

# Repurchase of own shares

## Trading on second trading line on SIX Swiss Exchange Ltd

### The Swatch Group Ltd

As The Swatch Group Ltd, Faubourg de l'Hôpital 3, 2000 Neuenburg («Swatch Group»), announced on 3 February 2016, Swatch Group intends to carry out a share repurchase program with a maximum value of CHF 1 billion. Swatch Group is repurchasing the shares for the purpose of share capital reduction or for the purpose of holding them as treasury shares for a minimum of six years from the date of repurchase. After six years, Swatch Group may, in addition to using them for capital reduction purposes, utilize the repurchased shares for acquisition, equity-linked transaction or other purposes, or resell them. The share repurchase program will end on 4 February 2019. The execution of the share repurchase program depends on the market conditions.

The share repurchase program is exempted from the provisions on public take-over offers provided for in section 6.1 of the Circular no. 1 of the Swiss Takeover Board dated 27 June 2013 (status as of 1 January 2016) and refers to a maximum of 3,084,000 bearer shares with a nominal value of CHF 2.25 each and a maximum of 12,404,500 registered shares with a nominal value of CHF 0.45 each, equivalent to a maximum of 10 % of the share capital currently registered in the commercial register and the voting rights of Swatch Group (the currently registered share capital in the commercial register amounts to CHF 125,210,250.00, divided into 30,840,000 bearer shares with a nominal value of CHF 2.25 each and 124,045,000 registered shares with a nominal value of CHF 0.45 each).

For illustrative purposes only, the repurchase volume, based on the closing prices of Swatch Group's bearer and registered shares on the SIX Swiss Exchange on 2 February 2016 of CHF 338.90 and CHF 66.00, respectively, corresponds to a maximum of approx. 1.5 million bearer shares and 7.6 million registered shares, i.e. about 5.43 % of the share capital and about 5.88 % of the voting rights of Swatch Group.

#### Trading on second trading line on Swiss Exchange Ltd

In order to repurchase shares, a second trading line for the bearer and registered shares of Swatch Group will be established on SIX Swiss Exchange Ltd in accordance with the Swiss Reporting Standard. Only Swatch Group may purchase shares on this second trading line (via the bank mandated to execute the share repurchase program), thereby acquiring its own shares. The maximum daily repurchase volume in accordance with Art. 123(1)(c) of the Swiss Financial Market Infrastructure Ordinance will be shown on the Swatch Group website at: [www.swatchgroup.com/en/investor\\_relations/repurchasing\\_own\\_shares](http://www.swatchgroup.com/en/investor_relations/repurchasing_own_shares)

Ordinary trading in Swatch Group's bearer and registered shares under securities numbers 1 225 515 and 1 225 514 will not be affected by this measure and will continue as usual. A Swatch Group shareholder wanting to sell shares therefore has the choice to either sell bearer and/or registered shares of Swatch Group on the ordinary trading line or to sell them to Swatch Group on the second trading line.

Swatch Group is not obliged at any time to repurchase its own shares via the second trading line; it will act as a buyer depending on market conditions.

The repurchase volume of maximum CHF 1 billion will be equally split between bearer and registered shares.

With respect to sales via a second trading line, Swiss federal withholding tax amounting to 35 % of the difference between the repurchase price of the bearer and registered shares and their nominal value is levied on the repurchase price («net price»).

#### Repurchase Price

The repurchase prices, or prices of shares traded on the second line, are based on the prices of Swatch Group bearer and registered shares on the ordinary trading line.

#### Payment of net price and delivery of securities

Transactions on the second trading line represent regular stock market transactions. Payment of the net price (repurchase price less withholding tax on the difference between the repurchase price of the shares and their nominal value) and delivery of the shares thus occur, as customary, on the second trading day after the transaction date.

#### Bank mandated

Swatch Group has mandated Credit Suisse AG, Zurich, to carry out the share repurchase program. Credit Suisse AG will, on behalf of Swatch Group, be the sole stock exchange member to offer bid prices for bearer and registered shares of Swatch Group on the second trading line.

#### Delegation agreement

Swatch Group and Credit Suisse AG have concluded a delegation agreement in accordance with Art. 124(2)(a) and (3) of the Swiss Financial Market Infrastructure Ordinance, under which Credit Suisse AG independently carries out repurchases according to defined parameters. However, Swatch Group is entitled to terminate this delegation agreement at any time without citing its reasons or to amend it in accordance with Art. 124(3) of the Swiss Financial Market Infrastructure Ordinance.

#### Duration of the share repurchase program

The share repurchase program will begin on 5 February 2016 and end on 4 February 2019 at the latest.

#### Duty to trade on the exchange

In accordance with the rules of SIX Swiss Exchange Ltd, over-the-counter transactions are not permitted for share repurchases on a second trading line.

#### Taxes

With respect to withholding tax as well as direct tax, the repurchase of own shares for the purpose of cancellation or for the purpose of holding the shares as treasury shares for a minimum of six years from the date of repurchase is treated as

#### Note

This notice does not constitute an issue prospectus as defined in articles 652a and 1156 of the Swiss Code of Obligations

This offer is not made in the United States of America and to U.S. persons and may be accepted only by Non-U.S. persons and outside the United States. Offering materials with respect to this offer must not be distributed in or sent to the United States and must not be used for the purpose of solicitation of an offer to purchase or sell any securities in the United States.

a partial liquidation of the company engaged in the repurchase. The implications for shareholders selling their shares – regardless of the purpose Swatch Group uses the repurchased shares for – are outlined below:

##### 1. Withholding tax

Swiss federal withholding tax amounts to 35 % of the difference between the repurchase price of the shares and their nominal value. The company engaged in the repurchase, or the bank mandated respectively, will deduct the tax from the repurchase price for payment to the Federal Tax Administration. Shareholders domiciled in Switzerland are entitled to a reimbursement of the withholding tax provided if they are beneficial owners of the shares at the time they are surrendered (Art. 21 para. 1 lit. a of the Withholding Tax Law). Shareholders domiciled outside Switzerland may reclaim the tax in accordance with any applicable double taxation agreements.

##### 2. Direct taxes

The following applies to the levying of direct federal income tax. Cantonal and municipal taxation procedures are, as a rule, the same as for federal tax.

##### a. Shares held as private assets:

For shares repurchased by the company, the difference between the repurchase price and the nominal value of the shares constitutes taxable income.

##### b. Shares held as corporate assets:

For shares repurchased by the company, the difference between the repurchase price and the book value of the shares constitutes taxable profits.

Shareholders domiciled outside Switzerland will be taxed according to the applicable laws of their respective country.

##### 3. Fees and duties

The repurchase of own shares for the purpose of capital reduction does not attract stamp duty. However, the SIX Swiss Exchange Ltd fee will apply.

The tax consequences outlined apply regardless of the purpose Swatch Group uses the repurchased shares for.

#### Non-public information

Swatch Group confirms that it does not currently have any non-public information that is of relevance to the share price pursuant to the ad-hoc publicity regulations of the SIX Swiss Exchange Ltd and that must be published.

#### Disclosure of repurchase transactions

Swatch Group will provide regular updates on the status of the share repurchase program, on its website: [www.swatchgroup.com/en/investor\\_relations/repurchasing\\_own\\_shares](http://www.swatchgroup.com/en/investor_relations/repurchasing_own_shares)

#### Own shares

On 2 February 2016, Swatch Group directly and indirectly held 570,000 bearer shares and 4,051,540 registered shares, corresponding to 2.48 % of the share capital and 2.98 % of the voting rights.

#### Shareholders holding more than 3 % of the voting rights

On 31 December 2015, the Hayek Pool, together with affiliated companies, institutions and persons, held a total of 22.56 % of the share capital and 40.53 % of the voting rights via 1,800 bearer shares and 62,774,550 registered shares.

On 31 December 2015, the group of Ms. Esther Grether held a total of 3.43 % of the share capital and 5.87 % of the voting rights via 114,000 bearer shares and 8,983,000 registered shares.

On 14 December 2006, The Capital Group Companies, Inc., Los Angeles, held a total of 5.00 % of the share capital currently registered in the commercial register and 4.27 % of the voting rights via 1,826,480 bearer shares and 4,781,169 registered shares.

Swatch Group does not currently have any more recent information on shareholders that hold more than 3 % of voting rights.

The Swatch Group Ltd	Securities No.	ISIN	Ticker symbol
Bearer shares with a nominal value of CHF 2.25 each	1 225 515	CH 001 225515 1	UHR
Bearer shares with a nominal value of CHF 2.25 each (share repurchase, second line of trading)	31 171 766	CH 031 171766 1	UHRE
Registered shares with a nominal value of CHF 0.45 each	1 225 514	CH 001 225514 4	UHRN
Registered shares with a nominal value of CHF 0.45 each (share repurchase, second line of trading)	31 173 040	CH 031 173040 9	UHRNE

**Date:** 4 February 2016