiously, reason why the tax rate increased as well. An analysis of the income tax charge is set out in Note 6 of the consolidated financial statements.

Net income closed at CHF 593 million, 47.0% lower than the previous year. This is equivalent to a net margin of 7.9%, compared to 13.2% in the previous year. Benchmarked to the first half year, the operating margin improved from 9.5% to 11.8% and the net margin from 7.1% to 8.6% in the second half year.

Basic earnings per share amounted in the current year to CHF 2.14 (previous year: CHF 4.01) for registered shares and CHF 10.69 (previous year: CHF 20.07) for bearer shares, respectively. As in previous years, dilution of earnings is not material. Detailed information can be found in Note 7.

At the Annual General Meeting on 23 May 2017, the Board of Directors of the Swatch Group will propose reducing dividends by only 10% to CHF 6.75 per bearer share and to CHF 1.35 per registered share (previous year: CHF 7.50 per bearer share and CHF 1.50 per registered share), despite the significantly lower result.

> FINANCIAL REVIEW

Development balance sheet structure

(CHF million)	2016	2015
Current assets	9 045	9 269
Current liabilities	1 207	1 222
Equity	11 073	11 242
– as % of total assets	84.5%	84.7%
Average return on equity (ROE)	5.3%	10.2%

Current liabilities are covered by current assets by a factor of 7.5 (previous year: 7.6). This factor shows a very healthy structure of the short term balance sheet positions.

As per end of December 2016 equity remains practically unchanged at CHF 11.1 billion, due to the share buyback (previous year: CHF 11.2 billion). The equity ratio shows solid 84.5% of total assets (previous year: 84.7%).

Development liquidity

(CHF million)	2016	2015
Cash and cash equivalents at 1.1.	1 280	1 202
Cash flow from operating activities	1 010	1 404
Cash flow from investing activities	– 484	– 836
Cash flow from financing activities (incl. foreign exchange rate differences on cash)	– 670	– 490
Cash and cash equivalents at 31.12.	1 136	1 280

Operating cash flow amounted to CHF 1 010 million in the period under review, after income tax payments of CHF 277 million. To keep the cash balance low, particularly in order to avoid negative interest, treasury shares with a market value of CHF 332 million were repurchased in 2016 within the scope of a three-year share buyback program.

Across all segments, the Swatch Group invested a total of CHF 563 million in non-current operating assets in 2016. In addition to the further broadening of its own retail network, heavy investment was also made in new production buildings (Omega, Swatch and Boncourt) and in state-of-the-art production and assembly facilities, with particular investment in the expansion of Industry 4.0. Significant investment was also made in the area of customer service, both in Switzerland and in the foreign distribution companies.

The dividend payment of CHF 403 million (previous year: CHF 407 million) and the share buyback mentioned above were the main cash flows from financing activities.

> FINANCIAL REVIEW

3. Outlook

Consumer interest and the potential for Swiss watches remains strong. Particularly Asia and the Middle East are showing again increasing sales in recent months, including brands in the luxury segment, so that healthy growth in local currency can again be expected for the year 2017, even more this expectation also applies to the USA and Europe.

With its global distribution network and the successful introduction of E-Commerce already in 2001, the Group is in an excellent position to serve its customers, wherever they are in the world, at any time. Our very motivated employees in retail, in distribution, and over the entire production chain make this possible.

The number of patent applications in the year under review again exceeded 180 patents, in the areas of electronic smart and mobile device products, mechanical watches and watch movements, as well as in «habillage» and for innovative production methods (Industry 4.0).

In the Electronic Systems segment, the newest developments in the area of dual frequency RFID technology (NFC and UHF), an innovative Bluetooth module, integrated circuits with lowest energy consumption and the most innovative sensor technology (particularly pressure sensors), as well as the real time clock (RTC) module will ensure growth. In addition, Belenos will put its pilot production line for the new batteries into operation. Also, Swiss Timing will show up with many technological innovations in timekeeping for sporting events.

The year 2017 will be marked by many new product launches by our brands. The 60th anniversary of the Omega Speedmaster will provide a strong stimulus. The creative and very successful use of Omega's E-Commerce, with Speedy Tuesday on Instagram, demonstrates the great potential and enormous demand. Swatch will launch the unique new very slim Skin collection, as well as the second generation of the Swatch Bellamy as a contactless payment device. This is just to name a few examples.

Based on the positive sales figures in all segments in recent months, including January 2017, Swatch Group anticipates healthy growth in 2017.

TIM (8)



> CONSOLIDATED INCOME STATEMENT

	Notes	2016		2015	
		CHF million	%	CHF million	%
Net sales	(4, 5a)	7 553	100.0	8 451	100.0
Other operating income	(5b)	249	3.3	103	1.2
Changes in inventories		77	1.0	255	3.0
Material purchases		- 1 642	- 21.7	- 2 001	- 23.7
Personnel expense	(5c)	- 2 342	- 31.0	- 2 384	- 28.2
Depreciation and impairment on property, plant and equipment	(15)	- 394	- 5.2	- 366	- 4.3
Amortization and impairment on intangible assets	(16)	- 43	- 0.6	- 38	- 0.4
Other operating expenses	(5d)	- 2 653	- 35.1	- 2 569	- 30.4
Operating result		805	10.7	1 451	17.2
Other financial income and expense	(5f)	- 25	- 0.3	- 46	- 0.6
Interest expense	(5f)	- 3	- 0.1	- 1	- 0.0
Share of result from associates and joint ventures	(5f, 17)	- 4	- 0.1	0	0.0
Ordinary result		773	10.2	1 404	16.6
Non-operating result	(5g)	4	0.1	0	0.0
Profit before income taxes		777	10.3	1 404	16.6
Income taxes	(6a)	- 184	- 2.4	- 285	- 3.4
Net income		593	7.9	1 119	13.2
Attributable to shareholders of The Swatch Group Ltd		574		1 089	
Attributable to non-controlling interests		19		30	
Earnings per share (EPS) – expressed in CHF per share:	(7)				
Registered shares					
Basic earnings per share		2.14		4.01	
Diluted earnings per share		2.14		4.01	
Bearer shares					
Basic earnings per share		10.69		20.07	
Diluted earnings per share		10.68		20.05	

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

> CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2016		31.12.2015	
		CHF million	%	CHF million	%
Current assets					
Cash and cash equivalents	(9)	1 136	8.7	1 280	9.6
Marketable securities and derivative financial instruments	(10)	326	2.5	388	2.9
Trade receivables	(11)	903	6.9	991	7.4
Other current assets	(12)	141	1.1	143	1.1
Inventories	(13)	6 259	47.7	6 151	46.4
Prepayments and accrued income	(14)	280	2.1	316	2.4
Total current assets		9 045	69.0	9 269	69.8
Non-current assets					
Property, plant and equipment	(15)	3 276	25.0	3 173	23.9
Intangible assets	(16)	142	1.1	151	1.1
Investments in associates and joint ventures	(17)	59	0.5	62	0.5
Other non-current assets	(19)	174	1.3	217	1.7
Deferred tax assets	(6d)	410	3.1	398	3.0
Total non-current assets		4 061	31.0	4 001	30.2
Total assets		13 106	100.0	13 270	100.0

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

> CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	31.12.2016 CHF million	%	31.12.2015 CHF million	%
Current liabilities					
Financial debts and derivative financial instruments	(20)	124	0.9	13	0.1
Trade payables		316	2.4	367	2.8
Other liabilities	(21)	166	1.3	152	1.1
Provisions	(23)	83	0.6	86	0.6
Accrued expenses	(22)	518	4.0	604	4.6
Total current liabilities		1 207	9.2	1 222	9.2
Non-current liabilities					
Financial debts	(20)	31	0.2	34	0.2
Deferred tax liabilities	(6d)	569	4.4	606	4.6
Retirement benefit obligations	(24)	39	0.3	36	0.3
Provisions	(23)	55	0.4	53	0.4
Accrued expenses	(22)	132	1.0	77	0.6
Total non-current liabilities		826	6.3	806	6.1
Total liabilities		2 033	15.5	2 028	15.3
Equity					
Share capital	(26a)	125		125	
Capital reserves	(26b)	- 991		- 1 006	
Treasury shares	(26d)	- 660		- 329	
Goodwill recognized		- 1 372		- 1 372	
Translation differences		- 142		- 134	
Retained earnings		14 027		13 856	
Equity of The Swatch Group Ltd shareholders		10 987	83.8	11 140	83.9
Non-controlling interests		86	0.7	102	0.8
Total equity		11 073	84.5	11 242	84.7
Total equity and liabilities		13 106	100.0	13 270	100.0

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

> CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2016 CHF million	2015 CHF million
Operating activities			
Net income		593	1 119
Reversal of non-cash items	(28a)	645	686
Changes in working capital and other items included in operating cash flow	(28b)	41	- 70
Dividends received from associated companies	(17)	2	2
Interest received		9	7
Interest paid		- 3	- 1
Income tax paid	(6c)	- 277	- 339
Cash flow from operating activities		1 010	1 404
Investing activities			
Investments in property, plant and equipment	(15)	- 504	- 602
Proceeds from sale of property, plant and equipment		21	13
Investments in intangible assets	(16)	- 35	- 47
Proceeds from sale of intangible assets		1	0
Investments in other non-current assets	(19)	- 24	- 106
Proceeds from sale of other non-current assets		8	3
Acquisition of subsidiaries – net of cash	(18a)	0	-
Takeover of associated companies	(18a)	-	14
Divestments of businesses	(18b)	3	4
Purchase of marketable securities		- 76	- 241
Sale of marketable securities		122	126
Cash flow from investing activities		- 484	- 836
Financing activities			
Dividends paid to shareholders	(8)	- 403	- 407
Dividends paid to non-controlling interests		- 36	- 24
Repurchase of treasury shares	(26d)	- 332	- 28
Sale of treasury shares		1	1
Change in non-current financial debts		- 5	- 4
Change in current financial debts		108	0
Repurchase of non-controlling interests	(18c)	-	- 1
Sale of non-controlling interests	(18c)	1	11
Cash flow from financing activities		- 666	- 452
Net impact of foreign exchange rate differences on cash		- 4	- 38
Change in cash and cash equivalents		- 144	78
Change in cash and cash equivalents			
- At beginning of year		1 280	1 202
- At end of year	(9)	1 136	1 280

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					Total	Non-con- trolling interests	Total equity	
	Share capital	Capital reserves	Treasury shares	Goodwill recognized	Cumulative Translation differences				Retained earnings
(CHF million)	(Note 26)	(Note 26)	(Note 26)						
Balance at 31 December 2014	125	- 1 037	- 301	- 1 372	- 6	13 174	10 583	91	10 674
Net income						1 089	1 089	30	1 119
Currency translation of foreign entities					- 128		- 128		- 128
Dividends paid						- 407	- 407	- 24	- 431
Share-based compensation (Note 29):							19		19
– Value of employee services (net of tax)		19							
– Proceeds from sale of shares		1					1		1
Repurchase of treasury shares		0	- 28				- 28		- 28
Changes in non-controlling interests (Note 18)		11					11	5	16
Balance at 31 December 2015	125	- 1 006	- 329	- 1 372	- 134	13 856	11 140	102	11 242
Net income						574	574	19	593
Currency translation of foreign entities					- 8		- 8	1	- 7
Dividends paid						- 403	- 403	- 36	- 439
Share-based compensation (Note 29):							14		14
– Value of employee services (net of tax)		14							
– Proceeds from sale of shares		1					1		1
Repurchase of treasury shares		0	- 332				- 332		- 332
Changes in non-controlling interests (Note 18)							0		0
Transactions with non-controlling interests			1				1		1
Balance at 31 December 2016	125	- 991	- 660	- 1 372	- 142	14 027	10 987	86	11 073

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 22 February 2017 and will be submitted to the Annual General Meeting of Shareholders for approval on 23 May 2017.

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 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. Goodwill from business combinations represents the amount of the acquisition costs which exceeds the proportional actual value of the net identifiable assets of the acquired company at the time of purchase. In the case of acquisitions, potentially existing non-capitalized intangible assets such as brands, user rights or client lists are not recognized separately, but remain in goodwill. Goodwill may also arise from investments in associated companies, calculated as the amount of the acquisition costs of the investment which exceeds its related net assets at fair value at the time of acquisition. Goodwill from acquisitions is 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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

c. Scope of consolidation

At 31 December 2016, the Group's consolidation structure comprised 168 legal entities (previous year: 168) including two joint ventures (previous year: two) and four associated companies (previous year: five). Two legal entities have been created while one company has been merged with another Group company and one associated company has been dissolved. 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

The Group adopted early implementation as of 1 January 2015 of the new standard on revenue recognition, with changes to the Swiss GAAP FER framework, FER 3 and FER 6, which apply to financial years commencing on or after 1 January 2016. No further changes to the Swiss GAAP FER standards have been announced or released.

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
		2016	31.12.2016	2015	31.12.2015
		CHF	CHF	CHF	CHF
CNY	1	0.1491	0.1472	0.1540	0.1538
EUR	1	1.0930	1.0760	1.0682	1.0870
HKD	1	0.1279	0.1320	0.1250	0.1289
JPY	100	0.9121	0.8785	0.8013	0.8300
USD	1	0.9930	1.0235	0.9687	0.9990

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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»).

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. Impairment is charged on receivables which are either more than 12 months overdue or for which 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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Property, plant and equipment

Property, plant and equipment (including investment property) are recorded in the balance sheet at historical cost less accumulated depreciation and any impairments. Acquisition costs comprise the purchase price as well as the costs directly attributable to the utilization of the property, plant and equipment. Investments in existing property, plant and equipment are only capitalized if their value in use is sustainably increased or their useful life is extended considerably. Self-constructed assets are only capitalized if they are clearly identifiable and the costs can be reliably determined, and if the assets generate measurable benefits for the Group over a period of several years. Maintenance and repair costs that do not add value are charged directly to the result for the period.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The maximum depreciation periods are as follows:

– Land	no depreciation
– Production plants	30 years
– Administrative buildings	40 years
– Investment properties	50 years
– Technical equipment and machinery	15 years
– Other equipment and fixtures	8 years

The residual values and the remaining useful life of property, plant and equipment are reviewed yearly and adjusted where necessary. Investment property mainly comprises commercial premises and residential buildings rented to third parties. The position Advances and construction in progress includes buildings under construction and non-refundable down payments on land and buildings. The Group does not capitalize any interest expenses incurred during the construction period.

m. Intangible assets

Goodwill

Goodwill from business combinations represents the amount of the acquisition costs which exceeds the proportional actual value of the net identifiable assets of the acquired company at the time of purchase. Goodwill may also arise from investments in associated companies, calculated as the amount of the acquisition costs of the investment which exceeds its related net assets at fair value at the time of acquisition. Goodwill from acquisitions is recognized in Group equity at the time of acquisition. The notes to the consolidated financial statements disclose the effects of a theoretical capitalization and amortization of goodwill (see Note 27).

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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

At year-end, there are no such cash-flow hedges.

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 financial result.

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.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Current income tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred tax

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply.

Deferred tax assets are recognized for all deductible temporary differences, carryforward tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is not intended that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 Swatch Group Ltd 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 (previous year: none).

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)	31.12.2016	31.12.2015
Cash and cash equivalents (Note 9)	1 136	1 280
Marketable securities and derivative financial instruments (Note 10)	326	388
Short-term accessible liquidity reserves	1 462	1 668
Committed credit facilities	657	578
./ Utilized credit facilities	- 142	- 36
Total short-term accessible liquidity reserves and undrawn credit facilities	1 977	2 210

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 2016, equity represented 84.5% of total assets (31 December 2015: 84.7%).

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

2016 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	7 304	244	5		7 553
– Group	1	16	6	– 23	–
Net sales	7 305	260	11	– 23	7 553
Operating result	894	10	– 99	–	805
– In % of net sales	12.2	3.8			10.7

2015 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	8 175	270	6		8 451
– Group	2	22	6	– 30	–
Net sales	8 177	292	12	– 30	8 451
Operating result	1 539	9	– 97	–	1 451
– In % of net sales	18.8	3.1			17.2

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Balance sheet and other information

2016 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
Balance sheet					
– Segment assets	11 941	276	5 000	– 4 170	13 047
– Investments in associated companies and joint ventures	6	–	53	–	59
Total assets	11 947	276	5 053	– 4 170	13 106
Total liabilities	– 5 363	– 99	– 741	4 170	– 2 033
Net assets	6 584	177	4 312	–	11 073

Other information

Investments in property, plant and equipment	464	29	5	–	498
Investments in intangible assets	32	2	2	–	36
Investments in other non-current assets	24	0	0	–	24
Depreciation on property, plant and equipment	– 357	– 18	– 19	–	– 394
Amortization on intangible assets	– 38	– 2	– 3	–	– 43
Impairment	0	–	–	–	0

2015 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
Balance sheet					
– Segment assets	11 783	375	4 857	– 3 807	13 208
– Investments in associated companies and joint ventures	7	–	55	–	62
Total assets	11 790	375	4 912	– 3 807	13 270
Total liabilities	– 4 876	– 103	– 856	3 807	– 2 028
Net assets	6 914	272	4 056	–	11 242

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

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Information on geographical regions

	2016		2015	
	Net sales	Non-current assets	Net sales	Non-current assets
(CHF million)				
Switzerland	756	2 635	986	2 631
Other Europe	1 589	334	1 839	324
Total Europe	2 345	2 969	2 825	2 955
Greater China	2 532	242	2 869	260
Other Asia	1 872	277	1 884	249
Total Asia	4 404	519	4 753	509
Total America	663	151	725	131
Total Oceania	89	6	92	2
Total Africa	52	1	56	1
Total	7 553	3 646	8 451	3 598

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

a. Analysis of net sales	(CHF million)	2016	2015
	Sale of goods	7 533	8 415
	Rendering of services	20	36
	Total net sales	7 553	8 451

b. Other operating income In 2016, other operating income amounted to CHF 249 million (2015: CHF 103 million). The increase is mainly due to the time-keeping services rendered in 2016 for the Olympic Games.

c. Personnel expense	(CHF million)	2016	2015
	Wages and salaries	1 891	1 928
	Social security costs	323	326
	Share-based compensation (Note 29)	15	19
	Pension costs (Note 24)	113	111
	Total personnel expense	2 342	2 384

The development of the headcount is summarized in the following table:

(Unaudited)	2016	2015
Average annual headcount	35 827	35 783
Total headcount at 31 December	35 705	36 313
Men	17 073	17 488
Women	18 632	18 825
Swiss contracts	16 878	17 433
Non-Swiss contracts	18 827	18 880

Headcount is expressed as the number of employment contracts. The number of employees includes home workers, trainees and auxiliary staff.

d. Other operating expenses	(CHF million)	2016	2015
	Marketing, sales and administration	1 216	1 279
	Subcontracting and other direct costs of sales	242	291
	Maintenance, rents and energy	1 026	938
	Other operating expenses	169	61
	Total other operating expenses	2 653	2 569

e. Research and development costs Costs for research and development activities amounted to CHF 219 million in 2016, representing 2.9% of net sales (previous year: CHF 205 million or 2.4%).

f. Net financial result	(CHF million)	2016	2015
	Interest income	9	7
	Result from marketable securities at fair value	- 2	8
	Net currency result	- 28	- 57
	Other financial expense	- 4	- 4
	Other financial income and expense	- 25	- 46
	Interest expense	- 3	- 1
	Share of result from associates and joint ventures	- 4	0
	Net financial result	- 32	- 47

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)	2016	2015
Current income taxes	- 232	- 322
Income tax of prior periods	0	3
Deferred taxes	48	34
Total income taxes	- 184	- 285

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.

	2016	2015
	%	%
Group's average expected tax rate	20.4	19.3
Effect of:		
- Tax rate changes on deferred taxes	- 0.2	- 0.5
- Recognition and offset of tax loss carry-forwards		
not recognized in prior years	- 0.3	- 0.3
- Non-recognition of tax loss carry-forwards	2.9	1.1
- Non-taxable income	- 0.4	- 0.3
- Non-tax-deductible expenses	1.3	0.8
- Items taxable at reduced rates	- 0.2	- 0.3
- Income tax of prior periods	0.0	- 0.2
- Other items	0.2	0.7
Group's effective tax rate	23.7	20.3

The effective tax rate based on the ordinary result in the year under review was 23.8% (previous year: 20.3%).

c. Current income tax

(CHF million)	2016	2015
Net current income tax liability		
Balance at 1 January	- 70	- 89
Recognized in income statement	- 232	- 319
Recognized in equity	- 1	0
Income taxes paid	277	339
Translation differences	0	- 1
Balance at 31 December	- 26	- 70
thereof current income tax assets	49	46
thereof current income tax liabilities	- 75	- 116

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)	31.12.2016			31.12.2015		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	330	- 359	- 29	329	- 396	- 67
Trade and other receivables	4	- 17	- 13	3	- 19	- 16
Property, plant and equipment	13	- 149	- 136	17	- 139	- 122
Intangible assets	10	- 9	1	11	- 10	1
Provisions	18	- 44	- 26	16	- 46	- 30
Retirement benefit obligations	4	- 1	3	4	- 1	3
Tax losses	40	-	40	28	-	28
Other	78	- 77	1	65	- 70	- 5
Total deferred tax assets (liabilities)	497	- 656	- 159	473	- 681	- 208
Deferred tax assets			410			398
Deferred tax liabilities			- 569			- 606

> 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 2016
One year	4	5	9
Two years	3	6	9
Three years	8	1	9
Four years	15	5	20
Five years	16	7	23
Six years	7	12	19
More than six years	196	117	313
Total at 31.12.2016	249	153	402

(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
Total at 31.12.2015	181	102	283

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 67 million in the year under review (previous year: CHF 51 million).

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Earnings per share

a. Basic

	2016	2015
Net income attributable to shareholders of The Swatch Group Ltd (CHF million)	574	1 089
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%
Registered shares		
Net income attributable to registered shareholders (CHF million)	254	481
Average number of shares outstanding	118 672 611	119 847 161
Basic earnings per share (in CHF)	2.14	4.01
Bearer shares		
Net income attributable to bearer shareholders (CHF million)	320	608
Average number of shares outstanding	29 987 419	30 308 846
Basic earnings per share (in CHF)	10.69	20.07

b. Diluted

	2016	2015
Registered shares		
Net income attributable to registered shareholders (CHF million)	254	481
Average number of shares outstanding – basic (as above)	118 672 611	119 847 161
Potential number of shares from options outstanding	215 130	222 525
Average potential number of shares outstanding – diluted	118 887 741	120 069 686
Diluted earnings per share (in CHF)	2.14	4.01
Bearer shares		
Net income attributable to bearer shareholders (CHF million)	320	608
Average potential number of shares outstanding	29 987 419	30 308 846
Diluted earnings per share (in CHF)	10.68	20.05

8. Dividends paid and proposed

On 11 May 2016, 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 403 million (2015: 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 14 million.

At the Annual General Meeting on 23 May 2017, the payment of the following dividends for the year under review will be proposed:

		Registered	Bearer
Dividend per share	CHF	1.35	6.75
Total dividend	CHF million	167	208

The financial statements ending 31 December 2016 do not take into account this proposed dividend. Dividends will be treated as an appropriation of available earnings during the financial year 2017.

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Cash and cash equivalents

(CHF million)	31.12.2016	31.12.2015
Current accounts and liquid assets	884	1 021
Short-term deposits with financial institutions	252	259
Total cash and cash equivalents	1 136	1 280

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)	31.12.2016	31.12.2015
Cash and cash equivalents	1 136	1 280
Current account overdrafts (Note 20)	0	0
Total funds net cash	1 136	1 280

10. Marketable securities and derivative financial instruments

(CHF million)	31.12.2016	31.12.2015
Equity securities	97	102
Bond securities	213	258
Investment funds and other investments	13	16
Total marketable securities at fair value	323	376

Derivative financial instruments	3	12
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Total marketable securities and derivative financial instruments	326	388
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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) Type	31.12.2016			31.12.2015		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts in						
AUD	18	0	-	8	-	-0
CAD	12	0	-	9	-	-0
CNY	50	0	-	-	-	-
EUR	444	-	-1	489	1	-2
GBP	40	1	-	56	0	-
HKD	-	-	-	12	0	-0
JPY	7	-	0	21	-	-0
RUB	25	-	0	6	0	-
SGD	15	0	-	7	-	-0
USD	1 144	2	-10	1 066	11	-5
Other currencies	17	0	0	19	0	-0
Total	1 772	3	-11	1 693	12	-7

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Trade receivables

(CHF million)	31.12.2016	31.12.2015
Trade receivables – gross	914	1 002
Allowance for impaired receivables	– 11	– 11
Total trade receivables – net	903	991

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

(CHF million)	2016	2015
Balance at 1 January	– 11	– 13
Translation differences	0	0
Business combinations	–	–
Utilization	1	2
Reversal	1	1
Creation	– 2	– 1
Balance at 31 December	– 11	– 11

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)	31.12.2016	31.12.2015
CHF	157	181
CNY	208	246
EUR	166	175
HKD	31	30
JPY	31	32
USD	107	112
Other currencies	203	215
Total trade receivables – net	903	991

Invoices are essentially issued in the currency of the primary economic environment in which the entity operates.

12. Other current assets

(CHF million)	31.12.2016	31.12.2015
VAT to be refunded	112	104
Other receivables	29	39
Total other current assets	141	143

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Inventories

(CHF million)	31.12.2016	31.12.2015
Raw materials, auxiliary material and supplies	303	346
Goods in progress	505	547
Semi-finished goods	1 995	1 970
Finished goods	3 109	2 959
Spare parts for customer service	347	329
Total inventories	6 259	6 151

Inventories with risk of obsolescence have been adjusted to their net realizable value. In 2016, the Group recognized write-downs of CHF 49 million (previous year: CHF 47 million). In addition, an amount of CHF 8 million was reversed (previous year: CHF 15 million). The net impact of these adjustments was a charge to the income statement of CHF 41 million (previous year: CHF 32 million).

14. Prepayments and accrued income

(CHF million)	31.12.2016	31.12.2015
Prepaid sales, marketing and administration costs	91	128
Income tax assets	49	46
Other prepayments and accrued income	140	142
Total prepayments and accrued income	280	316

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Property, plant and equipment

(CHF million)	Land, buildings and properties ¹⁾	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
Historical cost, 31 December 2015	2 136	3 735	531	161	6 563
Translation differences	8	-2	3	0	9
Acquisition of subsidiaries (Note 18)	-	-	-	-	-
Divestments of businesses (Note 18)	-	-	-	-	-
Additions	53	238	111	96	498
Disposals	-15	-92	-24	-3	-134
Transfers	48	-6	2	-44	-
Historical cost, 31 December 2016	2 230	3 873	623	210	6 936
Accumulated depreciation, 31 December 2015	- 685	- 2 415	- 290	-	- 3 390
Translation differences	-1	0	-1	-	-2
Depreciation on divestments of businesses (Note 18)	-	-	-	-	-
Annual depreciation	-64	-259	-71	-	-394
Impairment	-	0	-	-	0
Depreciation on disposals	15	87	24	-	126
Transfers	-	-	-	-	-
Accumulated depreciation, 31 December 2016	- 735	- 2 587	- 338	-	- 3 660
Net book values:					
Balance at 31 December 2015	1 451	1 320	241	161	3 173
Balance at 31 December 2016	1 495	1 286	285	210	3 276
Net book value of property, plant and equipment under finance lease contracts					0
Total non-current assets pledged to guarantee the commitments of Group companies					33

¹⁾ The category Land, buildings and properties includes investment properties with a carrying amount of CHF 450 million (previous year: CHF 453 million).

(CHF million)	Land, buildings and properties ¹⁾	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
Historical cost, 31 December 2014	2 073	3 527	476	108	6 184
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	-
Historical cost, 31 December 2015	2 136	3 735	531	161	6 563
Accumulated depreciation, 31 December 2014	- 646	- 2 267	- 261	-	- 3 174
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	-	-	-	-	-
Accumulated depreciation, 31 December 2015	- 685	- 2 415	- 290	-	- 3 390
Net book values:					
Balance at 31 December 2014	1 427	1 260	215	108	3 010
Balance at 31 December 2015	1 451	1 320	241	161	3 173
Net book value of property, plant and equipment under finance lease contracts					1
Total non-current assets pledged to guarantee the commitments of Group companies					36

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Intangible assets

(CHF million)	Capitalized development costs	Software	Other intangible assets	Total
Historical cost, 31 December 2015	120	135	113	368
Translation differences	0	0	-1	-1
Acquisition of subsidiaries (Note 18)	-	-	-	-
Divestments of businesses (Note 18)	-	-	-	-
Additions	7	14	15	36
Disposals	-2	-5	-1	-8
Transfers	14	9	-23	0
Historical cost, 31 December 2016	139	153	103	395
Accumulated amortization, 31 December 2015	-74	-103	-40	-217
Translation differences	0	0	0	0
Amortization on divestments of businesses (Note 18)	-	-	-	-
Annual amortization	-22	-17	-4	-43
Impairment	-	-	-	-
Amortization on disposals	1	5	1	7
Transfers	-	-3	3	-
Accumulated amortization, 31 December 2016	-95	-118	-40	-253
Net book values:				
Balance at 31 December 2015	46	32	73	151
Balance at 31 December 2016	44	35	63	142

(CHF million)	Capitalized development costs	Software	Other intangible assets	Total
Historical cost, 31 December 2014	99	123	115	337
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
Historical cost, 31 December 2015	120	135	113	368
Accumulated amortization, 31 December 2014	-58	-92	-37	-187
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	-	-	-	-
Accumulated amortization, 31 December 2015	-74	-103	-40	-217
Net book values:				
Balance at 31 December 2014	41	31	78	150
Balance at 31 December 2015	46	32	73	151

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Investments in associates and joint ventures

(CHF million)	2016	2015
Balance at 1 January	62	70
Share of result from associates and joint ventures	-4	0
Dividends received	-2	-2
Investments	-	-
Reclassification of previously held interests	-	-7
Investments acquired through business combinations	-	-
Translation differences	3	1
Balance at 31 December	59	62

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 the years 2015 and 2016, there were no further changes in investments in associates and joint ventures.

Sales to and purchases from associates and joint ventures amounted to CHF 885 million (2015: CHF 980 million) and CHF 43 million (2015: CHF 29 million) respectively.

At balance sheet date, associated companies and joint ventures had no contingent liabilities (2015: none).

18. Business combinations**a. Acquisition of subsidiaries**

There were no acquisitions in 2016.

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).

> 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	2016 Actual Values	2015 Actual Values
Cash and cash equivalents		–	14
Current assets		–	1
Property, plant and equipment	(15)	–	1
Intangible assets	(16)	–	0
Deferred tax assets		–	–
Current liabilities		–	–2
Provisions	(23)	–	–
Previously held interests	(17)	–	–7
Non-controlling interests		–	–7
Net assets acquired		–	0
Goodwill (recognized in equity)	(27)	–	–
Negative Goodwill (recognized in income statement)		–	0
Total purchase consideration (incl. acquisition-related costs)		–	–
Cash and cash equivalents acquired		–	14
Consideration payable		–	–
Cash in-/outflow on acquisitions		–	14

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.

b. Divestments of businesses

No companies were sold in 2016.

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, of which, CHF 10 million was paid in 2015. In the year under review, an additional payment of CHF 3 million was paid in accordance with the sale contract, and the balance will be incurred in 2017. The profit from the disposal amounted to CHF 6 million in 2015 and was recorded in the income statement as other operating income.

The value of the net assets disposed of and the cash inflow from the disposals are as follows:

(CHF million)	Notes	2016 Actual Values	2015 Actual Values
Cash and cash equivalents		–	6
Current assets		–	1
Property, plant and equipment	(15)	–	3
Intangible assets	(16)	–	1
Current liabilities		–	0
Provisions	(23)	–	–
Net assets disposed of		–	11
Result on divestment of businesses		–	6
Total disposal consideration		–	17
Cash and cash equivalents disposed of		–	–6
Consideration payable		–	–7
Net Cash inflow on disposal		–	4

> 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 in the first half of 2015 as well as CHF 1 million in the first half of 2016, 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 ASI Centrum spol.s.r.o. was acquired. The Swatch Group already had control over the company. The transaction will be settled in annual instalments of treasury shares in 2016, 2017 and 2018, valued at a total of 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
Balance at 31 December 2015	103	102	12	217
Translation differences	- 4	2	0	- 2
Acquisition of subsidiaries (Note 18)	-	-	-	-
Additions	12	12	0	24
Disposals	- 1	- 10	0	- 11
Transfers to current assets	- 54	-	-	- 54
Balance at 31 December 2016	56	106	12	174

(CHF million)	Prepaid marketing and rental cost	Security deposits	Other financial assets	Total
Balance at 31 December 2014	95	95	11	201
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
Balance at 31 December 2015	103	102	12	217

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)	31.12.2016	31.12.2015
Current account overdrafts	0	0
Short-term leasing commitments	0	1
Short-term bank debt	113	5
Derivative financial instruments	11	7
Total current financial debts and derivative financial instruments	124	13
Total non-current financial debts	31	34
Total financial debts	155	47

The exposure of the Group's financial debts to interest rate changes is limited as most of these debts have fixed interest rates. The contractual repricing dates at the balance sheet date are as follows:

(CHF million)	less than 1 year	1–5 years	over 5 years	Total
At 31 December 2016	124	31	0	155
At 31 December 2015	13	17	17	47

The carrying amounts of the Swatch Group's financial debts are denominated in the following currencies:

(CHF million)	31.12.2016	31.12.2015
CHF	11	8
JPY	33	35
USD	102	—
Other currencies	9	4
Total	155	47

At the end of 2016, a short term bank loan of USD 100 million or CHF 102 million was open at an interest rate of 1.0%. The long-term financial debts at the end of 2016 included a mortgage of JPY 3 250 million or CHF 29 million (previous year: JPY 3 750 million or CHF 31 million) at a fixed interest rate of 2.4% with a term until March 2021 (without a termination clause). The Swatch Group had no listed debenture bonds or convertible bonds outstanding in the years under review.

21. Other liabilities

(CHF million)	31.12.2016	31.12.2015
Advance payments received	38	30
Income tax liabilities	13	23
VAT due	28	15
Other payables	87	84
Total other payables	166	152

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Accrued expenses

(CHF million)	31.12.2016	31.12.2015
Accrued salaries and social security	153	165
Accrued sales, marketing and administration costs	122	156
Accrued income taxes	62	93
Accrued sales reductions	75	76
Other accrued expenses	238	191
Total accrued expenses	650	681
thereof current	518	604
thereof non-current	132	77

23. Provisions

(CHF million)	Warranties	Litigation	Other	Total
Balance at 31 December 2014	104	6	20	130
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
Balance at 31 December 2015	108	6	25	139
thereof current provisions	75	1	10	86
thereof non-current provisions	33	5	15	53
Translation differences	-1	0	0	-1
Additional provisions	88	2	14	104
Reversal of provisions	-14	-1	-3	-18
Provisions used during the year	-83	-2	-1	-86
Balance at 31 December 2016	98	5	35	138
thereof current provisions	67	1	15	83
thereof non-current provisions	31	4	20	55

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 4 273 500 registered shares (2015: 4 934 700 shares) and 2 250 bearer shares (2015: 1 250 shares) of The Swatch Group Ltd.

Economic benefit / economic obligation and pension benefit expenses

2016

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year no income statement impact ¹⁾	income statement impact	Contributions concerning the business period	Pension costs within personnel expense
Patronage funds / patronage pension plans	329	–	–	–	–	–
Pension plans without surplus / deficit	–	–	–	–	– 13	– 13
Pension plans with surplus	–	–	–	–	–	–
Pension plans with deficit	– 206	– 3	1	0	– 95	– 95
Pension plans without own assets	–	– 36	1	– 5	–	– 5
Total	123	– 39	2	– 5	– 108	– 113

¹⁾The amounts without an income statement impact refer to exchange rate differences and disbursements.

2015

(CHF million)	Surplus / deficit	Group's economic share	Change from previous year no income statement impact ¹⁾	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
Total	198	– 36	5	– 3	– 108	– 111

Summary of pension benefit expenses

(CHF million)	2016			2015		
	Switzerland	Abroad	Total	Switzerland	Abroad	Total
Contributions to pension plans charged to Group companies	– 94	– 14	– 108	– 96	– 12	– 108
Contributions to pension plans paid from employer contributions reserve	–	–	–	–	–	–
Total contributions	– 94	– 14	– 108	– 96	– 12	– 108
Change of employer contributions reserve from evolution of fortune, impairments, discounting, etc.	0	–	0	0	–	0
Contributions and change in employer contributions reserve	– 94	– 14	– 108	– 96	– 12	– 108
Increase / decrease of Group's economic benefits from surpluses	–	–	–	–	–	–
Decrease / increase of economic obligations from deficits	–	– 5	– 5	–	– 3	– 3
Total changes of economic effects from surpluses / deficits	–	– 5	– 5	–	– 3	– 3
Pension benefit expenses within personnel expenses of the period	– 94	– 19	– 113	– 96	– 15	– 111

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. Commitments and contingencies**a. Guarantees and sureties**

At 31 December 2016, guarantees to third parties as security for commitments of Group companies amounted to CHF 45 million (2015: CHF 46 million).

Total current assets pledged by Group companies to guarantee their commitments amounted to CHF 106 million at 31 December 2016 (2015: CHF 102 million).

b. Leasing and other commitments

The Group's fixed operating leasing commitments that cannot be cancelled within 12 months and which are not recognized in the balance sheet are due as follows (non discounted):

(CHF million)	31.12.2016	31.12.2015
Less than 1 year	540	463
Between 1 and 5 years	1 401	1 310
Over 5 years	1 261	1 120
Total	3 202	2 893

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 2016. Leasing costs amounting to CHF 698 million were recognized in the 2016 income statement, compared to CHF 613 million in the previous year.

At 31 December 2016, other open long-term and irrevocable payment obligations entered into by the Group, which cannot be cancelled within 12 months, have a non-discounted value of CHF 647 million (previous year: CHF 790 million). They mainly relate to marketing and sponsoring commitments, as well as investments in tangible fixed assets.

c. Contingent assets and liabilities

Some Group companies have contingent liabilities in respect of legal claims arising from the ordinary course of business and they may be liable to pay compensation. It is not expected that any material liabilities will arise from these contingent liabilities other than those provided for (see Note 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
31.12.2014	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
31.12.2016	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

At year-end 2016, as well as 2015, 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.

c. Non-distributable reserves

At 31 December 2016, the reserves of the holding company, The Swatch Group Ltd, include a non-distributable amount of CHF 685 million (2015: CHF 354 million). This amount consists of CHF 660 million related to treasury shares held (2015: CHF 329 million) and non-distributable legal reserves of CHF 25 million (2015: CHF 25 million).

d. Treasury shares

On 5 February 2016, the Group commenced a new share buyback program with a total value of CHF 1 billion. This program will continue until 4 February 2019 at the latest. Within the scope of this buyback program, the Swatch Group repurchased treasury shares with a market value of CHF 332 million as at 31 December 2016. At year end, there were no disclosable repurchase obligations from this program.

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	
Balance at 31 December 2014	4 258 988	168	505 000	133	301
Acquisitions ¹⁾	77 000	6	65 000	22	28
Disposals ²⁾	- 237 671	-	-	-	-
Balance at 31 December 2015	4 098 317	174	570 000	155	329
Acquisitions ¹⁾	2 689 767	166	538 850	166	332
Disposals ²⁾	- 246 648	- 1	-	-	- 1
Balance at 31 December 2016	6 541 436	339	1 108 850	321	660

¹⁾ In 2016 the Group acquired 2 689 767 registered shares (2015: 77 000) at an average price of CHF 61.52 (2015: CHF 79.68). In addition 538 850 bearer shares (2015: 65 000) at an average price of CHF 308.21 (2015: CHF 344.81) were acquired.

²⁾ In 2016, disposals of 236 148 registered shares relate to the employee stock option plan. Details of stock options issued in connection with the stock option plan are disclosed in Note 29 of the consolidated financial statements. In 2016, in connection with the acquisition of the remaining minority interest in ASICentrum spol. s.r.o., 10 500 registered shares were granted to the former shareholders. Details of the transaction are disclosed in Note 18 of the consolidated financial statements.

In 2015, disposals of registered shares relate solely to the employee stock option plan.

In 2016 and 2015, no bearer shares were sold.

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)	2016			2015		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
Historical cost 1 January	1 389	48	1 437	1 389	48	1 437
Additions	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Historical cost 31 December	1 389	48	1 437	1 389	48	1 437
Theoretical accumulated amortization						
1 January	– 648	– 33	– 681	– 532	– 28	– 560
Theoretical annual amortization	– 116	– 3	– 119	– 116	– 5	– 121
Theoretical impairment	–	–	–	–	–	–
Theoretical amortization on disposals	–	–	–	–	–	–
Transfers	–	–	–	–	–	–
Theoretical accumulated amortization 31 December	– 764	– 36	– 800	– 648	– 33	– 681
Theoretical net book value 31 December	625	12	637	741	15	756

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)	2016	2015
Equity, per balance sheet	11 073	11 242
Theoretical capitalization of net book value of goodwill	637	756
Theoretical equity including net book value of goodwill	11 710	11 998

c. Theoretical impact on net income

(CHF million)	2016	2015
Net income, per income statement	593	1 119
Theoretical amortization of goodwill	– 119	– 121
Theoretical net income after goodwill amortization	474	998

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Details to the consolidated statement of cash flows

a. Non-cash items	(CHF million)	Notes	2016	2015
Reversal of non-cash items				
		(17)	4	0
		(6a)	184	285
		(15)	394	364
		(16)	43	37
			0	3
			-17	-3
			5	7
			-8	-47
			27	16
		(5f)	-9	-7
		(5f)	3	1
		(29)	15	19
			1	11
			3	0
			645	686

b. Changes in working capital	(CHF million)	2016	2015
Changes in working capital and other items included in cash flow from operating activities			
		-78	-258
		79	72
		92	46
		-47	29
		23	8
		-28	33
		41	-70

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, which was revised in 2016, 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 being employed by the company on the date of exercise. Options are not transferable and only exercisable by the employee. The exercised options can optionally be subject to a blocking period of either 5 or 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. 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 2016, this portfolio comprised 680 644 registered shares (916 792 at the end of 2015). In 2016, 236 148 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:

	2016	2015
	Options	Options
Options outstanding at 1 January	234 953	240 808
Granted	232 570	234 758
Forfeited or lapsed	-704	-2 942
Exercised	-236 148	-237 671
Options outstanding at 31 December	230 671	234 953

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:

Expiry date	31.12.2016	31.12.2015
2016		156 640
2017	153 423	78 313
2018	77 248	
Total	230 671	234 953

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 2016 and 2015 was based:

	2016		2015	
	Portion exercisable in 1 year	Portion exercisable in 2 years	Portion exercisable in 1 year	Portion exercisable in 2 years
Grant date	17 May 2016	17 May 2016	9 June 2015	9 June 2015
Expiration date	17 May 2017	17 May 2018	9 June 2016	9 June 2017
Closing share price on grant date	CHF 59.25	CHF 59.25	CHF 72.60	CHF 72.60
Exercise price	CHF 4.00	CHF 4.00	CHF 4.00	CHF 4.00
Market value of option at grant date	CHF 55.25	CHF 55.25	CHF 68.60	CHF 68.60

The first portion was immediately exercisable and was subject to the exercise conditions listed above .

The personnel expense recorded in the 2016 income statement amounted to CHF 15 million (2015: CHF 19 million).

30. Related party transactions

a. Principal shareholders

On 31 December 2016, the Hayek Pool and its related companies, institutions and individuals held 62 136 850 registered shares and 2 800 bearer shares, equivalent to 40.1% of all voting rights (previous year: 40.5%) 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 39.7% of all voting rights (previous year: 40.1%).

Mrs. Esther Grether's group has been dissolved at the end of June 2016. It controlled 5.9% of all voting rights on 31 December 2015.

In 2016, the Hayek Group, owned by the community of heirs of N. G. Hayek, invoiced an amount of CHF 8.8 million to the Swatch Group (previous year: CHF 10.2 million). This amount primarily covered support for Group Management in the following areas of activity:

(CHF million)	2016	2015
Audit, feasibility studies and process optimization	1.2	1.1
Executive functions	0.9	0.9
Project management in the construction sector	4.8	6.1
Support for projects in the materials and surface treatment technology sector	0.6	0.3
Leasing a store in the center of Cannes (France) in a building of a subsidiary of the Hayek Group	0.3	0.3
Various services relating to the assessment of investment projects, cost control, IT consulting, etc.	1.0	1.5
Total	8.8	10.2

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b. Key management personnel

In addition to the members of the Board of Directors, the members of the Group Management Board and of the Extended Management Board are considered as key management personnel.

The total compensation of key management personnel, including pension contributions, other social benefits and share-based compensation, was as follows:

(CHF million)	2016	2015
Short-term employee benefits	24.3	27.0
– of which in salaries	8.6	8.9
– of which in bonus	15.2	17.5
– of which in expense allowances	0.5	0.5
– of which in other benefits	0.0	0.1
Share-based compensation	9.4	11.7
Contributions to pension plans	0.7	0.7
Other social benefits	2.8	3.5
Total	37.2	42.9

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. The calculation of the share-based compensation has been simplified in 2016 (see details under point 2.3.4. of the remuneration report). The prior year remuneration has been adapted, resulting in an immaterial decrease of CHF 0.3 million.

c. Share ownership

At 31 December 2016, 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 56 634 767 registered shares and 590 bearer shares, representing 36.6% of all voting rights (previous year: 36.6%).

In addition, at 31 December 2016, 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 all 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. 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 2016 and 2015, 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 2016 and 2015, 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)	2016		2015	
	Purchases	Sales	Purchases	Sales
Associates and joint ventures	43	885	29	980
Other related parties	0	0	0	0

At the end of 2016, receivables from associates amounted to CHF 165 million (2015: CHF 209 million), and payables to associates were CHF 3 million (2015: CHF 4 million). In addition, at the end of 2016 the Group held guarantees from associated companies in the amount of CHF 168 million (2015: CHF 267 million). At the end of 2016, the Group had granted no loans to associated companies (2015: 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 sales price amounted to CHF 17 million, of which, CHF 10 million was paid in 2015. In the year under review, an additional payment of CHF 3 million was paid in accordance with the sale contract, and the balance will be incurred in 2017. The profit from the disposal amounted to CHF 6 million in 2015 and was recorded in the income statement as other operating income.

At the end of 2016 and 2015 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 31.12.2016

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	Segment
Europe					
Switzerland					
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	●	▼
CHH Microtechnique SA, Le Chenit	Watch components	CHF 0.10	100	●	▲
cK Watch & Jewelry Co., Ltd., Bienne	Watches	CHF 5.00	90	●	▲
Comadur SA, Le Locle	Products in hard materials	CHF 7.86	100	●	▲
Compagnie des Montres Longines, Francillon SA, Saint-Imier	Watches	CHF 10.00	100	●	▲
Danyack SA, La Chaux-de-Fonds	Real estate	CHF 0.06	29	○	▼
Dernier Batz SA, Neuchâtel	Real estate	CHF 10.00	100	●	▼
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100	●	▲
Distico SA, Bienne	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	●	▲
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	●	▲
Meco SA, Grenchen	Watch crowns	CHF 4.50	100	●	▲
Micro Crystal AG, Grenchen	Miniature low-frequency quartz crystals	CHF 4.00	100	●	▶
Mido AG, Le Locle	Watches	CHF 1.20	100	●	▲
MOM le Prélet 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 Weyerermann 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 Export SA, Neuchâtel	Distribution	CHF 1.00	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	●	▲

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. The Swatch Group Companies – as at 31.12.2016

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
Belgium					
The Swatch Group (Belgium) SA, Anderlecht	Distribution	EUR 1.75	100	●	◀
Retail Services Belgium SA, Bruxelles	Services	EUR 2.09	100	●	◀
Germany					
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	●	◀
France					
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 SAS, Paris	Retail	EUR 10.09	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	●	◀
Greece					
The Swatch Group (Greece) SA, Athens	Distribution	EUR 5.00	100	●	◀
Great Britain					
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	●	◀
Italy					
Lascor S.p.A., Sesto Calende	Watch cases and bracelets	EUR 1.00	100	●	◀
The Swatch Group Europe Services S.r.l., Milano	Administration	EUR 0.01	100	●	◀
The Swatch Group (Italia) S.p.A., Milano	Distribution	EUR 23.00	100	●	◀
Luxembourg					
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	●	▼
Monaco					
The Swatch Group (Monaco) Les Boutiques SAM	Distribution	EUR 2.00	100	●	◀
Netherlands					
The Swatch Group (Netherlands) BV, Eindhoven	Distribution	EUR 3.45	100	●	◀
Austria					
The Swatch Group (Oesterreich) GmbH, Wien	Distribution	EUR 0.04	100	●	◀
Poland					
The Swatch Group (Polska) Sp.zo.o., Warszawa	Distribution	PLN 10.00	100	●	◀
Russia					
Swiss Watch Le Prestige OOO Russia, Moscow	Distribution	RUB 0.20	100	●	◀
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB 8 544.12	100	●	◀
Sweden					
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK 0.50	100	●	◀
Spain					
The Swatch Group (España) SA, Alcobendas	Distribution	EUR 0.45	100	●	◀
Czech Republic					
ASI Centrum 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	●	◀
Turkey					
The Swatch Group Turkey Saat Ticaret Limited Sirketi, Istanbul	Distribution	TRY 206.00	100	●	◀

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. The Swatch Group Companies – as at 31.12.2016

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consolidation	Segment
Asia					
Bahrain					
Hour Choice W.L.L., Manama	Retail	BHD 0.02	58	●	◀
Greater China					
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	●	◀
India					
Swatch Group (India) Private Ltd, New Delhi	Distribution	INR 4 680.00	100	●	◀
Swatch Group (India) Retail Private Ltd, New Delhi	Retail	INR 80.10	100	●	◀
Indonesia					
PT Swatch Group Indonesia, Jakarta	Distribution	IDR 120 795.90	100	●	◀
Japan					
Harry Winston Japan KK, Tokyo	Retail	JPY 10.00	100	●	◀
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY 3 700.00	100	●	◀
Qatar					
Hour Choice W.L.L., Doha	Retail	QAR 0.20	29	●	◀
Rivoli Watches W.L.L., Doha	Retail	QAR 0.40	29	●	◀
Malaysia					
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	●	◀
Oman					
Rivoli & Co. L.L.C., Muscat	Retail	OMR 0.30	58	●	◀
Saudi Arabia					
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33	○	◀
Singapore					
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	●	◀
South Korea					
The Swatch Group (Korea) Ltd, Seoul	Distribution	KRW 6 300.00	100	●	◀
Thailand					
ETA (Thailand) Co. Ltd, Samut Prakan	Assembly electronic components	THB 504.50	100	●	◀
The Swatch Group Trading (Thailand) Ltd, Bangkok	Distribution	THB 500.00	100	●	◀
United Arab Emirates					
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	100	●	◀
Vision 2000 L.L.C., Dubai	Retail	AED 1.00	58	●	◀

Legend: ● Fully consolidated ○ Equity method ◀ Watches & Jewelry ▶ Electronic Systems ▼ Corporate

> NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. The Swatch Group Companies – as at 31.12.2016

Company name, Registered offices	Field of Activity	Capital in millions	Swatch Group Shareholdings %	Consoli- dation	Segment
America					
Brazil					
SGA Administração de Imóveis SA, Manaus	Administration	BRL 4.92	100	●	◀
SGB Importação e Varejo de Artigos de Luxo Ltda., São Paulo	Retail	BRL 73.30	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	●	▼
Canada					
H.W. Protection Inc., Toronto	Services	CAD 1.94	100	●	◀
The Swatch Group (Canada) Ltd, Toronto	Distribution	CAD 4.50	100	●	◀
Mexico					
Operadora y Comercializadora de Relojes y Joyeria SA de CV, Mexico	Services	MXN 1.50	100	●	◀
The Swatch Group Mexico SA de CV, Mexico DF	Distribution	MXN 419.99	100	●	◀
Panama					
The Swatch Group Panama SA, Panama City	Administration	USD 0.01	100	●	◀
United States					
EM Microelectronic – US Inc., Colorado Springs	Microelectronics	USD 0.04	100	●	▶
Harry Winston, Inc., New York	High jewelry	USD 0.60	100	●	◀
HW Holdings Inc., Wilmington, Delaware	Holding	USD 0.00	100	●	◀
The Swatch Group (U.S.) Inc., Wilmington, Delaware	Distribution	USD 168.90	100	●	◀
Oceania					
Australia					
The Swatch Group (Australia) Pty Ltd, Glen Iris	Distribution	AUD 0.40	100	●	◀
Africa					
South Africa					
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 on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Swatch Group Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

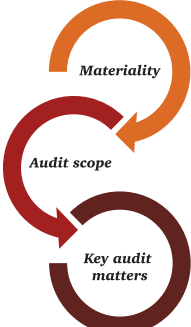
In our opinion, the accompanying consolidated financial statements (pages 171 to 211) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the «Auditor’s responsibilities for the audit of the consolidated financial statements» section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Our audit approach
 Overview**



Overall materiality: CHF 38 850 000

We concluded full scope audit work at 122 Group companies in 31 countries. The audit scope of these 122 Group companies addressed more than 95% of the Group’s total assets, net sales and net income.

As a key audit matter, the following area of focus was identified:

- Valuation and existence of inventories

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The main subsidiaries of the Group were audited by PwC exclusively and we remain in constant contact with the audit teams that perform the work. As the auditor of the consolidated financial statements, we ensure that we visit the local management and the local auditor of the most significant Group companies every three years according to a rotation plan. During these site visits, we discuss the risks of a material misstatement in the local entity’s financial statements as well as the focus points of the audit and the audit scope. During the audit of the 2016 consolidated financial statements, we participated in the audit closing meetings of five of the main Group companies in Switzerland and for the main Group companies in the USA, China and Hong Kong.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
 OF THE SWATCH GROUP LTD, NEUCHÂTEL

Overall Group materiality for the audit of the consolidated financial statements	CHF 38 850 000
How we determined it	5% of profit before income taxes
Rationale for the materiality benchmark applied	We chose profit before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. In addition, profit before income taxes is a generally accepted benchmark for considerations of materiality. We chose 5% of profit before income taxes to determine materiality as this is a commonly used benchmark in practice.

In our audit plan, we communicated to the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 1 700 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

The Management of The Swatch Group Ltd uses stricter criteria and lower benchmarks in making operational decisions and for its financial reporting.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation and existence of inventories

Key audit matter

We consider the valuation of inventories to be a key audit matter because they amounted to CHF 6 259 million on the balance sheet as at 31 December 2016 and they represent a significant share of total assets (about 48%).

Sales of watches and jewellery are subject to market fluctuations. These fluctuations along with the complex structure of inventories – raw materials, components, finished goods and spare parts – mean that there is significant scope for judgement in testing inventories for impairment and recoverability. In performing these tests, the different raw materials used and the durability of the value of each brand's products have to be considered in the light of the different product life cycles.

Due to the diversity and the significant quantity and value of inventories, we consider also the existence of inventories to be a key audit matter.

Please refer to page 178 (Summary of significant accounting policies) and page 193 (Notes to the consolidated financial statements, Note 13 Inventories) in the 2016 Annual Report.

How our audit addressed the key audit matter

We performed the following audit procedures to assess the appropriateness of the valuation of the inventories and their existence:

- Based on historical and expected inventory usage figures, we assessed at subsidiary level the process for identifying slow-moving inventories and the appropriateness of the resulting write-downs.
- For inventories subject to a sales risk, we tested at subsidiary level and at Group level Management's valuation estimates based on the lower of acquisition or manufacturing cost and net realisable value and the recoverability of the book value of finished goods. In doing so, we considered not only sales figures but also the marketability of the watch and jewellery collections.
- Further, at Group level, we checked the process to eliminate unrealised gains and losses from transactions between Group companies. In doing so, we checked that the valuation of the inventories on the consolidated financial statements did not include any unrealised gains.
- For the audit of the existence of inventories, we attended at subsidiary level permanent and year-end inventory counts. We also tested the effectiveness of the key controls relating to the inventory counts. Specifically, the key controls include monitoring that the inventory counts are properly performed at the Group's numerous sales locations and production sites, and the treatment of any inventory differences.

On the basis of the audit procedures performed, we have audited the existence of the inventories and addressed the risk of an incorrect valuation of the inventories. We have no findings to report.

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
OF THE SWATCH GROUP LTD, NEUCHÂTEL**Responsibilities of the Board
of Directors for the consoli-
dated financial statements**

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities for
the audit of the consolidated
financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
OF THE SWATCH GROUP LTD, NEUCHÂTEL

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Gerhard Siegrist
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Basel, 22 February 2017

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> INCOME STATEMENT OF THE SWATCH GROUP LTD

	Notes	2016 CHF million	2015 CHF million
Income from investments in subsidiaries	(1)	1 060	1 121
Other income	(2)	5	6
Personnel expense		- 43	- 50
Other expenses		- 14	- 17
Depreciation and impairment	(3)	- 7	- 21
Financial expenses	(4)	- 43	- 41
Financial income	(5)	37	35
Ordinary result		995	1 033
Non-operating result	(6)	0	0
Extraordinary result	(6)	- 1	0
Profit before income taxes		994	1 033
Income taxes		- 2	- 5
Net income		992	1 028

> BALANCE SHEET OF THE SWATCH GROUP LTD

Assets	Notes	31.12.2016		31.12.2015	
		CHF million	%	CHF million	%
Current assets					
Cash and cash equivalents		54	0.8	194	2.9
Assets with an observable market price	(7, 10)	115	1.6	194	2.9
Other current receivables					
– from Group companies	(8)	3 106	43.4	2 722	40.6
– from third parties		37	0.5	47	0.7
Prepayments and accrued income		2	0.0	2	0.0
Total current assets		3 314	46.3	3 159	47.1
Non-current assets					
Loans to Group companies	(8)	417	5.8	422	6.3
Investments in subsidiaries and associates	(9)	3 422	47.8	3 116	46.5
Property, plant and equipment		8	0.1	9	0.1
Intangible assets		1	0.0	1	0.0
Total non-current assets		3 848	53.7	3 548	52.9
Total assets		7 162	100.0	6 707	100.0

> BALANCE SHEET OF THE SWATCH GROUP LTD

Equity and liabilities	Notes	31.12.2016		31.12.2015	
		CHF million	%	CHF million	%
Current liabilities					
Financial debts and derivative financial instruments	(10)	116	1.6	13	0.2
Other current liabilities					
– to Group companies		120	1.7	41	0.6
– to third parties		12	0.2	3	0.1
Accrued expenses		16	0.2	19	0.3
Non-current liabilities					
Non-current provisions		90	1.2	90	1.3
Total liabilities		354	4.9	166	2.5
Equity					
Share capital		125	1.8	125	1.9
Statutory capital reserve		109	1.5	99	1.5
Statutory reserve		10	0.1	10	0.1
Reserve for treasury shares		1	0.0	2	0.0
Voluntary reserve		6 193	86.5	5 572	83.1
– Profit brought forward		37		32	
– Net income for the year		992		1 028	
Available earnings		1 029	14.4	1 060	15.8
Treasury shares		– 659	– 9.2	– 327	– 4.9
Total equity	(11)	6 808	95.1	6 541	97.5
Total equity and liabilities		7 162	100.0	6 707	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 2016 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)	2016	2015
Dividends		1 005	1 055
Other income from investments in subsidiaries		55	66
Total		1 060	1 121

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 2016, other income was CHF 5 million (previous year: CHF 6 million).

3. Depreciation and impairment
Depreciation and impairment was CHF 7 million (previous year: CHF 21 million).

4. Financial expenses	(CHF million)	2016	2015
Interest expense		- 2	0
Result from marketable securities at fair value		- 11	- 6
Net currency result		- 29	- 33
Other financial expense		- 1	- 2
Total		- 43	- 41

5. Financial income	(CHF million)	2016	2015
Interest income		29	22
Income and gains on securities		8	13
Total		37	35

6. Non-operating / extraordinary result
The non-operating result was less than CHF 1 million in the year under review (previous year: less than CHF 1 million). The extraordinary result was a loss of CHF 1 million in the year under review (previous year: loss of less than CHF 1 million).

> NOTES TO THE FINANCIAL STATEMENTS

7. Assets with an observable market price	(CHF million)	31.12.2016	31.12.2015
Marketable securities		100	158
Precious metals		10	23
Derivative financial instruments (see Note 10)		5	13
Total		115	194

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 Swatch Group Ltd and consolidated at Swatch Group level, is published in Note 32 of the consolidated financial statements in this report. Investments in subsidiaries accounted for 47.8% of total assets at 31 December 2016 versus 46.5% at end-2015. In absolute terms, the value of investments in subsidiaries amounted to CHF 3 422 million at end-2016. This amount corresponds to consolidated investments and investments in associates, and is CHF 306 million higher than in 2015.

10. Financial debts and derivative financial instruments At year end 2016 a short term bank loan of CHF 103 mio was open (previous year: none).

The contract and fair values of derivative financial instruments at 31 December 2016 and 2015 are as follows:

Type	Contract value			Positive fair value			Negative fair value		
	Third party	Group	Total	Third party	Group	Total	Third party	Group	Total
(CHF million)									
Forward contracts	1 714	404	2 118	3	2	5	-11	-2	-13
Options	-	-	-	-	-	-	-	-	-
Total at 31.12.2016	1 714	404	2 118	3	2	5	-11	-2	-13

Type	Contract value			Positive fair value			Negative fair 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	-	-	-	-	-	-	-	-	-
Total at 31.12.2015	1 693	412	2 105	12	1	13	-7	-6	-13

Derivative financial instruments are recognized at fair value. Positions outstanding at 31 December 2016 serve to hedge operations relating to exchange rate risk and market volatility. Forward contracts outstanding at 31 December 2016 relate to 32 positions held in precious metals and in foreign currencies (previous year: 33). 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 2016, there was no option contract outstanding (none in the previous year).

> NOTES TO THE FINANCIAL STATEMENTS

11. Equity

Compared with end-2015, equity increased by CHF 267 million to CHF 6 808 million in 2016. In percentage of total assets the equity ratio amounted to 95.1% at 31 December 2016 (versus 97.5% 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)								
Balance at 31.12.2014	125	82	10	–	4 860	1 109	– 258	5 928
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
Balance at 31.12.2015	125	99	10	2	5 572	1 060	– 327	6 541
Allocated in 2016					620	– 620		–
Dividend paid out						– 403		– 403
Change in treasury shares		10					– 332	– 322
Creation / dissolution				– 1	1			–
Net income for the year						992		992
Balance at 31.12.2016	125	109	10	1	6 193	1 029	– 659	6 808

Share capital

At 31 December 2016, 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
31.12.2015	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00
31.12.2016	124 045 000 at CHF 0.45	30 840 000 at CHF 2.25	125 210 250.00

> NOTES TO THE FINANCIAL STATEMENTS

Principal shareholders at 31 December 2016

At 31 December 2016, the Hayek Pool, its related companies, institutions and individuals held 62 136 850 registered shares and 2 800 bearer shares, equivalent to 40.1% of all voting rights (previous year: 40.5%). The Hayek Pool comprises the following members:

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

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name / Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	–
Ammann families (pension funds, foundations and individuals, Madisa AG)	c/o Ammann Group Holding AG, Bern	Represented by Daniela Aeschlimann
Fondation d'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 39.7% of all voting rights at end-2016 (previous year: 40.1%).

Mrs. Esther Grether's group has been dissolved at the end of June 2016. It controlled 5.9% of all voting rights on 31 December 2015.

At 31 December 2016, the Swatch Group had no knowledge of any other group or individual shareholder controlling more than 5% of all voting rights.

Statutory capital reserve

Gains and losses from the sale of treasury shares, including transaction costs, are recorded directly in the statutory capital reserve. In addition, the statutory capital reserve includes the historical proceeds from the issuance of participation certificates in excess of nominal value and issuance costs (premium).

Voluntary reserve

In the year under review, an amount of CHF 620 million was appropriated from available earnings at 31 December 2015 (previous year: CHF 670 million). In the previous year, a historical value adjustment on treasury shares amounting to CHF 44 million was dissolved. The amount was allocated to the voluntary reserve.

Reserve for treasury shares

At 31 December 2016, there was a reserve for treasury shares amounting to CHF 1 million for shares held indirectly through Group subsidiaries (previous year: CHF 2 million). The change in reserve for treasury shares was allocated to the voluntary reserve.

Available earnings

In compliance with the resolution approved at the Annual General Meeting of 11 May 2016, 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 2015. The total dividend amount paid to shareholders in 2016 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 14 million, thus remains as an integral part of equity at 31 December 2016. Finally, CHF 620 million was appropriated from available earnings at 31 December 2015 and allocated to the voluntary reserve.

> NOTES TO THE FINANCIAL STATEMENTS

Treasury shares / Share buyback program

A new share buyback program with a total value of CHF 1 billion commenced on 5 February 2016 and will continue until 4 February 2019 at the latest. Within the scope of this buyback program, the Swatch Group repurchased own shares with a market value of CHF 332 million as at 31 December 2016.

Treasury shares held by The Swatch Group Ltd and its subsidiaries at 31 December 2016 corresponded to 4.3% (versus 2.5% at end-2015) 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 as follows:

Shares held by:	Registered shares		Bearer shares	
	Quantity ¹⁾		Quantity	
	2016	2015	2016	2015
The Swatch Group Ltd				
Balance at 1 January	4 065 425	4 258 988	570 000	505 000
Acquisitions ²⁾	2 689 767	77 000	538 850	65 000
Disposals ³⁾	- 236 148	- 270 563	-	-
Balance at 31 December	6 519 044	4 065 425	1 108 850	570 000
Other consolidated companies				
Balance at 1 January	32 892	-	-	-
Acquisitions ³⁾	-	32 892	-	-
Disposals ⁴⁾	- 10 500	-	-	-
Balance at 31 December	22 392	32 892	0	0
Total balance at 31 December	6 541 436	4 098 317	1 108 850	570 000

¹⁾ Of which, at the end of 2016, a total of 680 644 registered shares are reserved for the management stock option plan (previous year: 916 792 registered shares)

²⁾ In 2016, The Swatch Group Ltd acquired 2 689 767 registered shares at an average price of CHF 61.52. In addition, 538 850 bearer shares at an average price of CHF 308.21 were acquired. In 2015, The Swatch Group Ltd acquired 77 000 registered shares at an average price of CHF 79.68. In addition, 65 000 bearer shares at an average price of CHF 344.81 were acquired.

³⁾ In 2015, The Swatch Group Ltd sold 32 892 registered shares at an average price of CHF 65.30 to another Group company. All disposals of registered shares in 2016, as well as the remaining disposals in 2015 relate to the employee stock option plan (see Note 29 of the consolidated financial statements for details). In 2016 and 2015, no bearer shares were sold.

⁴⁾ In 2016, in connection with the acquisition of the remaining minority interest in ASI-Centrum spol. s.r.o., 10 500 registered shares were granted to the former shareholders. Details of the transaction are disclosed in Note 18 of the consolidated financial statements.

Off-balance-sheet items**Number of full-time equivalents**

In 2016, the annual average number of full-time equivalents was 145 (previous year: 147).

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 CHF 10 million at the end of the year (previous year: less than CHF 1 million).

Liabilities to pension plans

The balance sheet as at end-2016 contained no liabilities to pension plans (previous year: none).

Assets pledged

None of the company's assets are pledged.

Guarantees

At end-2016, 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 another Group company (unchanged to the previous year).

Contingent liabilities

At end-2016 and 2015, there were no contingent liabilities except the joint and several responsibility in favor of other Group companies in connection with the group taxation of the value added tax.

> NOTES TO THE FINANCIAL STATEMENTS

Swatch Group shares and options of the Board of Directors, Group Management and employees

Article 959c paragraph 2 item 11 of the Swiss Code of Obligations 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. Details of the entire plan are disclosed in Note 29 of the consolidated financial statements. Allocations to the Board of Directors and the Management Board are disclosed in the separate compensation report, in which all management remuneration information is disclosed as well.

In the year under review, 5 630 registered shares resp. options valued at CHF 0.3 million (previous year: 5 405 registered shares resp. options valued at CHF 0.4 million) were allocated to other employees of The Swatch Group Ltd.

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 2016 and 2015:

Name	Function	Registered Shares (number)		Bearer Shares (number)		Options (number)	
		2016	2015	2016	2015	2016	2015
Community of heirs N. G. Hayek represented by Marianne Hayek		55 704 144	55 704 144	550	550		
Nayla Hayek	BoD Chairwoman	128 208	108 208			20 002	20 002
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member	100	100				
Dr. Jean-Pierre Roth	BoD Member			10	10		
Daniela Aeschlimann ¹⁾	BoD Member						
Georges Nicolas Hayek	BoD Member / CEO	90 991	100 991			24 000	24 000
Pierre-André Bühler	MB Member	25 966	18 716			8 002	8 002
Dr. Mougahed Darwish	MB Member	76 268	73 668			2 602	2 602
Marc A. Hayek	MB Member	118 398	105 898			12 502	12 502
Dr. Thierry Kenel	MB Member / CFO	54 252	46 252			8 002	8 002
Florence Ollivier-Lamarque	MB Member	60 000	56 668			12 000	12 000
Dr. Hanspeter Rentsch ²⁾	MB Member / CLO		116 522		200		19 001
François Thiébaud	MB Member	116 123	103 623			12 502	12 502
Raynald Aeschlimann	EMB Member	14 867	11 867			4 001	4 001
Matthias Breschan	EMB Member	1 034	2 534			3 000	3 000
Jean-Claude Eggen	EMB Member	4 316	3 816			2 501	2 501
Yann Gamard	EMB Member					5 501	5 501
Hans-Rudolf Gottier	EMB Member	33 698	28 698			5 002	5 002
Walter von Känel	EMB Member	54 879	48 879	40	40	6 000	6 000
Thomas Meier	EMB Member	4 800	3 600			1 200	1 200
Calogero Polizzi	EMB Member	5 750	6 536			1 668	2 002
Kevin Rollenhagen	EMB Member	56 148	48 148			8 002	8 002
Dr. Peter Steiger	EMB Member	84 925	75 925			9 000	9 000
Stephen Urquhart ³⁾	EMB Member		45 000				6 502
Total		56 634 867	56 709 793	2 600	2 800	145 487	171 324

¹⁾ Member of the BoD since May 2016

²⁾ Member of the MB until August 2016

³⁾ Member of the EMB until September 2016

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 2016, either directly or through share options, more than 1% of the outstanding Swatch Group shares (end of 2015: community of heirs of N. G. Hayek).

Additional information, cash flow statement and management report

According to Article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the statement of cash flows and the management report are dispensed with, as The Swatch Group Ltd prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

Events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 22 February 2017 and will be submitted to the Annual General Meeting of Shareholders for approval on 23 May 2017.

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:

	2016	2015
	CHF million	CHF million
Net income for the year	992	1 028
Profit brought forward from previous year	37	32
Available earnings	1 029	1 060
Allocation to special reserve	- 620	- 620
Payment of a 2015 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 2016 dividend, i.e.: ¹⁾		
– CHF 1.35 per registered share with a par value of CHF 0.45	- 167	
– CHF 6.75 per bearer share with a par value of CHF 2.25	- 208	
Dividends not paid out on own shares held by the Group ²⁾		14
Balance carried forward	34	37

¹⁾ It is planned not to pay dividends on own shares held by the Group.

²⁾ Based on the decision of the Annual General Meeting of 11 May 2016, the dividend due on own shares held by the Group was not paid out.

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
 OF THE SWATCH GROUP LTD, NEUCHÂTEL

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Swatch Group Ltd, which comprise the balance sheet as at 31 December 2016 and income statement for the year then ended and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 217 to 225 and pages 208 to 211) as at 31 December 2016 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the «Auditor's responsibilities for the audit of the financial statements» section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach Overview



Overall materiality: CHF 34 000 000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

- Valuation of investments in subsidiaries and associates

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality for the audit of the financial statements	CHF 34 000 000
How we determined it	0.5% of total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company. We chose 0.5% of total equity to determine materiality as this is a commonly used benchmark in practice.

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
 OF THE SWATCH GROUP LTD, NEUCHÂTEL

In our audit plan, we communicated to the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 1 700 000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

The Management of The Swatch Group Ltd uses stricter criteria and lower benchmarks to support its operational decisions and for its financial reporting.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries and associates

Key audit matter

As at 31 December 2016, investments in subsidiaries and associates of The Swatch Group Ltd amounted to CHF 3 422 million (about 48% of total assets). They include the directly held subsidiaries, which hold the other Group companies. These include subsidiaries with different levels of vertical integration, in particular component producers, manufactures, brand name parent companies, numerous sales organisations and other equity investments. Because of their vertical integration and their similarity, these investments are grouped together, in some cases, for valuation purposes.

Due to the significance of this asset category in the financial statements and because of the scope for judgement in grouping these investments, we consider the impairment assessment of the equity investments as complex and, therefore, as a key audit matter.

Please refer to page 220 (Valuation principles) and page 221 (Details to specific items, Note 9 Investments in subsidiaries and associates) of the 2016 Annual Report.

How our audit addressed the key audit matter

We performed the following audit procedures:

- Firstly, we checked the grouping of the investments based on their similarity and their vertical integration in the Swatch Group.
- Secondly, we tested the valuation of each investment or group of investments based on its equity and results for the year.

On the basis of the audit procedures performed, we have addressed the risk of investments being grouped together inappropriately with no economic justification and of investments being valued incorrectly. We have no findings to report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors intends either to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
OF THE SWATCH GROUP LTD, NEUCHÂTEL

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Obtain an understanding of internal control relevant to the audit 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.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Gerhard Siegrist
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Basel, 22 February 2017

> THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding / Average share capital	2016 basic	2015 basic	2014 basic	2013 basic	2012 basic
Number of registered shares of CHF 0.45	118 672 611	119 847 161	119 894 096	119 514 584	118 195 194
Number of bearer shares of CHF 2.25	29 987 419	30 308 846	30 320 769	30 335 000	30 335 000
Total average number of shares outstanding	148 660 030	150 156 007	150 214 865	149 849 584	148 530 194
Share capital registered shares of CHF 0.45	53 402 675	53 931 222	53 952 343	53 781 563	53 187 838
Share capital bearer shares of CHF 2.25	67 471 693	68 194 904	68 221 730	68 253 750	68 253 750
Total average share capital	120 874 368	122 126 126	122 174 073	122 035 313	121 441 588

Key data per registered share (nom. CHF 0.45) in CHF	2016	2015	2014	2013	2012
Consolidated net income attributable to shareholders	2.14	4.01	5.10	7.08	5.91
Cash flow from operating activities	3.76	5.17	6.81	4.83	3.70
Consolidated equity	41.22	41.42	39.32	35.30	31.77
Dividend	1.35 ¹⁾	1.50	1.50	1.50	1.35

Key data per bearer share (nom. CHF 2.25) in CHF	2016	2015	2014	2013	2012
Consolidated net income attributable to shareholders	10.69	20.07	25.49	35.41	29.57
Cash flow from operating activities	18.80	25.87	34.03	24.13	18.51
Consolidated equity	206.12	207.12	196.58	176.52	158.84
Dividend	6.75 ¹⁾	7.50	7.50	7.50	6.75

Stock price of registered shares (adjusted)		2016	2015	2014	2013	2012
High		74.00	88.90	108.00	104.40	80.40
Low		48.25	61.25	75.35	80.20	59.90
	31.12.	62.25	68.00	86.00	100.40	78.75

Stock price of bearer shares (adjusted)		2016	2015	2014	2013	2012
High		373.00	462.50	597.00	606.50	471.70
Low		246.20	324.10	417.10	473.00	341.70
	31.12.	316.70	350.20	444.20	589.50	461.20

Market capitalization (CHF million)		2016	2015	2014	2013	2012
	31.12.	17 489	19 235	24 367	30 634	23 992

Key ratios (year-end)		2016	2015	2014	2013	2012
Average return on equity	%	5.3	10.2	14.0	21.2	19.7
Dividend yield registered shares	%	2.2	2.2	1.7	1.5	1.7
Dividend yield bearer shares	%	2.1	2.1	1.7	1.3	1.5
Price/earnings ratio – registered shares		29.1	17.0	16.9	14.2	13.3
Price/earnings ratio – bearer shares		29.6	17.4	17.4	16.7	15.6

1) Board of Directors' proposal.

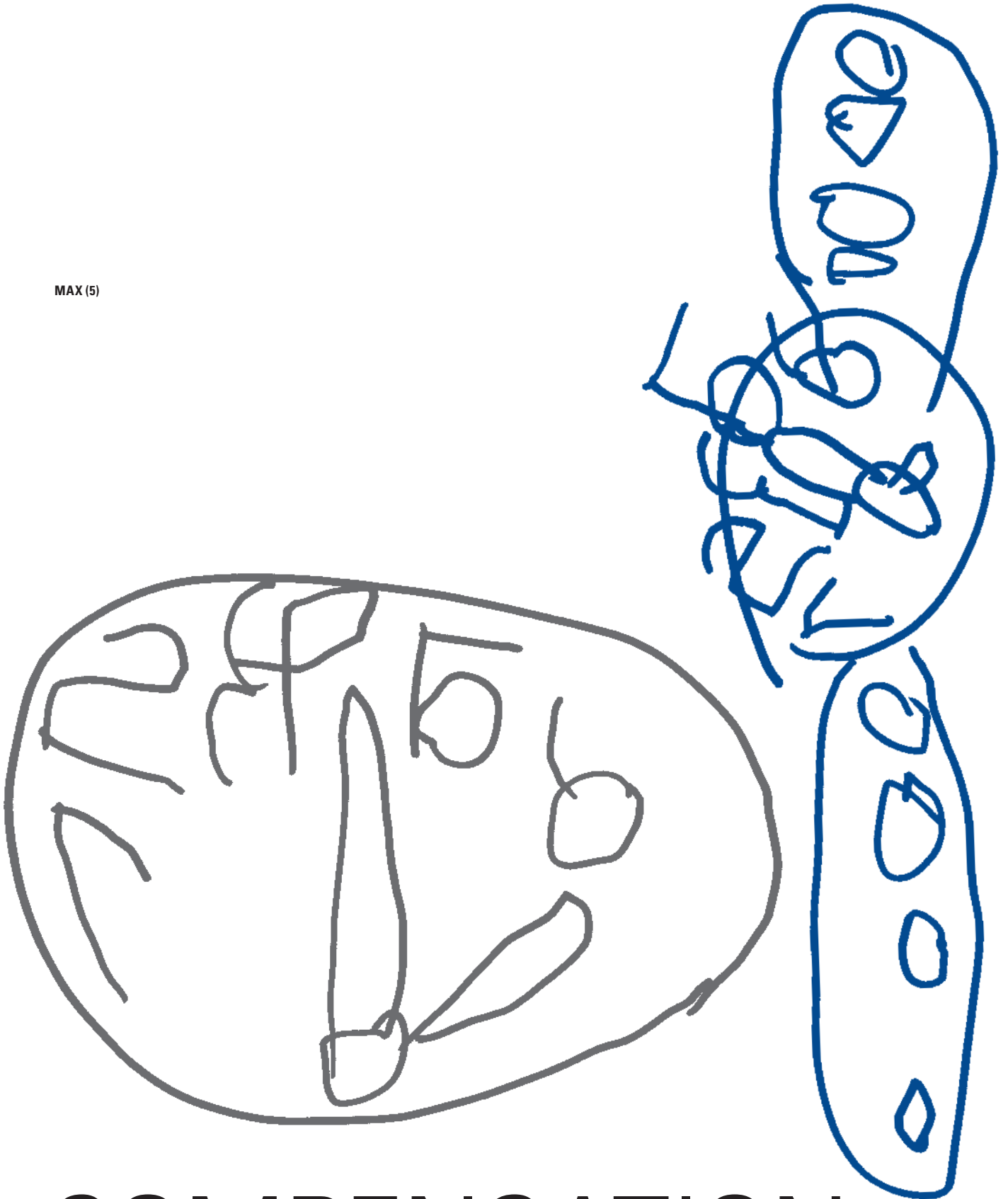
Securities	ISIN no.	Reuters Symbol
The Swatch Group Ltd registered shares	CH0012255144	UHRN.S
The Swatch Group Ltd bearer shares	CH0012255151	UHR.VX

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 (1988–2016)



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COMPENSATION REPORT

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> COMPENSATION REPORT

Ladies and Gentlemen

In accordance with the Ordinance against Excessive Compensation in Listed Stock Corporations (Compensation Ordinance; Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV), which came into force on 1 January 2014, all information regarding the compensation of the Board of Directors and the Group Management Board (Executive Group Management Board and Extended Group Management Board) is presented in the Compensation Report.

With the Compensation Report, the Board of Directors and the Compensation Committee give an account of the material elements of the compensation principles, of the tasks and competences in the field of compensation, of the composition and function of the Compensation Committee, and of the various compensation elements.

The aim of the Compensation Report is to create transparency regarding the compensation provided by the company.

The Compensation Report is divided into the following sections:

- one section with information regarding the structure and decision-making processes within the Compensation Committee and the Board of Directors;
- one section with the description of the compensation system;
- one section that sets out the specific compensation in the 2016 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 audited 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 6 members), it functions at the same time as the Compensation Committee. This eliminates the need for demarcating the areas of responsibility and ensuring the flow of information.

The Compensation Committee is chaired by Mr Ernst Tanner, Vice-Chairman of the Board of Directors.

All members of the Board of Directors abstain from discussions and decisions regarding their compensation and from discussions and decisions regarding compensation of persons closely related to them (such as family members).

No members having any cross-involvement belong to the Compensation Committee, such that no conflicts of interest arise from this point of view as well.

1.2 Tasks / Competences

The Compensation Committee handles the compensation policy of the company. It assists the Board of Directors in determining the compensation system and the principles of compensation, and in the preparation of motions to the General Meeting for approving compensation. The Compensation Committee may submit proposals and recommendations to the Board of Directors in all matters pertaining to compensation.

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 Annual General Meeting 2016, the fixed remuneration for members of the Board of Directors until the next annual meeting, as well as the fixed remuneration for the fiscal year 2016 and the variable remuneration for the fiscal year 2015 for executive functions for members of the Board of Directors was voted upon. In addition, fixed remuneration for members of the Management Board and the Extended Management Board for the fiscal year 2016, as well as the variable remuneration for the fiscal year 2015 was voted upon at the Annual General Meeting 2016.

1.3 Meetings

The Compensation Committee met twice during the 2016 business year.

> COMPENSATION REPORT

2. Compensation system

2.1 General principles of compensation

The members of the Board of Directors and the Executive Management are entitled to compensation corresponding to their job function and degree of responsibility.

The company may award compensation for activities in 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 defined performance objectives.

The performance objectives may include personal goals, company-specific and division-specific objectives, along with key economic or market-related figures. In doing so, the function and the level of responsibility of the recipient of the variable compensation are taken into account.

At the request of the Compensation Committee, the Board of Directors sets the performance values and objectives of the variable compensation elements and their achievement.

The compensation system of the Swatch Group is in line with market conditions and based on performance. It is reviewed on an annual basis and adjusted when necessary.

2.2 Compensation elements

a) Non-executive members of the Board of Directors

The non-executive members of the Board of Directors receive fixed compensation. It is graduated according to functions.

b) Executive members of the Board of Directors, members of the Executive and Extended Group Management Board

The compensation system for the executive members of the Board of Directors and the members of the Executive and Extended Group Management Board provides for the following elements:

- a base salary;
- a lump-sum expenses payment;
- a bonus program with variable compensation;
- a share program with annual share allocations and a minimal guaranteed value;
- payments to the pension fund (Swatch Group Pension Fund) and to the Management Fund of the Swatch Group (in one specific case where the EKL-member is a foreign national, payment was made to the local pension fund).

2.3 Information on individual elements

2.3.1 Base salary

The base salary is usually paid out monthly in 13 equal instalments. The 13th instalment is paid each year in December. The degree of responsibility, the responsibilities and position 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; the members of the Extended Group Management Board receive such compensation of up to CHF 24 000. 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.

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.

> COMPENSATION REPORT

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, changes in market share, development of inventory and receivables, accomplishment of development and set-up projects, success in negotiations, successful implementation of cost reduction programs, personnel fluctuation, and motivation of employees. The assessment criteria are individually tailored to the function holders and weighted accordingly.

For the particular promotion of the Group's interests, a part of the bonus is awarded as a Group bonus. The percentage share of the Group component varies according to function.

2.3.4 Share program

On an annual basis, a number of 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 2015 and 2016, 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. Once exercised, the shares may be freely disposed of. As of 2016, these can optionally be subject to a blocking period of either 5 or 10 years. In the event of an early departure, the allocations for non-exercised options expire; upon retirement, they are immediately available.

The allocation of the share subscription rights takes place through the Board of Directors after the Annual General Meeting. A certain minimum allocation value was contractually guaranteed to the executive members of the Board of Directors and the members of the Executive Group Management Board and the Extended Group Management Board. For executive members of the Board of Directors and members of the Executive Group Management Board, this amounted to CHF 50 000; for members of the Extended Group Management Board, this amounted to generally CHF 25 000 (allocation value = share price minus CHF 4.00 exercise price).

The calculation basis for payment of allotted shares was simplified in 2016 in order to increase the comprehensibility of the report. All allotted shares and options in the year under review were valued at the day value at allocation date. The day value corresponds to the share price on the allocation date less the exercise price. In previous years, the first third of the allocation was valued at taxable value. The prior-year remuneration values for members of the Board of Directors and the Management Board (section 4) were adjusted to ensure comparability. As a result of this valuation adjustment, total remuneration for the Board of Directors decreased by the immaterial amount of CHF 34 663 for the year 2015, and that of the Management Board by CHF 262 215.

The following values are in force for 2015 and 2016

	2016	2015
Date of grant	17 May 2016	9 June 2015
Share price on the day of allocation	CHF 59.25	CHF 72.60
Exercise price	CHF 4.00	CHF 4.00
Daily value on the date of allocation	CHF 55.25	CHF 68.60

2.3.5 Pension Fund / Management Fund

The executive members of the Board of Directors and the members of the Executive Group Management Board and of the Extended Group Management Board respectively, are insured by the Swatch Group Pension Fund and the Swatch Group Management Fund.

The Swatch Group Pension Fund insures incomes of up to CHF 320 000.
 The Management Fund covers income components between CHF 320 000 and CHF 846 000.

The Management Fund provides for contributions of 10% of which 75% are assumed by the employer.

> COMPENSATION REPORT

3. Additional contractual elements

- 3.1 Term and termination periods of employment contracts** All employment contracts of the Executive Group Management Board and of the Extended Group Management Board 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. 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 2016

This part of the report is subject to audit by PricewaterhouseCoopers Ltd.

a. Board of Directors (BoD)

2016 Name	Function	Compensation for functions in the BoD ¹⁾	Compensation for executive functions				Total ⁶⁾
			Base compensation ²⁾	Bonus ³⁾	Share options ⁴⁾	Other compensation ⁵⁾	
		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek	Chairwoman	219 602	1 001 928	1 260 000	1 105 000	282 844	3 869 374
	Vice-						
Ernst Tanner	Chairman	158 192				8 119	166 311
Daniela Aeschlimann ⁷⁾	Member	83 943				4 838	88 781
Georges Nicolas Hayek ⁸⁾	Member	149 753				6 736	156 489
Prof. Dr. h.c. Claude Nicollier	Member	148 265				7 402	155 667
Dr. Jean-Pierre Roth	Member	148 265				7 402	155 667
Total		908 020	1 001 928	1 260 000	1 105 000	317 341	4 592 289

2015 Name	Function	Compensation for functions in the BoD ¹⁾	Compensation for executive functions				Total ⁶⁾
			Base compensation ²⁾	Bonus ³⁾	Share options ⁴⁾	Other compensation ⁵⁾	
		(CHF)	(CHF)	(CHF)	(CHF)	(CHF)	(CHF)
Nayla Hayek	Chairwoman	231 294	1 001 928	1 400 000	1 372 000	382 066	4 387 288
	Vice-						
Ernst Tanner	Chairman	166 146				8 772	174 918
Georges Nicolas Hayek ⁸⁾	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
Total		865 832	1 001 928	1 400 000	1 372 000	414 018	5 053 778

¹⁾ Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred. The compensation contains an amount of CHF 20 000 for functions in the Compensation Committee and the Audit Committee as well as lump-sum expense payments in the amount of CHF 30 000 per year.

²⁾ Total annual compensation allocated on a cash or accrual basis, not including any reimbursement for travel and other business expenses incurred.

³⁾ Bonus payments allocated on a cash or accrual basis.

⁴⁾ The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4. In 2016 and in 2015, Mrs N. Hayek was allocated 20 000 share options.

⁵⁾ Other compensation includes pension benefits in the amount of CHF 65 064 (2015: 65 064). The remaining social benefits (employer's contributions) amounted to CHF 252 277 (2015: CHF 348 954) for the year under review.

⁶⁾ All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

⁷⁾ BoD member since May 2016.

⁸⁾ 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)**

2016

Name	Base compensation ¹⁾ (CHF)	Bonus ²⁾ (CHF)	Share options ³⁾ (number)	Share options ³⁾ (CHF)	Other compensation ⁴⁾ (CHF)	Total ⁵⁾ (CHF)
Georges Nicolas Hayek (MB President / CEO)	1 501 925	2 808 000	24 000	1 326 000	497 316	6 133 241
Total other members	5 693 007	11 123 617	126 800	7 005 700	2 627 552	26 449 876
Total	7 194 932	13 931 617	150 800	8 331 700	3 124 868	32 583 117

2015

Name	Base compensation ¹⁾ (CHF)	Bonus ²⁾ (CHF)	Share options ³⁾ (number)	Share options ³⁾ (CHF)	Other compensation ⁴⁾ (CHF)	Total ⁵⁾ (CHF)
Georges Nicolas Hayek (MB President / CEO)	1 501 925	3 120 000	24 000	1 646 400	568 775	6 837 100
Total other members	6 042 612	12 973 655	127 300	8 732 780	3 306 280	31 055 327
Total	7 544 537	16 093 655	151 300	10 379 180	3 875 055	37 892 427

¹⁾ 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.

²⁾ Variable bonus payments allocated on a cash or accrual basis.

³⁾ The allocation and valuation of share options takes place in accordance with the conditions described in Section 2.3.4.

⁴⁾ Other compensation includes pension benefits in the amount of CHF 626 565 (2015: 644 781). The remaining social benefits (employer's contributions) amounted to CHF 2 495 706 (2015: CHF 3 172 736) for the year under review. Other compensation also includes further benefits in the amount of CHF 2 597 (2015: CHF 57 538).

⁵⁾ All amounts are gross amounts (i.e., before deduction of the social insurance contributions to be taken on by the employee).

The figures presented include all direct and indirect compensation.

Mr G.N. Hayek, as the CEO, received the highest compensation.

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 2016 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 2016 and 2015, 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 2016 business year (as in the business year 2015), 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 2016 business year (as in the business year 2015), 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 2016 business year (as in 2015), no compensation was paid in advance to members of the Board of Directors, the Executive Group Management Board or the Extended Group Management Board respectively.

> REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING
OF THE SWATCH GROUP LTD, NEUCHÂTEL

We have audited the content of sections 4a-e of the Compensation report dated 22 February 2017 of The Swatch Group Ltd for the year ended 31 December 2016.

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 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG



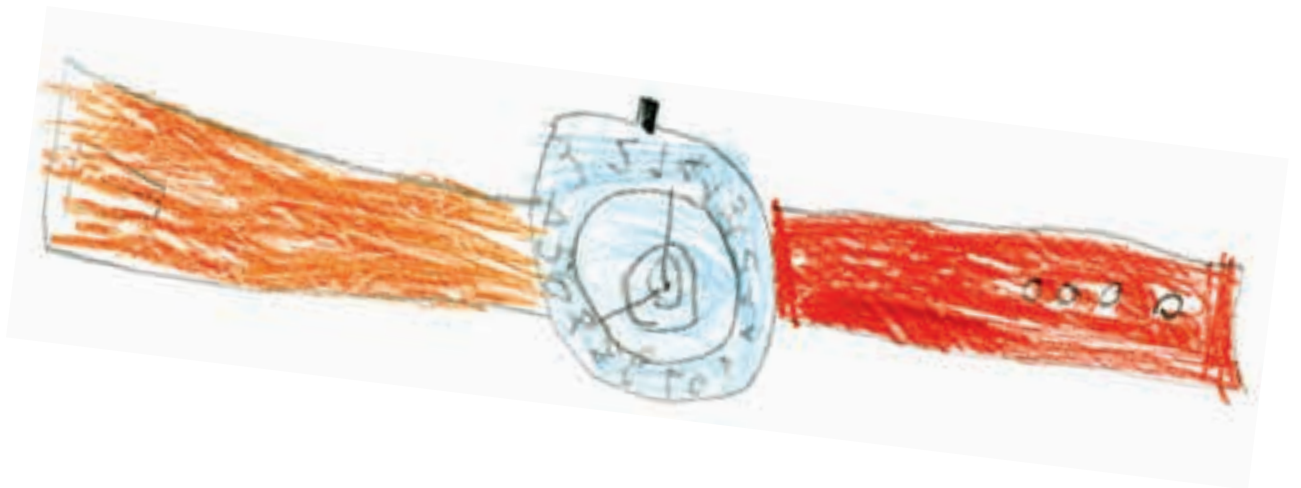
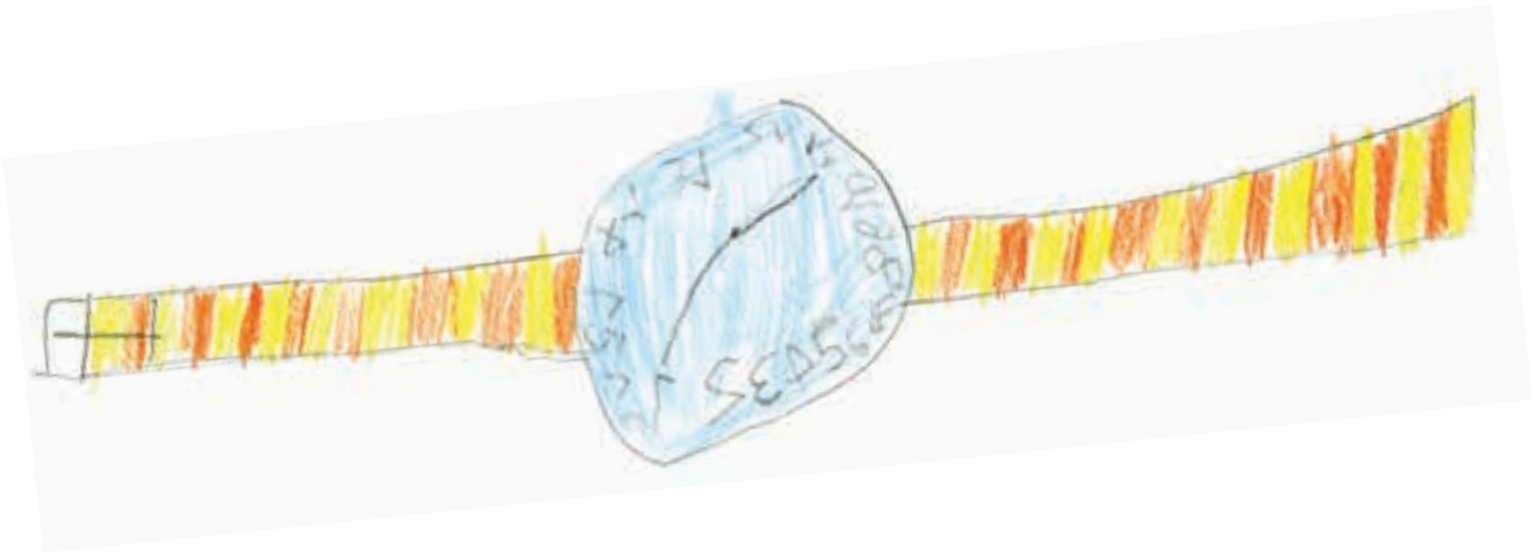
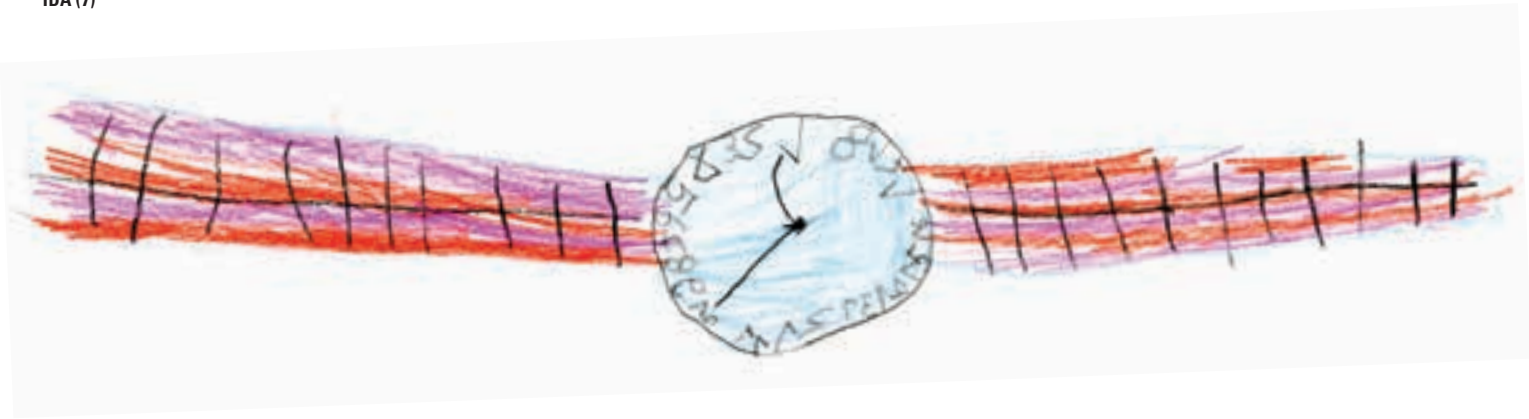
Gerhard Siegrist
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Basel, 22 February 2017

IDA (7)





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