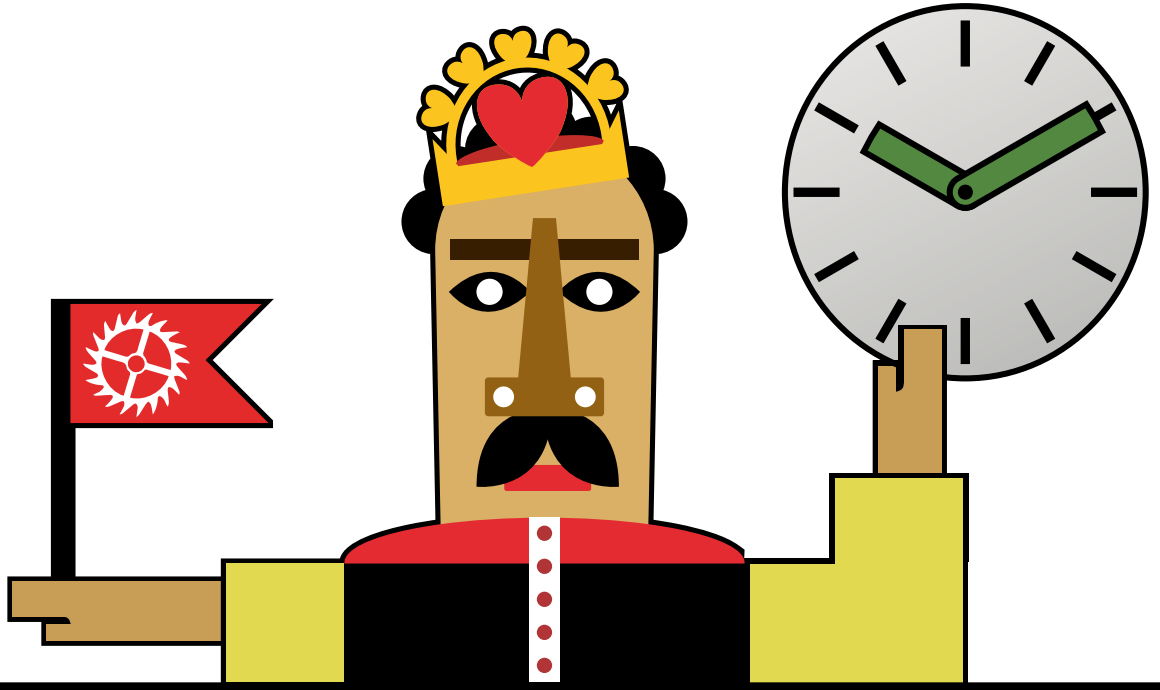
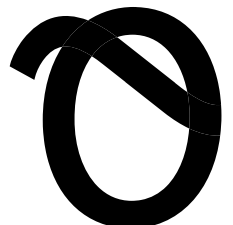


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ANNUAL REPORT
2021

SWATCH GROUP



FINANCIAL STATEMENTS 2021

CONSOLIDATED FINANCIAL STATEMENTS
FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD



Of course, Jass also has its own way of recording the points: each team writes the 100s in its half of the slate in the top row, the 50s in the middle row, and the 20s in the bottom row.

On the right side, the plus and minus points are noted.

A seasoned Jass player recognizes the exact score and thus the leading team at a glance.

CONSOLIDATED FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD **214****THE SWATCH GROUP LTD SECURITIES** **229****1. Key figures Group**

[CHF million]	2021	2020	Change in %		Total
			at constant rates	currency effect	
Net sales	7 313	5 595	29.6%	1.1%	30.7%
Operating result	1 021	52			
– In % of net sales	14.0%	0.9%			
Net result	774	–53			
– In % of net sales	10.6%	–0.9%			
Equity	11 605	10 965			
– As a % of balance sheet total	84.8%	85.0%			
Dividend in CHF 1)	2021	2020			
– Per bearer share	5.50	3.50			
– Per registered share	1.10	0.70			

1) For the year under review: Board of Directors' proposal

With its 17 brands, the Swatch Group is present in all segments, and is a fully verticalized company, from production to distribution. The Group has an ideal set-up worldwide, with its own retail network including e-commerce and its own customer service. The Group continuously makes long-term investments, not only in research and development of innovative and unique products, but also in the close to 150 production facilities in Switzerland and in worldwide distribution. As a result, the Group occupies an unparalleled position in the Swiss as well as the worldwide watch industry.

2. Environment / Financial year

Development net sales and operating result

2021 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
Net sales	7 014	314	9	-24	7 313
Operating result	1 117	27	-123	0	1 021
- In % of net sales	15.9%	8.6%			14.0%
2020 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
Net sales	5 337	268	8	-18	5 595
Operating result	179	-6	-121	0	52
- In % of net sales	3.4%	-2.2%			0.9%

Comparisons have been made with 2019, which was not impacted by Covid-19.

At constant exchange rates, Group net sales were -7.4% below 2019 (second half: -2.6% below 2019). Net sales for the 4th quarter even exceeded 2019 levels, at constant exchange rates. Brands in all price segments contributed to this result. The negative currency impact on sales was CHF -322 million or -3.9% compared with 2019. The Watches & Jewelry segment (excluding Production) realized an operating margin of 17.7%, considerably higher than the 15.2% recorded in 2019.

The travel activity, which was still severely restricted in some cases, led to regional shifts in sales compared with 2019. Mainland China and the USA realized historical record sales levels. Despite a retail network reduced by 22%, equally high sales levels as in 2019 were realized in the Group's own retail business. In particular, the strong performance of e-commerce was a contributing factor.

Sales in the Production sector almost reached 2019 levels in the last months of the year. Order books were considerably higher than at the end of 2019, and production capacity utilization normalized, whereby strong product demand for some brands far exceeded available capacity.

The long-term Group strategy to strengthen "Workplace Switzerland" through targeted investment in local production sites paid off in particular for the Electronic Systems segment. Strong demand for electronic components and button cell batteries led to increased sales of +14.8% at constant exchange rates compared with 2019. Operating result reached CHF 27 million, corresponding to a margin of 8.6%. Swiss Timing, particularly as official timekeeper for the Olympic Summer Games in Tokyo, also contributed to the result.

Development net result

(CHF million)	2021	2020
Operating result	1 021	52
Net financial result	-10	-16
Ordinary result	1 011	36
Non-operating result	0	0
Result before income taxes	1 011	36
Income taxes	-237	-89
Net result	774	-53
- In % of net sales	10.6%	-0.9%
Basic earnings per share in CHF	2021	2020
- Registered shares	2.96	-0.20
- Bearer shares	14.78	-0.99

The net financial result for the year under review closed with a loss of CHF -10 million (previous year: loss of CHF -16 million), primarily influenced by a strongly negative net currency result. Further details to the net financial result can be found in Note 18 of the consolidated financial statements.

Income tax expense in relation to net income before tax was 23.4% in the year under review or CHF -237 million (previous year: CHF -89 million). Thanks to improved earnings in many Group companies, existing non-capitalized carryforward tax losses could be used and the amount of current unrecognized tax losses reduced. As a result, the effective tax rate decreased by 2.1% in comparison with 2019, which was not impacted by Covid-19. A detailed analysis of income tax expense is disclosed in Note 27 to the consolidated financial statements.

Net result totaled CHF 774 million compared to CHF -53 million in previous year.

In the current year, basic earnings per share amounted to CHF 2.96 for registered shares (previous year: CHF -0.20) and CHF 14.78 for bearer shares (previous year: CHF -0.99). Detailed information can be found in Note 15 of the consolidated financial statements.

The Board of Directors of the Swatch Group will propose a dividend of CHF 1.10 per registered share and CHF 5.50 per bearer share at the Annual General Meeting on 24 May 2022 (previous year: CHF 0.70 per registered share and CHF 3.50 per bearer share).

FINANCIAL REVIEW

Development balance sheet structure

(CHF million)	2021	2020
Current assets	10 107	9 238
Current liabilities	1 377	1 212
Equity	11 605	10 965
- As a % of balance sheet total	84.8%	85.0%

Current liabilities were covered by current assets by a factor of 7.3 (previous year: 7.6). This factor indicates a very healthy structure of the short-term balance sheet positions.

At the end of the year under review, the equity amounted to CHF 11.6 billion (previous year: CHF 11.0 billion). The equity ratio was 84.8% of total assets (previous year: 85.0%).

Development liquidity

(CHF million)	2021	2020
Cash and cash equivalents at 1 January	1 540	1 148
Cash flow from operating activities	1 298	819
Cash flow from investing activities	-727	-126
Cash flow from financing activities (incl. foreign exchange rate differences on cash)	-224	-301
Cash and cash equivalents at 31 December	1 887	1 540

After-tax operating cash flow generated in 2021 was CHF 1 298 million, an increase of +58.5% against the previous year.

Across all segments, Swatch Group invested a total of CHF 303 million in non-current operating assets¹⁾ in 2021. Free cash flow²⁾ amounted CHF 1 033 million (+53.0% compared to previous year), respectively 14.1% of Net sales (previous year: 12.1%).

The dividend payment of CHF 181 million (previous year: CHF 284 million) was the main cash flow from financing activities. The net liquidity³⁾ at the end of the year was CHF 2 558 million.

3. Outlook

Group Management anticipates double-digit sales growth in local currencies in 2022. This will be ensured by numerous, and in some cases, spectacular new products from the brands in all segments. Omega, as timekeeper for the Olympic Winter Games in Beijing, will be present worldwide in the media in February, and in September, Tissot, as timekeeper for the Asian Games in Hangzhou, will be visible far beyond the Chinese market.

At the end of 2021, order books in the Electronic Systems segment were twice as high as at the end of 2019, which will lead to sales growth in the current year.

1) Investments in property, plant and equipment, in intangible assets and in other non-current assets according to statement of cash flows

2) Cash flow from operating activities minus cash flow from investing activities (without financial assets and securities)

3) Cash and cash equivalents as well as financial assets, securities and derivative financial instruments minus current financial debts and derivative financial liabilities

CONSOLIDATED INCOME STATEMENT

	Notes	2021 CHF million	%	2020 CHF million	%
Net sales	(4, 5a)	7 313	100.0	5 595	100.0
Other operating income	(5b)	281	3.8	122	2.2
Changes in inventories		19	0.3	-364	-6.5
Material purchases		-1 524	-20.8	-983	-17.6
Personnel expense	(11)	-2 206	-30.2	-1 972	-35.2
Depreciation and impairment on property, plant and equipment	(8)	-396	-5.4	-420	-7.5
Amortization and impairment on intangible assets	(9)	-42	-0.6	-43	-0.8
Other operating expenses	(6a)	-2 424	-33.1	-1 883	-33.7
Operating result		1 021	14.0	52	0.9
Other financial income and expense	(18)	4	0.0	-3	-0.0
Interest expense	(18)	-5	-0.1	-3	-0.0
Share of result from associates and joint ventures	(18, 34)	-9	-0.1	-10	-0.2
Ordinary result		1 011	13.8	36	0.7
Non-operating result	(5c)	0	0.0	0	0.0
Result before income taxes		1 011	13.8	36	0.7
Income taxes	(27b)	-237	-3.2	-89	-1.6
Net result		774	10.6	-53	-0.9
<i>Attributable to shareholders of The Swatch Group Ltd</i>		765		-51	
<i>Attributable to non-controlling interests</i>		9		-2	
Earnings per share in CHF	(15)				
Registered shares					
Basic earnings per share		2.96		-0.20	
Diluted earnings per share		2.95		-0.20	
Bearer shares					
Basic earnings per share		14.78		-0.99	
Diluted earnings per share		14.77		-0.99	

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

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2021		31.12.2020	
		CHF million	%	CHF million	%
Current assets					
Cash and cash equivalents	(19)	1 979	14.5	1 585	12.3
Financial assets, securities and derivative financial instruments	(20)	677	4.9	207	1.6
Trade receivables	(5d)	710	5.2	685	5.3
Other current assets	(22)	136	1.0	212	1.6
Inventories	(7)	6 389	46.7	6 315	49.0
Prepayments and accrued income	(23)	216	1.6	234	1.8
Total current assets		10 107	73.9	9 238	71.6
Non-current assets					
Property, plant and equipment	(8)	2 771	20.3	2 929	22.7
Intangible assets	(9)	144	1.0	144	1.1
Investments in associates and joint ventures	(34)	21	0.1	29	0.2
Other non-current assets	(26)	186	1.4	106	0.9
Deferred tax assets	(27d)	449	3.3	451	3.5
Total non-current assets		3 571	26.1	3 659	28.4
Total assets		13 678	100.0	12 897	100.0

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

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	31.12.2021		31.12.2020	
		CHF million	%	CHF million	%
Current liabilities					
Financial debts and derivative financial instruments	(21)	98	0.7	92	0.7
Trade payables		313	2.3	281	2.2
Other liabilities	(24)	258	1.9	182	1.4
Provisions	(10)	112	0.8	69	0.5
Accrued expenses	(25)	596	4.4	588	4.6
Total current liabilities		1 377	10.1	1 212	9.4
Non-current liabilities					
Financial debts	(21)	2	0.0	3	0.0
Deferred tax liabilities	(27d)	430	3.2	465	3.6
Retirement benefit obligations	(12)	42	0.3	43	0.3
Provisions	(10)	68	0.5	51	0.4
Accrued expenses	(25)	154	1.1	158	1.3
Total non-current liabilities		696	5.1	720	5.6
Total liabilities		2 073	15.2	1 932	15.0
Equity					
Share capital	(14a)	118		118	
Capital reserves	(14b)	-971		-970	
Treasury shares	(14d)	-131		-141	
Goodwill recognized		-1 370		-1 372	
Translation differences		-442		-490	
Retained earnings		14 336		13 752	
Equity of The Swatch Group Ltd shareholders		11 540	84.4	10 897	84.5
Non-controlling interests		65	0.4	68	0.5
Total equity		11 605	84.8	10 965	85.0
Total equity and liabilities		13 678	100.0	12 897	100.0

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(CHF million)	Notes	2021	2020
Operating activities			
Net result		774	-53
Share of result from associated companies and joint ventures	(34)	9	10
Income taxes	(27b)	237	89
Depreciation on non-current assets	(8, 9)	437	463
Impairment	(8, 9)	1	0
Changes in provisions and retirement benefit obligations		54	-23
Gains/losses on sale of non-current assets		2	-16
Other non-cash items		-1	73
Changes in net working capital:			
- Trade receivables		-19	124
- Inventories		-19	370
- Other current assets, prepayments and accrued income		0	67
- Trade payables		27	-12
- Other liabilities and accrued expenses		51	-45
Dividends received from associated companies and joint ventures	(34)	1	1
Income tax paid	(27c)	-256	-229
Cash flow from operating activities		1 298	819
Investing activities			
Investments in property, plant and equipment		-251	-208
Proceeds from sale of property, plant and equipment		10	7
Investments in intangible assets		-44	-41
Proceeds from sale of intangible assets		1	19
Investments in other non-current assets		-8	-4
Proceeds from other non-current assets		27	83
Investments in current financial assets		-388	0
Purchase of marketable securities		-139	-132
Sale of marketable securities		65	150
Cash flow from investing activities		-727	-126
Financing activities			
Dividends paid to shareholders	(16)	-181	-284
Dividends paid to non-controlling interests		-15	-11
Purchase of treasury shares		-12	0
Sale of treasury shares		12	24
Change in non-current financial debts		-1	0
Change in current financial debts		-37	20
Repurchase of non-controlling interests	(31c)	0	0
Cash flow from financing activities		-234	-251
Net impact of foreign exchange rate differences on cash		10	-50
Change in cash and cash equivalents		347	392
Change in cash and cash equivalents			
- Balance at beginning of year		1 540	1 148
- Balance at end of year	(19)	1 887	1 540

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(CHF million)	Attributable to The Swatch Group Ltd shareholders							Non-controlling interests	Total equity
	Share capital (Note 14a)	Capital reserves (Note 14b)	Treasury shares (Note 14d)	Goodwill recognized	Translation differences	Retained earnings	Total		
Balance at 31 December 2019	118	-948	-195	-1 372	-285	14 087	11 405	88	11 493
Net result						-51	-51	-2	-53
Currency translation of foreign entities					-205		-205	-7	-212
Dividends paid						-284	-284	-11	-295
Employee stock option plan (Note 13)		-1	9				8		8
Sale of treasury shares		-21	45				24		24
Transactions with non-controlling interests		-0					-0	0	0
Balance at 31 December 2020	118	-970	-141	-1 372	-490	13 752	10 897	68	10 965
Net result						765	765	9	774
Currency translation of foreign entities					48		48	3	51
Change in goodwill (Note 33)				2			2		2
Dividends paid						-181	-181	-15	-196
Employee stock option plan (Note 13)		0	9				9		9
Purchase of treasury shares		0	-12				-12		-12
Sale of treasury shares		-1	13				12		12
Balance at 31 December 2021	118	-971	-131	-1 370	-442	14 336	11 540	65	11 605

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION

1. General information

The Swatch Group Ltd and its subsidiaries (collectively the Group) is active worldwide and represented in the finished watches and jewelry sector with 17 brands in all market and price segments. In addition, it holds an outstanding industrial position with a high degree of vertical integration in the sector of watch movements and components as well as in the electronic systems sector.

The Swatch Group Ltd is a limited company incorporated and domiciled in Switzerland. Its registered office is located in Neuchâtel, Faubourg de l'Hôpital 3. The administrative headquarters are in Biel, Seedorf 6.

The shares of The Swatch Group Ltd are listed in Switzerland in the Swiss Reporting Standard of the SIX Swiss Exchange, under the ISIN numbers CH0012255144 (registered shares) and CH0012255151 (bearer shares). Bearer shares are included in the indices SLI, SMIM, SPI (M), SPI Extra and UBS 100, registered shares in the indices SPI (M), SPI Extra, SPI ex SLI and UBS 100. In addition, Swatch Group shares are also listed on the BX Berne eXchange.

These consolidated financial statements were approved for issue by the Board of Directors on 2 March 2022 and will be submitted to the Annual General Meeting of Shareholders for approval on 24 May 2022.

2. Basis of preparation

a. Basic accounting policies

These financial statements provide a true and fair view of the Swatch Group's assets, financial position and earnings, and have been drawn up in accordance with all of the existing guidelines of the accounting and reporting recommendations of Swiss GAAP FER. The financial statements of the Group are based upon the financial statements of the Group companies as at 31 December and are established in accordance with the standardized reporting and accounting policies. The financial statements are based on the principle of historical acquisition costs (except for securities and derivative financial instruments recognized at fair value) and on the going concern principle. The statements are presented in Swiss francs (CHF). Unless otherwise indicated, all amounts have been rounded to the next million.

b. Changes in accounting policies

The Group is not affected by the new standard *FER 40 Consolidated financial statements of insurance entities*, which became effective on 1 January 2021. It is expected that the new standard, *FER 28 Government Grants (implementation 2024)*, will have no significant impact on the consolidated financial statements. No further changes to standards have been published.

c. Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Swiss GAAP FER requires the use of certain accounting estimates and judgments which have an impact on the assets and liabilities, income and expenses reported, as well as the disclosure of contingent liabilities. These estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations and assessments of

future events that are assumed to be reasonable under the given circumstances. Real results may differ from these estimates. Management continuously reviews and, if necessary, adapts the estimates and underlying assumptions. Any changes are recognized in the period in which the estimate is revised.

Significant estimates, judgements and assumptions are made mainly in the following areas:

Inventories. The Group recognizes impairments on inventories subject to market risk or with risk of obsolescence. In doing so, historical experience, anticipated future requirements, and the life cycle of the individual products are taken into account. Impairments are regularly evaluated by the individual subsidiaries, based on Group guidelines, and adjusted when necessary. Details to inventory write-downs are disclosed in Note 7.

Provisions. Recognition and adjustment of provisions is carried out continuously, based on Group guidelines. For warranty provisions, calculation parameters such as anticipated repair and return volumes are adjusted to reflect current empirical values at least four times annually. Provisions for dismantling obligations are reviewed and updated at least once annually. Restructuring provisions are recognized when a management decision exists, and as a result, legitimate third-party expectations are raised that a restructuring will be carried out. The adjustment to these provisions, based on latest estimates, takes place on an ongoing basis. Details to provisions can be found in Note 10.

Income taxes. The Group operates worldwide and is subject to taxation in over 40 countries. The Group is fully compliant with tax laws without exception and pays taxes where economic value is generated. Group-internal transactions are conducted on an arm's length basis. The Group discloses the amount of tax paid and key tax figures annually in the "Country-by-Country Reporting". Calculation of current and deferred tax positions is based on the applicable tax laws. New circumstances such as changes in tax rates, tax systems, offsetting of carryforward tax losses, or estimates of the effect of ongoing tax audits can have a significant impact on the existing tax obligations or tax claims of Group companies. The Group proactively and systematically clarifies tax positions with tax experts to prevent tax eventualities. The Group is obligated to cooperate transparently with tax authorities. Details to income taxes and tax positions are disclosed in Note 27.

3. Events after the balance sheet date

There were no significant events after the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

4. Segment information

a. Operating segment information

Operating segments are reported consistent with the internal reporting provided to the Management Board. Although the Group's operations are worldwide, the main entrepreneurial focus remains on the product portfolio. This is reflected by the Group's divisional management and organizational structure and the Group's internal financial reporting systems.

The Group's activities are organized into numerous individual business units (Profit Centers) which are aggregated in the following reportable operating segments:

- Watches & Jewelry Design, production and commercialization of watches and jewelry
- Electronic Systems Design, production and commercialization of electronic components, Sports timing activities

The reportable operating segments generate their revenue mainly from the manufacture and sale of products to third parties or to other Group segments.

Corporate does not qualify as a segment but is shown separately. It includes the activities of the Group's holding, finance, research and development, real estate and several other companies. Elimination of inter-segment sales is shown in the elimination column.

Internal Group sales are recognized at arm's length. Segment expenses are those that can be directly attributed to the segment. Centralized costs relating to Group Management, Corporate Communication, Group Human Resources, Corporate Finance, Treasury, Tax and Legal Services are not reallocated to the operating segments and remain under the heading Corporate.

2021 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	7 011	297	5		7 313
- Group	3	17	4	-24	0
Net sales	7 014	314	9	-24	7 313
Operating result	1 117	27	-123	0	1 021
- In % of net sales	15.9%	8.6%			14.0%

2020 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	5 335	256	4		5 595
- Group	2	12	4	-18	0
Net sales	5 337	268	8	-18	5 595
Operating result	179	-6	-121	0	52
- In % of net sales	3.4%	-2.2%			0.9%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

b. Net sales by geographical region

(CHF million)	2021	2020
Switzerland	386	340
Other Europe	1 297	998
Total Europe	1 683	1 338
Greater China	3 080	2 487
Other Asia	1 535	1 187
Total Asia	4 615	3 674
Total America	901	490
Total Oceania	74	56
Total Africa	40	37
Total	7 313	5 595

For the geographical presentation, sales are reported according to the destinations that appear on the invoices.

5. Revenues and trade receivables

a. Net sales

Net sales include the inflow of economic benefits from the sale of goods and services within the scope of ordinary business during the period under review. Sales reductions such as discounts, rebates and other concessions as well as payments to third parties such as commissions and any value added tax are deducted from net sales reported. All intercompany sales are eliminated during consolidation.

Revenues are reported if a Group company has transferred the significant risks and rewards of ownership of products sold to the client, and the collectability of the related receivables is reasonably secured. Revenue from services is recognized in the accounting period in which the service is rendered. Accruals for discounts granted to clients are established during the same period as the sales which gave rise to the discounts under the terms of the contract. In the case of agency transactions, only the value of own services is recognized. In the event of business transactions involving identifiable multiple elements, these are to be recognized and valued separately. This type of transaction occurs only rarely within the Group.

(CHF million)	2021	2020
Sale of goods	7 286	5 578
Rendering of services	27	17
Total net sales	7 313	5 595

b. Other operating income

In the year under review, other operating income amounted to CHF 281 million (previous year: CHF 122 million). The increase compared to the previous year is mainly due to the timekeeping services rendered in the year under review for the Olympic Games.

c. Non-operating result

Only net result from investment property was included in the non-operating result position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

d. Trade receivables

Trade receivables are recognized and carried at the original net invoice amount less an allowance for any specifically impaired receivables.

Impairment is charged on receivables which are either more than 12 months overdue or for which specific risks have been identified. Since no independent rating is available for most customers, their creditworthiness is assessed by the local credit control departments. In doing so, their asset and financial positions, previous experience and other factors are taken into consideration.

Bad debts are definitely written off when there is objective evidence that the Group will not be able to collect the receivables. Allowances for impaired receivables as well as losses on trade receivables are recognized as other operating expenses.

(CHF million)	31.12.2021	31.12.2020
Trade receivables – gross	721	698
Allowance for impaired receivables	-11	-13
Total trade receivables – net	710	685

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

(CHF million)	2021	2020
Balance at 1 January	-13	-18
Translation differences	0	1
Utilization	3	2
Reversal	1	5
Creation	-2	-3
Balance at 31 December	-11	-13

6. Expenses

a. Other operating expenses

(CHF million)	2021	2020
Marketing, sales and administration	-1 006	-790
Subcontracting and other direct costs of sales	-270	-195
Maintenance, rents and energy	-899	-836
Other operating expenses	-249	-62
Total other operating expenses	-2 424	-1 883

The increase in other operating expenses compared to the previous year is mainly due to the timekeeping services rendered in the year under review for the Olympic Games.

b. Research and development costs

Costs for research and development activities amounted to CHF 245 million in the year under review, representing 3.4% of net sales (previous year: CHF 223 million or 4.0% of net sales).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

7. Inventories

Inventories are valued at the lower of acquisition or production cost and fair value less cost to sell. Any discounts received are treated as cost reductions. Manufacturing costs comprise all costs directly attributable to material and production, as well as overhead costs incurred in building up the inventory at its current location and/or to its current condition.

Acquisition costs are determined according to the weighted average method. Some production companies value their own produced inventories using the standard cost method. As these costs are regularly reviewed and updated, this method approximates the result of the weighted average method. Inventories with unsatisfactory inventory turnover are revalued accordingly.

(CHF million)	31.12.2021	31.12.2020
Raw materials, auxiliary material and supplies	492	470
Goods in progress	433	395
Semi-finished goods	1 678	1 757
Finished goods	3 441	3 342
Spare parts for customer service	345	351
Total inventories	6 389	6 315

Inventories with risk of obsolescence have been adjusted to their net realizable value as follows:

(CHF million)	2021	2020
Additional write-downs	-55	-52
Reversal of write-downs	5	4
Net impact in the income statement	-50	-48

8. Property, plant and equipment

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

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

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

Investment property mainly comprises commercial premises and residential buildings rented to third parties. The position *Advances and construction in progress* includes buildings under construction and non-refundable down payments on land and buildings. The Group does not capitalize any interest expenses incurred during the construction period.

Impairment

The recoverable value and the remaining useful life of non-current assets are verified on every balance sheet date. If there are indications of a sustained impairment, the recoverable amount of the respective assets will be determined. The recoverable amount is the higher of the net selling price and value in use. If the recoverable amount of an individual asset cannot be determined, the Group estimates the recoverable amount of the smallest group of assets to which the individual asset belongs. If the book value of an asset exceeds the recoverable amount, an impairment loss is recognized separately in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

(CHF million)	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
Historical cost, 31 December 2020	2 661	4 172	800	47	7 680
Translation differences	-17	-2	1	0	-18
Additions	17	147	76	22	262
Disposals	-3	-166	-59	0	-228
Transfers	8	-1	6	-13	0
Historical cost, 31 December 2021	2 666	4 150	824	56	7 696
Accumulated amortization, 31 December 2020	-998	-3 204	-549	0	-4 751
Translation differences	3	3	-1	0	5
Annual depreciation	-75	-237	-84	0	-396
Impairment	0	0	0	0	0
Depreciation on disposals	0	162	55	0	217
Transfers	2	1	-3	0	0
Accumulated amortization, 31 December 2021	-1 068	-3 275	-582	0	-4 925
Net book values					
Balance at 31 December 2020	1 663	968	251	47	2 929
Balance at 31 December 2021	1 598	875	242	56	2 771
<i>of which investment properties at 31.12.2021</i>	<i>418</i>				
<i>of which undeveloped properties at 31.12.2021</i>	<i>31</i>				

(CHF million)	Land, buildings and properties	Technical equipment & machinery	Other equipment & fixtures	Advances and construction in progress	Total
Historical cost, 31 December 2019	2 650	4 224	815	55	7 744
Translation differences	-18	-39	-28	0	-85
Additions	20	109	62	7	198
Disposals	-6	-119	-52	0	-177
Transfers	15	-3	3	-15	0
Historical cost, 31 December 2020	2 661	4 172	800	47	7 680
Accumulated amortization, 31 December 2019	-931	-3 099	-525	0	-4 555
Translation differences	6	29	20	0	55
Annual depreciation	-77	-248	-95	0	-420
Impairment	0	0	0	0	0
Depreciation on disposals	4	115	50	0	169
Transfers	0	-1	1	0	0
Accumulated amortization, 31 December 2020	-998	-3 204	-549	0	-4 751
Net book values					
Balance at 31 December 2019	1 719	1 125	290	55	3 189
Balance at 31 December 2020	1 663	968	251	47	2 929
<i>of which investment properties at 31.12.2020</i>	<i>423</i>				
<i>of which undeveloped properties at 31.12.2020</i>	<i>31</i>				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
IMPORTANT OPERATING POSITIONS

9. Intangible assets

Capitalized development costs

Research costs are expensed when incurred. Development costs are only capitalized if they can be identified as intangible assets that will generate economic benefits in the future and the costs can be measured reliably. Other development costs are expensed when incurred. Once a product enters commercial production, the capitalized development costs are amortized on a straight-line basis over the estimated useful life (maximum five years).

Software

This heading includes in particular the following positions:

- Licenses purchased granting rights to use new technologies and software. They are amortized over their useful life (maximum five years).
- Internally developed software. These costs are recognized as intangible assets if it is likely that they will generate future economic benefits. The costs include software development employee costs and the direct portion of related overhead costs. The capitalized costs are amortized on a straight-line basis over the estimated useful life (maximum five years).

Other intangible assets

This heading includes in particular the following positions:

- Key money for strategically located retail stores. If it can be demonstrated by the existence of a market, it is capitalized as an intangible asset and amortized on a straight-line basis over the location's useful life of maximum 20 years. In contrast, key money that is not refundable or only refundable under specific circumstances is treated as prepaid rent and recorded under Other non-current assets (see Note 26).
- Patents and rights of use
- Development and software projects in progress. These are transferred into their respective categories after project completion.

Goodwill

Goodwill from acquisitions is recognized in Group equity at the time of acquisition. The notes to the consolidated financial statements disclose the effects of a theoretical capitalization and amortization of goodwill (see Note 33).

Impairment

The principle for recognition of impairment on non-current assets is described in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
IMPORTANT OPERATING POSITIONS

	Capitalized development costs	Software	Other intangible assets	Total
(CHF million)				
Historical cost, 31 December 2020	222	222	101	545
Translation differences	0	-1	-2	-3
Additions	6	9	29	44
Disposals	-5	-5	-3	-13
Transfers	5	-1	-4	0
Historical cost, 31 December 2021	228	224	121	573
Accumulated amortization, 31 December 2020	-173	-185	-43	-401
Translation differences	0	1	2	3
Annual amortization	-20	-17	-4	-41
Impairment	0	-1	0	-1
Amortization on disposals	4	5	2	11
Transfers	0	2	-2	0
Accumulated amortization, 31 December 2021	-189	-195	-45	-429
Net book values				
Balance at 31 December 2020	49	37	58	144
Balance at 31 December 2021	39	29	76	144

	Capitalized development costs	Software	Other intangible assets	Total
(CHF million)				
Historical cost, 31 December 2019	189	208	119	516
Translation differences	0	-2	-1	-3
Additions	12	15	13	40
Disposals	-1	-2	-5	-8
Transfers	22	3	-25	0
Historical cost, 31 December 2020	222	222	101	545
Accumulated amortization, 31 December 2019	-153	-171	-42	-366
Translation differences	0	2	0	2
Annual amortization	-21	-18	-4	-43
Impairment	0	0	0	0
Amortization on disposals	1	2	3	6
Transfers	0	0	0	0
Accumulated amortization, 31 December 2020	-173	-185	-43	-401
Net book values				
Balance at 31 December 2019	36	37	77	150
Balance at 31 December 2020	49	37	58	144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

10. Provisions

Provisions are recognized:

- when the Group has a present legal or constructive obligation as a result of past events,
- when it is probable that an outflow of resources will be required to settle the obligation, and
- when a reliable estimate of the amount of the obligation can be made.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate receivable, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement, net of any reimbursement. No discounting effects are taken into account on non-current provisions, as these are considered to be immaterial.

(CHF million)	Warranty	Legal risks	Dismantling	Other	Total
Balance at 31 December 2019	91	8	28	14	141
Translation differences	-2	0	-2	-1	-5
Additional provisions	42	1	6	19	68
Reversal of provisions	-6	-1	-1	0	-8
Provisions used during the year	-64	-5	-2	-5	-76
Balance at 31 December 2020	61	3	29	27	120
<i>thereof current provisions</i>	45	2	4	18	69
<i>thereof non-current provisions</i>	16	1	25	9	51
Translation differences	1	0	0	0	1
Additional provisions	104	1	8	31	144
Reversal of provisions	-2	-1	-1	-3	-7
Provisions used during the year	-63	0	-2	-13	-78
Balance at 31 December 2021	101	3	34	42	180
<i>thereof current provisions</i>	70	2	5	35	112
<i>thereof non-current provisions</i>	31	1	29	7	68

a. Warranty

Products that do not perform to customers' satisfaction are repaired or replaced by the Group under warranties of one or more years. The provision made at year-end to cover anticipated warranty costs is based on past experience with respect to the volume of repairs and returns.

b. Legal risks

Some Group companies are involved in litigation arising from the ordinary course of their business. Management estimated the outcome of these lawsuits on the basis of currently available information and recorded adequate provisions. However, there are inherent risks within legal claims depending on court and adversary party behavior and opinion that may cause a significant outflow of economic benefits.

c. Dismantling / restoration

Various Group companies have contractual or legal obligations to return objects to their original state at the end of the term of the contract. At the beginning of the contract term, dismantling and restoration costs are estimated on the basis of contractual elements and/or empirical values and provisions are recorded. These obligations arise primarily from contracts for rental premises.

d. Other

Other provisions relate to various present legal or constructive obligations of the Group companies toward third parties. This category contained also restructuring provisions in the amount of CHF 19 million (previous year: CHF 10 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERSONNEL

11. Personnel expense

(CHF million)	2021	2020
Wages and salaries	-1 802	-1 807
Short-time work allowances	61	278
Social security costs	-322	-305
Employee stock option plan (Note 13)	-9	-8
Pension costs (Note 12)	-134	-130
Total personnel expense	-2 206	-1 972

Short-time work, introduced in the previous year due to Covid-19, was ended in the year under review. Compensation from insurers was deducted from personnel expense (see table above).

The development of the headcount, expressed as the number of employment contracts, is summarized in the following table:

(unaudited)	2021	2020
Average annual headcount	31 503	33 870
Total headcount at 31 December	31 444	32 424
<i>Men</i>	15 647	16 071
<i>Women</i>	15 797	16 353
<i>Swiss contracts</i>	16 082	16 655
<i>Non-Swiss contracts</i>	15 362	15 769

12. Retirement benefit obligations

Pension obligations

Group companies operate various pension schemes, which conform to the legal regulations and provisions in force in the respective countries. The actual economic effects of pension schemes on the Group are calculated at balance sheet date. An economic obligation is recognized as a liability if the requirements for the recognition of a liability are met. An economic benefit is capitalized provided that it is permitted and intended to be used for future Group pension contributions. Freely available employer contribution reserves are capitalized.

Employees of Swiss Group companies are insured as part of the "Swatch Group Pension Fund", which is a separate legal entity and financed by contributions from both employers and employees. Surpluses or deficits are calculated based on the preliminary Pension Fund's financial statements, which have been drawn up in accordance with Swiss GAAP FER 26. The Group's pension costs include the employer contributions accrued in the period as well as any economic effects from the excess/shortfall and the change in employer contribution reserves.

Some foreign companies operate fully financed pension funds. These funds are treated in the same way as the Swiss plan in terms of accounting, i.e. paid contributions are basically recorded as expenses. In some countries, there are also pension plans that do not have their own assets, whereby the corresponding benefit provisions are recognized directly in the balance sheet and any changes are recognized in the income statement.

Other post-employment benefits

A small number of Group companies provide post-retirement medical care benefits to their employees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Termination benefits

Termination benefits are payable when employment is terminated (in normal employment conditions) in advance of the terms of the contract, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes such benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing benefits as a result of an offer made for a voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. The company does not make severance payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERSONNEL

a. Economic benefit / obligation and pension costs

2021	Surplus / deficit	Group's economic share	Change from previous year		Contributions concerning the business period	Total pension costs
			no income statement impact 1)	income statement impact		
(CHF million)						
Patronage funds / patronage pension plans	411	0	0	0	10	10
Pension plans without surplus / deficit	0	0	0	0	-125	-125
Pension plans with surplus	6	0	0	0	-5	-5
Pension plans with deficit	-4	-1	0	0	-10	-10
Pension plans without own assets	0	-41	5	-4	0	-4
Total	413	-42	5	-4	-130	-134

2020	Surplus / deficit	Group's economic share	Change from previous year		Contributions concerning the business period	Total pension costs
			no income statement impact 1)	income statement impact		
(CHF million)						
Patronage funds / patronage pension plans	397	0	0	0	11	11
Pension plans without surplus / deficit	0	0	0	0	-6	-6
Pension plans with surplus	3	0	0	0	-5	-5
Pension plans with deficit	-312	-1	0	1	-125	-124
Pension plans without own assets	0	-42	8	-6	0	-6
Total	88	-43	8	-5	-125	-130

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

b. Summary of pension costs

	2021			2020		
	Switzer-land	Abroad	Total	Switzer-land	Abroad	Total
(CHF million)						
Contributions to pension plans	-120	-10	-130	-112	-13	-125
Total contributions	-120	-10	-130	-112	-13	-125
Change of economic benefits from surpluses	0	0	0	0	0	0
Change of economic obligations from deficits	0	-4	-4	0	-5	-5
Total changes of economic effects from surpluses / deficits	0	-4	-4	0	-5	-5
Total pension costs	-120	-14	-134	-112	-18	-130

c. Shares held by pension institutions

Number of shares of The Swatch Group Ltd	31.12.2021		31.12.2020	
	Registered shares	Bearer shares	Registered shares	Bearer shares
	3 258 600	775	3 702 746	11 875

d. Employer contributions reserve

At the end of the year under review, and at the end of the previous year, there was no employer contributions reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
PERSONNEL

13. Employee stock option plan

The Group operates a share-based employee stock option plan. Under the terms of this plan, a specified number of options to purchase registered shares are granted to managers and employees who have distinguished themselves by a particularly strong commitment to the company or an above-average performance. One-third of the options granted can be exercised immediately, one-third after 12 months, and the remaining third after 24 months. Options are conditional on the employee being employed by the company on the date of exercise. Options are not transferable and only exercisable by the employee. The exercised options can optionally be subject to a blocking period of either 5 or 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The fair value of the employee services received in exchange for the granting of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted (day value at grant date, respectively the last trading day before the grant date). At each balance sheet date, the Group revises its calculation of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original calculations, if any, in the income statement, with a corresponding adjustment to equity.

Registered shares from existing treasury stock have been specifically reserved for this plan. No new shares were issued for the employee stock option plan. The proceeds received are recognized in Group equity when the options are exercised.

The dilutive effect of outstanding options on earnings per registered share is disclosed in Note 15b.

Balance of registered shares in the employee stock option plan	2021	2020
Balance at 1 January	2 529 896	2 742 335
Exercised shares	-186 964	-212 439
Balance at 31 December	2 342 932	2 529 896

Options outstanding	2021	2020
Options outstanding at 1 January	184 925	200 206
Granted	186 560	199 700
Forfeited or lapsed	-367	-2 542
Exercised	-186 964	-212 439
Options outstanding at 31 December	184 154	184 925

Expiry date of outstanding options	31.12.2021	31.12.2020
2021		122 829
2022	122 485	62 096
2023	61 669	
Total	184 154	184 925

The personnel expense recorded in the income statement of the year under review amounted to CHF 9 million (previous year: CHF 8 million).

Valuation of options		2021		2020	
		Portion exercisable in 1 year	Portion exercisable in 2 years	Portion exercisable in 1 year	Portion exercisable in 2 years
Grant date		31.05.2021	31.05.2021	31.05.2020	31.05.2020
Expiry date		31.05.2022	31.05.2023	31.05.2021	31.05.2022
Share price on grant date	CHF	62.35	62.35	37.34	37.34
Exercise price	CHF	4.00	4.00	4.00	4.00
Day value on grant date	CHF	58.35	58.35	33.34	33.34

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL AND TREASURY

14. Share capital and reserves

Shares issued by The Swatch Group Ltd are recognized in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Share capital consists of registered shares, each with a nominal value of CHF 0.45, and bearer shares, each with a nominal value of CHF 2.25. Each share carries one vote. Both categories of shares confer equal entitlement to dividends according to their nominal value.

Treasury shares that are reacquired are deducted from equity at historical cost. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of treasury shares. In the event of a resale at a later point in time, a gain or loss is recognized as an addition to or reduction of capital reserves.

a. Share capital

Over the past three years, the share capital of The Swatch Group Ltd has developed as follows:

Balance sheet date	Registered shares		Bearer shares		Share capital in CHF
	at CHF 0.45		at CHF 2.25		
31.12.2019	116 919 500		28 936 000		117 719 775.00
31.12.2020	116 919 500		28 936 000		117 719 775.00
31.12.2021	116 919 500		28 936 000		117 719 775.00

At the end of the year under review, as well as at the end of the previous year, there was no authorized or conditional capital. All issued shares are fully paid. No benefit or participation certificates exist. In accordance with the articles of incorporation of the Swatch Group, the Board of Directors shall refuse a registered share ownership of more than 5% per shareholder. In exceptional cases, the Board of Directors may consent to an exception to this rule.

b. Capital reserves

Capital reserves include the result from the sale of treasury shares and transactions with non-controlling interests as well as effects of capital reductions.

c. Non-distributable reserves

At the end of the year under review, the reserves of the holding company, The Swatch Group Ltd, included a non-distributable amount of CHF 155 million (previous year: CHF 165 million). This amount consisted of CHF 131 million related to treasury shares held (previous year: CHF 141 million) and non-distributable legal reserves of CHF 24 million (previous year: CHF 24 million).

d. Treasury shares

Changes in shares of The Swatch Group Ltd held by the Group are presented in the following table:

	Registered shares		Bearer shares		Total CHF million
	Quantity	CHF million	Quantity	CHF million	
Balance at 31 December 2019	3 178 416	173	65 000	22	195
Acquisitions 1)	0	0	0	0	0
Disposals 2)	-633 995	-46	-25 000	-8	-54
Balance at 31 December 2020	2 544 421	127	40 000	14	141
Acquisitions 1)	0	0	40 000	12	12
Disposals 2)	-186 964	-9	-40 000	-13	-22
Balance at 31 December 2021	2 357 457	118	40 000	13	131

1) In the year under review, 40 000 bearer shares were acquired at an average price of CHF 302.20. In the previous year, no shares were acquired.

2) In the year under review, no registered shares were sold (previous year: 421 556 at an average price of CHF 41.50). As part of the employee stock option plan (see Note 13), 186 964 registered shares were exercised (previous year: 212 439). In addition, 40 000 bearer shares were sold in the year under review at an average price of CHF 288.65 (previous year: 25 000 at an average price of 227.22).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL AND TREASURY

15. Earnings per share

a. Basic

	2021	2020
Net result attributable to shareholders of The Swatch Group Ltd (CHF million)	765	-51
Percentage of registered shares outstanding in comparison with the share capital outstanding	44.2%	44.2%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	55.8%	55.8%

Registered shares

	2021	2020
Net result attributable to registered shareholders (CHF million)	338	-23
Average number of shares outstanding	114 471 966	114 169 222
Basic earnings per share (CHF)	2.96	-0.20

Bearer shares

	2021	2020
Net result attributable to bearer shareholders (CHF million)	427	-28
Average number of shares outstanding	28 883 462	28 872 923
Basic earnings per share (CHF)	14.78	-0.99

b. Diluted

Registered shares

	2021	2020
Net result attributable to registered shareholders (CHF million)	338	-23
Average number of shares outstanding – basic (as above)	114 471 966	114 169 222
Potential number of shares from options outstanding	170 424	166 808
Average potential number of shares outstanding – diluted	114 642 390	114 336 030
Diluted earnings per share (CHF)	2.95	-0.20

Bearer shares

	2021	2020
Net result attributable to bearer shareholders (CHF million)	427	-28
Average potential number of shares outstanding	28 883 462	28 872 923
Diluted earnings per share (CHF)	14.77	-0.99

16. Dividends paid and proposed

Dividend payments to shareholders are recognized in the Group's financial statements in the period in which the Annual General Meeting of The Swatch Group Ltd has given its approval.

On 11 May 2021, the Annual General Meeting approved the distribution of the following dividend:

Dividend paid	Dividend per share		Total dividend CHF million
	CHF		
Registered shares	0.70		82
Bearer shares	3.50		101
Total dividend			183
Dividend not paid out on own shares			-2
Total dividend paid			181

At the Annual General Meeting on 24 May 2022, the payment of the following dividend for the year under review will be proposed and treated as an appropriation of available earnings during the financial year 2022:

Proposed dividend	Dividend per share		Total dividend CHF million
	CHF		
Registered shares	1.10		129
Bearer shares	5.50		159
Total dividend			288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL UND TREASURY

17. Financial risk management

a. Financial risk factors

In view of the global and varied nature of its activities, the Group is exposed to different financial risks, including foreign currency, market, credit and liquidity risks. The Group's financial risk management is essentially focused on identifying and analyzing exchange rate risk, mainly against the US Dollar, the Chinese Renminbi, the Euro and the Japanese Yen, with the aim of minimizing its impact on the net result of the Group. In order to hedge exchange rate risk, the Group may use derivative financial instruments such as forward currency contracts or currency options.

Risk management is conducted by the central treasury department (Group Treasury), which follows the directives issued by the Group's management bodies. Risks are assessed in collaboration with the operating units and the hedging methods are decided and implemented under the regular supervision of the Group's top management.

Credit risk. Credit risks in respect of customers arise when they may not be able to settle their obligations as agreed. The credit standing of commercial partners defined in the Group's client credit policy is periodically reviewed at Group level. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

In the context of securities trading, the Group guards against the risk of default by implementing directives that impose minimum credit ratings for investments in tradable securities. Exposure to this type of risk is closely monitored by Group management and is contained within strict and predetermined limits. Given the very high standards of creditworthiness applied to the commercial and financial partners, the default risks to which the Group is exposed are estimated to be limited.

Liquidity risk. Liquidity risk is defined as the risk that the Group could not be able to meet its financial obligations on time. The close monitoring of liquidity at Group level and of the asset allocation allows the Group's treasury department to maintain adequate levels of liquidity at all times. In order to meet any exceptional liquidity requirements, the Group maintains lines of credit with a number of financial institutions.

At the balance sheet date, the available liquidity is summarized as follows:

(CHF million)	31.12.2021	31.12.2020
Cash and cash equivalents (Note 19)	1 979	1 585
Financial assets, securities and derivative financial instruments (Note 20)	677	207
Short-term accessible liquidity reserves	2 656	1 792
Committed credit facilities	816	822
/. Utilized credit facilities	-98	-89
Total short-term accessible liquidity reserves and undrawn credit facilities	3 374	2 525

b. Capital management

The primary objective of the Group with regard to capital management is to preserve a strong equity base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's top management reviews the capital structure of the Group and the equity of its subsidiaries on a regular basis.

To preserve or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new debt or redeem existing debt. There were no changes in the Group's approach to capital management during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL AND TREASURY

18. Net financial result

(CHF million)	2021	2020
Interest income	15	17
Result from marketable securities at fair value	12	3
Net currency result	-19	-19
Other financial expense	-4	-4
Other financial income and expense	4	-3
Interest expense	-5	-3
Share of result from associates and joint ventures	-9	-10
Net financial result	-10	-16

19. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise petty cash, cash at banks and short-term deposits with an original maturity of three months or less. They are recorded at their nominal value. The average yield on short-term bank deposits corresponds to the average interest rate on an investment on the money markets with a term of up to three months. In the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less current account overdrafts (funds "net cash").

(CHF million)	31.12.2021	31.12.2020
Current accounts and liquid assets	1 414	1 025
Short-term deposits with financial institutions	565	560
Total cash and cash equivalents - balance sheet	1 979	1 585

(CHF million)	31.12.2021	31.12.2020
Cash and cash equivalents	1 979	1 585
Current account overdrafts (Note 21)	-92	-45
Total funds net cash - statement of cash flows	1 887	1 540

20. Financial assets, securities and derivative financial instruments

Financial assets

Financial assets comprise short-term bank deposits with a residual maturity of more than three months. They are recorded at their nominal value.

Marketable securities

Purchases and sales of securities are recognized in accordance with the settlement date principle. The securities are initially measured at cost, and the transaction costs are charged to the income statement. Subsequently, the listed securities are recorded in the balance sheet at market value on the balance sheet date. Private equity investments are adjusted to the current net asset value on the balance sheet date. All realized and unrealized gains and losses resulting from variations in market values and foreign currencies are recorded in the income statement. In general, issuer risk is minimized by only buying securities which are investment grade rated.

Derivative financial instruments

The Group did not designate derivative financial instruments as cash flows hedges, either in the year under review or in the previous year. All such instruments are booked at fair value. Fair value changes are recognized immediately in the financial result. Counterparty risk is also minimized by ensuring that all derivative financial instruments, money market investments and current account deposits are placed with financial institutions whose credit ratings are usually at least investment grade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL UND TREASURY

(CHF million)	31.12.2021	31.12.2020
Equity securities	106	69
Bond securities	175	133
Investment funds and other investments	3	4
Total marketable securities at fair value	284	206
Current financial assets	388	0
Derivative financial instruments	5	1
Total financial assets, securities and derivative financial instruments	677	207

At the end of the year under review, there was no option contract outstanding (none in the previous year). The table below gives an overview of the contract values and fair values of open forward contracts.

(CHF million)	31.12.2021			31.12.2020		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts in						
CNY	60	1	0	79	1	0
EUR	231	1	0	320	0	-2
GBP	57	0	-1	69	0	-1
HKD	264	2	0	0	0	0
USD	273	1	0	320	0	-1
Other currencies	73	0	0	79	0	0
Total	958	5	-1	867	1	-4

21. Financial debts and derivative financial instruments

Financial debts

Financial debts are recognized as nominal values. Any transaction costs incurred are posted in the income statement. Financial debts are shown on the balance sheet as current liabilities, unless the Group has an unconditional right to postpone the settlement of the debt until at least 12 months after the balance sheet date.

Derivative financial instruments

The accounting principles for derivative financial instruments are explained in Note 20.

(CHF million)	31.12.2021	31.12.2020
Current account overdrafts	92	45
Short-term bank debts	5	43
Derivative financial instruments	1	4
Total current financial debts and derivative financial instruments	98	92
Total non-current financial debts	2	3
Total financial debts	100	95

The contractual repricing dates at the balance sheet date were as follows:

(CHF million)	< 1 year	1-5 years	> 5 years	Total
At 31 December 2021	98	0	2	100
At 31 December 2020	92	1	2	95

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

(CHF million)	31.12.2021	31.12.2020
CHF	93	51
JPY	0	37
Other currencies	7	7
Total	100	95

The Swatch Group had no listed debenture bonds or convertible bonds outstanding in the years under review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED BALANCE SHEET

22. Other current assets

(CHF million)	31.12.2021	31.12.2020
VAT to be refunded	62	59
Other receivables	74	153
Total other current assets	136	212

23. Prepayments and accrued income

(CHF million)	31.12.2021	31.12.2020
Prepaid sales, marketing and administration costs	65	82
Income tax assets	17	18
Prepaid leasing costs	28	26
Other prepayments and accrued income	106	108
Total prepayments and accrued income	216	234

24. Other liabilities

(CHF million)	31.12.2021	31.12.2020
Advance payments received	105	73
Income tax liabilities	19	8
VAT liabilities	57	25
Other tax liabilities	17	15
Social benefits liabilities	32	33
Other liabilities	28	28
Total other liabilities	258	182

25. Accrued expenses

(CHF million)	31.12.2021	31.12.2020
Accrued salaries and social benefits	139	118
Accrued sales, marketing and administration costs	145	156
Accrued income taxes	128	125
Accrued sales reductions	54	54
Accrued leasing costs	172	171
Other accrued expenses	112	122
Total accrued expenses	750	746
<i>thereof current</i>	596	588
<i>thereof non-current</i>	154	158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NOTES TO THE CONSOLIDATED BALANCE SHEET

26. Other non-current assets

Non-current accruals

This position contains the non-current portion of prepayments and accrued income, particularly prepaid marketing and leasing cost. Key money paid when renting stores in strategic locations is recognized as prepaid rent when recovery at the end of the contract is not certain, and booked to rent expense on a straight-line basis over the contract period. The current portion is transferred to *Prepayments and accrued income*.

	Non-current accruals	Security deposits	Other financial assets	Total
(CHF million)				
Balance at 31 December 2020	28	71	7	106
Translation differences	0	1	0	1
Additions	1	6	1	8
Disposals	0	-5	-15	-20
Balance sheet transfer	-7	-8	106	91
Balance at 31 December 2021	22	65	99	186

	Non-current accruals	Security deposits	Other financial assets	Total
(CHF million)				
Balance at 31 December 2019	35	93	197	325
Translation differences	-1	-6	-5	-12
Additions	1	4	3	8
Disposals	-0	-10	-67	-77
Balance sheet transfer	-7	-10	-121	-138
Balance at 31 December 2020	28	71	7	106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. Income taxes

The tax expense for the period comprises current income taxes and deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized directly in equity.

Current income tax

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

Deferred tax

Deferred tax is recognized in full, using the balance sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax regulations and rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply.

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

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

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

a. Reconciliation of the Group's effective tax rate

The Group's applicable tax rate is presented as the domestic tax rate of Biel, where the Headquarters of Swatch Group are located.

(CHF million)	2021	2020
Result before income taxes	1 011	36
Group's applicable tax rate	21.4%	22.0%
Income taxes at applicable tax rate	-216	-8
Effect of:		
- Differences in tax rates 1)	-29	-71
- Tax rate changes on deferred taxes	-5	51
- Recognition and offset of tax loss carry-forwards not recognized in prior years	30	6
- Non-recognition of tax loss carry-forwards	-20	-62
- Non-taxable income	3	3
- Non-tax-deductible expenses	-11	-7
- Income taxes of prior periods	9	-1
- Other items	2	0
Total income taxes	-237	-89
Group's effective tax rate	23.4%	247.2%

1) The Group operates worldwide and is subject to income taxes in many different tax jurisdictions. The effect of the different tax rates in the respective tax jurisdictions versus the Group's applicable tax rate as well as the relative weight of the result of each individual entity in the Group's result may change from year to year.

The effective tax rate based on the ordinary result in the year under review was 23.4 % (previous year: 247.2 %).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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b. Income tax expenses

(CHF million)	2021	2020
Current income taxes	-275	-209
Income tax of prior periods	9	-1
Deferred taxes	29	121
Total income taxes	-237	-89

c. Current income tax

Net current income tax liability (CHF million)	2021	2020
Balance at 1 January	-115	-136
Recognized in income statement	-266	-210
Recognized in equity	0	-1
Income taxes paid	256	229
Translation differences	-5	3
Balance at 31 December	-130	-115
Current income tax assets	17	18
Current income tax liabilities	-147	-133

d. Deferred tax

The deferred tax assets and liabilities relate to the following balance sheet items:

(CHF million)	31.12.2021			31.12.2020		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	320	-319	1	329	-302	27
Trade and other receivables	1	-14	-13	1	-15	-14
Property, plant and equipment	21	-88	-67	20	-97	-77
Intangible assets	9	-6	3	10	-6	4
Provisions	20	-40	-20	13	-39	-26
Retirement benefit obligations	6	0	6	6	0	6
Accrued expenses	65	-29	36	65	-32	33
Tax losses	69	0	69	57	0	57
Other	12	-8	4	13	-37	-24
Total deferred tax assets / liabilities	523	-504	19	514	-528	-14
Deferred tax assets			449			451
Deferred tax liabilities			-430			-465

The gross value of unused carryforward tax losses which have, or have not, been recognized as deferred tax assets, with their expiry dates is as follows:

(CHF million)	2021			2020		
	Not recognized	Recognized	Total	Not recognized	Recognized	Total
Up to five years	213	1	214	227	3	230
More than five years	363	279	642	414	235	649
No expiry date	107	28	135	176	21	197
Total at 31 December	683	308	991	817	259	1 076

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 139 million in the year under review (previous year: CHF 161 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OTHER INFORMATION

28. Commitments and contingencies

Operating leases

An operating lease is where a significant portion of the risks and rewards of ownership are retained by the lessor. Operating lease payments are recognized as expenses in the income statement on a straight-line basis over the lease term. On the other hand, temporary rent adjustments are recorded as expense reductions in the corresponding months, and are not distributed over the remaining term of the lease.

Finance leases

A finance lease is where the lessor transfers to the lessee the significant risks and rewards associated with the ownership of the leased item. At the beginning of the term of the lease contract, the lower of fair value of the leased item or net present value of the future lease payments is shown in the balance sheet as assets and liabilities. Each lease payment is apportioned between the finance charges and the reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded directly in the income statement as expenditure. Capitalized leased assets are depreciated over the lower of estimated economic useful life of the asset or contract period.

Property, plant and equipment are only leased exceptionally. At the end of the year under review and the previous year, the Group had no property, plant and equipment under finance lease contracts.

a. Guarantees and sureties

At the end of the year under review, guarantees to third parties as security for commitments of Group companies amounted to CHF 23 million (previous year: CHF 27 million).

Total assets pledged by Group companies to guarantee their commitments amounted to CHF 79 million at the end of the year under review (previous year: CHF 102 million), of which less than CHF 1 million served to secure financial debts (previous year: CHF 16 million).

b. Leasing and other commitments

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

(CHF million)	31.12.2021	31.12.2020
Less than 1 year	377	357
Between 1 and 5 years	964	1 039
Over 5 years	696	830
Total	2 037	2 226

The figures in the preceding table include all rental contracts for buildings, a major part of which relate to the Group's retail business, and to all other rental contracts existing at the end of the year under review. Leasing costs amounting to CHF 538 million were recognized in the income statement of the year under review, compared to CHF 536 million in the previous year.

At the end of the year under review, other open long-term and irrevocable payment obligations entered into by the Group, which cannot be cancelled within 12 months, had a non-discounted value of CHF 502 million (previous year: CHF 588 million). They mainly relate to marketing and sponsoring commitments, as well as investments in tangible fixed assets.

c. Contingent assets and liabilities

Some Group companies have contingent liabilities in respect of legal claims arising from the ordinary course of business and they may be liable to pay compensation. It is not expected that any material liabilities will arise from these contingent liabilities other than those provided for (see Note 10b).

In some cases, the Group is defending its rights where there is also an inherent possibility of inflows of economic benefits if the cases are successful.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. Related party transactions

a. Principal shareholders

At the end of the year under review, the Hayek Pool and its related companies, institutions and individuals held 62 387 049 registered shares and 738 711 bearer shares, equivalent to 43.3% of all voting rights (previous year: 43.6%) of The Swatch Group Ltd, which is the parent company of the Group. In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 42.7% of all voting rights (previous year: 42.9%).

b. Key management personnel

In addition to the members of the Board of Directors, the members of the Group Management Board and of the Extended Management Board are considered as key management personnel. Total compensation for key management personnel was as follows:

(CHF million)	2021	2020
Short-term employee benefits	23.6	19.5
– of which in salaries	8.2	8.5
– of which in bonus	14.8	10.1
– of which in expense allowances	0.6	0.6
– of which in other benefits	0.0	0.3
Share-based compensation	7.7	4.8
Contributions to pension plans	0.8	0.7
Other social benefits	2.6	2.0
Total	34.7	27.0

In the year under review and in the previous year, no termination benefits were paid to members of the Board of Directors, the Management Board or the Extended Management Board. The employment contracts of members of management bodies do not provide for this type of benefit. In the year under review and in the previous year, no payments were made to former members of the Group's governing bodies for their past functions.

c. Share ownership

At the end of the year under review, the executive members of the Board of Directors and the members of the Management Board of the company as well as the persons close to them held directly or indirectly a total of 57 999 147 registered shares and 737 976 bearer shares, representing 40.3% of all voting rights (previous year: 40.2%). In addition, at the end of the year under review, all the non-executive members of the Board of Directors as well as the persons close to them held 100 registered shares and 2 010 bearer shares, representing 0.0% of all voting rights (previous year: 0.0%).

d. Loans to members of the governing bodies

The employees of the company may take out a mortgage loan with the Swiss Pension Fund of the Swatch Group for the construction or acquisition of property in Switzerland. The conditions for these mortgage loans are set by the Foundation Board of the Swiss Pension Fund of the Swatch Group. These conditions are applied in the same manner to all Swatch Group employees. In the year under review and the previous year, no loans were granted to current or former members of the Board of Directors, the Management Board or the Extended Management Board. Also, in the year under review and the previous year, no such loans were outstanding.

e. Associated companies and other related parties

The following table summarizes transactions, receivables and payables with associated companies, joint ventures (see Note 35b) and other related parties. Consulting services invoiced by the Hayek Group are recognized in *Other related parties*. At the end of the year under review and the previous year, there were no other balances outstanding with other related parties.

(CHF million)	2021		2020	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Purchases	59	9	52	9
Sales	4	0	9	0
Receivables	1	0	1	0
Payables	4	0	3	1
Guarantees received	0	0	0	0
Loans granted	1	0	2	0
Interest rate on loans granted	4.0%	0	4.0%	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATION AND GROUP STRUCTURE

30. Consolidation

Consolidation policies

The Group companies include all companies that are directly or indirectly controlled by The Swatch Group Ltd. In this respect, control is defined as the power to control the financial and operating activities of the respective company, so as to obtain benefits from its operations. This control is normally evidenced by the holding of more than half of the voting rights on share capital of an entity. Group companies are consolidated from the date on which control is transferred to the Group until the date on which control ceases.

Companies acquired over the course of the year are revalued and consolidated in accordance with Group principles upon the date of acquisition. Goodwill from acquisitions is recognized in Group equity at acquisition date. The Notes to the financial statements disclose the effects that a theoretical capitalization and amortization of the acquired goodwill would have to the equity and the net result (see Note 33). In the event that shares of Group or associated companies are sold, the difference between the proceeds from the sale and the proportional book value of the net assets, including historical goodwill, is recognized as a gain or loss in the income statement.

Non-controlling interests in equity and in net result are disclosed separately in the consolidated balance sheet and the consolidated income statement. Changes in ownership interests in subsidiaries are recognized as equity transactions, provided that control continues. Intercompany transactions, balances and unrealized gains and losses from transactions between Group companies are eliminated in full.

Associates are all companies on which the Group exerts significant influence, but does not control. This is generally evidenced when the Group holds voting rights of 20% to 50% of the voting rights on share capital of an entity. Representation on the board of directors or access to the current financial information of a company are also indicators of significant influence. Investments in associated companies are accounted for using the equity method and are initially recognized at cost. Unrealized gains and losses from transactions with associated companies are eliminated to the extent of the Group's participation in the associated company. The accounting policies of associated companies are adjusted where necessary in order to ensure consistency with the policies observed by the Group. Participations in joint ventures are also reported using the equity method.

Foreign currency translation

Translation in the financial statements of the Group companies

The financial statements of individual Group companies are measured in the currency of the economic environment in which these companies predominantly operate (functional currency). Transactions in foreign currencies are converted to the functional currency at the prevailing exchange rate on the transaction date. Balance sheet items in foreign currency are converted using the year-end exchange rate. Any resulting gains and losses are recorded in the income statement. Foreign exchange gains or losses from the conversion of intercompany loans of an equity nature are recognized in equity without affecting the income statement. Exchange differences resulting from the conversion of investments in associated companies are also reported in equity. There are no investments in hyperinflationary countries.

Translation of individual financial statements to be consolidated

The consolidated financial statements of the Swatch Group are presented in the reporting currency of Swiss francs (CHF). The financial statements of the individual companies to be consolidated are translated into Group currency at the effective date with the current rate method. This currency translation is carried out for the assets and liabilities at the year-end exchange rates, for equity at historical exchange rates, and for the income statement and statement of cash flows at average annual exchange rates. Any translation differences are recognized in equity without affecting the income statement.

In the event that a foreign entity is sold, the cumulative translation differences recognized in equity, which are a result of the translation of the financial statements and intercompany loans, are reversed from the accounts and reported in the income statement as part of the gain or loss on the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATION AND GROUP STRUCTURE

a. Consolidated companies

	2021	2020
Number of companies at 1 January	152	153
Foundations	0	1
Group internal mergers	-4	0
Liquidations	-1	-2
Number of companies at 31 December	147	152
<i>of which associates</i>	5	5
<i>of which joint ventures</i>	2	2

b. Exchange rates

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates
		2021	31.12.2021	2020	31.12.2020
CNY	1	0.1425	0.1440	0.1361	0.1357
EUR	1	1.0823	1.0385	1.0736	1.0860
HKD	1	0.1180	0.1177	0.1210	0.1142
JPY	100	0.8314	0.7975	0.8830	0.8585
USD	1	0.9176	0.9180	0.9382	0.8860

31. Business combinations

a. Acquisition of subsidiaries

There were no acquisitions in the year under review and the previous year.

b. Divestments of businesses

In September 2021, the distribution of several Group brands in South Africa was handed over to a partner. No companies were sold in the previous year.

c. Changes in non-controlling interests

There were no changes in non-controlling interests in the year under review. In November 2020, the Group's share in the company Belenos Clean Power Engineering AG was reduced from 60% to 51%. The transaction amounted to less than CHF 1 million and had no impact on the Group's equity.

32. Discontinued operations

The business unit Calvin Klein was discontinued in 2021, due to the expiration of the license agreement. This unit reached the following key figures, with net sales realized mainly in Europe (over 60%) and Asia (over 30%) in the year under review:

(CHF million)	2021	2020
Net sales	21	40
Operating result	-32	-47

Customer service for Calvin Klein products will also be guaranteed after 2021 until the end of the contractually agreed term. In future, this immaterial activity will no longer be disclosed as discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATION AND GROUP STRUCTURE

33. Acquired goodwill

Goodwill from business combinations represents the amount of the acquisition costs which exceeds the proportional actual value of the net identifiable assets of the acquired company at the time of purchase. In the case of acquisitions, potentially existing non-capitalized intangible assets such as brands, user rights or client lists are not recognized separately, but remain in goodwill. Goodwill may also arise from investments in associated companies, calculated as the amount of the acquisition costs of the investment which exceeds its related net assets at fair value at the time of acquisition. Goodwill from acquisitions is translated into CHF with the exchange rate applicable on the respective transaction date, and is recognized directly in Group equity. As a result, no currency adjustments are necessary in the statement of changes in goodwill. The estimated useful life of goodwill is between 5 and 10 years.

A goodwill impairment test is carried out at every balance sheet date. A goodwill impairment would not result in a charge being recorded in the income statement, but would lead to a disclosure in the notes to the financial statements. In the event that a Group company is sold, any goodwill acquired at an earlier point in time and recognized in equity is taken into consideration when determining the gain or loss in the income statement.

a. Theoretical statement of changes in goodwill

The theoretical capitalization of goodwill would have the following impact on the consolidated balance sheet:

(CHF million)	2021			2020		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
Historical cost 1 January	1 389	48	1 437	1 389	48	1 437
Additions	0	0	0	0	0	0
Disposals	-2	0	-2	0	0	0
Historical cost 31 December	1 387	48	1 435	1 389	48	1 437
Theoretical accumulated amortization 1 January	-1 184	-48	-1 232	-1 082	-45	-1 127
Theoretical annual amortization	-101	0	-101	-102	-3	-105
Theoretical impairment	0	0	0	0	0	0
Theoretical amortization on disposals	2	0	2	0	0	0
Theoretical accumulated amortization 31 December	-1 283	-48	-1 331	-1 184	-48	-1 232
Theoretical net book value 31 December	104	0	104	205	0	205

In the year under review, business operations in South Africa were discontinued. Consequently, the historical value of CHF 2 million in acquired goodwill for the company The Swatch Group (South Africa) (Proprietary) Ltd was derecognized (see Note 31b).

b. Theoretical impact on equity and net result

Had goodwill been capitalized and amortized, the theoretical effect on equity and net result would have been as follows:

(CHF million)	31.12.2021	31.12.2020
Equity per balance sheet	11 605	10 965
Theoretical capitalization of net book value of goodwill	104	205
Theoretical equity including net book value of goodwill	11 709	11 170

(CHF million)	2021	2020
Net result per income statement	774	-53
Theoretical amortization of goodwill	-101	-105
Theoretical net result after goodwill amortization	673	-158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

34. Investments in associates and joint ventures

All associates and joint ventures (see Note 35b) are recognized using the equity method.

(CHF million)	2021	2020
Balance at 1 January	29	45
Share of result from associates and joint ventures	-9	-10
Dividends received	-1	-1
Investments	0	0
Translation differences	2	-5
Balance at 31 December	21	29

Although voting rights in the investment in Hengdeli Holdings are less than 20%, the Swatch Group can exert significant influence, since it is represented on the board of directors and has access to current financial information. Therefore, this investment is considered to be an associated company.

In the year under review and the previous year, there were no significant changes in investments in associates and joint ventures.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

35. The Swatch Group Companies

As at 31.12.2021

a. Fully consolidated

Company name, Registered offices	Field of Activity	Capital in million	Group participation
EUROPE			
Switzerland			
The Swatch Group AG, Neuchâtel	Holding	CHF 117.72	
Assemti SA, Locarno	Assembly	CHF 0.10	100%
Belenos Clean Power Holding AG, Biel/Bienne	Holding	CHF 63.00	51%
Blancpain SA, Le Chenit	Watches	CHF 0.10	100%
Blancpain Les Boutiques SA, Le Chenit	Retail	CHF 0.10	100%
Breguet Les Boutiques SA, L'Abbaye	Retail	CHF 0.50	100%
CERTINA AG, Le Locle	Watches	CHF 3.50	100%
CHH Microtechnique SA, Le Chenit	Watch components	CHF 37.00	100%
Cité du Temps SA, Biel/Bienne	Communication	CHF 6.00	100%
CK Watch & Jewelry Co., Ltd., Biel/Bienne	Watches	CHF 5.00	90%
Comadur SA, Le Locle	Components in hard materials	CHF 110.00	100%
Compagnie des Montres Longines, Francillon S.A., Saint-Imier	Watches	CHF 10.00	100%
Dernier Batz SA, Neuchâtel	Real estate	CHF 10.00	100%
Diantus Watch SA, Mendrisio	Watches, movements	CHF 10.00	100%
Distico SA, Biel/Bienne	Distribution	CHF 3.00	100%
Dress your body AG, Corcelles-Cormondrèche	Jewelry	CHF 0.10	100%
EM Microelectronic-Marin SA, La Tène	Microelectronics	CHF 25.00	100%
ETA SA Manufacture Horlogère Suisse, Grenchen	Watches, movements and components	CHF 6.20	100%
Evaco AG, Möhlin	Watches	CHF 0.50	58%
Hamilton International AG, Biel/Bienne	Watches	CHF 3.00	100%
Harry Winston SA, Plan-les-Ouates	Watches	CHF 0.40	100%
ICB Ingénieurs Conseils en Brevets SA, Neuchâtel	Patents	CHF 0.20	100%
Manufacture Ruedin SA, Haute-Sorne	Watch cases	CHF 2.40	100%
Meco SA, Grenchen	Watch crowns	CHF 25.00	100%
Micro Crystal AG, Grenchen	Miniature low-frequency quartz crystals	CHF 4.00	100%
MIDO AG, Le Locle	Watches	CHF 1.20	100%
MOM Le Prélet S.A., Val-de-Ruz	Watch dials	CHF 10.00	100%
Montres Breguet SA, L'Abbaye	Watches	CHF 10.00	100%
Montres Jaquet Droz SA, La Chaux-de-Fonds	Watches	CHF 26.00	100%
Nivarox-FAR S.A., Le Locle	Watch components and thin wires	CHF 4.00	100%
Novi SA, Les Genevez	Assembly	CHF 0.14	100%
Omega SA, Biel/Bienne	Watches	CHF 50.00	100%
Rado Uhren AG, Lengnau BE	Watches	CHF 2.00	100%
Record Watch Co. SA, Saint-Imier	Administration	CHF 0.10	100%
Renata AG, Itingen	Miniature batteries	CHF 0.50	100%
Rubattel et Weyermann S.A., La Chaux-de-Fonds	Watch dials	CHF 63.00	100%
Simon et Membrez S.A., Delémont	Watch cases	CHF 0.10	100%
SSIH Management Services AG, Biel/Bienne	Services	CHF 0.05	100%
Swatch AG, Biel/Bienne	Watches	CHF 2.00	100%
Swatch Retail AG, Biel/Bienne	Retail	CHF 2.00	100%
Swiss Timing LTD, Corgémont	Sports timing technology & equipment	CHF 2.00	100%
Technocorp Holding S.A., Le Locle	Holding	CHF 6.00	100%
Termiboîtes S.A., Basse-Allaine	Polishing	CHF 0.10	100%
The Swatch Group Assembly SA, Mendrisio	Assembly	CHF 15.00	100%
The Swatch Group Export SA, Neuchâtel	Distribution	CHF 1.00	100%
The Swatch Group Far East Distribution Ltd, Biel/Bienne	Distribution	CHF 0.10	100%
The Swatch Group Immeubles SA, Neuchâtel	Real estate management	CHF 0.50	80%
The Swatch Group Les Boutiques SA, Le Grand-Saconnex	Retail	CHF 3.00	100%
The Swatch Group Management Services AG, Biel/Bienne	Services	CHF 0.05	100%
The Swatch Group Recherche et Développement SA, La Tène	Research and development	CHF 0.10	100%
The Swatch Group Services AG, Biel/Bienne	Logistics, distribution and services	CHF 1.00	100%
Time Flagship AG, Zürich	Retail	CHF 6.00	100%
Tissot SA, Le Locle	Watches	CHF 5.00	100%
Universo S.A., La Chaux-de-Fonds	Watch hands	CHF 0.67	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

Company name, Registered offices	Field of Activity		Capital in million	Group participation
Belgium				
The Swatch Group (Belgium) SA/NV, Anderlecht	Distribution	EUR	1.75	100%
RETAIL SERVICES BELGIUM SA, Bruxelles	Services	EUR	2.09	100%
Germany				
Fördergesellschaft der Glashütter Uhrenindustrie mbH, Glashütte	Watches	EUR	0.03	100%
Glashütter Uhrenbetrieb GmbH-Glashütte/Sa., Glashütte	Watches	EUR	0.51	100%
ST Sportservice GmbH, Leipzig	Sports timing technology & equipment	EUR	3.47	100%
Swiss Prestige Uhren Handel GmbH, Eschborn	Retail	EUR	0.08	100%
The Swatch Group (Deutschland) GmbH, Eschborn	Distribution	EUR	1.28	100%
UNION Uhrenfabrik GmbH Glashütte/Sa., Glashütte	Watches	EUR	0.10	100%
France				
BREGUET SAS, Paris	Administration	EUR	0.04	100%
FABRIQUE DE FOURNITURES DE BONNETAGE-F.F.B.-SAS, Villers-le-Lac	Precision parts	EUR	4.56	100%
Frésard Composants SAS, Charquemont	Precision parts	EUR	1.80	100%
Harry Winston SAS, Paris	Retail	EUR	10.09	100%
HOOR PASSION SAS, Paris	Retail	EUR	10.00	100%
The Swatch Group (France) SAS, Paris	Distribution	EUR	15.00	100%
Greece				
THE SWATCH GROUP GREECE S.M.S.A., Athens	Distribution	EUR	0.82	100%
Great Britain				
Harry Winston (UK) Limited, London	Retail	GBP	0.00	100%
The Swatch Group (UK) Limited, London	Distribution	GBP	2.00	100%
Italy				
Lascor S.p.A., Sesto Calende	Bracelets	EUR	1.00	100%
The Swatch Group Europe Services S.r.l., Milano	Administration	EUR	0.01	100%
The Swatch Group (Italia) S.p.A., Milano	Distribution	EUR	23.00	100%
Luxembourg				
The Swatch Group Financial Services (Luxembourg) S.A., Alzingen	Finance company	EUR	5.00	100%
The Swatch Group RE (Luxembourg) S.A., Alzingen	Reinsurance	EUR	1.80	100%
The Swatch Group SICAF-SIF, Alzingen	Finance company	CHF	233.41	100%
Monaco				
The Swatch Group (Monaco) Les Boutiques S.A.M.	Distribution	EUR	2.00	100%
Netherlands				
The Swatch Group (Netherlands) B.V., Eindhoven	Distribution	EUR	3.45	100%
Austria				
The Swatch Group (Österreich) GmbH, Wien	Distribution	EUR	0.04	100%
Poland				
The Swatch Group (Polska) Sp.z o.o., Warszawa	Distribution	PLN	10.00	100%
Russia				
The Swatch Group (RUS) OOO, Moscow	Distribution	RUB	8 544.12	100%
Sweden				
The Swatch Group (Nordic) AB, Stockholm	Distribution	SEK	0.50	100%
Spain				
THE SWATCH GROUP ESPAÑA SA, Alcobendas	Distribution	EUR	0.45	100%
Czech Republic				
ASICentrum spol. s.r.o., Praha	Microelectronics	CZK	0.30	100%
ST Software s.r.o., Liberec	Sports timing technology & equipment	CZK	0.10	80%
Turkey				
The Swatch Group Turkey Saat Ticaret Limited Sirketi, Istanbul	Distribution	TRY	251.00	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

Company name, Registered offices	Field of Activity		Capital in million	Group participation
ASIA				
Bahrain				
Hour Choice W.L.L., Manama	Retail	BHD	0.02	58%
Greater China				
Harry Winston Commercial (China) Co. Ltd., Beijing	Retail	CNY	78.96	100%
Harry Winston (Hong Kong) Limited, Hong Kong SAR	Retail	HKD	0.01	100%
O Grupo Swatch (Macau) Limitada, Macau	Retail	MOP	1.50	100%
Shanghai Qi Heng Trading Co., Ltd., Shanghai	Retail	CNY	30.00	100%
Shanghai Qi Tong Trading Co., Ltd., Shanghai	Retail	CNY	1.00	100%
Shanghai Ruijing Retail Co., Ltd., Shanghai	Retail	CNY	20.25	100%
Shanghai Ruiwan Retail Co., Ltd., Shanghai	Retail	CNY	4.00	100%
Shanghai SMH Watch Service Center Co., Ltd., Shanghai	Customer service	CNY	48.37	100%
Shanghai Swatch Art Centre Co., Ltd., Shanghai	Art center	CNY	148.41	90%
SMH Les Boutiques (Shanghai) Co., Ltd., Shanghai	Retail	CNY	99.69	100%
SMH Swiss Watch Trading (Shanghai) Co., Ltd., Shanghai	Distribution	CNY	7.12	90%
SMH Technical Services (Shenzhen) Co., Ltd., Shenzhen	Services	CNY	10.45	100%
The Swatch Group (China) Ltd., Shanghai	Distribution	CNY	14.88	100%
The Swatch Group (Hong Kong) Limited, Hong Kong SAR	Distribution	HKD	5.00	100%
India				
Swatch Group (India) Private Limited, New Delhi	Distribution	INR	5 280.00	100%
Swatch Group (India) Retail Private Limited, New Delhi	Retail	INR	180.10	100%
Indonesia				
PT Swatch Group Indonesia, Jakarta	Distribution	IDR	189 295.90	100%
Japan				
Harry Winston Japan K.K., Tokyo	Retail	JPY	10.00	100%
The Swatch Group (Japan) KK, Tokyo	Distribution	JPY	100.00	100%
Qatar				
Hour Choice W.L.L., Doha	Retail	QAR	0.20	29%
Rivoli Enterprises W.L.L., Doha	Retail	QAR	0.20	29%
Rivoli Watches W.L.L., Doha	Retail	QAR	0.40	29%
Malaysia				
MICROMECHANICS (M) SDN. BHD., Ipoh	Assembly electronic components	MYR	35.00	100%
SWISS LUXURY WATCH & JEWELRY SDN. BHD., Kuala Lumpur	Retail	MYR	7.00	51%
THE SWATCH GROUP (MALAYSIA) SDN. BHD., Kuala Lumpur	Distribution	MYR	1.00	100%
Oman				
RIVOLI & CO LLC, Muscat	Retail	OMR	0.30	58%
Singapore				
Harry Winston N.A. Pte. Ltd., Singapore	Retail	SGD	0.00	100%
THE SWATCH GROUP S.E.A. (S) PTE. LTD., Singapore	Distribution	SGD	4.00	100%
South Korea				
The Swatch Group (Korea) Ltd., Seoul	Distribution	KRW	6 300.00	100%
Thailand				
ETA (Thailand) Company Limited, Samut Prakan	Assembly electronic components	THB	504.50	100%
The Swatch Group Trading (Thailand) Limited, Bangkok	Distribution	THB	600.00	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

Company name, Registered offices	Field of Activity	Capital in million	Group participation
United Arab Emirates			
Al Khaleej Watches LLC, Abu Dhabi	Retail	AED 0.15	58%
Blue Sky Trading Company LLC, Abu Dhabi	Retail	AED 0.30	58%
Excel Enterprises LLC, Dubai	Retail	AED 1.70	58%
Golden Watch Company LLC, Abu Dhabi	Retail	AED 0.50	58%
Hour Choice LLC, Dubai	Retail	AED 3.00	58%
Rivoli Arcade LLC, Dubai	Retail	AED 0.30	58%
Rivoli Enterprises LLC, Dubai	Retail	AED 3.00	58%
RIVOLI GROUP LLC, Dubai	Retail	AED 24.02	58%
Rivoli Investments LLC, Dubai	Holding	AED 0.30	58%
Rivoli Textiles LLC, Dubai	Retail	AED 0.30	58%
Swatch Group Retail Middle East LLC, Dubai	Retail	AED 0.30	100%
Vision 2000 LLC, Dubai	Retail	AED 1.00	58%
AMERICA			
Canada			
H.W. Protection Inc., Toronto	Services	CAD 1.94	100%
The Swatch Group (Canada) Ltd., Toronto	Distribution	CAD 4.50	100%
Mexico			
The Swatch Group Mexico S.A. de C.V., Mexico DF	Distribution	MXN 201.50	100%
Panama			
The Swatch Group Panama S.A., Panama City	Administration	USD 0.01	100%
United States			
EM Microelectronic – US Inc., Colorado Springs	Microelectronics	USD 0.04	100%
Harry Winston, Inc., New York	High jewelry	USD 0.00	100%
The Swatch Group (U.S.) Inc., Wilmington, Delaware	Distribution	USD 1.01	100%
OCEANIA			
Australia			
THE SWATCH GROUP (AUSTRALIA) PTY. LTD., Glen Iris	Distribution	AUD 0.40	100%
AFRICA			
South Africa			
The Swatch Group (South Africa) (Proprietary) Limited, Sandton	Distribution	ZAR 225.00	100%

b. Equity method

Company name, Registered offices	Field of Activity	Capital in million	Group participation
EUROPE			
Switzerland			
Danyack S.A., La Chaux-de-Fonds	Real estate	CHF 0.06	29%
S.I. Les Corbes SA, Val-de-Ruz	Real estate	CHF 0.10	34%
ASIA			
Greater China			
Beijing Xinyu Hengrui Watch & Clock Co., Ltd., Beijing	Real estate	CNY 40.00	50%
Hengdeli Holdings Limited, Hong Kong	Retail	CNY 22.94	9%
Saudi Arabia			
Alzouman General Trading Co. Ltd., Jeddah	Retail	SAR 60.00	33%
United Arab Emirates			
Marcolin Middle East FZCO, Dubai	Distribution	AED 0.10	29%
New Horizons General Trading LLC, Dubai	Retail	AED 0.30	29%

Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Swatch Group Ltd and its subsidiaries (the Group), which comprise the consolidated income statement for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 173 to 208) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality: CHF 45,000,000

We concluded full scope audit work at 70 reporting units in 28 countries. These 70 reporting units addressed more than 85% of the Group's total assets, net sales and net result.

As key audit matter the following area of focus has been identified:

Valuation of inventories



Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality for the audit of the consolidated financial statements	CHF 45,000,000
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Benchmark applied	Result before income taxes
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Rationale for the materiality benchmark applied	We chose result before income taxes as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. In addition, result before income taxes is a generally accepted benchmark for considerations of materiality.
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We agreed with the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 2,500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. The Management of The Swatch Group Ltd uses stricter criteria and lower benchmarks in making operational decisions and for its financial reporting.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The main subsidiaries of the Group are audited by PwC exclusively and we remain in constant contact with the audit teams that perform the work. As the auditor of the consolidated financial statements, we ensure that we visit the local management and the local auditor of the most significant Group companies every three years according to a rotation plan. During these site visits, we discuss the risks of a material misstatement in the local entity's financial statements as well as the focus points of the audit and the audit scope. During the audit of the 2021 consolidated financial statements, we participated in the audit closing meetings of five of the main Group companies in Switzerland and discussed the audit with the local auditors and the management of the main Group companies in China, Japan, South Korea, Italy, and the United States of America via a virtual meeting and visited the Group company in Russia.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Valuation of inventories

Key audit matter

We consider the valuation of inventories to be a key audit matter because they amounted to CHF 6,389 million on the balance sheet as at 31 December 2021 and they represent a significant share of total assets (about 47%).

Sales of watches and jewellery are subject to market fluctuations. These fluctuations along with the complex structure of inventories – raw materials, components, finished goods and spare parts – mean that there is significant scope for judgement in testing inventories for impairment and recoverability. In performing these tests, the different raw materials used and the durability of the value of each brand's products have to be considered in the light of the differing product life cycles.

Please refer to page 178 (Basis of preparation, c. Accounting estimates and judgments) and page 182 (Notes to the consolidated financial statements, Note 7 Inventories) in the 2021 Annual Report.

How our audit addressed the key audit matter

We performed the following audit procedures to assess the appropriateness of the valuation of the inventories:

- By reference to historical and expected inventory usage figures, we assessed at subsidiary level the process for identifying slow-moving inventories (raw materials, semi-finished goods and spare parts for customer service) and the appropriateness of the resulting write-downs.
- For finished goods subject to market risk, we tested at subsidiary level and at Group level Management's valuation estimates based on the lower of acquisition or manufacturing cost and net realisable value as well as the recoverability of the book value of finished goods. In doing so, we considered not only sales figures but also the marketability of the watch and jewellery collections.
- Further, at Group level, we checked the process to eliminate unrealised gains and losses from transactions between Group companies. In doing so, we checked that the valuation of the inventories on the consolidated financial statements did not include material unrealised gains.

We consider Management's approach to value inventories and assess write-downs as reasonable.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERT-suisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG



Thomas Bröderlin
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Basel, 2 March 2022

FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD

FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD

Income statement

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INCOME STATEMENT OF THE SWATCH GROUP LTD

	Notes	2021 CHF million	2020 CHF million
Income from investments in subsidiaries	(1)	528	697
Other income		6	5
Personnel expense		-45	-39
Other expenses		-17	-18
Depreciation and impairment	(2)	-29	-124
Financial expenses	(3)	-20	-16
Financial income	(4)	40	30
Ordinary result		463	535
Non-operating result		0	0
Extraordinary result		0	0
Profit before income taxes		463	535
Income taxes		-2	-2
Net income		461	533

BALANCE SHEET OF THE SWATCH GROUP LTD

Assets	Notes	31.12.2021		31.12.2020	
		CHF million	%	CHF million	%
Current assets					
Cash and cash equivalents		446	5.2	419	5.1
Assets with an observable market price	(5, 8)	669	7.8	189	2.3
Other current receivables					
– from Group companies	(6)	2 615	30.4	2 573	31.1
– from third parties		27	0.3	27	0.3
Prepayments and accrued income		3	0.0	3	0.0
Total current assets		3 760	43.7	3 211	38.8
Non-current assets					
Loans to Group companies	(6)	468	5.4	855	10.3
Loans to third parties		1	0.0	0	0.0
Investments in subsidiaries and associates	(7)	4 370	50.8	4 196	50.8
Property, plant and equipment		5	0.1	6	0.1
Intangible assets		1	0.0	1	0.0
Total non-current assets		4 845	56.3	5 058	61.2
Total assets		8 605	100.0	8 269	100.0

BALANCE SHEET OF THE SWATCH GROUP LTD

Equity and liabilities	Notes	31.12.2021		31.12.2020	
		CHF million	%	CHF million	%
Current liabilities					
Financial debts and derivative financial instruments	(8)	94	1.1	54	0.7
Other current liabilities					
– to Group companies		27	0.3	29	0.4
– to third parties		8	0.1	4	0.0
Accrued expenses		17	0.2	12	0.1
Non-current liabilities					
Non-current provisions		90	1.0	90	1.1
Total liabilities		236	2.7	189	2.3
Equity					
Share capital		118	1.4	118	1.4
Statutory capital reserve		123	1.4	124	1.5
Statutory reserve		10	0.1	10	0.1
Reserve for treasury shares		0	0.0	0	0.0
Voluntary reserve		7 739	90.0	7 289	88.2
– Profit brought forward		49		147	
– Net income for the year		461		533	
Available earnings		510	5.9	680	8.2
Treasury shares		-131	-1.5	-141	-1.7
Total equity	(9)	8 369	97.3	8 080	97.7
Total equity and liabilities		8 605	100.0	8 269	100.0

NOTES TO THE FINANCIAL STATEMENTS

General

The financial statements of The Swatch Group Ltd, with registered office in Neuchâtel, comply with the requirements of the Swiss Code of Obligations (OR). The financial statements for the year under review were prepared in accordance with Swiss Accounting Legislation (thirty-second title of the Swiss Code of Obligations).

Valuation principles**a. Assets**

Assets are valued at no more than their acquisition cost. Exceptions are current assets with an observable market price, which are valued at the stock price or market value on the balance sheet date. All changes in value are recognized in the income statement. No value fluctuation reserves are built.

b. Investments

Investments in subsidiaries and associates are valued individually provided that they are significant and that due to their similarity are not usually combined as a group for valuation.

c. Treasury shares

Treasury shares reserved for the employee stock option plan, as well as repurchased treasury shares are valued at historical acquisition value without subsequent valuation adjustment. Gains and losses from disposals of treasury shares, including transaction costs, are recorded directly in capital reserves.

d. Liabilities

Liabilities are valued at nominal value.

e. Foreign currency translation

All assets and liabilities denominated in foreign currencies are translated according to the exchange rates applicable on the balance sheet date. Income and expenses denominated in foreign currencies and all foreign exchange transactions are translated at the exchange rates prevailing on their respective transaction dates. Resulting foreign exchange differences are recognized in the income statement.

Details to specific items**1. Income from investments in subsidiaries**

(CHF million)	2021	2020
Dividends	470	645
Other income from investments in subsidiaries	58	52
Total	528	697

This item includes dividends from Group companies and other income from investments in subsidiaries as well as management fees from Group companies.

2. Depreciation and impairment

Depreciation and impairment is calculated on receivables, property, plant and equipment, intangible assets, loans and investments in subsidiaries and associates. In the year under review, this amounted to CHF 29 million (previous year: CHF 124 million).

3. Financial expenses

(CHF million)	2021	2020
Interest expense	-2	-1
Result from marketable securities at fair value	-5	-4
Net currency result	-11	-9
Other financial expense	-2	-2
Total	-20	-16

NOTES TO THE FINANCIAL STATEMENTS

4. Financial income

(CHF million)	2021	2020
Interest income	19	22
Income and gains on securities	21	8
Total	40	30

5. Assets with an observable market price

(CHF million)	31.12.2021	31.12.2020
Current financial assets	388	0
Marketable securities	195	112
Precious metals	81	76
Derivative financial instruments (see Note 8)	5	1
Total	669	189

6. Receivables and loans

These positions mainly include deposits of surplus cash with the Group-internal finance company in Luxembourg as well as financing of subsidiaries.

7. Investments in subsidiaries and associates

The list of 146 legal entities, including minority investments, held directly or indirectly by The Swatch Group Ltd and consolidated at Swatch Group level, is published in Note 35 of the consolidated financial statements in this report.

Investments in subsidiaries amounted to CHF 4 370 million or 50.8% of total assets at the end of the year under review (previous year: CHF 4 196 million or 50.8% of total assets).

8. Financial debts and derivative financial instruments

At the end of the year under review, current account overdrafts of CHF 92 million were open (previous year: CHF 45 million).

At the end of the year under review, as in the previous year, there was no option contract outstanding. The table below gives an overview of the contract values and fair values of open forward contracts.

(CHF million)	31.12.2021			31.12.2020		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts						
- Third parties	888	5	-1	782	0	-4
- Group	276	0	-1	317	1	-5
Total	1 164	5	-2	1 099	1	-9

Derivative financial instruments are recognized at fair value. Forward contracts outstanding at the end of the year under review served to hedge operations relating to exchange rate risk and market volatility. Intragroup contracts relate to agreements between The Swatch Group Ltd and Group companies for the hedging of risk associated with intragroup financial transactions.

NOTES TO THE FINANCIAL STATEMENTS

9. Equity

Compared to the end of the previous year, equity increased by CHF 289 million to CHF 8 369 million in the year under review. At the end of the year under review, the equity ratio amounted to 97.3% of total assets (previous year: 97.7%).

The table below shows the changes in equity:

(CHF million)	Share capital	Statutory capital reserve	Statutory reserve	Reserve for treasury shares	Voluntary reserve	Available earnings	Treasury shares	Total equity
Balance at 31.12.2019	118	148	10	0	6 759	961	-195	7 801
Allocated in 2020					530	-530		0
Dividend paid out						-284		-284
Change in treasury shares		-24					54	30
Net income						533		533
Balance at 31.12.2020	118	124	10	0	7 289	680	-141	8 080
Allocated in 2021					450	-450		0
Dividend paid out						-181		-181
Change in treasury shares		-1					10	9
Net income						461		461
Balance at 31.12.2021	118	123	10	0	7 739	510	-131	8 369

Share capital

The share capital of The Swatch Group Ltd is composed as follows (unchanged from the previous year):

Balance sheet date	Registered shares at CHF 0.45	Bearer shares at CHF 2.25	Share capital in CHF
31.12.2020	116 919 500	28 936 000	117 719 775.00
31.12.2021	116 919 500	28 936 000	117 719 775.00

Principal shareholders at 31 December 2021

At the end of the year under review, the Hayek Pool, its related companies, institutions and individuals held 62 387 049 registered shares and 738 711 bearer shares, equivalent to 43.3% of all voting rights (previous year: 43.6%). The Hayek Pool comprises the following members:

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

NOTES TO THE FINANCIAL STATEMENTS

The companies, institutions and individuals associated with the Hayek Pool, but which do not formally belong to the Hayek Pool are as follows:

Name / Company	Location	Beneficial owners
Hayek Holding AG	Meisterschwanden	Community of heirs of N. G. Hayek
Community of heirs of N. G. Hayek and family members		Community of heirs of N. G. Hayek
Personalfürsorgestiftung der Hayek Engineering AG	Meisterschwanden	-
Ammann families (pension funds, foundations and individuals, Madisa AG)	c/o Ammann Group Holding AG, Bern	Represented by Daniela Aeschlimann
Fondation d'Ébauches SA et des maisons affiliées	Neuchâtel	-
Various welfare foundations	various	-

In the context of the pool, the group of the community of heirs of N. G. Hayek and related parties controlled in total 42.7% of all voting rights at end of the year under review (previous year: 42.9%).

At the end of the year under review, the Swatch Group had no knowledge of any other group or individual shareholder controlling more than 5% of all voting rights.

Statutory capital reserve

Gains and losses from the sale of treasury shares, including transaction costs, are recorded directly in the statutory capital reserve. In addition, the statutory capital reserve includes the historical proceeds from the issuance of participation certificates in excess of nominal value and issuance costs (premium).

Voluntary reserve

In the year under review, an amount of CHF 450 million was appropriated from available earnings at 31 December 2020 (previous year: CHF 530 million).

Reserve for treasury shares

At the end of the year under review, there was no reserve for treasury shares. No shares of The Swatch Group Ltd were held by Group subsidiaries (previous year: none).

Available earnings

In compliance with the resolution approved at the Annual General Meeting of 11 May 2021, a dividend of CHF 0.70 per registered share and of CHF 3.50 per bearer share was appropriated from available earnings as at 31 December 2020. The total dividend amount paid to shareholders in the year under review came to CHF 82 million on the registered shares and CHF 101 million on the bearer shares. In accordance with the resolution relating to the use of available earnings approved by the above-mentioned Annual General Meeting, no dividends were paid on the treasury shares held by the Swatch Group. This amount, which would have totaled CHF 2 million, thus remains as an integral part of equity at the end of the year under review. Finally, CHF 450 million was appropriated from available earnings at 31 December 2020 and allocated to the voluntary reserve.

Treasury shares

Treasury shares held by The Swatch Group Ltd at the end of the year under review corresponded to 1.0% (previous year: 1.0 %) of the nominal value of total share capital. In addition to repurchased treasury shares, this position also includes registered treasury shares intended for the employee stock option plan.

NOTES TO THE FINANCIAL STATEMENTS

The number of treasury shares held directly or indirectly by The Swatch Group Ltd changed as follows:

Shares held by	Registered shares 1)		Bearer shares	
	2021	2020	2021	2020
The Swatch Group Ltd				
Balance at 1 January	2 544 421	3 178 416	40 000	65 000
Acquisitions 2)	0	0	40 000	0
Disposals 3)	-186 964	-633 995	-40 000	-25 000
Balance at 31 December	2 357 457	2 544 421	40 000	40 000
Other consolidated companies				
Balance at 1 January	0	0	0	0
Acquisitions	0	0	0	0
Disposals	0	0	0	0
Balance at 31 December	0	0	0	0
Total balance at 31 December	2 357 457	2 544 421	40 000	40 000

1) Of which, at the end of the year under review, a total of 2 342 932 registered shares were reserved for the employee stock option plan (previous year: 2 529 896 shares).

2) In the year under review, the Group acquired 40 000 bearer shares at an average price of CHF 302.20. In the previous year, no shares were acquired.

3) In the year under review, no registered shares were sold (previous year: 421 556 at an average price of CHF 41.50). As part of the employee stock option plan (see Note 13 of the consolidated financial statements), 186 964 registered shares were exercised (previous year: 212 439). In addition, 40 000 bearer shares were sold in the year under review at an average price of CHF 288.65 (previous year: 25 000 at an average price of CHF 227.22).

Off-balance-sheet items

Number of full-time equivalents

In the year under review, the annual average number of full-time equivalents was 137 (previous year: 139).

Leasing liabilities

The balance of liabilities arising from buy or purchase-like contracts and other leasing commitments which do not expire or cannot be cancelled within 12 months amounted to less than CHF 1 million at the end of the year under review and previous year.

Liabilities to pension plans

The balance sheet at the end of the year under review contained no liabilities to pension plans (previous year: none).

Assets pledged

None of the company's assets were pledged.

Guarantees

At the end of the year under review and of the previous year, guarantees provided by The Swatch Group Ltd amounted to less than CHF 1 million. As in the previous year, this item relates to a guarantee to cover a lease commitment taken out by another Group company.

Contingent liabilities

At the end of the year under review, unchanged from the previous year, there were no contingent liabilities except the joint and several responsibility in favor of other Group companies in connection with the group taxation of value added tax.

Comfort letters

In the year under review, The Swatch Group Ltd issued comfort letters in favor of subsidiaries, guaranteeing the companies' willingness to pay for at least one year.

NOTES TO THE FINANCIAL STATEMENTS

Swatch Group shares and options of the Board of Directors, Group Management and employees

Article 959c paragraph 2 item 11 of the Swiss Code of Obligations requires disclosure of the number and value of shares and options granted to members of the Board of Directors and Group Management as well as to employees. Details of the entire employee stock option plan are disclosed in Note 13 of the consolidated financial statements. Allocations to the Board of Directors and the Management Board are disclosed in the separate compensation report, in which all management remuneration information is disclosed.

In the year under review, 4 750 registered shares and options valued at CHF 0.3 million (previous year: 5 000 registered shares and options valued at CHF 0.2 million) were allocated to other employees of The Swatch Group Ltd.

In addition, Article 663c paragraph 3 of the Swiss Code of Obligations requires disclosure of shares and options held by members of the Board of Directors and Group Management, including closely related persons. The table below shows the corresponding holdings at the end of the year under review and of the previous year.

Name	Function	Registered Shares		Bearer shares		Options	
		2021	2020	2021	2020	2021	2020
Community of heirs N. G. Hayek represented by Marianne Hayek		56 695 202	56 695 202	737 796	737 796		
Nayla Hayek	BoD Chairwoman	228 208	208 208			20 002	20 002
Ernst Tanner	BoD Vice-Chairman			2 000	2 000		
Prof. Dr. h.c. Claude Nicollier	BoD Member	100	100				
Dr. Jean-Pierre Roth	BoD Member			10	10		
Daniela Aeschlimann	BoD Member						
Georges Nicolas Hayek	BoD Member / CEO	199 491	175 491			24 000	24 000
Raynald Aeschlimann	MB Member	40 867	33 867			7 001	7 001
Pierre-André Bühler	MB Member	20 966	18 966			8 002	8 002
Dr. Mougahed Darwish	MB Member	74 268	87 668	40	40	2 602	2 602
Marc A. Hayek	MB Member	182 899	169 065	140	140	14 501	13 835
Dr. Thierry Kenel	MB Member / CFO	100 253	90 253			10 001	10 001
Florence Ollivier-Lamarque	MB Member	61 498	71 498			5 002	5 002
Dr. Peter Steiger	MB Member	130 999	120 999			10 001	10 001
François Thiébaud	MB Member	181 382	170 048			10 168	12 502
Lionel A Marca	EMB Member	1 282	314			1 200	968
Matthias Breschan	EMB Member	2 034	4 034			3 000	3 000
Sylvain Dolla	EMB Member	2 233	1 300			1 468	401
Daniel Everts	EMB Member	2 300	1 700			600	600
Yann Gamard	EMB Member	12 700	9 000			5 501	5 501
Hans-Rudolf Gottier	EMB Member	42 700	37 700			5 002	5 002
Roger Juillet	EMB Member	4 045	2 845			1 200	1 200
Mireille Koenig	EMB Member	4 320	3 520			900	800
Calogero Polizzi	EMB Member	11 500	8 500			3 000	3 000
Total		57 999 247	57 910 278	739 986	739 986	133 151	133 420

Each option gives the right to draw one registered share. Each share (registered or bearer) represents one voting right. The principal shareholders are disclosed in Note 29 of the consolidated financial statements. Except for the community of heirs of N. G. Hayek, no member of the Board of Directors, Management Board and Extended Management Board, together with persons closely linked to them, owned as of the end of the year under review, either directly or through share options, more than 1% of the outstanding Swatch Group shares (end of previous year: community of heirs of N. G. Hayek).

Additional information, cash flow statement and management report

According to Article 961d paragraph 1 of the Swiss Code of Obligations, additional information, the statement of cash flows and the management report are dispensed with, as The Swatch Group Ltd prepares the consolidated financial statements in accordance with a recognized financial reporting standard.

Events after the balance sheet date

These financial statements were approved for issue by the Board of Directors on 2 March 2022 and will be submitted to the Annual General Meeting of Shareholders for approval on 24 May 2022. Otherwise, there were no other significant events after the balance sheet date.

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

The Board of Directors proposes to the Annual General Meeting that available earnings be appropriated as follows:

(CHF million)	2021	2020
Net income	461	533
Profit brought forward	49	147
Available earnings	510	680
Allocation to voluntary reserve	-200	-450
Payment of a 2020 dividend, i.e.:		
- CHF 0.70 per registered share with a par value of CHF 0.45		-82
- CHF 3.50 per bearer share with a par value of CHF 2.25		-101
Payment of a 2021 dividend, i.e.: 1)		
- CHF 1.10 per registered share with a par value of CHF 0.45	-129	
- CHF 5.50 per bearer share with a par value of CHF 2.25	-159	
Dividends not paid out on own shares held by the Group 2)		2
Balance carried forward	22	49

1) It is planned not to pay dividends on treasury shares held by the Group.

2) Based on the decision of the Annual General Meeting of 11 May 2021, the dividend due on own shares held by the Group was not paid out.

Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Swatch Group Ltd, which comprise the income statement for the year ended 31 December 2021, the balance sheet as at 31 December 2021 and notes to the financial statements for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 215 to 223 and pages 205 to 208) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 35,000,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries and associates

Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality for the audit of the financial statements	CHF 35,000,000
Benchmark applied	Total equity
Rationale for the materiality benchmark applied	We chose total equity as the benchmark because it is a relevant and generally accepted benchmark for materiality considerations relating to a holding company.

We agreed with the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 2,500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons. The Management of The Swatch Group Ltd uses stricter criteria and lower benchmarks to support its operational decisions and for its financial reporting.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Valuation of investments in subsidiaries and associates

Key audit matter	How our audit addressed the key audit matter
<p>As at 31 December 2021, investments in subsidiaries and associates of The Swatch Group Ltd amounted to CHF 4,370 million (about 51% of total assets). They include the directly held subsidiaries, which hold the other Group companies. These include subsidiaries with different levels of vertical integration, in particular component producers, manufactures, brand name parent companies, numerous sales organisations and other equity investments. Because of their vertical integration and their similarity, these investments are grouped together, in some cases, for valuation purposes.</p> <p>Due to the significance of this asset category in the financial statements and because of the scope for judgement in grouping these investments, we consider the impairment assessment of the equity investments as complex and, therefore, as a key audit matter.</p> <p>Please refer to page 218 (Valuation principles) and page 219 (Details to specific items, note 7 Investments in subsidiaries and associates) of the 2021 Annual Report.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> - We checked the grouping of the investments based on their similarity and their vertical integration in the Swatch Group. - We tested the valuation of each investment or group of investments based on its equity and results for the year. <p>We consider Management's approach to group and value the investments as an acceptable and reasonable basis for the valuation of the investments.</p>

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTSuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.



Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Thomas Brüderlin
Audit expert
Auditor in charge



Tobias Handschin
Audit expert

Basel, 2 March 2022



THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding / Average share capital	2021 basic	2020 basic	2019 basic	2018 basic	2017 basic
Number of registered shares of CHF 0.45	114 471 966	114 169 222	113 428 394	115 449 571	116 755 450
Number of bearer shares of CHF 2.25	28 883 462	28 872 923	28 814 317	29 268 442	29 567 412
Total average number of shares outstanding	143 355 428	143 042 145	142 242 711	144 718 013	146 322 862
Share capital registered shares in CHF	51 512 385	51 376 150	51 042 777	51 952 307	52 539 953
Share capital bearer shares in CHF	64 987 790	64 964 077	64 832 213	65 853 995	66 526 677
Total average share capital in CHF	116 500 174	116 340 227	115 874 991	117 806 302	119 066 630

Key data per registered share (nom. CHF 0.45) in CHF	2021	2020	2019	2018	2017
Consolidated net result attributable to shareholders	2.96	-0.20	2.84	3.23	2.77
Cash flow from operating activities 1)	5.01	3.17	4.75	3.60	4.78
Consolidated equity 1)	44.82	42.41	44.63	43.07	42.67
Dividend 2)	1.10	0.70	1.10	1.60	1.50

Key data per bearer share (nom. CHF 2.25) in CHF	2021	2020	2019	2018	2017
Consolidated net result attributable to shareholders	14.78	-0.99	14.18	16.14	13.86
Cash flow from operating activities 1)	25.06	15.83	23.76	18.01	23.89
Consolidated equity 1)	224.12	212.07	223.17	215.33	213.33
Dividend 2)	5.50	3.50	5.50	8.00	7.50

Stock price (adjusted) in CHF	2021	2020	2019	2018	2017
Registered shares high	64.30	52.75	62.60	91.30	80.95
Registered shares low	45.68	28.56	46.62	54.05	60.60
Registered shares at year-end	53.45	46.76	51.15	56.80	74.50
Bearer shares high	333.90	280.50	322.00	499.10	414.60
Bearer shares low	235.50	151.00	247.70	275.60	307.50
Bearer shares at year-end	279.00	241.50	270.00	286.70	397.40

Key ratios (year-end)	2021	2020	2019	2018	2017
Average return on equity 3)	6.9%	-0.5%	6.6%	7.7%	6.8%
Dividend yield registered shares 4)	2.1%	1.5%	2.2%	2.8%	2.0%
Dividend yield bearer shares 4)	2.0%	1.4%	2.0%	2.8%	1.9%
Market capitalization in CHF million	14 322	12 455	13 793	15 887	21 497

1) Calculation based on average share capital per share category respectively average number of shares outstanding


2) For the year under review: Board of Directors' proposal

3) Net result as a percentage of average equity (previous year plus year under review, divided by two)

4) Dividend as a percentage of share price at year-end

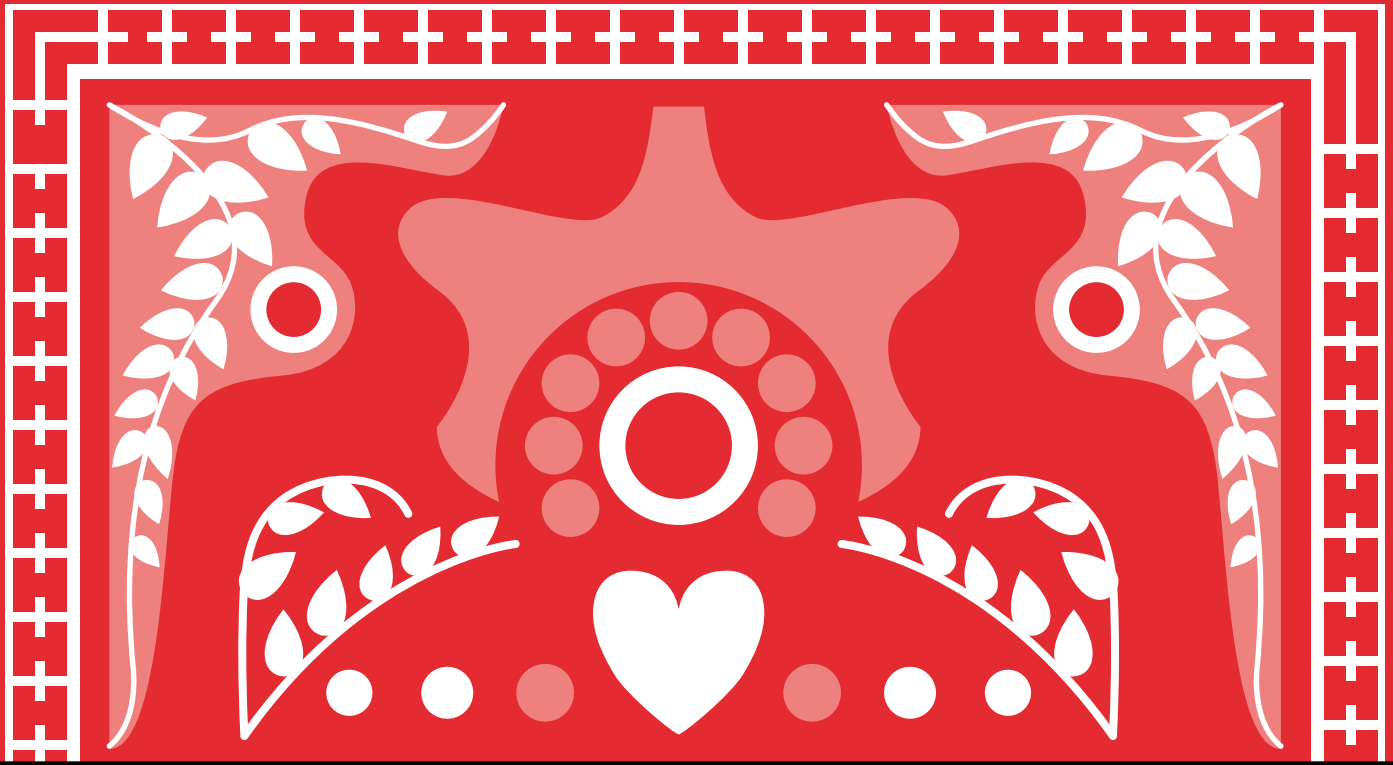
Securities	ISIN-Number	Reuters Symbol
The Swatch Group Ltd Registered shares	CH0012255144	UHRN.S
The Swatch Group Ltd bearer shares	CH0012255151	UHR.VX

The securities are listed on the Swiss Stock Exchange (SIX) and on the BX Berne eXchange.

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However, merely reaching the set number of points is not enough to secure victory. Once the score has been reached, the team must declare victory by thanking the opposing team; otherwise, the victory will not be recognized.





The Swatch Group Ltd

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