

*de L'Intérieur, Professeur
de 5 heures, de 9, année
Louis Breguet un grand
avec son Breguet (parente)*

FINANCIAL STATEMENTS
CONSOLIDATED FINANCIAL STATEMENTS
FINANCIAL STATEMENTS OF THE HOLDING

clips Mando au Mont.

Ministre de L'Intérieur

Agenda

INCOME STATEMENT

	Notes	2001 million CHF	%	2000 million CHF	%
Gross sales	(1)	4 182	100.0	4 263	100.0
Sales reductions		-134	-3.2	-132	-3.1
Net sales		4 048	96.8	4 131	96.9
Other operating income		53	1.3	51	1.2
Changes in inventories and work in progress		143	3.4	125	2.9
Capitalized expenditures		37	0.9	48	1.1
Material purchases		-1 032	-24.7	-1 062	-24.9
Staff costs	(2)	-1 251	-29.9	-1 206	-28.3
Other operating expenses		-1 153	-27.6	-1 179	-27.6
Operating result before depreciation & amortization (EBITDA)		845	20.2	908	21.3
Depreciation of fixed assets (excluding goodwill)		-189	-4.5	-214	-5.0
Amortization of goodwill		-12	-0.3	-11	-0.3
Operating result (EBIT)		644	15.4	683	16.0
Net financial result	(3)	-20	-0.5	-14	-0.3
Result before taxes		624	14.9	669	15.7
Income taxes	(4)	-114	-2.7	-116	-2.7
Group result before minority interest		510	12.2	553	13.0
Minority interest		-6	-0.1	-7	-0.2
Net income		504	12.1	546	12.8
Registered shares	(5)				
Basic earnings per share		1.69		1.84	
Diluted earnings per share		1.69		1.80	
Bearer shares	(5)				
Basic earnings per share		8.46		9.18	
Diluted earnings per share		8.46		8.99	

BALANCE SHEET

Assets	Notes	2001		2000	
		million CHF	%	million CHF	%
Property, plant and equipment	(7)	1 053	22.6	1 033	23.0
Investment property	(7)	11	0.2	11	0.3
Intangible assets	(6)	269	5.8	244	5.4
Investments in associated companies	(8)	4	0.1	1	0.0
Other financial assets	(8, 19)	7	0.1	19	0.4
Deferred tax assets	(18)	105	2.3	104	2.3
Non-current assets		1 449	31.1	1 412	31.4
Inventories	(9)	1 361	29.2	1 216	27.1
Assets held for sale		3	0.1	1	0.0
Trade receivables	(10)	679	14.6	702	15.7
Other receivables and prepayments	(11)	298	6.4	319	7.1
Available-for-sale investments	(12)	584	12.5	563	12.5
Cash and cash equivalents	(13)	286	6.1	277	6.2
Current assets		3 211	68.9	3 078	68.6
Total assets		4 660	100.0	4 490	100.0

BALANCE SHEET

Liabilities and shareholders' equity	Notes	2001		2000	
		million CHF	%	million CHF	%
Share capital	(14)	140	3.0	312	7.0
Capital reserves		213	4.6	213	4.7
Treasury shares	(15, 20)	-565	-12.1	-337	-7.5
Conversion differences		37	0.7	21	0.4
Retained earnings		3 436	73.8	2 947	65.7
Shareholders' equity		3 261	70.0	3 156	70.3
Minority interest		19	0.4	18	0.4
Borrowings	(17)	61	1.3	71	1.6
Deferred tax liabilities	(18)	274	5.9	269	6.0
Retirement benefit obligations	(19)	13	0.3	12	0.3
Non-current provisions	(16)	75	1.6	69	1.5
Non-current liabilities		423	9.1	421	9.4
Trade and other payables and accrued expenses	(21)	626	13.4	662	14.7
Borrowings	(17)	293	6.3	200	4.5
Current provisions	(16)	38	0.8	33	0.7
Current liabilities		957	20.5	895	19.9
Total liabilities		1 380	29.6	1 316	29.3
Total liabilities and shareholders' equity		4 660	100.0	4 490	100.0

CONSOLIDATED SOURCE AND APPLICATION OF FUNDS STATEMENT

	Share capital	Capital reserves	Treasury shares	Conversion differences	Retained earnings	Total share- holders' equity
(million CHF)						
Published balance at 31.12.1999	312	213	0	0	2 334	2 859
Balance at 1.1.2000	312	213	0	50	2 284	2 859
- Changes in accounting principles applicable to:						
- IAS 8: Changes in accounting policies					-85	-85
- IAS 12: Deferred taxes on restatement					55	55
- IAS 19: Employee benefits					20	20
- IAS 22: Recognition of goodwill					136	136
- IAS 25: Accounting for investments					-14	-14
- IAS 32: Restatement of convertible loans					49	49
- IAS 37: Restatement of provisions					-4	-4
- SIC 16: Treasury shares			-337			-337
Balance at 1.1.2000 restated	312	213	-337	50	2 441	2 679
- Conversion differences				-15		-15
- Exchange differences related to IAS 21§19 and sundry				-14		-14
- IAS 32: Derecognition convertible loan					-58	-58
- Acquisitions/disposals of treasury shares					89	89
- Paid-out dividends					-71	-71
- Net income					546	546
Balance at 31.12.2000	312	213	-337	21	2 947	3 156
Balance at 1.1.2001	312	213	-337	21	2 947	3 156
- Changes in accounting principles applicable to:						
- IAS 39: Financial instruments					39	39
- IAS 12: Deferred taxes re IAS 39					-3	-3
Balance at 1.1.2001 restated	312	213	-337	21	2 983	3 192
- Conversion differences				-6		-6
- Exchange differences related to IAS 21§19 and sundry				22		22
- Restatement related to cash-flow hedges					-3	-3
- Available-for-sale investments:						
Revaluation at fair value					-51	-51
- Deferred taxes on available-for-sale investments					3	3
- Partial repayment of share capital	-172					-172
- Net income					504	504
- Acquisitions/disposals of treasury shares			-228			-228
Balance at 31.12.2001	140	213	-565	37	3 436	3 261

CONSOLIDATED FINANCIAL STATEMENTS

GENERAL COMMENTS RELATING TO THE MANAGEMENT OF THE BUSINESS AND TO KEY FINANCIAL FIGURES

THE GROUP AS A WHOLE

Despite the well-known unfavorable circumstances and events of 2001, the Group succeeded in raising turnover in local currency by 0.7%. Taking into account the negative influence of exchange rates, there was a slight drop of -1.9% to CHF 4 182 million. Operating result (EBIT) amounted to CHF 644 million, which was -5.7% below the record figure achieved the previous year (CHF 683 million according to IAS). Net income, which reached CHF 504 million, was also slightly below (-7.7%) the figure for the previous year (CHF 546 million according to IAS).

Even after partial repayment of the nominal value of CHF 172 million, and despite the repurchase on the 2nd line of own shares with a view to reducing share capital, totaling CHF 195 million in the previous year, equity remained at a respectable level of 70.0% of the balance sheet total.

The purchase of new companies contributed only marginally to the increase in net sales for 2001.

Sales of watches, movements and stepping motors were as follows:

	2001	2000	Variance %
Total in million units	113.4	112.3	+1.0

Distribution of gross sales by product category

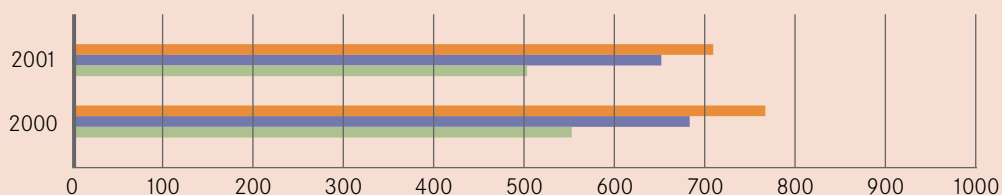
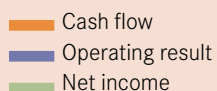
All internal Group statistics refer to gross sales. Gross sales to third parties are divided into two main categories. The following table shows the main items:

	2001	2000	Variance %
Total unit sales: watches, movements, stepping motors (1000 units)	113 438	112 257	+ 1.0
Sales: watches, movements and stepping motors (million CHF)	3 315	3 379	-1.9
Other sales (million CHF)	867	884	-1.9
Total sales (million CHF)	4 182	4 263	-1.9
Average price of watches, movements and stepping motors (CHF)	29.22	30.10	-2.9

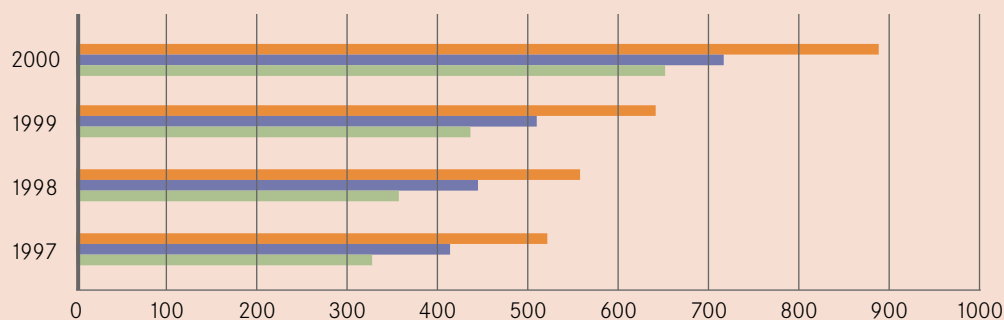
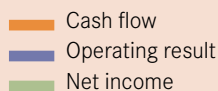
Total units sold include the sale of stepping motors, corresponding to 12.9 million units in 2001 and to 15.0 million units in 2000.

Net income and cash flow (Net income + depreciation and amortization)

According to IAS



According to Swiss GAAP RPC



GENERAL COMMENTS

WATCHES

(million CHF)	2001	2000	Variance	in %
Sales	3 034	3 120	-86	-2.8
Operating result before depreciation and amortization (EBITDA)	565	568	-3	-0.5
- as % of sales	18.6	18.2		
Operating result (EBIT)	523	532	-9	-1.7
- as % of sales	17.2	17.0		

The brands managed to maintain their position and increased their market share in a difficult trading environment, which was aggravated in the second half of the year. Through rigorous control on expenses and despite certain advance efforts to expand the brands' presence in the retail market, operating result increased slightly. In this respect, the continual strengthening of our position in the luxury and prestige segment, as well as in the medium range, played an important role. In the basic range, major expansion projects to strengthen brand presence involving retail outlets in key markets necessitated preliminary investment which should bear fruit in the coming years.

PRODUCTION OF WATCHES, MOVEMENTS AND COMPONENTS

(million CHF)		2001	2000	Variance	in %
Sales	- Third parties	767	727	+40	+5.5
	- Group	625	686	-61	-8.9
	- Total	1 392	1 413	-21	-1.5
Operating result before depreciation and amortization (EBITDA)		187	211	-24	-11.4
- as % of sales		13.4	14.9		
Operating result (EBIT)		65	78	-13	-16.7
- as % of sales		4.7	5.5		

The increase in third party sales, in particular in relation to more expensive mechanical movements and their components, combined with improved profitability for these products, was more than compensated by the efforts made by the Swatch Group brands to reduce their inventories. Price pressure on movements produced and sold in the Far East, which was felt in particular in the second half of the year, combined with certain adjustments in the production of components (mainly watch hands and cases) resulted in below-average growth in operational profitability. Measures have been introduced to eliminate the weaknesses that have arisen and the situation should improve in the course of the current year.

ELECTRONIC SYSTEMS

(million CHF)		2001	2000	Variance	in %
Sales	- Third parties	374	412	-38	-9.2
	- Group	48	56	-8	-14.3
	- Total	422	468	-46	-9.8
Operating result before depreciation and amortization (EBITDA)		109	150	-41	-27.3
-as % of sales		25.8	32.1		
Operating result (EBIT)		78	118	-40	-33.9
-as % of sales		18.5	25.2		

GENERAL COMMENTS

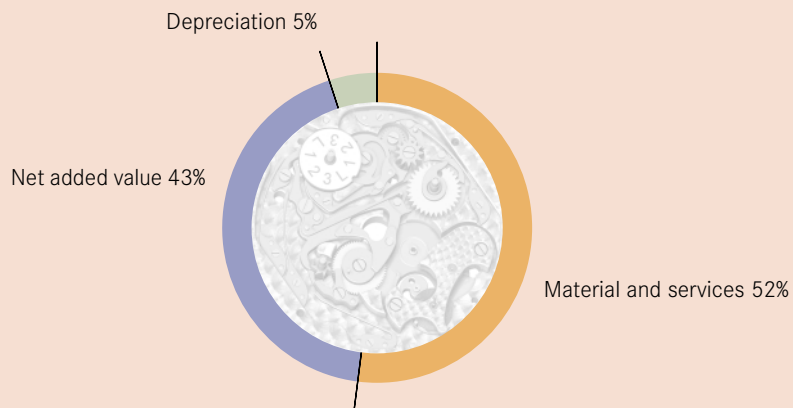
In this sector, the marked weakening of the mobile telephone industry, especially in the second half of the year, had a particularly noticeable effect. Reduced activity and a certain pressure on prices led to a drop in operating margins in particular at Micro Crystal and Oscilloquartz, where turnover fell by -27% and -16% respectively. With turnover levels more or less equal to those achieved in the previous year, EM Marin also suffered a reduction of operating margin as a result of product mix and price concessions.

Lasag succeeded in raising turnover and income over the previous year's figure, while at Renata, turnover fell slightly, but operational income could be somewhat improved.

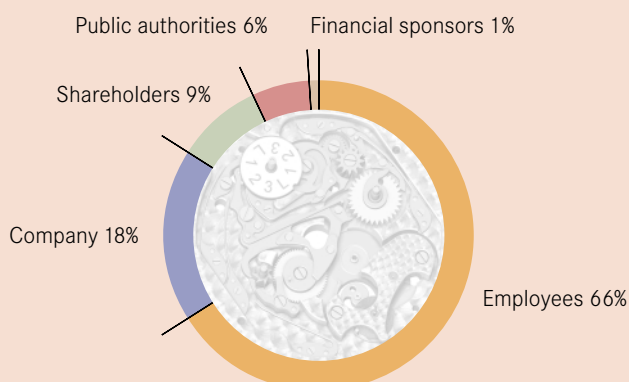
Analysis of added value

The breakdown of total operating revenues, more commonly known as total Group performance when referring to calculations of added value, is as follows:

(million CHF)	2001	2000
Overall Group performance	4 374	4 503
Material and services	2 285	2 387
Depreciation	201	225
Net added value	1 888	1 891
% change	-0.2	



The allocation of added value among the various beneficiaries is as follows as at the end of 2001:



PROSPECTS FOR THE FUTURE

The Group's Executive Management is looking towards the future with cautious optimism. After a moderate start in the first quarter of 2002, turnover is expected to exceed the previous year's level. The Swatch Group will deploy all available resources in order to implement its strategic plans. This includes targeted expansion in the top prestige and luxury segment with new products and marketing concepts, as well as gradually including distribution in our wholesale structure in markets still covered by third party agents. This concerns the expansion of the Breguet brand, as well as the international expansion of Glashütte, Jaquet-Droz and Léon Hatot.

At strategic locations, a few additional well targeted own points of sales are planned. Following initial positive experiences in the jewelry sector, this area will be expanded selectively.

The other brands are also planning the launch of new products this year, some of which will create a new impetus following their introduction at the Watch and Jewelry Fair in Basle.

As far as concerns production, every effort will be made to increase production capacity for mechanical movements and specialties. Furthermore, the corrective measures taken at certain component manufacturers should produce the first positive results.

The electronic sector will depend very much on further development of turnover and prices in various markets such as mobile telephone sector, the automobile industry etc. In this respect we also expect the situation to improve, at the latest during the second half of the year.

Despite the current difficult and uncertain economic environment, the Swatch Group's solid position will enable it to gain market shares and to take advantage of an economic recovery of which first signs seem to appear in some areas.

INCOME STATEMENT

	Notes	2001 million CHF	%	2000 million CHF	%
Gross sales	(1)	4 182	100.0	4 263	100.0
Sales reductions		-134	-3.2	-132	-3.1
Net sales		4 048	96.8	4 131	96.9
Other operating income		53	1.3	51	1.2
Changes in inventories and work in progress		143	3.4	125	2.9
Capitalized expenditures		37	0.9	48	1.1
Material purchases		-1 032	-24.7	-1 062	-24.9
Staff costs	(2)	-1 251	-29.9	-1 206	-28.3
Other operating expenses		-1 153	-27.6	-1 179	-27.6
Operating result before depreciation & amortization (EBITDA)		845	20.2	908	21.3
Depreciation of fixed assets (excluding goodwill)		-189	-4.5	-214	-5.0
Amortization of goodwill		-12	-0.3	-11	-0.3
Operating result (EBIT)		644	15.4	683	16.0
Net financial result	(3)	-20	-0.5	-14	-0.3
Result before taxes		624	14.9	669	15.7
Income taxes	(4)	-114	-2.7	-116	-2.7
Group result before minority interest		510	12.2	553	13.0
Minority interest		-6	-0.1	-7	-0.2
Net income		504	12.1	546	12.8
Registered shares	(5)				
Basic earnings per share		1.69		1.84	
Diluted earnings per share		1.69		1.80	
Bearer shares	(5)				
Basic earnings per share		8.46		9.18	
Diluted earnings per share		8.46		8.99	

BALANCE SHEET

Assets	Notes	2001		2000	
		million CHF	%	million CHF	%
Property, plant and equipment	(7)	1 053	22.6	1 033	23.0
Investment property	(7)	11	0.2	11	0.3
Intangible assets	(6)	269	5.8	244	5.4
Investments in associated companies	(8)	4	0.1	1	0.0
Other financial assets	(8, 19)	7	0.1	19	0.4
Deferred tax assets	(18)	105	2.3	104	2.3
Non-current assets		1 449	31.1	1 412	31.4
Inventories	(9)	1 361	29.2	1 216	27.1
Assets held for sale		3	0.1	1	0.0
Trade receivables	(10)	679	14.6	702	15.7
Other receivables and prepayments	(11)	298	6.4	319	7.1
Available-for-sale investments	(12)	584	12.5	563	12.5
Cash and cash equivalents	(13)	286	6.1	277	6.2
Current assets		3 211	68.9	3 078	68.6
Total assets		4 660	100.0	4 490	100.0

BALANCE SHEET

Liabilities and shareholders' equity	Notes	2001		2000	
		million CHF	%	million CHF	%
Share capital	(14)	140	3.0	312	7.0
Capital reserves		213	4.6	213	4.7
Treasury shares	(15, 20)	-565	-12.1	-337	-7.5
Conversion differences		37	0.7	21	0.4
Retained earnings		3 436	73.8	2 947	65.7
Shareholders' equity		3 261	70.0	3 156	70.3
Minority interest		19	0.4	18	0.4
Borrowings	(17)	61	1.3	71	1.6
Deferred tax liabilities	(18)	274	5.9	269	6.0
Retirement benefit obligations	(19)	13	0.3	12	0.3
Non-current provisions	(16)	75	1.6	69	1.5
Non-current liabilities		423	9.1	421	9.4
Trade and other payables and accrued expenses	(21)	626	13.4	662	14.7
Borrowings	(17)	293	6.3	200	4.5
Current provisions	(16)	38	0.8	33	0.7
Current liabilities		957	20.5	895	19.9
Total liabilities		1 380	29.6	1 316	29.3
Total liabilities and shareholders' equity		4 660	100.0	4 490	100.0

SOURCE AND APPLICATION OF FUNDS STATEMENT

	Notes	2001 million CHF	2000 million CHF
Cash flow from operating activities			
Cash generated from operations	(22)	709	680
Interest paid		-5	-8
Interest received		21	28
Tax paid		-102	-98
Cash flow from operating activities		623	602
Cash flow from investing activities			
Acquisition/Disposal of consolidated companies (without liquid funds)	(23)	-8	-114
Investment in tangible assets		-227	-220
Proceeds from sale of tangible assets		28	18
Investment in intangible assets		-43	-11
Investment in financial assets		-4	-3
Proceeds from sale of financial assets		3	10
Purchase/sales of available-for-sale investment		-34	-74
Cash flow used from investing activities		-285	-394
Cash flow from financing activities			
Dividend paid to group shareholders		-172 *)	-71
Dividend paid to minority interests		-5	-2
Purchase/sales of treasury shares		-228	-309
Variation in long term debts		-13	-86
Variation in short-term liabilities		100	116
Cash flow from financial operations		-318	-352
Increase/decrease in cash and cash equivalents		20	-144
Movement in cash and cash equivalents			
- At start of year		256	400
- At end of year		276	256
Cash and cash equivalents at end of year		276	256

*) In the form of partial repayment of share capital

CHANGES IN EQUITY

	Share capital	Capital reserves	Treasury shares	Conversion differences	Retained earnings	Total shareholders' equity
(million CHF)						
Published balance at 31.12.1999	312	213	0	0	2 334	2 859
Balance at 1.1.2000	312	213	0	50	2 284	2 859
- Changes in accounting principles applicable to:						
- IAS 8: Changes in accounting policies					-85	-85
- IAS 12: Deferred taxes on restatement					55	55
- IAS 19: Employee benefits					20	20
- IAS 22: Recognition of goodwill					136	136
- IAS 25: Accounting for investments					-14	-14
- IAS 32: Restatement of convertible loans					49	49
- IAS 37: Restatement of provisions					-4	-4
- SIC 16: Treasury shares			-337			-337
Balance at 1.1.2000 restated	312	213	-337	50	2 441	2 679
- Conversion differences				-15		-15
- Exchange differences related to IAS 21§19 and sundry				-14		-14
- IAS 32: Derecognition convertible loan					-58	-58
- Acquisitions/disposals of treasury shares					89	89
- Paid-out dividends					-71	-71
- Net income					546	546
Balance at 31.12.2000	312	213	-337	21	2 947	3 156
Balance at 1.1.2001	312	213	-337	21	2 947	3 156
- Changes in accounting principles applicable to:						
- IAS 39: Financial instruments					39	39
- IAS 12: Deferred taxes re IAS 39					-3	-3
Balance at 1.1.2001 restated	312	213	-337	21	2 983	3 192
- Conversion differences				-6		-6
- Exchange differences related to IAS 21§19 and sundry				22		22
- Restatement related to cash-flow hedges					-3	-3
- Available-for-sale investments:						
Revaluation at fair value					-51	-51
- Deferred taxes on available-for-sale investments					3	3
- Partial repayment of share capital	-172					-172
- Net income					504	504
- Acquisitions/disposals of treasury shares			-228			-228
Balance at 31.12.2001	140	213	-565	37	3 436	3 261

PRINCIPLES GOVERNING THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

General principles and accounting standards

The consolidated financial statements are prepared in accordance with international accounting standards (IAS standards) published by the International Accounting Standards Board (IASB) and its predecessor, the International Accounting Standards Committee (IASC).

The financial statements were prepared on the basis of historic costs, unless otherwise indicated in the following principles. Fiscal year cutoffs are determined according to the liability method of accounting.

With regard to preparation of the financial statements, management has taken account of the estimates and assumptions influencing the total assets and liabilities considered, as well as any contingent assets and liabilities shown in the annual year-end accounts, in the same manner as the income and expenditure relating to the fiscal year under review. The actual figures may differ from these estimates.

The annual closing date for the individual financial statements is 31 December. The fiscal year covers the same period as the calendar year for all consolidated companies.

Changes in accounting principles

IAS standards apply for the first time to the preparation of the consolidated financial statements of the Group for 2001. However, in order not to depart from the principle of continuity in the presentation of the financial statements, compliance with these standards was also observed retroactively to 1.1.2000.

Conversion to IAS

With a view to complying with future requirements of the regulation governing Swiss stock exchange listing, work has already been underway for some time to change the presentation of the financial statements based on Swiss GAAP FER (recommendations relating to the presentation of accounts) standards to a presentation according to IAS standards. This changeover meant that it was imperative to restate the accounts for the year 2000. The restatement of the accounts for the year 2000 generated the following variances:

(million CHF)	2000 per IAS	2000 per FER	Variance	in %
Operating result (EBIT)	683	714	-31	-4.3
- as % of sales	16.0	16.8		
Net income	546	651	-105	-16.1
- as % of sales	12.8	15.3		

The changes required by IAS at operating result level originate essentially from the capitalization and annual amortization of goodwill associated with the purchase of companies and from accounting principles with respect to contributions paid to pension funds. According to IAS standards, the net income of the Group no longer includes income from treasury shares or, in 2001, of unrealized financial income on other investments. These items now come directly under changes in equity.

ANNEX

The changes made at 1.1.2000 in the balance sheet of the Group and in line with the new form of presentation of the financial statements, can be summarized as follows (regrouping according to relevant standards):

Item reclassified	Effect on equity (million CHF)	
IAS 32 - Financial instruments:		
Restatement of convertible loan	49	
SIC 16 - treasury shares purchased	-337	288
IAS 22 - Business combinations: Capitalization of goodwill prior to 2000		136
IAS 08 - Changes in accounting methods:		
§ 49: Harmonization of inventory valuation		-85
IAS 12 - Deferred taxes:		
Creation of deferred tax assets	65	
Creation of deferred tax liabilities	-10	55
IAS 19 - Employee benefits:		
Restatement of pension plan benefits		20
IAS 25 - Recording investments:		
Re-valuation of stock portfolios (at lower of cost or market value)		-14
IAS 37 - Provisions: Application of the decision tree		-4

Application of standard IAS 39 - Financial instruments (accounting and presentation) led to a new adjustment at 1.1.2001. The financial assets in the balance sheet are shown at market value. Unrealized gains and losses on the portfolios of assets available for sale are reported as changes in equity. These transactions are derecognized when the assets are sold, and the difference between historic purchase price and the actual selling price is recognized in the income statement.

The reflection of the changes made in relation to the presentation of the financial statements for 2000 according to Swiss GAAP FER standards (recommendations relating to the presentation of accounts) is given on page 95 in the table showing the evolution in equity.

The new standards, which only apply with effect from 1.1.2001, were applied by the Group as follows:

- IAS 40 investment property, retroactive to 1.1.2000. Investment property will henceforth be shown separately.
- IAS 39 financial instruments: entry and valuation at 1.1.2001. The effects of applying this standard can be found in the table showing evolution in equity (page 95) and in the detailed comments relating to derivative financial instruments (pages 120).

Consolidated companies

The consolidated companies are those companies which are controlled directly or indirectly by The Swatch Group Ltd holding company, which holds more than half the voting rights or exercises control over operations. The subsidiary companies of the Group are consolidated from the date the power of control is transferred to the Group. Conversely, they are no longer consolidated from the time this power of control is withdrawn. All the receipts and expenditure corresponding to internal Group transactions, including gross profit (margins on stocks) not yet realized, as well as the debts and receivables on internal deliveries have been taken out. Where applicable, the accounting principles of the consolidated companies were modified so as to ensure their compliance with the principles adopted by the Group.

Newly-acquired companies are consolidated as of the actual date of purchase or taking control, in line with the purchase method.

Consolidated subsidiaries

Included in its consolidated subsidiaries, the Group has 119 legal entities - in other words nine more than at the end of the year 2000.

This growth is the result of creating eight companies, acquisition of three others and disposal of two legal entities.

The newly-created companies comprise two units in Switzerland, permitting a resumption of the management of the Léon Hatot and Hamilton brands, by bringing their registered offices closer to the Group production units. Two watch distribution companies were recently established in Mexico and India. Two

legal entities were set up in Bermuda – one as a finance company and the other as a reinsurance company. Two retail sales companies were also formed: one in France and the other destined for e-commerce in the United States.

The acquisitions concern two companies responsible for controlling distribution in Greece and one company located in the Czech Republic, specializing in the design of integrated circuits produced by our EM-Marin plant. These three newly-acquired companies were included in the accounts for 2001.

The two companies no longer forming part of the consolidated subsidiaries are a production unit in France, which was disposed of in September 2001 and a company in Brazil. These two companies were already inactive by the end of the year 2000.

Bearing in mind the existence of a divisional system, making it possible to manage several activities of the same nature within one and the same legal unit, these 119 companies correspond to 562 reporting units (539 at the end of 2000), thereby forming the basis of Group consolidation. This increase in the number of homogeneous units is the result of ongoing research into achieving the best transparency of information, so as to refine the performance of managers overseeing the various different activities.

The full list of consolidated companies is published on pages 122 and 123 of this report.

Nine inactive companies and three small real estate companies were deliberately not consolidated (excluded from the consolidated subsidiaries), since they did not generate any turnover and their accumulated equity came to less than CHF 1 million. These companies did not issue any dividend during the fiscal year under review. Their exclusion is of no significant consequence for the annual consolidated Group financial statements.

Joint venture

Those entities jointly controlled by the Group with an equal holding of 50%, referred to as joint venture companies, have been included in the accounts according to the proportional integration method. By applying this method, the Group annual consolidated accounts included product share and expenditure, assets and liabilities and cash flow.

At 31.12.2001 only one company is defined as being a joint venture and is consolidated as such. The Group's share in the assets and liabilities and expenditure and revenue of this company is immaterial from a consolidated aspect.

Associated companies

Associate companies are considered according to the equity method. This relates to companies in which the Group holds between 20% and 50% of voting rights or over which it has a significant influence, without actually controlling their management. The net assets and income of these companies are recorded in the Group accounts on the basis of the accounting principles relating to them. The Group share in associate companies includes the goodwill on acquisition (net of accumulated amortization).

As at 31.12.2001 no entity was considered as an associate company and consolidated as such.

Conversion of foreign currency

The consolidated accounts are shown in CHF. The Group subsidiaries present their financial statements in local currency. Conversion of the profit and loss accounts for foreign subsidiaries is done at the average annual rates, while the balance sheet is converted at the rate prevailing on the closing date. When selling a foreign subsidiary, the accumulated conversion differences are included in the results of the sale as shown in the income statement.

Goodwill and revaluation to fair value following the purchase of a foreign company are dealt with in the same way as the assets and liabilities of this subsidiary and converted at the rate prevailing on the closing date.

The financial statements of foreign companies presenting their annual accounts in the currency of hyper-inflationary economies, are dealt with according to IAS 29 by applying the appropriate indices prior to conversion to the currency for Group presentation. The profit or loss on the net monetary item is shown in the net financial results. In 2000 and 2001, none of the Group companies produced their financial statements in this type of currency.

Transactions in foreign currencies are converted at the rate of exchange in force at the time these take place; exchange rate profits and losses on these transactions and also those resulting from the conversion of monetary assets and liabilities expressed in foreign currencies, are taken into account in the income statement.

The main exchange rates used include:

	Average rate	Rate at	Average rate	Rate at
	2001	31.12.2001	2000	31.12.2000
	CHF	CHF	CHF	CHF
1 ATS	0.1097	0.1077	0.1131	0.1106
1 AUD	0.8670	0.8570	0.9719	0.9085
100 BEF	3.7404	3.6750	3.8587	3.7742
1 CAD	1.0907	1.0535	1.1389	1.0925
1 DEM	0.7715	0.7580	0.7959	0.7784
100 ESP	0.9069	0.8910	0.9355	0.9150
1 EUR	1.5089	1.4825	1.5566	1.5225
1 FRF	0.2300	0.2260	0.2373	0.2321
1 GBP	2.4351	2.4320	2.5620	2.4400
1 HKD	0.2171	0.2157	0.2172	0.2100
100 ITL	0.0779	0.0766	0.0804	0.0786
100 JPY	1.3875	1.2850	1.5670	1.4250
1 NLG	0.6847	0.6727	0.7063	0.6909
1 SEK	0.1629	0.1591	0.1834	0.1720
1 SGD	0.9423	0.9095	0.9796	0.9450
1 USD	1.6951	1.6835	1.6954	1.6400

Management of financial risks

Financial risks

In view of the Group's diverse worldwide activities, Group specialists are actively engaged in managing exchange risks, changes in interest rates as well as marketable securities.

Risk management is concentrated on recognizing and analyzing exchange risks, with the aim of limiting their effect on Group EBITDA. In order to manage risks associated with fluctuations in foreign currencies, derivative financial instruments such as forward exchange contracts and hedging options are negotiated with third parties.

Risk management ensured by the central treasury department of The Swatch Group Ltd (Group Treasury), which acts in line with the directives issued by management organs of the Group.

The risks are assessed jointly with the operating units and the agreed-upon coverage is then implemented, under the supervision of the Finance Committee.

Exchange risks

The Group financial statements are published in Swiss francs and consequently are primarily exposed to fluctuations in the rate of the Euro, US Dollar, JPY and other currencies of the Asiatic region. In order to cover the discounted income in foreign currency, the Group negotiates forward exchange contracts and options on foreign currencies. The affiliated companies subscribe to contracts with Group Treasury, guaranteeing their margins in local currency. For its part, Group Treasury is responsible for covering the net positions in foreign currencies with third party counterparts. These operations can be qualified as cash-flow hedging.

Risks associated with interest rates

Interest-bearing financial assets are regulated and actively managed. In the current environment, fluctuations in interest rates have no material influence on the Group financial result.

Under the liabilities in the balance sheet, the Group had no recourse to interest rate swaps in the two years under review and no related position is included in the balance sheets of 2000 and 2001.

Credit risks

The Group's policy on customer credits specifies that a periodic creditworthiness check is required.

The risk of purchasing marketable securities with inadequate solvency is minimized by the fact that only those securities whose rating satisfies investment directives can be purchased. Management regularly monitors strict compliance with these instructions.

The risk of loss on derivative financial instruments, on monetary investment contracts and on deposits in current accounts is reduced by the fact that only those financial institutions whose solvency has undergone a prior check by Group Treasury are used as counterparts. Exposure to these risks is closely monitored by management and is contained within pre-defined limits.

Because of these strict requirements governing partner solvency, no substantial expense arising from non-compliance with contract terms is anticipated.

Cash-related risks

Close supervision of cash throughout the Group and the judicious investment of cash reserves means that Group Treasury has sufficient funds at all times. In order to cover exceptional requirements, it also has credit limits with financial institutions.

Derivative financial instruments and hedging transactions

Derivatives are valued at actual cost on signing the contract, according to the nature of the basis transaction, either as a cash-flow hedge or as a fair value hedge. During subsequent re-assessments, the change in value compared with the fair value is, depending on its nature, recognized in the income statement (fair value hedge) or against equity (cash-flow hedge).

As soon as the secured basis transaction becomes operative and can be considered as effective, the fair values of both the basis transaction and the hedging operation are determined, with the difference between the two values being recognized in the income statement. In the case of cash-flow hedges, the change in value recognized in equity for the previous period is transferred to the income statement.

Details on hedging transactions are explained on page 120.

Determination of fair value

The fair values of publicly traded available-for-sale investments correspond to their closing stock market values at balance sheet date. Derivatives and forward exchange contracts are valued at their market value at balance sheet date.

Comments relating to income and expenses

Sales are entered on delivery of the goods or services to third parties, following deduction of sales taxes and discounts. Provisions for customer discounts are recognized in same period as the sales giving rise to these discounts, according to the terms of the contract.

VALUATION PRINCIPLES AND DEFINITIONS

Net financial result

This position includes the interest expense on funds borrowed outside the Group as well as interest income from the investment of funds with third parties. It also includes exchange differences and the results of currency hedges, as well as interest with respect to external loans and investments to third parties in foreign currency.

Taxes

This position only includes income tax. Other taxes, such as tax on capital and real estate tax are included in other operating expenses.

Deferred taxes are determined according to the variable deferral method for all timing differences between assets and liabilities for statutory reporting and their values in the financial statements. The main timing differences result from depreciation on property, machines and installations, re-assessments of some non-current assets and derivative contracts, value adjustments on current assets, provisions of an equity nature in the tax accounts and tax-deductible losses carried forward. In relation to acquisitions, these are linked to the difference between the fair value of net assets acquired and their tax value.

Deferred tax assets are recognized for all deductible temporary differences to the extent that these could probably be applied against future taxable profits.

Deferred tax liabilities are recognized for all taxable temporary differences, with the exception of non-deductible goodwill.

Deferred taxes are calculated on the basis of the tax rates anticipated at the time the asset or liability is recognized, or where this cannot be determined, on the basis of the tax rates in force or practically in force on the closing date. The tax rates used relate to the companies or relevant sectors.

ANNEX

Intangible assets

In addition to the items mentioned separately below, this heading also includes:

- License fees granting rights to new advanced technologies. Related lump-sum payments have been capitalized and written off over a minimum period of four years.
- Key-money paid for leasing stores in strategic locations. Where these amounts can be recovered on expiry of the lease, they are not amortized. If, on the other hand, payment is not recoverable, key-money is amortized over a period not exceeding the term of the lease.

No brands or patents have been valued.

Goodwill

Goodwill represents the excess of the price paid for an acquisition compared with the net asset value of the company at purchase date, retained by the Group. Goodwill is amortized by the straight-line method over a 20-year period.

Research and development costs

Research costs are acknowledged as being ordinary expenses. The costs associated with development projects are recognized as intangible assets, provided future financial profits are anticipated. The other development costs are recognized as ordinary expenses. From the time of initial commercial production of the product, capitalized development costs are subject to straight-line amortization over the period of expected profits. The period of amortization does not exceed five years.

Costs of software development

Generally, software development and maintenance costs are recognized as ordinary expenses. However, costs directly associated with unique and identifiable software which is controlled by the Group, and whose anticipated economic benefit exceeds the annual cost, are recognized as intangible assets. Direct costs include expenses for the internal project development team.

Costs associated with improvement or extension of the performance of the software in excess of their original specifications are recognized as an asset and added to the original cost of the software. Costs associated with the development of software recognized as an asset are amortized by the straight-line method over a period not exceeding five years.

Tangible assets

Property, plant and equipment is valued at purchase price, less straight-line depreciation according to the lifetime of the investment.

Land is shown on the balance sheet at its original purchase value.

Capital expenditure has been recorded on the balance sheet at full production cost without profit margin.

The lifetimes considered to determine straight-line depreciation are defined according to the following categories:

- | | |
|---|---------------|
| - Furniture, office machinery, tooling, motor vehicles: | 5 to 8 years |
| - IT equipment and software: | 3 to 5 years |
| - Measuring instruments, tools, installations for machining by non-mechanical processes, automation elements: | 5 to 9 years |
| - Machines and production equipment for mechanical systems, workshop equipment: | 9 to 15 years |
| - Factory buildings: | 30 years |
| - Administrative buildings: | 40 years |
| - Residential property: | 50 years |

ANNEX

Changes in asset values

The value of assets is examined on the balance sheet date in order to establish whether there are any indices revealing a change in their value. If such indices exist, the recoverable value of assets is estimated and a loss owing to a change in value is recognized each time the value of an asset entered is greater than its recovery value. The recovery value is the higher of the net selling price of the asset and its value in use. This latter is determined by estimating future financial flows generated by the asset and by discounting these at the average lending rate of the country in which it is located. This rate can be adjusted for specific risks inherent in the asset.

Leasing agreements

Finance leases

A finance lease agreement is observed where the lessor transfers to the lessee the quasi-totality of risks and benefits inherent in ownership of an installation, machine or item of equipment. The finance lease agreements are capitalized at the start of the agreement at the fair value of the property leased or, where this is less, at the current value of minimum payments with respect to the lease. Each payment is apportioned between the amortization of the balance of the debt and financial expenditure, so as to obtain a periodic, constant rate of interest on the balance outstanding on the liabilities with respect to each period. The obligation to make future payments with respect to the lease, which are net of the finance charge, is included in non-current liabilities. The financial cost is considered as a charge over the term of the lease agreement. Installations, machines and equipment financed by such agreements are depreciated over the shorter of the duration of the lease agreement and its duration in use.

Assets financed by finance lease agreements are included in the assets on the balance sheet when their unit value exceeds CHF 50 000, when the term of the agreement is more than three years and when the item can be purchased at the end of the lease.

Operating leases

A simple operating lease agreement is observed where ownership of the property and the inherent risks fall mainly on the lessor. The payments of operating leases are recognized as expenses in the income statement on a linear basis throughout the term of the lease.

Inventories

All the inventories of goods and semi-finished/finished products are valued at total production cost to the Group, maximum at market price. Products which are difficult to sell have been written off or covered by specific provisions. Valuation is based on the average price method; in certain rare cases, the FIFO (first-in, first-out) method has been applied. Only economically justified criteria have been taken into account for adapting the balance sheet values of inventories. Stocks of spares parts for customer services have been valued only for the units for which there is thought to be a future demand, based on historical consumption.

Trade receivables

Trade receivables are recognized in the balance sheet at historic amount invoiced. Provisions have been made to cover doubtful debts and receivables which were more than 12 months overdue and which were not converted into interest-bearing loans.

Financial instruments

Effective 1.1.2001, the Group has applied valuation principles according to standard IAS 39. Classification of financial assets includes the following categories:

- Financial assets held for transaction purposes
- Loans and receivables issued by the company
- Held-to-maturity investments
- Available-for-sale investments

In view of the policy of long-term investment adopted by management, current Group investments are assigned to the category of finances available for sale.

The allocation of the financial investments to the various categories takes place at the time of investment and undergoes a regular review based on set targets.

Purchase and sale of investments is based on the settlement date principle. At the time of purchase, the purchase costs are included in the price.

Available-for-sale investments are valued at their fair value. Unrealized gains and losses in relation to the fair value are recognized directly in equity, at the time of sale or reduction in the value of the instrument (impairment), transferred to income statement of the financial year (i.e. recycled). The Group consistently applies this principle of recognition to the category as a whole.

Prior to the introduction of IAS 39, negotiable securities were valued at the historic purchase price or at market value, where the latter was less (lower value principle).

ANNEX

Cash and cash equivalents	Cash and equivalents are recognized in the balance sheet at their nominal value. In the source and application of funds statement, cash and cash equivalents include petty cash, credit notes and short-term bank overdrafts. Bank loans are included in the balance sheet under borrowings (current and non-current).
Provisions	Provisions are created according to homogeneous criteria, which are financially justified and are the same as those applied for the previous financial year. Provisions for guarantee & goodwill were calculated to cover the equivalent of two years, in accordance with the European directive, which came into force on 1.1.2002.
Employee benefit obligations	<p>Post-employment benefits</p> <p>Post-employment benefits with respect to the Group relate to pensions and retirement benefits. Other post-employment benefits for employees, such as medical care benefits, are not provided.</p> <p>The Group has also not entered into other commitments entailing long-term benefits to its employees, such as termination benefits.</p> <p>Pensions and retirement benefits</p> <p>In principle, Group employees enjoy the retirement benefits provided either by way of defined contribution or defined benefit plans.</p> <p>Pension plans are either financed (with their assets being managed separately and independently of those of the Group) or not financed (with these obligations being shown as a debt in the balance sheet).</p> <p>In all major instances, the obligation relating to defined benefit plans is determined on an annual basis by independent actuaries based on the projected credit unit method. This method was also used to work out Swiss pension plans (defined under plan statutes as contribution plans), although qualification as a defined benefit plan in the English sense is not unanimously accepted in the profession.</p> <p>The long-term assets of defined benefit plans are assessed at their fair value. For such plans, an asset deficit or surplus, compared with the current fair value of commitments, is recognized as a liability or asset in the balance sheet. However, an asset surplus is only considered to the extent that it may provide future financial benefits, which will actually be available to the Group.</p>

NOTES

1. Segment information

The Group manages its activities at world level according to four separate operational segments:

- Watches - marketing finished watches
- Horological production - production of watches and movements for watches or analog systems (stepping motors)
- Electronic systems - design, production and marketing of electronic components
- General services - service and financial companies, research and development activities, real estate companies

Gross sales are attributable to sales to third party clients while sales to other operational segments are shown separately. The segment-based assets essentially comprise buildings and land, machines and installations, intangible assets, inventories of goods, loans to third parties and cash. They do not include consolidated holdings. The segment-based liabilities include operating commitments.

In accordance with the presentation standard applicable to the horological sector, geographical segmentation is indicated by continent. With respect to the turnover and sales of parts, distribution relates to the invoice destination. Total third party assets are distributed in relation to their location.

ANNEX

Primary segment information (activity sector)	2001	Watches	Horological production	Electronic systems	General services	Consolidation adjustment	Total	
	(million CHF)							
	Gross sales	3 034	1 392	422	14	-680	4 182	
Income statement	Operating result (EBIT)	523	65	78	-22		644	
	- in % of sales	17.2	4.7	18.5			15.4	
	Net financial result						-20	
	Result before taxes						624	
	Taxes						-114	
	Group result before minority interest						510	
	Minority interest						-6	
	Net income						504	
		2000	Watches	Horological production	Electronic systems	General services	Consolidation adjustment	Total
		(million CHF)						
	Gross sales	3 120	1 413	468	46	-784	4 263	
	Operating result (EBIT)	532	78	118	-45		683	
	- in % of sales	17.0	5.5	25.2			16.0	
	Net financial result						-14	
	Result before taxes						669	
	Taxes						-116	
	Group result before minority interest						553	
	Minority interest						-7	
	Net income						546	

ANNEX

Balance sheet and other information

2001

(million CHF)	Watches	Horological production	Electronic systems	General services	Consolidation adjustment	Total
Balance sheet						
- Segment assets		2 218	1 335	366	737	4 656
- Equity in associated companies		1	3			4
Total assets		2 219	1 338	366	737	4 660
- Segment liabilities		696	291	67	326	1 380
- Liabilities not affectedd						0
Total liabilities		696	291	67	326	1 380
Other information						
Capital expenditure		61	130	47	7	245
Depreciation on tangible assets		31	114	30	3	178
Amortization on intangible assets		11	4	1	2	18
Valuation differences			4		1	5

2000

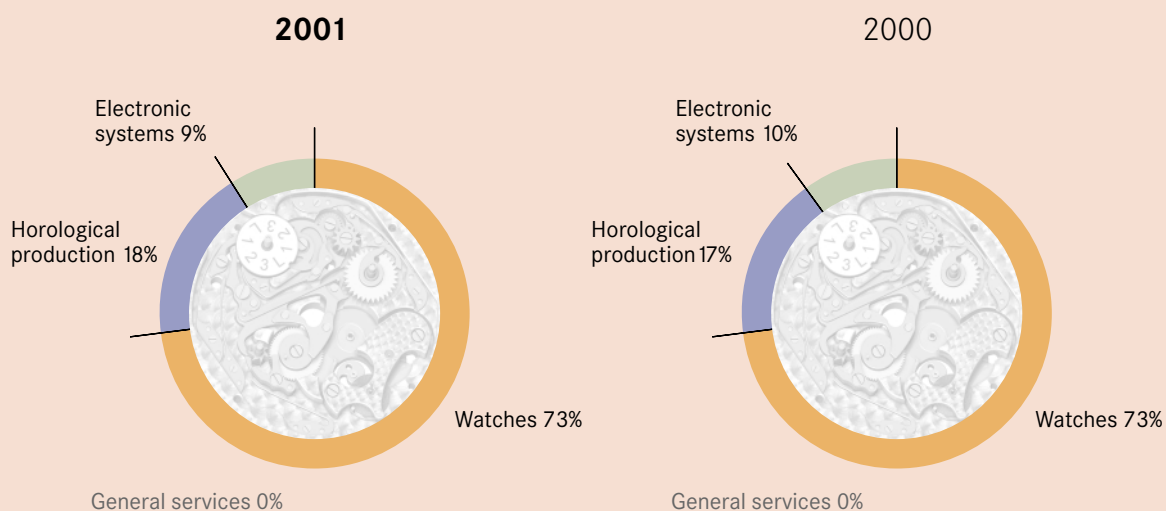
(million CHF)	Watches	Horological production	Electronic systems	General services	Consolidation adjustment	Total
Balance sheet						
- Segment assets		2 041	1 333	457	658	4 489
- Equity in associated companies		1				1
Total assets		2 042	1 333	457	658	4 490
- Segment liabilities		749	346	77	144	1 316
- Liabilities not affectedd						0
Total liabilities		749	346	77	144	1 316
Other information						
Capital expenditure		42	92	51	1	186
Depreciation on tangible assets		26	129	32	24	211
Amortization on intangible assets		10	2			12
Valuation differences			2			2

ANNEX

Gross sales

(million CHF)	2001			2000		
	Third	Group	Total	Third	Group	Total
Watches	3 034	0	3 034	3 120	0	3 120
Horological production	767	625	1 392	727	686	1 413
Electronic systems	374	48	422	412	56	468
General services	7	7	14	4	42	46
Adjustments		-680	-680	0	-784	-784
Total	4 182	0	4 182	4 263	0	4 263

Segment share of gross consolidated sales



Operating result before depreciation and amortization (EBITDA)

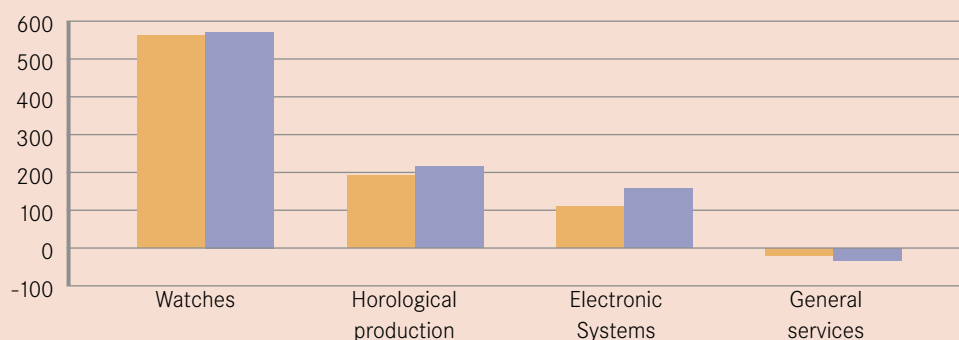
The EBITDA is as follows for the different segments:

	2001			2000		
	million CHF	in % of sales	in % of total	million CHF	in % of sales	in % of total
Watches	565	18.6	66.9	568	18.2	62.6
Horological production	187	13.4	22.1	211	14.9	23.2
Electronic systems	109	25.8	12.9	150	32.1	16.5
General services	-16		-1.9	-21		-2.3
Total	845	20.2	100.0	908	21.3	100.0

ANNEX

Segment share with respect to EBITDA

2001
2000

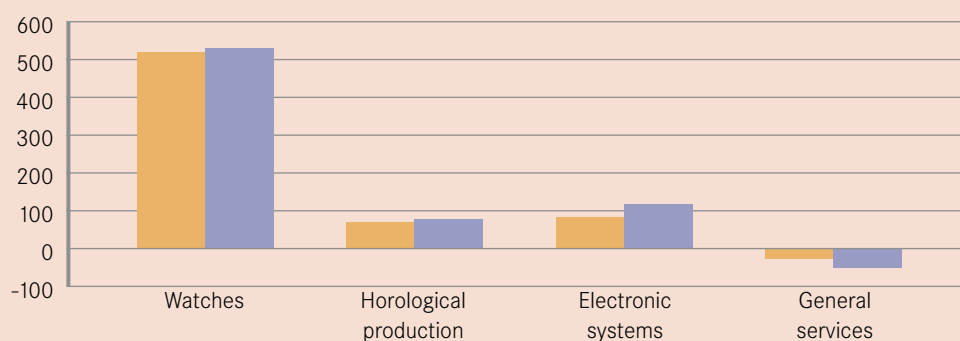


Operating result (EBIT)

	2001			2000		
	million CHF	in % of sales	in % of total	million CHF	in % of sales	in % of total
Watches	523	17.2	81.2	532	17.0	77.9
Horological production	65	4.7	10.1	78	5.5	11.4
Electronic systems	78	18.5	12.1	118	25.2	17.3
General services	-22		-3.4	-45		-6.6
Total	644	15.4	100.0	683	16.0	100.0

Segment share with respect to operating result (EBIT)

2001
2000



Total assets

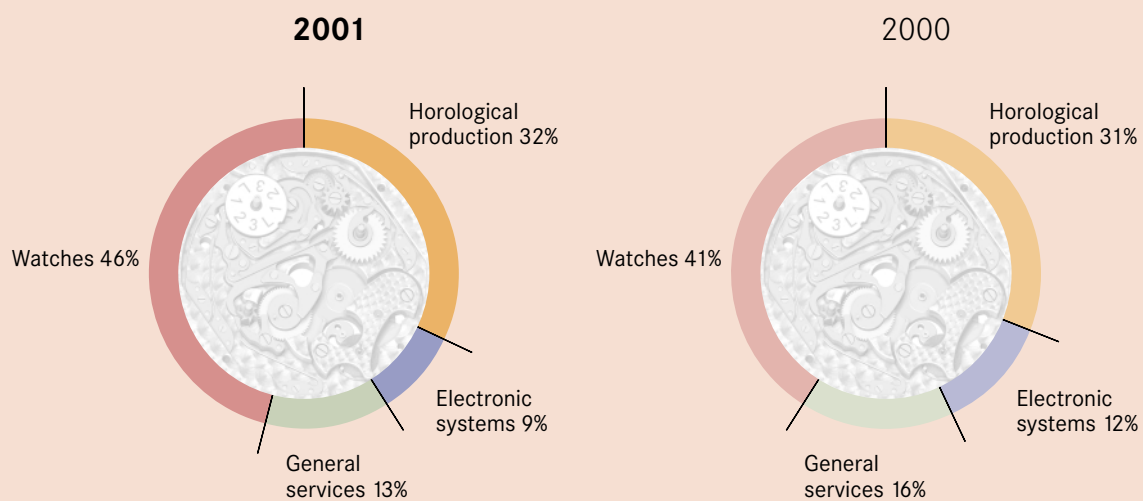
	2001		2000	
	million CHF	in % of total	million CHF	in % of total
Watches	2 219	47.6	2 042	45.5
Horological production	1 338	28.7	1 333	29.7
Electronic systems	366	7.9	457	10.2
General services	737	15.8	658	14.6
Total	4 660	100.0	4 490	100.0

Total net assets

	2001		2000	
	million CHF	in % of total	million CHF	in % of total
Watches	1 523	46.4	1 293	40.7
Horological production	1 046	31.9	987	31.1
Electronic systems	299	9.1	380	12.0
General services	412	12.6	514	16.2
Total	3 280	100.0	3 174	100.0

ANNEX

Net asset share
relating to segments

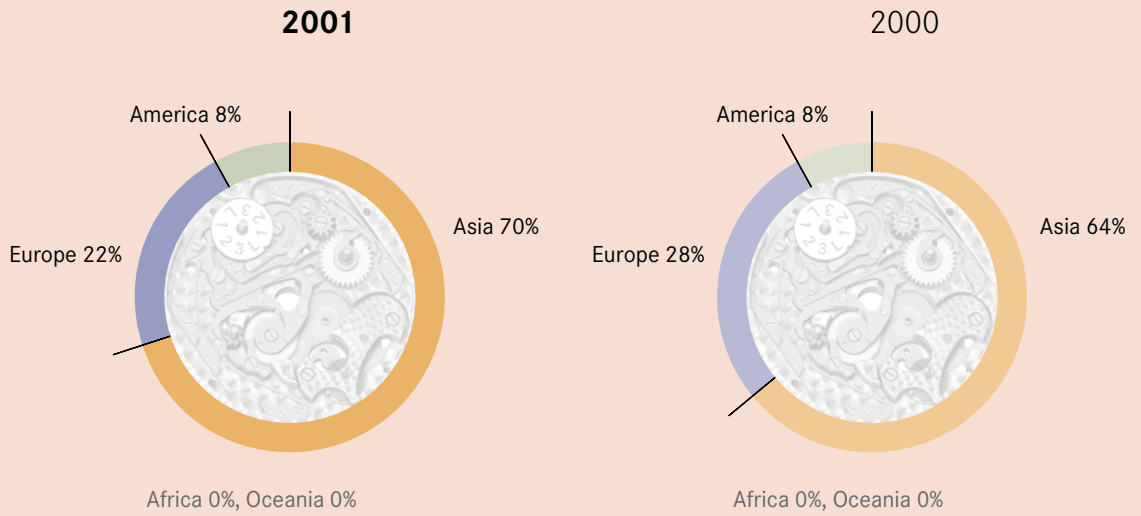


Secondary segment
information
(geographical sector)

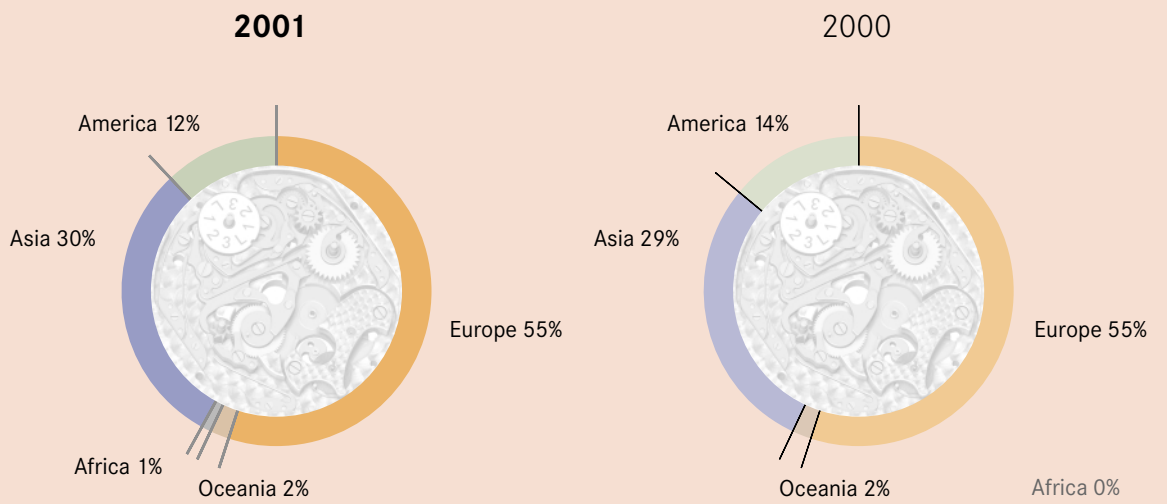
	2001			2000		
	Sales	Total Assets	Capital Expenditure	Sales	Total Assets	Capital Expenditure
(million CHF)						
Europe	2 323	4 023	225	2 345	3 895	161
America	514	242	4	597	227	7
Asia	1 237	370	16	1 236	348	17
Oceania	68	25	0	64	20	1
Africa	40		0	21	0	0
Total	4 182	4 660	245	4 263	4 490	186

ANNEX

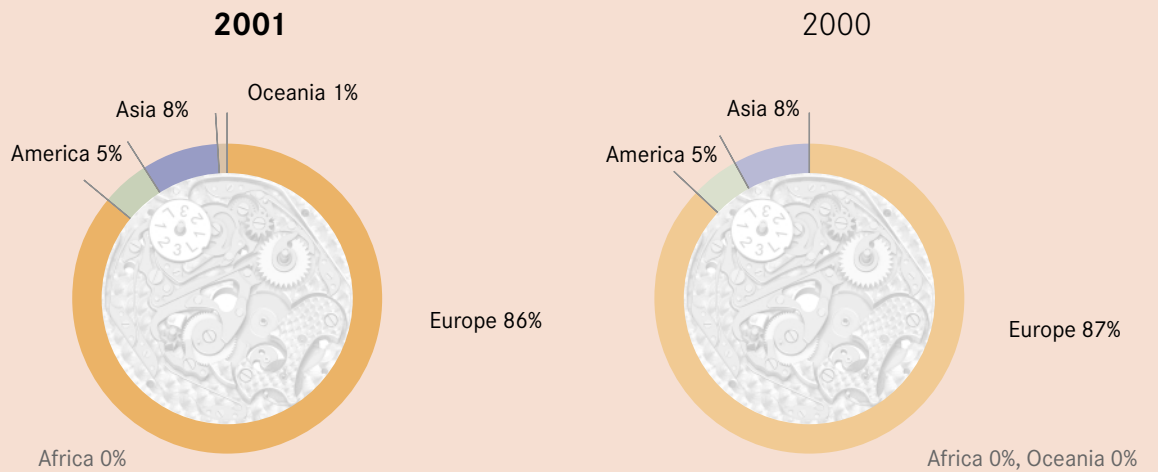
Units



Values



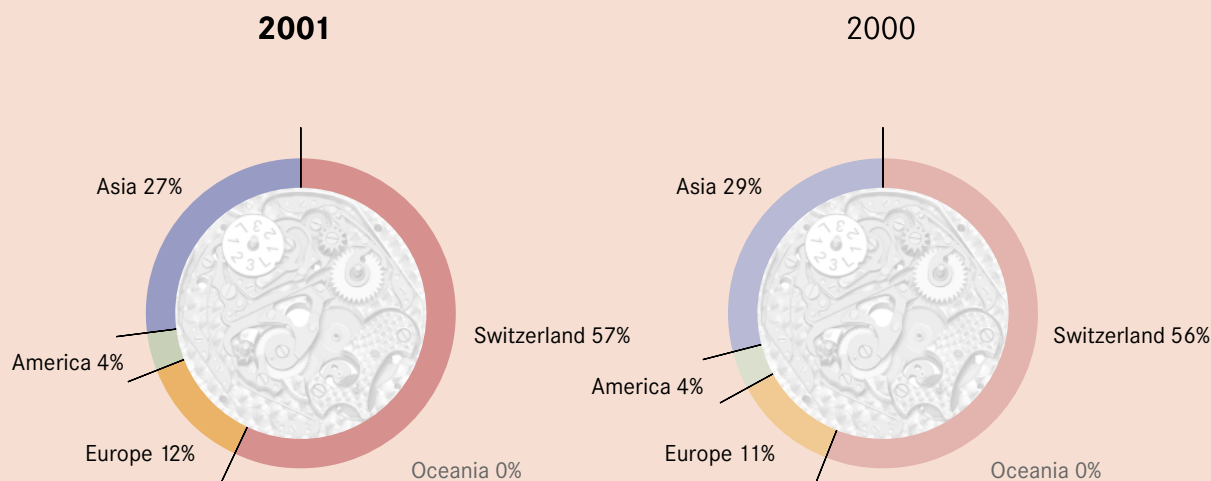
Total Assets



ANNEX

2. Staff costs

In 2001, the average number of employees was 20 087 (19 284 at the end of 2000). Staff numbers at the close of the year expressed in the number of contracts amounted to 19 665. The number of employees with a Swiss contract rose by 56. Staff employed outside Switzerland decreased by 139, despite the creation of 61 jobs linked to the acquisition of three companies in Europe. The reduction in staff outside Switzerland relates essentially to the production and assembly plant in Thailand. This trend means that we now have a workforce of 11 088 with a Swiss contract and 8 577 employees working outside Switzerland with a non-Swiss contract. The geographical distribution of employees is shown below:



The breakdown of staff by gender and the average number of employees with an employment or apprenticeship contract over the year, are as follows:

	2001	2000
Men	8 898	8 704
Women	10 767	11 044
Total as at 31.12.	19 665	19 748
Annual average number of employees	20 087	19 284

Although there was an average increase in employees of 4.2% during the financial year, the volume of salaries only increased by 3.7%. The average social security costs of the Group decreased, from 22.5% (2000 - IAS) to 21.7% for 2001. Pension plans are, for the most part, contracted outside the Group with legally independent institutions.

3. Net financial result

(million CHF)	2001	2000
Bank interest	-17	-15
Interest on convertibles	-2	-8
Interest charges	-19	-23
Income from interest	25	31
Net income on exchange transactions	-13	-7
Profits/(losses) on investments	-13	-15
Net financial result	-20	-14

4. Income taxes

(million CHF)	2001	2000
Current tax	98	117
Deferred tax	16	-1
Total	114	116

Group tax on result before taxes differs from the theoretical amount calculated on the basis of the local rates of Group companies as follows:

ANNEX

(million CHF)	2001	2000
Result before taxes	624	669
Tax calculated at a rate of 18%	112	120
Effects applicable tax rates which differ from the Group tax rate	8	12
Change in tax rate relating to timing differences	-4	-13
Capitalization of tax assets for previous years and use of tax losses/ non-used tax credits	-1	-6
Tax on non-deductible items	-1	3
Total tax according to the income statement	114	116

5. Earnings per share

	*) 2001	*) 2000
Registered shares		
Basic earnings per share, in CHF	1.69	1.84
Net income per income statement, in million CHF	216	232
Average number of shares in issue	127 710 075	126 195 263
Diluted earnings per share, in CHF	1.69	1.80
Net income per income statement, in million CHF	216	238
Average number of shares in issue	127 710 075	132 338 963
Bearer shares		
Basic earnings per share in CHF	8.46	9.18
Net income per income statement, in million CHF	288	314
Average number of shares in issue	34 047 207	34 241 620
Diluted earnings per share, in CHF	8.46	8.99
Net income per income statement, in million CHF	288	308
Average number of shares in issue	34 047 207	34 241 620

*) Figures for 2001 and 2000 given after taking account of the split of shares in a proportion of 1 to 10.

6. Intangible assets

The evolution of intangible assets and the reference to acquisition values are summarized in the table on the next page.

The table showing the goodwill evolution is set out below:

(million CHF)	2001	2000
Gross value		
at 1 January	224	140
Goodwill from acquisitions	8	84
at 31 December	232	224
Accumulated amortization		
at 1 January	-14	-3
Annual amortization	-12	-11
at 31 December	-26	-14
Net at 31 December	206	210

7. Tangible assets

The evolution of tangible assets and the reference to acquisition values are given in the summary table on the next page.

At the end of 2001, tangible assets financed by capital lease contracts and entered under the assets of the balance sheet, represents less than CHF 2 million.

Fire insurance values

Property, plant and equipment was insured for the following amounts:

(million CHF)	2001	2000
Buildings	1 350	1 342
Equipment	2 718	2 809
Total amount insured	4 068	4 151

The net value of tangible assets (including land) in the balance sheet at 31.12.2001 represents only 26.2% of the value insured.

ANNEX

Movements in Fixed Assets 2001 (2000 per IAS)

a) Acquisition values	Historical acquisition value	Currency diff.	Acquis. val. 31.12.2000 adjust. as of	Acquisitions (net value)	Investments	Capitalized expenditures	Disinvestments (sales)	Transfers & Restat.*)	Historical acquisition value
	31.12.00	Bil 01/00	31.12.01	2001	2001	2001	2001	2001	31.12.01
Capitalized development expenses	23		23					3	26
Other intangible assets	56		56		34	9		-6	93
Goodwill	224		224		8				232
Total intangible assets	303	0	303	0	42	9	0	-3	351
Land and buildings	678		678		25		-4		699
Plant and machinery	1 977	-2	1 975	1	124	24	-65	5	2 064
Other fixtures and fittings	228	-1	227		22	1	-13	8	245
Advances and construction in progress	16		16		28	3	-1	-19	27
Investment property	20		20						20
Total tangible assets	2 919	-3	2 916	1	199	28	-83	-6	3 055
Other financial assets	19		19		1		-13		7
Investment in associated companies	1		1		3				4
Total financial assets	20	0	20	0	4	0	-13	0	11
Total non-current assets (without deferred taxes)	3 242	-3	3 239	1	245	37	-96	-9	3 417
b) Net balance sheet values	Historical acquisition value	Depreciation ytd	Currency diff.	Deprec. on disinvest	Deprec. on transfers	Depreciation	Depreciation ytd	Net balance sheet value	Net balance sheet value
	31.12.01	31.12.00	Bil 01/00	2001	2001	2001	31.12.01	31.12.00	31.12.01
Capitalized development expenses	26	-17					-17	6	9
Other intangible assets	93	-28			-5	-6	-39	28	54
Goodwill	232	-14				-12	-26	210	206
Total intangible assets	351	-59	0	0	-5	-18	-82	244	269
Land and buildings	699	-386		2	2	-16	-398	292	301
Plant and machinery	2 064	-1 303	1	46	-3	-135	-1 394	674	670
Other fixtures and fittings	245	-161	1	11	4	-23	-168	67	77
Advances and construction in progress	27	-16				-6	-22	0	5
Investment property	20	-9					-9	11	11
Total tangible assets	3 055	-1 875	2	59	3	-180	-1 991	1 044	1 064
Other financial assets	7	0					0	19	7
Investment in associated companies	4	0					0	1	4
Total financial assets	11	0	0	0	0	0	0	20	11
Total non-current assets (without deferred taxes)	3 417	-1 934	2	59	-2	-198	-2 073	1 308	1 344

*) The heading "Transfers" includes transfers between various accounts in the balance sheet.

ANNEX

8. Financial assets

Investments in associated companies

These relate to investments by Group companies in third-party companies. However, since the Group neither exercises any control over the operational activities nor exerts any significant influence on their management, these long-term investments are not consolidated.

Other financial assets

Other financial assets correspond to long-term loans and defined benefit plan surpluses (note 19). The evolution of financial assets is included in the schedule on page 112.

9. Inventories

(million CHF)	2001	2000
Raw materials and components	440	374
Work in progress	430	439
Finished products	344	283
Spare parts for customer service	147	120
Total	1 361	1 216

Inventories increased by 11.9 % compared with the previous year. These inventories include a large number of new products and components, the purpose of which is to supply the markets without risk of any shortfalls in stock. Those stocks showing a high risk of obsolescence have been revalued at their net realizable value. This value adjustment can be compared with that taken into account the previous year.

10. Trade receivables

(million CHF)	2001	2000
Gross trade receivables	700	721
Provision for bad & doubtful debts	-21	-19
Trade receivables - net	679	702

The provision represents 3.0% of open receivables and covers all the risks identified at the year-end closing. The number of days outstanding for trade receivables remains stable. Calculated on the basis of actual monthly sales, the corresponding ratio remains stable and represents 53 days at the end of 2001.

11. Other receivables and prepayments

These two headings include several items. These can be summarized as follows:

(million CHF)	2001	2000
Advances	18	17
VAT to be recovered	123	137
Tax to be recovered	11	27
Defined financial expenses	0	8
Prepaid advertising	2	2
Miscellaneous receivables and other defined prepayments	144	128
Total	298	319

12. Available-for-sale investments

Available-for-sale investments amount to CHF 584 million (previous year CHF 563 million). They are valued at their fair value on balance sheet date.

The Swatch Group holds only current investments which can be sold within 12 months.

ANNEX

13. Cash and cash equivalents	(million CHF)	2001	2000
	Cash	1	1
	Short-term bank deposits	285	276
	Total	286	277

The average yield obtained on short-term bank deposits corresponds to the average interest rates prevailing in the capital markets and for the different currencies for deposits with an average maturity of 1-2 months.

In the consolidated source and application of funds statement, cash and cash equivalents comprise the following headings:

(million CHF)	2001	2000
Cash and cash equivalents	286	277
Bank overdrafts	-10	-21
Total	276	256

14. Share capital

	2001	2000
Number of registered shares at a nominal value of:		
- CHF 10.00 each		14 081 000
- CHF -.45 each	140 810 000	
Number of bearer shares at a nominal value of:		
- CHF 50.00 each		3 426 450
- CHF 2.25 each	34 264 500	
In million CHF	140	312

Additional information relating to the split and to the repayment of capital are indicated in the Annex to the consolidated financial statements of the Holding, note 17.

Following the repurchase program of our own shares through the 2nd negotiating line, the following number of shares were repurchased:

Shares	Number	KCHF
- registered shares of CHF -.45 each	3 758 673	1 691
- bearer shares of CHF 2.25 each	757 550	1 704

Provided that the proposal of the Board of Directors to reduce share capital, presented to the Annual General Meeting of Shareholders on 7.6.2002 is agreed upon, share capital will comprise the following:

Shares	Number	million CHF
- registered shares of CHF -.45 each	137 051 327	62
- bearer shares of CHF 2.25 each	33 506 950	75
Total nominal value of share capital		137

15. Treasury shares

The Swatch Group Ltd shares held by the Group are valorized in the consolidated financial statements at the average purchase price. They are recognized as a deduction to equity. The detail of the evolution in the number of shares is shown in the Annex to the financial statements of the Holding, note 17.

With the exception of movements relating to the special management stock option plan, all transactions involving treasury shares were recorded at market value.

16. Provisions

(million CHF)	Guarantee	Litigation	Other	Total
At 31 December 2000	72	9	21	102
Additional provisions	15	1	32	48
Amounts not used	-32	0	-3	-35
Use during the year	0	0	-2	-2
At 31 December 2001	55	10	48	113

ANNEX

Analysis of total provisions (million CHF)	2001	2000
Non-current provisions	75	69
Current provisions	38	33
Total	113	102

Guarantee and goodwill

The Group generally offers a two-year guarantee and repairs or replaces those products which do not work to satisfaction. The provision set up at the end of the year to cover future guarantee costs is based on historic experience with respect to the volume of repairs and returns.

Legal risks

The amounts shown include provisions for some legal proceedings instituted against the Group. It is the Directors' opinion, which is backed up by the appropriate legal advice, that these proceedings will not result in any significant loss beyond the amounts set aside at 31 December 2001.

Others

Other provisions correspond to various commitments to third parties, as entered into by the companies of the Group. These relate to commitments where the expiry date and amount are not definitely specified.

17. Borrowings

(million CHF)	2001	2000
Non-current		
Mortgage debts	0	10
Long-term bank debts	27	27
Convertible loan	26	26
Other long-term debts	8	8
Total	61	71
Current		
Bank overdraft	11	21
Short-term bank debts	282	179
Total	293	200

Mortgage debts are covered by mortgage liens of an equivalent value.

The interest-bearing loan schedule at Group level is as follows:

(million CHF)	6 months or less	6-12 months	1-5 years	More than 5 years	Total
As at 31.12.2001	288	5	61	0	354
(million CHF)	6 months or less	6-12 months	1-5 years	More than 5 years	Total
As at 31.12.2000	194	6	71	0	271

18. Deferred taxes (assets and liabilities)

The evolution in deferred taxes is as follows:

(million CHF)	2001	2000
Balance as at 1.1.	-165	-166
Effects following the adoption of IAS 39 (2001)	-3	0
Conversion differences	12	0
Income statement (note 4)	-16	1
Tax debited/(credited) to equity	3	0
At 31 December	-169	-165

The breakdown of deferred taxes debited/(credited) to equity is shown in the table summarizing the evolution in equity (see page 95).

Deferred tax assets resulting from reported tax losses are only considered to the extent where there may be a taxable profit against which the tax losses could be applied.

ANNEX

The breakdown of carryforward tax losses not considered in the consolidated financial statements is as follows:

(million CHF)	2001			2000		
Expiry	Recognized	Unrecognized	Total	Recognized	Unrecognized	Total
2000				1		1
2001	14		14	15		15
2002	24	3	27	30	3	33
2003	32	13	45	33	20	53
2004	4		4	4		4
2005				1		1
2006	9		9	8		8
Plus tard	23	1	24	25	1	26
Total	106	17	123	117	24	141

Deferred tax assets and liabilities (prior to offsetting any balances submitted to the same tax authority) are linked to the following items on the consolidated balance sheet:

Deferred tax assets	Source (million CHF)	2001	2000
	Reported losses/tax credits	10	9
	Non-current assets	19	18
	Current assets	82	80
	Short-term debts	5	6
	Provisions	6	2
	Long term debts	5	1
	Total	127	116

Deferred tax liabilities	Source (million CHF)	2001	2000
	Non-current assets	-109	-117
	Current assets	-121	-119
	Provisions	-66	-44
	Long-term debts		-1
	Total	-296	-281

Deferred tax assets and liabilities are offset among legal entities coming under the same tax authority.

The following amounts, calculated by offsetting, are presented in the consolidated balance sheet:

(million CHF)	2001	2000
Deferred tax assets	105	104
Deferred tax liabilities	-274	-269
Total net	-169	-165

19. Retirement benefit obligations (post-employment benefits)

Defined benefit plans

The amounts considered in the income statement and balance sheet are determined as follows:

ANNEX

Plan with asset surplus	2001	2000
	million CHF	million CHF
Present value of funded obligations	-2 811	-2 588
Fair value of plan assets	2 745	3 004
Liability/asset surplus	-66	416
Unrecognized actuarial difference	599	50
Value adjustment	-533	-456
Net asset in the balance sheet	0	10

Plan with liability surplus		
Present value of funded obligations	-73	-65
Fair value of plan assets	56	54
Liability surplus	-17	-11
Unrecognized actuarial difference	7	0
Present value of unfunded obligations	-3	-3
Unrecognized prior service cost	0	2
Net liability in the balance sheet	-13	-12

Amounts recognized in the income statement

Current service cost	-72	-68
Interest cost on obligations	-108	-102
Expected return on plan assets	169	164
Net actual losses recognized current year	0	-1
Employee contributions	35	28
Variation of adjustment	-78	-73
Total reported in staff costs	-54	-52

Movement in the net asset/liability recognized in the balance sheet

At beginning of year	-2	12
Net expense recognized in the income statement	-54	-52
Employer contributions paid	43	38
Net asset/liability at end of year	-13	-2

Actual return on plan assets

Expected return on plan assets	169	164
Actuarial difference on plan assets	-319	45
Actual return on plan assets	-150	209

Principal actuarial assumptions used

	2001	2000
	%	%
Discount	(2.5-7.0)	(2.5-7.3)
Expected return on plan assets	(3.0-8.5)	(3.0-8.5)
Salary increases due to inflation	(1.5-4.3)	(1.5-5.5)
Pension index	(1.0-5.0)	(1.0-5.0)

Where the Group cannot expect any surplus calculated against future economic benefits in the form of a reduction in its future contributions (employer's share) or repayment (direct or indirect) from the fund, this has not been capitalized in the consolidated financial statements.

Defined contribution plans

The totals considered in the consolidated income statement relating to contributions to defined contribution plans correspond to the employer's share payable, calculated according to the regulations of the various pension plans.

20. Stock option plan

When the group of investors known as the 'Hayek Pool' took control of the Swatch Group, a package of shares was set aside in 1986 for a share program for managers. At 31.12.2001, the portfolio comprised 4 163 298 registered shares (previous year 435 131 registered shares before the split, or 4 351 310 registered shares respectively considering the split 1:10 split at 10 August 2001). In 2001, 188 012 registered shares were issued at a preferential price of CHF 4.- according to the following details:

Year granted	Number of registered shares	Number of holders	Year exercised/ payment
1999	60 050	155	2001
2000	63 860	190	2001
2001	64 102	195	2001
Total	188 012		

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

Year granted	Number of registered shares	Number of holders	Year exercised/ payment
2000	61 510	173	2002
2001	63 547	192	2002
2001	62 586	192	2003
Total	187 643		

Neither the members, nor the Chairman or Deputy of the Board of Directors, have ever received shares under this program.

21. Trade and other payables and accrued expenses

This position decreased CHF 36 million to CHF 626 million. These liabilities include the following debts and accruals:

(million CHF)	2001	2000
Debts and accruals on purchases of goods & services	239	286
Salaries and social security contributions	76	84
Sales reductions	11	12
Advertising	73	59
VAT payable	17	14
Taxes	73	69
Advances received	2	1
Other debts and accrued charges	135	137
Total	626	662

ANNEX

Accrued expenses include all charges relating to the current period not yet invoiced by third parties to companies within the Group. The main items relate to advertising costs and to deferred fiscal charges for the current year for certain subsidiaries. These items account for a CHF 20 million reduction, from CHF 265 million (end of 2000/IAS) to CHF 245 million at the end of 2001.

22. Changes in working capital

	2001	2000
	million CHF	million CHF
Net income	504	546
Minority interest	6	7
Taxes	114	116
Depreciation of tangible assets	178	211
Amortisation of intangible assets	18	12
Impairment charge	5	2
Profit/loss on sale of fixed assets	-4	-8
Fair value gains/losses on available for sale investments	14	1
Interest Income	-25	-31
Interest Expenses	19	23
Changes in working capital (without liquid funds):		
- Inventories	-149	-182
- Trade and other receivables	32	-7
Changes in short-term debts:		
- Trade payables	-32	45
Variation in provisions	18	-69
Variation in pensions and other retirement benefits	11	14
Cash generated from operations	709	680

23. Company acquisitions

Effective 1 January 2001, the Swatch Group acquired 100% of the share capital in two companies, namely ALIKI PERRI SA and ALIKONI SA, both located in Greece. It also acquired 51% of a company named ASICentrum in the Czech Republic.

Effective 1 January 2000, the Group purchased 100% of the share capital in UNIVERSO SA and JAQUET-DROZ SA, both in Switzerland, as well as Glashütter Uhrenbetrieb GmbH, Union Uhrenfabrik GmbH and Saxonian Holding GmbH, all in Germany.

The breakdown of net assets and goodwill related to these acquisitions is as follows:

(million CHF)	2001	2000
Cash expended	8	119
Net fair value of acquired assets	0	-35
Goodwill	8	84
Cash and cash equivalents	0	5
Tangible assets	1	34
Inventories	1	15
Receivables	4	17
Debts	-6	-36
Net fair value of acquired assets	0	35
Total purchase value	8	119
Less: cash and cash equivalents acquired	0	-5
Cash flow as a result of purchases	8	114

24. Derivative financial instruments

An overview of all the contract values and those concerning the replacement of derivative financial instruments on gold and currencies is included in the annex to the financial statements of the Holding on page 128 and 129. Only the third party values are decisive with respect to the Group accounts.

Since 1.1.2001 the Group has applied standard IAS 39. The effects on shareholder equity and other items of the balance sheet as at 1.1.2001 stemming from unrealized profits and losses, as well as profits and losses recognized in the income statement, are as follows:

(million CHF)	Profit Reserves	Profit Variance in cash flow hedges	Total
Available-for-sale investments	26		26
Derivatives	-1	14	13
Deferred taxes on the above items	-2	-1	-3
Effects of introducing IAS 39 as at 1.1.2001	23	13	36
Market value evolution concerning			
- Available-for-sale investments	-51		-51
- Derivatives		11	11
Profits and losses realized and recognized in the income statement concerning			
- Available-for-sale investments	-15		-15
- Derivatives	1	-14	-13
Deferred taxes on the above items	-3		-3
Total value adjustments at 31.12.2001	-45	10	-35

Other financial instruments

The Group contracted over-the-counter (OTC) transactions with third parties for registered shares of the Swatch Group Ltd in order to ensure the permanent availability of funds needed for the complete conversion of the convertible loan of 1995 - 23.10.2002. The total contractual value of the two options in this category amounts to CHF 40.8 million. The resulting value presents no risk with regard to the terms concluded with the counter-party. Because of this, they have not been considered. In addition, the Group is protected against any loss on these options as long as the registered share price of the Swatch Group Ltd exceeds CHF 14.50, irrespective of whether the loan has been converted in full or in part. The maximum Group commitment for this operation amounted to CHF 17.9 million at 31.12.2001.

ANNEX

25. Commitments, contingent assets and liabilities

Leasing commitments

Leasing commitments not recognized on the balance sheet account for less than CHF 4 million at 31.12.2001 for the Group as a whole. In the previous year, the corresponding amount was in the order of CHF 6 million.

Contingent liabilities and assets

Any contingent assets and liabilities relate to past events, the outcome of which must be confirmed by future events, which are partially beyond the Group's control.

Some Group companies are involved in litigation arising from the normal course of business and they may be liable to make compensation. The costs relating to these can possibly not be covered by insurance – either in part or in whole. However, according to the Group Management, the outcome of the matters these relate to will not significantly affect the Group's financial situation.

26. Relations with associated third parties

Purchases of products and services

Over the past five years, Hayek Engineering has issued invoices for services provided, averaging CHF 5.8 million annually. The support provided to Group Management consisted in appraising the capital expenditure requests and the implementation of cost-reducing programs, in developing inventory control systems for gold stocks, and studies on structural and flow optimization. In addition, services were provided with respect to project management, operational audits, IT organization and support and of specialists for the management of the operational units.

A company of our minority shareholder in Singapore provided marketing and special events services for a total of CHF 3.6 Million (previous year: also CHF 3.6 Million). 93% of this amount represents only billing of costs, since this company organizes the services of external specialists and invoices the costs of these.

Directors' and executives' remuneration

The total remuneration of the General Management, including the extended Group General Management, totaled CHF 18.1 million for the past year, CHF 5.6 million of which accounted for salaries and, because of the exceptional income for the year 2000, CHF 12.5 million as performance-related bonuses relating to the previous year.

In 2001, 94 540 Swatch Group registered share options were assigned to this group. The purchase price amounts to CHF 4.- a share. One third can be exercised immediately, with the other two thirds in 12 and 24 months respectively.

With regard to The Swatch Group Pension Fund, members of management are covered under insurance conditions which apply to all employees. The maximum salary insured rose to CHF 245K, the ceiling will increase to CHF 295K at 1.1.2002.

Remuneration of external administrators

External administrators of The Swatch Group Ltd, who are not members of Group Management, received payments and expenses totaling CHF 0.6 million for the past year.

27. Post-closing-date events

No significant new event likely to modify the valuation of the financial statements for 2001 was indicated at the time of finalizing this report.

CONSOLIDATED COMPANIES OF THE SWATCH GROUP – as at 31.12.2001

Company name, Registered offices	Field of Activity	Share Capital in millions	Swatch Group shareholding (%)
EUROPE			
SWITZERLAND			
The Swatch Group SA, Neuchâtel	Holding	CHF 140.46	
Asulab SA, Biel	Research and development	CHF 0.10	100
Atlantic Uhrenfabrik AG, Bettlach	Real estate	CHF 0.70	100
Blancpain SA, Le Brassus	Watches	CHF 0.10	100
Certina, Gebr. Kurth AG, Grenchen	Watches	CHF 3.50	100
CK Watch Co. Ltd., Biel	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
Dernier Batz SA, Neuchâtel	Real estate	CHF 0.05	100
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100
Dress your body AG, Biel	Watches, jewelry	CHF 0.10	100
EM Microelectronic-Marin SA, Marin	Microelectronics	CHF 25.00	100
Endura SA, Biel	Watches	CHF 2.00	100
ETA SA Fabriques d'Ebauches, Granges	Watches, movements, components and systems	CHF 6.20	100
Farco SA, Le Locle	Real estate	CHF 2.00	100
Favre & Perret SA, La Chaux-de-Fonds	Watch cases	CHF 0.60	100
Frédéric Piguet SA, Le Brassus	Movements	CHF 0.30	100
Georges Ruedin SA, Bassecour	Watch cases	CHF 2.40	100
Groupe Habillage Haute Horlogerie Ltd, Saint-Imier	Assembly	CHF 0.10	100
Hamilton International AG, Bienne	Watches	CHF 0.10	100
ICB Ingénieurs Conseils en Brevets SA, Biel	Patents	CHF 0.20	100
Lasag AG, Thun	Lasers for industrial applications	CHF 1.00	100
Léon Hatot SA, Neuchâtel	Watches	CHF 0.10	100
Louis Jeanneret-Wespy SA, La Chaux-de-Fonds	Real estate	CHF 0.05	100
Maeder-Leschot SA, Biel	Real estate	CHF 0.70	100
Meco SA, Grenchen	Watch crowns	CHF 0.48	100
Meseltron SA, Corcelles	Real estate	CHF 2.00	100
Microcomponents SA, Grenchen	Components for the automobile industry	CHF 14.00	100
Mido G. Schaeren & Co SA, Biel	Watches	CHF 1.20	100
Montres Breguet SA, L'Abbaye	Watches	CHF 6.00	100
Montres Jaquet-Droz SA, La Conversion	Watches	CHF 3.68	100
Nivarox-FAR SA, Le Locle	Watch components and thin wires	CHF 4.00	100
Nouvelle Lemania SA, L'Orient	Movements	CHF 6.00	100
Omega Electronics SA, Biel	Sports timing equipment, information display systems	CHF 1.50	100
Omega SA, Biel	Watches	CHF 50.00	100
Oscilloquartz SA, Neuchâtel	High-stability frequency sources	CHF 2.00	100
Pierres Holding SA, Biel (in liquidation)	Holding	CHF 21.12	78
Rado Uhren AG, Lengnau	Watches	CHF 2.00	100
Record Watch Co SA, Tramelan	Inactive	CHF 0.50	100
Renata AG, Itingen	Miniature batteries	CHF 0.50	100
Rubistar GmbH, Thun	Real estate	CHF 0.20	78
S.I. Grand-Cernil 2, Les Brenets SA, Les Brenets	Real estate	CHF 0.12	100
S.I. Grand-Cernil 3, Les Brenets SA, Les Brenets	Real estate	CHF 0.12	100
S.I. Rue de la Gare 2, Les Brenets SA, Les Brenets	Real estate	CHF 0.24	100
SMH Engineering AG, Grenchen	Real estate	CHF 1.00	100
SMH Immeubles SA, Neuchâtel	Real estate and project management	CHF 0.50	80
SSIH Management Services SA, Biel	Inactive	CHF 0.05	100
The Swatch Group Distribution AG, Biel	Logistics and distribution	CHF 1.00	100
Swatch SA, Biel	Watches	CHF 2.00	100
Swatch Telecom SA, Biel	Telecommunication	CHF 8.00	100
Swatch Timing SA, Biel	Sports timing	CHF 0.10	100
Swiss Timing Ltd, Biel	Sports timing	CHF 0.10	100
Technocorp Holding SA, Le Locle	Holding	CHF 6.00	100
The Swatch Group les Boutiques SA, Lausanne	Retailing	CHF 3.00	100
Swatch Group Management Services SA, Biel	Services and licences	CHF 0.05	100
Time Flagship AG, Lucerne	Retailing	CHF 0.50	50
Tissot SA, Le Locle	Watches	CHF 5.00	100
Universo SA, La Chaux-de-Fonds	Watch hands	CHF 0.67	100
Universo Plastique SA, La Chaux-de-Fonds	Plastic components	CHF 1.10	100
Valdar SA, L'Orient	Watch components	CHF 0.05	100
LIECHTENSTEIN			
Etablissement Voltax, Vaduz	Intellectual property rights	CHF 0.03	100
GERMANY			
Altweiler GmbH, Lörrach	Real estate	EUR 0.03	95
ETA Uhrenwerke GmbH, Pforzheim	Movements	EUR 0.03	100
Glashütter Uhrenbetrieb GmbH, Glashütte	Watches	EUR 0.51	100
Saxonian Luxury Goods Holding GmbH, Glashütte	Holding	EUR 0.03	100
The Swatch Group (Deutschland) GmbH, Eschborn/Niederhöhnstadt	Distribution (Breguet, Omega, Rado, Longines, Tissot, Pierre Balmain, cK Watch, Swatch, Retailing, Lasag, EM Marin)	EUR 1.28	100
Swiss Prestige Uhren Handel GmbH, Reutlingen	Blancpain (distribution, after sales service)	EUR 0.08	100
Union Uhrenfabrik GmbH, Glashütte	Watches	EUR 0.05	100
AUSTRIA			
The Swatch Group (Oesterreich) GmbH, Wien	Distribution (Breguet, Omega, Rado, Longines, Tissot, Certina, cK Watch, Swatch)	EUR 0.04	100
BELGIUM			
The Swatch Group (Belgium) SA, Bruxelles	Distribution (Breguet, Omega, Rado, Longines, Tissot, Certina, Hamilton, cK Watch, Swatch, Omega Electronics)	EUR 1.75	100
The Swatch Group Participation SA, Bruxelles	Holding	EUR 2.09	100
SPAIN			
The Swatch Group (España) SA, Madrid	Distribution (Breguet, Blancpain, Omega, Rado, Longines, Tissot, Certina, Hamilton, Pierre Balmain, cK Watch, Swatch)	EUR 0.45	100
FRANCE			
Chablais Florissant, Annemasse	In liquidation	FRF 0.50	100
Fabrique de Fournitures de Bonnétage FFB, Villers-le-Lac	Watch components and precision parts	EUR 0.29	99
Frésard Composants SA, Charquemont	Watch components	EUR 0.15	100
The Swatch Group (France) SA, Paris	Distribution (Blancpain, Glashütte, Jaquet-Droz, Léon Hatot, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, Endura)	EUR 2.47	100
Breguet SA, Paris	Distribution	EUR 6.10	100
Société Européenne de Fabrication d'Ebauches d'Annemasse (SEFEA) SA, Annemasse	Watch components and electronic assembly	EUR 0.67	100
The Swatch Group (France) les Boutiques SAS, Paris	Retailing	EUR 0.04	100
Universo France Sàrl, Besançon	Watch hands	EUR 0.28	87

CONSOLIDATED COMPANIES OF THE SWATCH GROUP – as at 31.12.2001

Company name, Registered offices	Field of Activity	Share Capital in millions	Swatch Group shareholding (%)	
GREAT BRITAIN				
The Swatch Group (UK) Ltd, Eastleigh	Distribution (Breguet, Omega, Rado, Longines, Tissot, Hamilton, cK Watch, Swatch, Omega Electronics)	GBP 2.00	100	●
GREECE				
Alkioni SA, Athens	Retailing	EUR 0.06	100	●
The Swatch Group (Greece) SA, Athens	Distribution (cK Watch, Swatch)	EUR 0.06	100	●
IRELAND				
SMH Ireland Ltd, Dublin	Inactive	IEP 0.12	100	●
ITALY				
Lascor S.p.A, Sesto Calende	Watch cases and bracelets	EUR 0.43	100	●
The Swatch Group (Italia) S.p.A., Rozzano	Distribution (Breguet, Blancpain, Glashütte, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch)	EUR 3.28	100	●
The Swatch Group Europe Services S.r.l., Milano	Administration	EUR 0.01	100	●
LUXEMBURG				
The Swatch Group Finance (Luxembourg) SA, Société anonyme Holding, Luxembourg	Finance company	CHF 1000.00	100	●
NETHERLANDS				
The Swatch Group (Netherlands) BV, Maastricht	Distribution (Omega, Rado, Longines, Tissot, Certina, cK Watch, Pierre Balmain, Swatch)	EUR 0.70	100	●
Breguet Investments BV, Rotterdam	Holding	EUR 0.01	100	●
PORTUGAL				
The Swatch Group (Europa) – Sociedade Unipessoal SA, Funchal	Distribution	EUR 24.14	100	●
SWEDEN				
The Swatch Group (Nordic) AB, Stockholm	Distribution (Omega, Rado, Longines, Tissot, Certina, cK Watch, Swatch)	SEK 0.50	100	●
CZECH REPUBLIC				
Asicentrum, Prague	Microelectronics	CZK 2.01	51	●
AMERICA				
BERMUDA				
The Swatch Group Bermuda Finance Ltd, Hamilton	Reinsurance	CHF 81.74	100	●
The Swatch Group Bermuda Finance Re Ltd, Hamilton	Reinsurance	CHF 1.64	100	●
BRAZIL				
The Swatch Group do Amazonas SA, Manaus	Assembly	BRL 4.63	99	●
The Swatch Group do Brasil Ltda, São Paulo	Distribution (Breguet, Omega, Rado, Longines, Tissot, Mido, cK Watch, Swatch)	BRL 10.19	100	●
CANADA				
The Swatch Group (Canada) Ltd, Toronto	Distribution (Omega, Rado, Longines, Tissot, Hamilton, cK Watch, Swatch)	CAD 1.00	100	●
UNITED STATES				
The Swatch Group (US) Inc, Dover, Delaware	Distribution (Breguet, Blancpain, Glashütte, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, ETA, Lasag, Micro-Crystal, Renata)	USD 168.90	100	●
EM (US) Design Inc, Colorado	Microelectronics	USD 0.04	100	●
Unite Industries Inc, Virgin Islands VI	Assembly	USD 0.13	100	●
e-Swatch (US) Inc, Delaware	e-Commerce	USD 0.00	100	●
MEXICO				
Swatch Group (Mexico) SA de CV, Mexico DF	Distribution (Rado, Longines)	MXN 0.05	100	●
BRITISH VIRGIN ISLANDS				
The Swatch Group (Asia) Inc, British Virgin Islands	Distribution	USD 0.01	100	●
ASIA				
CHINA				
Zhuhai SMH Watchmaking Co. Ltd, Zhuhai	Watches, movements, components	USD 2.25	85	●
Shanghai SMH Watch Service Center Co. Ltd, Shanghai	After sales service	HKD 3.34	100	●
SMH International Trading (Shanghai) Co. Ltd, Shanghai	Distribution (Omega, Rado, Longines, Tissot, Swatch)	HKD 1.56	100	●
SOUTH KOREA				
The Swatch Group (Korea) Ltd, Seoul	Distribution (Omega, Rado, Longines, Tissot, cK Watch, Swatch)	KRW 3300.00	100	●
HONG KONG				
The Swatch Group (Hong Kong) Ltd, Hong Kong	Distribution (Blancpain, Omega, Rado, Longines, Tissot, Pierre Balmain, cK Watch, Swatch, ETA)	HKD 5.00	100	●
Lanco Watches Ltd, Hong Kong	Inactive	USD 0.07	100	●
INDIA				
The Swatch Group (India) Private Ltd, New Delhi	Distribution	INR 0.50	100	●
JAPAN				
The Swatch Group (Japan) KK, Tokyo	Distribution (Breguet, Blancpain, Léon Hatot, Omega, Rado, Longines, Tissot, Hamilton, cK Watch, Swatch, Endura)	JPY 200.00	100	●
MALAYSIA				
Micromechanics (Malaysia) Sdn Bhd, Ipoh	Assembly, watch components	MYR 35.00	100	●
The Swatch Group (Malaysia) Sdn Bhd, Kuala Lumpur	Distribution (Omega, Rado, Longines, Tissot, cK Watch, Swatch)	MYR 0.50	51	●
SINGAPORE				
The Swatch Group S.E.A. (S) Pte Ltd, Singapore	Distribution (Breguet, Blancpain, Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch)	SGD 4.00	51	●
TAHLAND				
ETA (Thailand) Co. Ltd, Bangkok	Movements and components	THB 504.50	100	●
OCEANIA				
AUSTRALIA				
The Swatch Group (Australia) Ltd, Prahran	Distribution (Omega, Rado, Longines, Tissot, Hamilton, Pierre Balmain, cK Watch, Swatch, Omega Electronics, Renata)	AUD 0.40	100	●
MINORITY SHAREHOLDER				
The Swatch Group Trading (Thailand) Ltd, Bangkok	Distribution (Omega, Rado, Longines, cK Watch, Swatch)	THB 4.00	49	●
Wachirapani Co. Ltd, Bangkok	Holding	THB 2.04	49	●

Légend: ● Watches
● Watches, movements and components manufacturing

● Electronic systems
● General services, research and development, real estate companies

REPORT OF THE GROUP AUDITORS

Report of the group auditors
to the general meeting of
The Swatch Group Ltd.
Biel

As auditors of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in equity and notes – pages 91 to 123) of The Swatch Group Ltd for the year ended 31 December 2001.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers Ltd

P. Sütterlin

A. Stotz

Basle, 19 March 2002