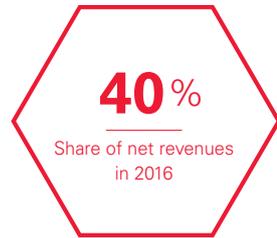


MARKET REGIONS



KPMG strengthens regional presence

The past year has seen KPMG hiring additional staff in the various market regions and investing heavily in employee training. Medium-sized companies sought not only audit and tax-related services but demand for advisory services was on the rise as well.

The success of the Swiss economy hinges to a great degree on the medium-sized companies located in the country's different regions. KPMG is proud to provide advisory and audit services to a large number of these innovative companies with local roots and international networks. This is the result of KPMG's sustained efforts to foster the trust that those entrepreneurs have placed in it. Ten locations in Switzerland and one in Liechtenstein mean that KPMG is always

in close proximity to its clients. Likewise, our regional heads are every bit as present and firmly established within their local networks.

The market regions are performing quite well overall and experiencing continuous, sustainable growth with only very minor fluctuations in revenue over the course of the year. This is largely attributable to KPMG's loyal client base.

Heads of the Market Regions



Reto Benz
Switzerland



Claudio Boller
Basel



Hans Jürg Steiner
Berne-Mittelland



Hans Vils
Liechtenstein



Peter Michael
Eastern Switzerland



Lorenzo Job
Canton of Ticino



Hélène Béguin
Western Switzerland



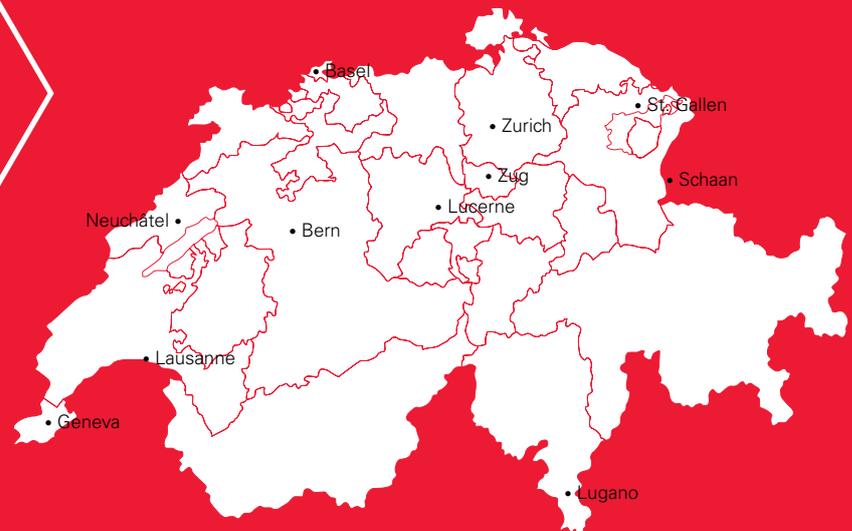
Thomas Affolter
Central Switzerland



Patrik Kerler
Zurich



Locations KPMG Switzerland



Demand for services related to structural change and regulation

The structure of the economy is in a constant state of flux, even in the regions, which has prompted greater demand for advisory services related to mergers and acquisitions with Swiss small and medium-sized enterprise (SME) involvement. Another driver this past year was the increasing regulatory burden.

SMEs are still struggling with the strong franc which is driving production costs up by international standards and squeezing margins. Also still unresolved is the shortage of skilled labor. On that note, the lack of details concerning implementation of the mass immigration initiative is not very helpful either as it strains the country's relationship to the EU and thus to Switzerland's key trading partners. Uncertainties surrounding Corporate Tax Reform III, on the other hand, are expected to be cleared up next year. KPMG helps enterprises define and implement their tax strategies, as well, with the regions benefiting from access to tax advisors with cantonal, national and even international expertise.

Digitization on the rise

So far Swiss SMEs have neglected to pay much attention to the topic of digitization. Yet companies interested in getting in shape for the future have to start familiarizing themselves with not only the opportunities and risks, but also the requirements of Industry 4.0, 3D printing and big data.

And this holds true regardless of size or industry. Each and every company needs to check which opportunities and options the new technologies and digital economy open up for it and then take appropriate action. Sooner or later, those who don't will get left behind.

Focusing on large Swiss metropolitan areas also impacts the country's many smaller market regions, which can manifest itself through a reduction in the number of regional bank branches or in a migration of potential staff to cities hosting relevant specialist clusters. That, in turn, is also exacerbating the struggle to find talented recruits outside metropolitan areas even further. New working models could conceivably counteract these trends. KPMG is keeping close tabs on these developments both to meet its own needs and also to assist its clients in the various market regions.

Steady development of market regions

The past year has seen KPMG hiring additional staff in the various market regions, strengthening the firm's regional structures and investing heavily in employee training. These efforts are all aimed at ensuring that companies can swiftly be provided with the expertise they need, whether from Audit, Tax or Advisory. KPMG concentrates particularly on family-run businesses and start-ups. The next few years will bring continued emphasis on employee development to hone their expertise in the various market regions.