

ANNUAL REPORT 2022



FINANCIAL
STATEMENTS 2022



CONSOLIDATED FINANCIAL STATEMENTS

Financial review	169
Consolidated income statement	173
Consolidated balance sheet	174
Consolidated statement of cash flows	176
Consolidated statement of changes in equity	177
Notes to the consolidated financial statements	178
General information	178
1. General information	178
2. Basis of preparation	178
3. Events after the balance sheet date	178
Important operating positions	179
4. Segment information	179
5. Revenues and trade receivables	180
6. Expenses	181
7. Inventories	182
8. Property, plant and equipment	182
9. Intangible assets	184
10. Provisions	186
Personnel	187
11. Personnel expense	187
12. Retirement benefit obligations	187
13. Employee stock option plan	189
Capital and Treasury	190
14. Share capital and reserves	190
15. Earnings per share	191
16. Dividends paid and proposed	191
17. Financial risk management	192
18. Net financial result	193
19. Cash and cash equivalents	193
20. Financial assets, securities and derivative financial instruments	193
21. Financial debts and derivative financial instruments	194
Notes to the consolidated balance sheet	195
22. Other current assets	195
23. Prepayments and accrued income	195
24. Other liabilities	195
25. Accrued expenses	195
26. Other non-current assets	196
Other information	197
27. Income taxes	197
28. Commitments and contingencies	199
29. Related party transactions	200
Consolidation and Group structure	201
30. Consolidation	201
31. Business combinations	202
32. Acquired goodwill	203
33. Investments in associates and joint ventures	204
34. The Swatch Group Companies	205

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

[CHF million]	2022	2021	Change in %		Total
			at constant rates	currency effect	
Net sales	7 499	7 313	4.6%	-2.1%	2.5%
Operating result	1 158	1 021			13.4%
- In % of net sales	15.4%	14.0%			
Net result	823	774			6.3%
- In % of net sales	11.0%	10.6%			
Equity	12 051	11 605			3.8%
- As a % of balance sheet total	86.7%	84.8%			
Dividend in CHF 1)	2022	2021			
- Per bearer share	6.00	5.50			
- Per registered share	1.20	1.10			

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

2022 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
Net sales	7 145	371	9	-26	7 499
Operating result	1 232	47	-121	0	1 158
- In % of net sales	17.2%	12.7%			15.4%
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%

At constant exchange rates, Group net sales were 4.6% above the previous year. The negative currency impact was CHF 151 million or -2.1%. The Watches & Jewelry segment (including Production) reported an operating margin of 17.2% (previous year: 15.9%).

Consistent double-digit sales growth in Europe, America, the Middle East, and most of the Asian markets was severely dampened by the significant decline in sales in China. Year on year, the sales shortfall in this region amounted to more than CHF 700 million. The fourth quarter was particularly affected. First the lockdowns, and then the massive Covid wave, after the measures were lifted, led to shortfalls of over 30% in this quarter. The decline in the month of December alone was around minus 50%.

Retail business reported double-digit growth, not only for the Swatch brand, but also in particular for the Harry Winston, Breguet and Omega brands. The Group continues to invest very selectively in new retail stores. At the end of 2022, a building was acquired at a top business location on the P.C. Hoofstraat in Amsterdam.

Demand for the 11 Bioceramic MoonSwatch models also remains unbroken high nine months after their launch, and queues in front of Swatch stores are still the order of the day. Despite an additional 70 points of sale and greatly increased production, daily demand still far exceeds available product. The MoonSwatch is popular with an extremely broad spectrum of customers of all ages and origins. In the wake of the MoonSwatch hype, the entire Omega Speedmaster collection, for example, the Moonwatch models, also profited from greatly increased interest.

The production sector reported significantly higher sales and improved margins than in the previous year. Difficulties in procuring certain raw materials and components hindered an even better result and led to delivery delays, despite increased safety stock. Order books at the end of 2022 were 24% above the previous year.

Products of the highly specialized companies in the segment Electronic Systems continued to be in extraordinarily high demand. This was the case for extremely low power consumption semiconductors from EM Microelectronic-Marin, as well as high-tech products from Micro Crystal for market leaders for mobile devices and the automotive and medical industry. Sales for the segment, to which battery producer Renata and timekeeper Swiss Timing also belong, were CHF 371 million or 18.2% above the previous year. Operating profit was CHF 47 million, corresponding to a margin of 12.7% (previous year: CHF 27 million or 8.6%).

Development net result

(CHF million)	2022	2021
Operating result	1 158	1 021
Net financial result	-62	-10
Ordinary result	1 096	1 011
Non-operating result	0	0
Result before income taxes	1 096	1 011
Income taxes	-273	-237
Net result	823	774
- In % of net sales	11.0%	10.6%
Basic earnings per share in CHF	2022	2021
- Registered shares	3.11	2.96
- Bearer shares	15.57	14.78

The net financial result for the year under review closed with a loss of CHF -62 million (previous year: loss of CHF -10 million), primarily influenced by a strongly negative net currency result and the derecognition of the historical goodwill of an associate in liquidation. 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 24.9% in the year under review or CHF -273 million (previous year: 23.4% or CHF -237 million). 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 explain most of the increase in the effective tax rate of 1.5% compared to 2021. A detailed analysis of income tax expense is disclosed in Note 27 to the consolidated financial statements.

Net result totaled CHF 823 million or +6.3% compared to the previous year.

In the current year, basic earnings per share amounted to CHF 3.11 for registered shares (previous year: CHF 2.96) and CHF 15.57 for bearer shares (previous year: CHF 14.78). 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 1.20 per registered share and CHF 6.00 per bearer share at the Annual General Meeting on 10 May 2023 (previous year: CHF 1.10 per registered share and CHF 5.50 per bearer share).

FINANCIAL REVIEW

Development balance sheet structure

(CHF million)	2022	2021
Current assets	10 393	10 107
Current liabilities	1 126	1 377
Equity	12 051	11 605
- As a % of balance sheet total	86.7%	84.8%
Average return on equity 1)	7.0%	6.9%

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

Current liabilities were covered by current assets by a factor of 9.2 (previous year: 7.3). 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 12.1 billion (previous year: CHF 11.6 billion). The equity ratio was 86.7% of total assets (previous year: 84.8%).

Development liquidity

(CHF million)	2022	2021
Cash and cash equivalents at 1 January	1 887	1 540
Cash flow from operating activities	724	1 298
Cash flow from investing activities	-114	-727
Cash flow from financing activities (incl. foreign exchange rate differences on cash)	-321	-224
Cash and cash equivalents at 31 December	2 176	1 887

After-tax operating cash flow generated in 2022 was CHF 724 million, a decrease of -44.2% against the previous year, mainly due to precautionary increase in safety stock.

Across all segments, Swatch Group invested a total of CHF 399 million in non-current operating assets¹⁾ in 2022 (previous year: CHF 303 million). Free cash flow²⁾ amounted to CHF 342 million (previous year: CHF 1 033 million).

The dividend payment of CHF 285 million (previous year: CHF 181 million) was the main cash flow item from financing activities. The net liquidity³⁾ at the end of the year was CHF 2 540 million (previous year: CHF 2 558 million).

3. Outlook

Group Management anticipates strong sales growth in 2023 in all regions and segments. After the end of Covid measures, consumption quickly recovered, not only in China, but also in the surrounding markets of Hong Kong SAR and Macau. In addition, lifting of travel restrictions in China will revitalize sales in tourist destinations.

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	2022 CHF million	%	2021 CHF million	%
Net sales	(4, 5a)	7 499	100.0	7 313	100.0
Other operating income	(5b)	244	3.2	281	3.8
Changes in inventories		538	7.2	19	0.3
Material purchases		-1 847	-24.6	-1 524	-20.8
Personnel expense	(11)	-2 363	-31.5	-2 206	-30.2
Depreciation and impairment on property, plant and equipment	(8)	-366	-4.9	-396	-5.4
Amortization and impairment on intangible assets	(9)	-41	-0.6	-42	-0.6
Other operating expenses	(6a)	-2 506	-33.4	-2 424	-33.1
Operating result		1 158	15.4	1 021	14.0
Other financial income and expense	(18)	-38	-0.5	4	0.0
Interest expense	(18)	-3	-0.0	-5	-0.1
Share of result from associates and joint ventures	(18, 33)	-21	-0.3	-9	-0.1
Ordinary result		1 096	14.6	1 011	13.8
Non-operating result	(5c)	0	0.0	0	0.0
Result before income taxes		1 096	14.6	1 011	13.8
Income taxes	(27b)	-273	-3.6	-237	-3.2
Net result		823	11.0	774	10.6
Attributable to shareholders of The Swatch Group Ltd		807		765	
Attributable to non-controlling interests		16		9	
Earnings per share in CHF	(15)				
Registered shares					
Basic earnings per share		3.11		2.96	
Diluted earnings per share		3.11		2.95	
Bearer shares					
Basic earnings per share		15.57		14.78	
Diluted earnings per share		15.56		14.77	

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

CONSOLIDATED BALANCE SHEET

Assets	Notes	31.12.2022		31.12.2021	
		CHF million	%	CHF million	%
Current assets					
Cash and cash equivalents	(19)	2 176	15.6	1 979	14.5
Financial assets, securities and derivative financial instruments	(20)	372	2.7	677	4.9
Trade receivables	(5d)	663	4.8	710	5.2
Other current assets	(22)	103	0.7	136	1.0
Inventories	(7)	6 873	49.5	6 389	46.7
Prepayments and accrued income	(23)	206	1.5	216	1.6
Total current assets		10 393	74.8	10 107	73.9
Non-current assets					
Property, plant and equipment	(8)	2 706	19.5	2 771	20.3
Intangible assets	(9)	146	1.1	144	1.0
Investments in associates and joint ventures	(33)	19	0.1	21	0.1
Other non-current assets	(26)	181	1.3	186	1.4
Deferred tax assets	(27d)	448	3.2	449	3.3
Total non-current assets		3 500	25.2	3 571	26.1
Total assets		13 893	100.0	13 678	100.0

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

CONSOLIDATED BALANCE SHEET

Equity and liabilities	Notes	31.12.2022		31.12.2021	
		CHF million	%	CHF million	%
Current liabilities					
Financial debts and derivative financial instruments	(21)	8	0.1	98	0.7
Trade payables		298	2.1	313	2.3
Other liabilities	(24)	193	1.4	258	1.9
Provisions	(10)	94	0.7	112	0.8
Accrued expenses	(25)	533	3.8	596	4.4
Total current liabilities		1 126	8.1	1 377	10.1
Non-current liabilities					
Financial debts	(21)	2	0.0	2	0.0
Deferred tax liabilities	(27d)	459	3.3	430	3.2
Retirement benefit obligations	(12)	43	0.3	42	0.3
Provisions	(10)	61	0.5	68	0.5
Accrued expenses	(25)	151	1.1	154	1.1
Total non-current liabilities		716	5.2	696	5.1
Total liabilities		1 842	13.3	2 073	15.2
Equity					
Share capital	(14a)	118		118	
Capital reserves	(14b)	-971		-971	
Treasury shares	(14d)	-123		-131	
Goodwill recognized		-1 350		-1 370	
Translation differences		-547		-442	
Retained earnings		14 858		14 336	
Equity of The Swatch Group Ltd shareholders		11 985	86.2	11 540	84.4
Non-controlling interests		66	0.5	65	0.4
Total equity		12 051	86.7	11 605	84.8
Total equity and liabilities		13 893	100.0	13 678	100.0

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(CHF million)	Notes	2022	2021
Operating activities			
Net result		823	774
Share of result from associated companies and joint ventures	(33)	21	9
Income taxes	(27b)	273	237
Depreciation on non-current assets	(8, 9)	406	437
Impairment	(8, 9)	1	1
Changes in provisions and retirement benefit obligations		-23	54
Gains/losses on sale of non-current assets		-9	2
Fair value gains/losses on marketable securities		37	-11
Expenses for employee stock option plan	(13)	9	9
Other non-cash items		30	1
Changes in net working capital:			
- Trade receivables		33	-19
- Inventories		-548	-19
- Other current assets, prepayments and accrued income		38	0
- Trade payables		-3	27
- Other liabilities and accrued expenses		-88	51
Dividends from associated companies and joint ventures	(33)	1	1
Income tax paid	(27c)	-277	-256
Cash flow from operating activities		724	1 298
Investing activities			
Investments in property, plant and equipment		-339	-251
Proceeds from sale of property, plant and equipment		5	10
Investments in intangible assets		-48	-44
Proceeds from sale of intangible assets		2	1
Investments in other non-current assets		-12	-8
Proceeds from other non-current assets		10	27
Investments in associated companies and joint ventures		0	0
Investments in current financial assets and securities		-1 655	-527
Proceeds from current financial assets and securities		1 923	65
Cash flow from investing activities		-114	-727
Financing activities			
Dividends paid to shareholders	(16)	-285	-181
Dividends paid to non-controlling interests		-15	-15
Purchase of treasury shares		-2	-12
Sale of treasury shares		1	12
Change in non-current financial debts		0	-1
Change in current financial debts		1	-37
Repurchase of non-controlling interests	(31c)	0	0
Cash flow from financing activities		-300	-234
Net impact of foreign exchange rate differences on cash		-21	10
Change in cash and cash equivalents		289	347
Change in cash and cash equivalents			
- Balance at beginning of year		1 887	1 540
- Balance at end of year	(19)	2 176	1 887

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 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 32)				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
Net result						807	807	16	823
Currency translation of foreign entities					-105		-105	0	-105
Change in goodwill (Note 32)				20			20		20
Dividends paid						-285	-285	-15	-300
Employee stock option plan (Note 13)		0	10				10		10
Purchase of treasury shares		0	-2				-2		-2
Transactions with non-controlling interests		0	0				0	-0	-0
Balance at 31 December 2022	118	-971	-123	-1 350	-547	14 858	11 985	66	12 051

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 2023 and will be submitted to the Annual General Meeting of Shareholders for approval on 10 May 2023.

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

It is expected that the new standard *FER 28 Government Grants (implementation 2024)* will have no significant impact on the consolidated financial statements. The Group is currently analyzing the revised standard *FER 30 Consolidated Financial Statements (implementation 2024)* which will impact the recording of future acquisitions and disposals as well as liquidations and closures of companies. No further changes to the 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. [Note 7] Inventories subject to market risk or with risk of obsolescence are regularly evaluated by the individual subsidiaries, based on Group guidelines, and when necessary, written down to their net realizable value. In doing so, historical experience, anticipated future requirements, and the life cycle of the individual products are taken into account.

Provisions. [Note 10] Provisions for anticipated warranty services are calculated individually by company, based on regularly updated empirical values for repair and return volumes. Provisions for contractual or legal dismantling obligations are regularly adjusted to current estimates. 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. Subsequently, they are regularly adjusted on the basis of current estimates.

Income taxes. [Note 27] The Group operates worldwide and is subject to taxation in 37 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 and is committed to transparent cooperation with tax authorities.

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.

2022 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	7 141	353	5		7 499
- Group	4	18	4	-26	0
Net sales	7 145	371	9	-26	7 499
Operating result	1 232	47	-121	0	1 158
- In % of net sales	17.2%	12.7%			15.4%

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IMPORTANT OPERATING POSITIONS

b. Net sales by geographical region

(CHF million)	2022	2021
Switzerland	472	386
Other Europe	1 544	1 297
Total Europe	2 016	1 683
Greater China	2 370	3 080
Other Asia	1 833	1 535
Total Asia	4 203	4 615
Total America	1 140	901
Total Oceania	102	74
Total Africa	38	40
Total	7 499	7 313

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)	2022	2021
Sale of goods	7 474	7 286
Rendering of services	25	27
Total net sales	7 499	7 313

b. Other operating income

In the year under review, other operating income amounted to CHF 244 million (previous year: CHF 281 million) and also include time-keeping services for the Olympic Games among other items.

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)	31.12.2022	31.12.2021
Trade receivables – gross	671	721
Allowance for impaired receivables	-8	-11
Total trade receivables – net	663	710

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

(CHF million)	2022	2021
Balance at 1 January	-11	-13
Translation differences	0	0
Utilization	2	3
Reversal	2	1
Creation	-1	-2
Balance at 31 December	-8	-11

6. Expenses

a. Other operating expenses

(CHF million)	2022	2021
Marketing, sales and administration	-1 082	-1 006
Subcontracting and other direct costs of sales	-320	-270
Maintenance, rents and energy	-988	-899
Other operating expenses	-116	-249
Total other operating expenses	-2 506	-2 424

b. Research and development costs

Costs for research and development activities amounted to CHF 246 million in the year under review, representing 3.3% of net sales (previous year: CHF 245 million or 3.4% 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)	31.12.2022	31.12.2021
Raw materials, auxiliary material and supplies	609	492
Goods in progress	533	433
Semi-finished goods	1 863	1 678
Finished goods	3 499	3 441
Spare parts for customer service	369	345
Total inventories	6 873	6 389

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

(CHF million)	2022	2021
Additional write-downs	-50	-55
Reversal of write-downs	7	5
Net impact in the income statement	-43	-50

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 2021	2 666	4 150	824	56	7 696
Translation differences	-26	-24	-25	-1	-76
Additions	23	203	80	34	340
Disposals	-15	-101	-47	0	-163
Transfers	9	-9	6	-6	0
Historical cost, 31 December 2022	2 657	4 219	838	83	7 797
Accumulated amortization, 31 December 2021	-1 068	-3 275	-582	0	-4 925
Translation differences	8	19	19	0	46
Annual depreciation	-76	-212	-77	0	-365
Impairment	0	0	0	-1	-1
Depreciation on disposals	10	98	46	0	154
Transfers	-3	0	3	0	0
Accumulated amortization, 31 December 2022	-1 129	-3 370	-591	-1	-5 091
Net book values					
Balance at 31 December 2021	1 598	875	242	56	2 771
Balance at 31 December 2022	1 528	849	247	82	2 706
<i>of which investment properties at 31.12.2022</i>	<i>421</i>				
<i>of which undeveloped properties at 31.12.2022</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 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>				

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 32).

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 2021	228	224	121	573
Translation differences	0	-2	-2	-4
Additions	2	14	32	48
Disposals	-4	-5	-3	-12
Transfers	17	5	-22	0
Historical cost, 31 December 2022	243	236	126	605
Accumulated amortization, 31 December 2021	-189	-195	-45	-429
Translation differences	0	2	2	4
Annual amortization	-19	-16	-6	-41
Impairment	0	0	0	0
Amortization on disposals	0	5	2	7
Transfers	0	0	0	0
Accumulated amortization, 31 December 2022	-208	-204	-47	-459
Net book values				
Balance at 31 December 2021	39	29	76	144
Balance at 31 December 2022	35	32	79	146

	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

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 2020	61	3	29	27	120
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>	<i>70</i>	<i>2</i>	<i>5</i>	<i>35</i>	<i>112</i>
<i>thereof non-current provisions</i>	<i>31</i>	<i>1</i>	<i>29</i>	<i>7</i>	<i>68</i>
Translation differences	-2	0	-1	0	-3
Additional provisions	68	2	5	3	78
Reversal of provisions	-15	-1	-1	-6	-23
Provisions used during the year	-62	0	-3	-12	-77
Balance at 31 December 2022	90	4	34	27	155
<i>thereof current provisions</i>	<i>60</i>	<i>3</i>	<i>6</i>	<i>25</i>	<i>94</i>
<i>thereof non-current provisions</i>	<i>30</i>	<i>1</i>	<i>28</i>	<i>2</i>	<i>61</i>

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 17 million (previous year: CHF 19 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERSONNEL

11. Personnel expense

(CHF million)	2022	2021
Wages and salaries	-1 888	-1 802
Short-time work allowances	1	61
Social security costs	-330	-322
Employee stock option plan (Note 13)	-9	-9
Pension costs (Note 12)	-137	-134
Total personnel expense	-2 363	-2 206

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

(unaudited)	2022	2021
Average annual headcount	31 379	31 503
Total headcount at 31 December	32 061	31 444
<i>Men</i>	<i>15 924</i>	<i>15 647</i>
<i>Women</i>	<i>16 137</i>	<i>15 797</i>
<i>Swiss contracts</i>	<i>16 244</i>	<i>16 082</i>
<i>Non-Swiss contracts</i>	<i>15 817</i>	<i>15 362</i>

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

2022	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	373	0	0	0	10	10
Pension plans without surplus / deficit	0	0	0	0	-5	-5
Pension plans with surplus	3	0	0	0	-5	-5
Pension plans with deficit	-299	-1	0	0	-131	-131
Pension plans without own assets	0	-42	5	-6	0	-6
Total	77	-43	5	-6	-131	-137

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

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

b. Summary of pension costs

	2022			2021		
	Switzer-land	Abroad	Total	Switzer-land	Abroad	Total
(CHF million)						
Contributions to pension plans	-121	-10	-131	-120	-10	-130
Total contributions	-121	-10	-131	-120	-10	-130
Change of economic benefits from surpluses	0	0	0	0	0	0
Change of economic obligations from deficits	0	-6	-6	0	-4	-4
Total changes of economic effects from surpluses / deficits	0	-6	-6	0	-4	-4
Total pension costs	-121	-16	-137	-120	-14	-134

c. Shares held by pension institutions

Number of shares of The Swatch Group Ltd	31.12.2022		31.12.2021	
	Registered shares	Bearer shares	Registered shares	Bearer shares
Registered shares	3 258 600		3 258 600	
Bearer shares		775		775

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	2022	2021
Balance at 1 January	2 342 932	2 529 896
Exercised shares	-189 782	-186 964
Balance at 31 December	2 153 150	2 342 932

Options outstanding	2022	2021
Options outstanding at 1 January	184 154	184 925
Granted	185 750	186 560
Forfeited or lapsed	-1 610	-367
Exercised	-189 782	-186 964
Options outstanding at 31 December	178 512	184 154

Expiry date of outstanding options	31.12.2022	31.12.2021
2022		122 485
2023	118 320	61 669
2024	60 192	
Total	178 512	184 154

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

Valuation of options		2022		2021	
		Portion exercisable in 1 year	Portion exercisable in 2 years	Portion exercisable in 1 year	Portion exercisable in 2 years
Grant date		31.05.2022	31.05.2022	31.05.2021	31.05.2021
Expiry date		31.05.2023	31.05.2024	31.05.2022	31.05.2023
Share price on grant date	CHF	46.60	46.60	62.35	62.35
Exercise price	CHF	4.00	4.00	4.00	4.00
Day value on grant date	CHF	42.60	42.60	58.35	58.35

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		
31.12.2020	116 919 500		28 936 000		117 719 775.00
31.12.2021	116 919 500		28 936 000		117 719 775.00
31.12.2022	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 147 million (previous year: CHF 155 million). This amount consisted of CHF 123 million related to treasury shares held (previous year: CHF 131 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 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
Acquisitions 1)	0	0	10 000	2	2
Disposals 2)	-189 807	-10	0	0	-10
Balance at 31 December 2022	2 167 650	108	50 000	15	123

1) In the year under review, 10 000 bearer shares were acquired at an average price of CHF 225.72 (previous year: 40 000 shares at an average price of CHF 302.20).

2) In the year under review, 25 shares were sold (previous year: none). As part of the employee stock option plan (see Note 13), 189 782 registered shares were exercised (previous year: 186 964). In the year under review, no bearer shares were sold (previous year: 40 000 at CHF 288.65).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CAPITAL AND TREASURY

15. Earnings per share

a. Basic

	2022	2021
Net result attributable to shareholders of The Swatch Group Ltd (CHF million)	807	765
Percentage of registered shares outstanding in comparison with the share capital outstanding	44.3%	44.2%
Percentage of bearer shares outstanding in comparison with the share capital outstanding	55.7%	55.8%

Registered shares

	2022	2021
Net result attributable to registered shareholders (CHF million)	357	338
Average number of shares outstanding	114 658 893	114 471 966
Basic earnings per share (CHF)	3.11	2.96

Bearer shares

	2022	2021
Net result attributable to bearer shareholders (CHF million)	450	427
Average number of shares outstanding	28 888 308	28 883 462
Basic earnings per share (CHF)	15.57	14.78

b. Diluted

Registered shares

	2022	2021
Net result attributable to registered shareholders (CHF million)	357	338
Average number of shares outstanding – basic (as above)	114 658 893	114 471 966
Potential number of shares from options outstanding	163 264	170 424
Average potential number of shares outstanding – diluted	114 822 157	114 642 390
Diluted earnings per share (CHF)	3.11	2.95

Bearer shares

	2022	2021
Net result attributable to bearer shareholders (CHF million)	450	427
Average potential number of shares outstanding	28 888 308	28 883 462
Diluted earnings per share (CHF)	15.56	14.77

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 24 May 2022, the Annual General Meeting approved the distribution of the following dividend:

Dividend paid	Dividend per share		Total dividend CHF million
	CHF		
Registered shares	1.10		129
Bearer shares	5.50		159
Total dividend			288
Dividend not paid out on own shares			-3
Total dividend paid			285

At the Annual General Meeting on 10 May 2023, 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 2023:

Proposed dividend	Dividend per share		Total dividend CHF million
	CHF		
Registered shares	1.20		140
Bearer shares	6.00		174
Total dividend			314

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)	31.12.2022	31.12.2021
Cash and cash equivalents (Note 19)	2 176	1 979
Financial assets, securities and derivative financial instruments (Note 20)	372	677
Short-term accessible liquidity reserves	2 548	2 656
Committed credit facilities	804	816
/. Utilized credit facilities	-6	-98
Total short-term accessible liquidity reserves and undrawn credit facilities	3 346	3 374

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)	2022	2021
Interest income	26	15
Result from marketable securities at fair value	-23	12
Net currency result	-37	-19
Other financial expense	-4	-4
Other financial income and expense	-38	4
Interest expense	-3	-5
Share of result from associates and joint ventures	-21	-9
Net financial result	-62	-10

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)	31.12.2022	31.12.2021
Current accounts and liquid assets	1 020	1 414
Short-term deposits with financial institutions	1 156	565
Total cash and cash equivalents - balance sheet	2 176	1 979

(CHF million)	31.12.2022	31.12.2021
Cash and cash equivalents	2 176	1 979
Current account overdrafts (Note 21)	0	-92
Total funds net cash - statement of cash flows	2 176	1 887

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)	31.12.2022	31.12.2021
Equity securities	124	106
Bond securities	241	175
Investment funds and other investments	4	3
Total marketable securities at fair value	369	284
Current financial assets	0	388
Derivative financial instruments	3	5
Total financial assets, securities and derivative financial instruments	372	677

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)	31.12.2022			31.12.2021		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts in						
CNY	72	0	0	60	1	0
EUR	184	0	-1	231	1	0
GBP	24	0	0	57	0	-1
HKD	44	0	0	264	2	0
JPY	74	2	0	5	0	0
USD	403	1	0	273	1	0
Other currencies	46	0	-1	68	0	0
Total	847	3	-2	958	5	-1

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)	31.12.2022	31.12.2021
Current account overdrafts	0	92
Short-term bank debts	6	5
Derivative financial instruments	2	1
Total current financial debts and derivative financial instruments	8	98
Total non-current financial debts	2	2
Total financial debts	10	100

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 2022	8	2	0	10
At 31 December 2021	98	0	2	100

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

(CHF million)	31.12.2022	31.12.2021
CHF	1	93
Other currencies	9	7
Total	10	100

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)	31.12.2022	31.12.2021
VAT to be refunded	55	62
Other receivables	48	74
Total other current assets	103	136

23. Prepayments and accrued income

(CHF million)	31.12.2022	31.12.2021
Prepaid sales, marketing and administration costs	64	65
Income tax assets	12	17
Prepaid leasing costs	25	28
Other prepayments and accrued income	105	106
Total prepayments and accrued income	206	216

24. Other liabilities

(CHF million)	31.12.2022	31.12.2021
Advance payments received	85	105
Income tax liabilities	11	19
VAT liabilities	22	57
Other tax liabilities	10	17
Social benefits liabilities	34	32
Other liabilities	31	28
Total other liabilities	193	258

25. Accrued expenses

(CHF million)	31.12.2022	31.12.2021
Accrued salaries and social benefits	143	139
Accrued sales, marketing and administration costs	127	145
Accrued income taxes	108	128
Accrued sales reductions	39	54
Accrued leasing costs	167	172
Other accrued expenses	100	112
Total accrued expenses	684	750
<i>thereof current</i>	<i>533</i>	<i>596</i>
<i>thereof non-current</i>	<i>151</i>	<i>154</i>

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 2021	22	65	99	186
Translation differences	-1	-2	1	-2
Additions	1	11	0	12
Disposals	0	-6	-1	-7
Balance sheet transfer	-3	-4	-1	-8
Balance at 31 December 2022	19	64	98	181

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OTHER INFORMATION

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)	2022	2021
Result before income taxes	1 096	1 011
Group's applicable tax rate	21.4%	21.4%
Income taxes at applicable tax rate	-235	-216
Effect of:		
- Differences in tax rates 1)	-45	-29
- Tax rate changes on deferred taxes	1	-5
- Recognition and offset of tax loss carry-forwards not recognized in prior years	26	30
- Non-recognition of tax loss carry-forwards	-16	-20
- Non-taxable income	3	3
- Non-tax-deductible expenses	-9	-11
- Income taxes of prior periods	3	9
- Other items	-1	2
Total income taxes	-273	-237
Group's effective tax rate	24.9%	23.4%

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 24.9 % (previous year: 23.4 %).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OTHER INFORMATION

b. Income tax expenses

(CHF million)	2022	2021
Current income taxes	-261	-275
Income tax of prior periods	3	9
Deferred taxes	-15	29
Total income taxes	-273	-237

c. Current income tax

Net current income tax liability (CHF million)	2022	2021
Balance at 1 January	-130	-115
Recognized in income statement	-258	-266
Recognized in equity	0	0
Income taxes paid	277	256
Translation differences	4	-5
Balance at 31 December	-107	-130
Current income tax assets	12	17
Current income tax liabilities	-119	-147

d. Deferred tax

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

(CHF million)	31.12.2022			31.12.2021		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	327	-348	-21	320	-319	1
Trade and other receivables	1	-13	-12	1	-14	-13
Property, plant and equipment	25	-80	-55	21	-88	-67
Intangible assets	9	-6	3	9	-6	3
Provisions	14	-42	-28	20	-40	-20
Retirement benefit obligations	6	0	6	6	0	6
Accrued expenses	61	-37	24	65	-29	36
Tax losses	67	0	67	69	0	69
Other	14	-9	5	12	-8	4
Total deferred tax assets / liabilities	524	-535	-11	523	-504	19
Deferred tax assets			448			449
Deferred tax liabilities			-459			-430

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)	2022			2021		
	Not recognized	Recognized	Total	Not recognized	Recognized	Total
Up to five years	369	112	481	213	1	214
More than five years	151	163	314	363	279	642
No expiry date	94	17	111	107	28	135
Total at 31 December	614	292	906	683	308	991

The potential tax effect resulting from the utilization of previously unrecognized carryforward tax losses amounted to CHF 121 million in the year under review (previous year: CHF 139 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 23 million).

Total assets pledged by Group companies to guarantee their commitments amounted to CHF 82 million at the end of the year under review (previous year: CHF 79 million), of which less than CHF 1 million served to secure financial debts (previous year: less than CHF 1 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)	31.12.2022	31.12.2021
Less than 1 year	352	377
Between 1 and 5 years	964	964
Over 5 years	652	696
Total	1 968	2 037

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 555 million were recognized in the income statement of the year under review, compared to CHF 538 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 592 million (previous year: CHF 502 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

OTHER INFORMATION

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 62 445 639 registered shares and 738 711 bearer shares, equivalent to 43.3% of all voting rights (previous year: 43.3%) 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: 42.7%).

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)	2022	2021
Short-term employee benefits	24.9	23.6
– of which in salaries	8.4	8.2
– of which in bonus	15.8	14.8
– of which in expense allowances	0.5	0.6
– of which in other benefits	0.2	0.0
Share-based compensation	5.7	7.7
Contributions to pension plans	0.7	0.8
Other social benefits	2.5	2.6
Total	33.8	34.7

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 58 032 102 registered shares and 737 936 bearer shares, representing 40.3% of all voting rights (previous year: 40.3%). 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 34b) 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)	2022		2021	
	Associates and joint ventures	Other related parties	Associates and joint ventures	Other related parties
Purchases	64	10	59	9
Sales	5	0	4	0
Receivables	1	0	1	0
Payables	4	0	4	0
Guarantees received	0	0	0	0
Loans granted	1	0	1	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 32). 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

	2022	2021
Number of companies at 1 January	147	152
Foundations	3	0
Group internal mergers	-1	-4
Liquidations	-1	-1
Number of companies at 31 December	148	147
<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
		2022	31.12.2022	2021	31.12.2021
CNY	1	0.1421	0.1343	0.1425	0.1440
EUR	1	1.0062	0.9900	1.0823	1.0385
HKD	1	0.1223	0.1189	0.1180	0.1177
JPY	100	0.7300	0.7060	0.8314	0.7975
USD	1	0.9579	0.9268	0.9176	0.9180

31. Business combinations

a. Acquisition of subsidiaries

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

b. Divestments of businesses

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

c. Changes in non-controlling interests

In April 2022 the remaining minority interest of 20% in ST Software s.r.o., Liberec (Czech Republic) was acquired. The company is active in the sports timing sector and was already controlled by the Swatch Group. The transaction amounted to less than CHF 1 million and had no impact on Group equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

32. 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]	2022			2021		
	Goodwill Group companies	Goodwill associated companies	Total	Goodwill Group companies	Goodwill associated companies	Total
Historical cost 1 January	1 387	48	1 435	1 389	48	1 437
Additions	0	0	0	0	0	0
Disposals	0	-20	-20	-2	0	-2
Historical cost 31 December	1 387	28	1 415	1 387	48	1 435
Theoretical accumulated amortization 1 January	-1 283	-48	-1 331	-1 184	-48	-1 232
Theoretical annual amortization	-104	0	-104	-101	0	-101
Theoretical impairment	0	0	0	0	0	0
Theoretical amortization on disposals	0	20	20	2	0	2
Theoretical accumulated amortization 31 December	-1 387	-28	-1 415	-1 283	-48	-1 331
Theoretical net book value 31 December	0	0	0	104	0	104

In the year under review, the liquidation process of Alzouman General Trading Co. Ltd., an associated company in Saudi Arabia, commenced. The historical value of acquired goodwill of CHF 20 million was recycled in the income statement in the position *Share of result from associates and joint ventures*. In the previous year, business operations in South Africa were discontinued. The historical value of CHF 2 million in acquired goodwill for the company The Swatch Group (South Africa) (Proprietary) Ltd was recycled in the position *Other operating expenses* in the income statement. Group equity was not impacted by these cash-neutral expenses.

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]	31.12.2022	31.12.2021
Equity per balance sheet	12 051	11 605
Theoretical capitalization of net book value of goodwill	0	104
Theoretical equity including net book value of goodwill	12 051	11 709
[CHF million]	2022	2021
Net result per income statement	823	774
Theoretical amortization of goodwill	-104	-101
Theoretical net result after goodwill amortization	719	673

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATION AND GROUP STRUCTURE

33. Investments in associates and joint ventures

All associates and joint ventures (see Note 34b) are recognized using the equity method.

(CHF million)	2022	2021
Balance at 1 January	21	29
Share of result from associates and joint ventures	-21	-9
Goodwill recycling into equity (Note 32)	20	0
Dividends received	-1	-1
Investments	0	0
Translation differences	0	2
Balance at 31 December	19	21

Share of result from associates and joint ventures includes an expense of CHF 20 million related to the derecognition of goodwill for Alzouman General Trading Co. Ltd., which is in liquidation (see Note 32). This amount was reclassified to Group equity.

In the year under review, the company DryLyte Chemicals Switzerland AG was founded, together with a Spanish partner. The company produces auxiliary materials in the polishing sector, mainly for Group-internal production companies. In addition, at the beginning of 2022, the inactive joint venture company New Horizons General Trading LLC, Dubai was liquidated. Otherwise, as in the previous year, there were no significant changes in investments in associates and joint ventures.

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.

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

34. The Swatch Group Companies

As at 31.12.2022

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 Weyerermann S.A., La Chaux-de-Fonds	Watch dials	CHF 63.00	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., Monaco	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-Madrid	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	100%
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 Rui Jing Retail Co., Ltd., Shanghai	Retail	CNY 20.25	100%
Shanghai Rui Jing Qi Management Co., Ltd., Shanghai	Distribution	CNY 3.00	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%
Saudi Arabia			
Technocorp Trading LLC, Riyadh	Distribution	SAR 30.00	100%
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., Richmond	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%
DryLyte Chemicals Switzerland SA, Grenchen	Surface treatment products	CHF 0.10	50%
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 21.26	10%
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%

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 2022, the consolidated balance sheet as at 31 December 2022, 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 2022 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 Standards on Auditing (SA-CH). 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 million

We concluded full scope audit work at 71 reporting units in 28 countries. These 71 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



PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, 4002 Basel, Switzerland
 Telefon: +41 58 792 51 00, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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 million
---	----------------

Benchmark applied	Result before income taxes
--------------------------	----------------------------

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.
--	---

We agreed with the Board of Directors and the Audit Committee that we would report to them misstatements above CHF 2.5 million 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 except for the subsidiary in Great Britain are audited by PwC 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 inquire local management and the local auditor of the most significant Group companies every three years according to a rotation plan. During these meetings, 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 2022 consolidated financial statements, we participated in the audit closing meetings of four 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, Germany, Great Britain and Japan via a virtual meeting.

Key audit matters

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 6,873 million on the balance sheet as at 31 December 2022 and they represent a significant share of total assets (about 50%).

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 2022 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Board of Directors' responsibilities 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.

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 SA-CH 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 more detailed description of our responsibilities for the audit of the consolidated financial statements can be found on the EXPERT-suisse website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 2023



FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD

FINANCIAL STATEMENTS OF THE SWATCH GROUP LTD

Income statement	215
Balance sheet	216
Notes to the financial statements	218
Proposed appropriation of available earnings	224

214

215

216

218

224

INCOME STATEMENT OF THE SWATCH GROUP LTD

	Notes	2022 CHF million	2021 CHF million
Income from investments in subsidiaries	(1)	972	528
Other income		6	6
Personnel expense		-43	-45
Other expenses		-20	-17
Depreciation and impairment	(2)	-31	-29
Financial expenses	(3)	-50	-20
Financial income	(4)	44	40
Ordinary result		878	463
Non-operating result		0	0
Extraordinary result		1	0
Profit before income taxes		879	463
Income taxes		-2	-2
Net income		877	461

BALANCE SHEET OF THE SWATCH GROUP LTD

Assets	Notes	31.12.2022		31.12.2021	
		CHF million	%	CHF million	%
Current assets					
Cash and cash equivalents		979	10.8	446	5.2
Assets with an observable market price	(5, 8)	282	3.1	669	7.8
Other current receivables	(6)	3 007	33.0	2 642	30.7
Prepayments and accrued income		3	0.0	3	0.0
Total current assets		4 271	46.9	3 760	43.7
Non-current assets					
Loans to Group companies		430	4.7	468	5.4
Loans to third parties		0	0.0	1	0.0
Investments in subsidiaries and associates	(7)	4 401	48.3	4 370	50.8
Property, plant and equipment		4	0.1	5	0.1
Intangible assets		1	0.0	1	0.0
Total non-current assets		4 836	53.1	4 845	56.3
Total assets		9 107	100.1	8 605	100.0

BALANCE SHEET OF THE SWATCH GROUP LTD

Equity and liabilities	Notes	31.12.2022		31.12.2021	
		CHF million	%	CHF million	%
Current liabilities					
Financial debts and derivative financial instruments	(8)	5	0.1	94	1.1
Other current liabilities	(9)	32	0.3	35	0.4
Accrued expenses		14	0.1	17	0.2
Non-current liabilities					
Non-current provisions		90	1.0	90	1.0
Total liabilities		141	1.5	236	2.7
Equity					
Share capital		118	1.3	118	1.4
Statutory capital reserve		120	1.3	123	1.4
Statutory reserve		10	0.1	10	0.1
Reserve for treasury shares		0	0.0	0	0.0
Voluntary reserve		7 939	87.2	7 739	90.0
- Profit brought forward		25		49	
- Net income for the year		877		461	
Available earnings		902	9.9	510	5.9
Treasury shares		-123	-1.3	-131	-1.5
Total equity	(10)	8 966	98.5	8 369	97.3
Total equity and liabilities		9 107	100.0	8 605	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)	2022	2021
Dividends	914	470
Other income from investments in subsidiaries	58	58
Total	972	528

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 31 million (previous year: CHF 29 million).

3. Financial expenses

(CHF million)	2022	2021
Interest expense	-2	-2
Result from marketable securities at fair value	-28	-5
Net currency result	-18	-11
Other financial expense	-2	-2
Total	-50	-20

NOTES TO THE FINANCIAL STATEMENTS

4. Financial income

(CHF million)	2022	2021
Interest income	34	19
Income and gains on securities	10	21
Total	44	40

5. Assets with an observable market price

(CHF million)	31.12.2022	31.12.2021
Current financial assets	0	388
Marketable securities	213	195
Precious metals	65	81
Derivative financial instruments (see Note 8)	4	5
Total	282	669

6. Other current receivables

(CHF million)	31.12.2022	31.12.2021
Receivables from Group companies	15	18
Loans to Group companies	2 960	2 597
Other receivables	32	27
Total	3 007	2 642

7. Investments in subsidiaries and associates

The list of 147 legal entities, including minority investments, held directly or indirectly by The Swatch Group Ltd and consolidated at Swatch Group level, is published in Note 34 of the consolidated financial statements in this report.

Investments in subsidiaries amounted to CHF 4 401 million or 48.3 % of total assets at the end of the year under review (previous year: CHF 4 370 million or 50.8 % of total assets).

8. Financial debts and derivative financial instruments

At the end of the year under review, no current account overdrafts were open (previous year: CHF 92 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)	31.12.2022			31.12.2021		
	Contract value	Positive fair value	Negative fair value	Contract value	Positive fair value	Negative fair value
Forward contracts						
- Third parties	775	3	-1	888	5	-1
- Group	301	1	-4	276	0	-1
Total	1 076	4	-5	1 164	5	-2

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.

9. Other current liabilities

(CHF million)	31.12.2022	31.12.2021
Payables to Group companies	29	27
Other payables	3	8
Total	32	35

NOTES TO THE FINANCIAL STATEMENTS

10. Equity

At the end of the year under review, the equity ratio amounted to 98.5% of the balance sheet total (previous year: 97.3%).

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 31.12.2020	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
Allocated in 2022					200	-200		0
Dividend paid out						-285		-285
Change in treasury shares		-3					8	5
Net income						877		877
Balance at 31.12.2022	118	120	10	0	7 939	902	-123	8 966

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
31.12.2021	116 919 500	28 936 000	117 719 775.00
31.12.2022	116 919 500	28 936 000	117 719 775.00

Principal shareholders at 31 December 2022

At the end of the year under review, the Hayek Pool, its related companies, institutions and individuals held 62 445 639 registered shares and 738 711 bearer shares, equivalent to 43.3% of all voting rights (previous year: 43.3%). 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: 42.7%).

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 200 million was appropriated from available earnings at 31 December 2021 (previous year: CHF 450 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 24 May 2022, available earnings were used as follows:

	CHF million
Available earnings at 31 December 2021	510
Allocation to voluntary reserve	-200
Dividend payment of CHF 1.10 per registered share	-129
Dividend payment of CHF 5.50 per bearer share	-159
Dividends not paid out on own shares	3
Profit brought forward after appropriation of available earnings	25

Treasury shares

Treasury shares held by The Swatch Group Ltd at the end of the year under review corresponded to 0.9% (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	
	2022	2021	2022	2021
The Swatch Group Ltd				
Balance at 1 January	2 357 457	2 544 421	40 000	40 000
Acquisitions 2)	0	0	10 000	40 000
Disposals 3)	-189 807	-186 964	0	-40 000
Balance at 31 December	2 167 650	2 357 457	50 000	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	2 167 650	2 357 457	50 000	40 000

1) Of which, at the end of the year under review, a total of 2 153 150 registered shares were reserved for the employee stock option plan (previous year: 2 342 932 shares).

2) In the year under review, the Group acquired 10 000 bearer shares at an average price of CHF 225.72 (previous year: 40 000 shares at CHF 302.20).

3) In the year under review, 25 registered shares were sold (previous year: none). As part of the employee stock option plan (see Note 13 of the consolidated financial statements), 189 782 registered shares were exercised (previous year: 186 964). In the year under review, no bearer shares were sold (previous year: 40 000 shares at an average price of CHF 288.65).

Off-balance-sheet items

Number of full-time equivalents

In the year under review, the annual average number of full-time equivalents was 134 (previous year: 137).

Leasing liabilities

At the end of the year under review, there were no liabilities arising from buy or purchase-like contracts and other leasing commitments which do not expire or cannot be cancelled within 12 months (previous year: less than CHF 1 million).

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.

Equal pay analysis

Based on the revised Gender Equality Act (GEA), The Swatch Group Ltd is required to conduct an equal pay analysis and have it audited by an independent body. The Swatch Group Ltd carried out this analysis in accordance with legal requirements per the end of June 2021, and submitted it to Blaser Treuhand AG in Bern for review. In its report, the auditor certified that all legal requirements had been met in full.

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, 5 150 registered shares and options valued at CHF 0.2 million (previous year: 4 750 registered shares and options valued at CHF 0.3 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	
		2022	2021	2022	2021	2022	2021
Community of heirs N. G. Hayek represented by Marianne Hayek		56 695 202	56 695 202	737 796	737 796		
Nayla Hayek	BoD Chairwoman	248 208	228 208			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	223 491	199 491			24 000	24 000
Raynald Aeschlimann	MB Member	48 534	40 867			8 334	7 001
Pierre-André Bühler	MB Member	22 966	20 966			8 002	8 002
Dr. Mougahed Darwish 1)	MB Member	0	74 268	0	40	0	2 602
Marc A. Hayek	MB Member	197 399	182 899	140	140	14 501	14 501
Dr. Thierry Kenel	MB Member / CFO	110 253	100 253			10 001	10 001
Florence Ollivier-Lamarque	MB Member	61 998	61 498			5 002	5 002
Dr. Peter Steiger	MB Member	140 999	130 999			10 001	10 001
François Thiébaud	MB Member	191 550	181 382			9 000	10 168
Lionel A Marca	EMB Member	2 482	1 282			1 200	1 200
Matthias Breschan	EMB Member	2 034	2 034			3 000	3 000
Sylvain Dolla	EMB Member	4 033	2 233			2 668	1 468
Daniel Everts	EMB Member	2 900	2 300			600	600
Yann Gamard 2)	EMB Member	0	12 700			0	5 501
Fadi Ghalayini 3)	EMB Member	3 268	0			1 267	0
Hans-Rudolf Gottier	EMB Member	47 700	42 700			5 002	5 002
Roger Juillet 4)	EMB Member	0	4 045			0	1 200
Mireille Koenig	EMB Member	5 253	4 320			967	900
Calogero Polizzi	EMB Member	14 500	11 500			3 000	3 000
Michel Willemin 5)	EMB Member	9 332	0			1 668	0
Total		58 032 202	57 999 247	739 946	739 986	128 215	133 151

1) until 31.03.2022 2) until 31.10.2022 3) since 01.09.2022 4) until 28.02.2022 5) since 01.03.2022

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 2023 and will be submitted to the Annual General Meeting of Shareholders for approval on 10 May 2023. 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)	2022	2021
Net income	877	461
Profit brought forward	25	49
Available earnings	902	510
Allocation to voluntary reserve	-550	-200
Payment of a 2021 dividend, i.e.:		
- 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
Payment of a 2022 dividend, i.e.: 1)		
- CHF 1.20 per registered share with a par value of CHF 0.45	-140	
- CHF 6.00 per bearer share with a par value of CHF 2.25	-174	
Dividends not paid out on own shares held by the Group 2)		3
Balance carried forward	38	25

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 24 May 2022, 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 (the Company), which comprise the income statement for the year ended 31 December 2022, the balance sheet as at 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 205 to 208 and pages 215 to 223) 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 Standards on Auditing (SA-CH). 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 Company 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 million

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 Company, the accounting processes and controls, and the industry in which the Company operates.

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

Valuation of investments in subsidiaries and associates



PricewaterhouseCoopers AG, St. Jakobs-Strasse 25, Postfach, 4002 Basel, Switzerland
 Telefon: +41 58 792 51 00, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

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 million
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 2.5 million 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.

Key audit matters

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 2022, investments in subsidiaries and associates of The Swatch Group Ltd amounted to CHF 4,401 million (about 48% of total assets). They include the directly held subsidiaries, which hold the other Group companies. These include subsidiaries with different levels of vertical integration, in particular component producers, manufactures, brand name parent companies, numerous sales organisations and other equity investments. Because of their vertical integration and their similarity, these investments are grouped together, in some cases, for valuation purposes.</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 2022 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>

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the compensation report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Report of the statutory auditor

to the General Meeting of The Swatch Group Ltd

Neuchâtel

Board of Directors' responsibilities 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 Company'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 Company 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 SA-CH 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 more detailed description of our responsibilities for the audit of the financial statements can be found on the EXPERTSuisse website: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 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 2023



THE SWATCH GROUP LTD SECURITIES

Average number of shares outstanding / Average share capital	2022 basic	2021 basic	2020 basic	2019 basic	2018 basic
Number of registered shares of CHF 0.45	114 658 893	114 471 966	114 169 222	113 428 394	115 449 571
Number of bearer shares of CHF 2.25	28 888 308	28 883 462	28 872 923	28 814 317	29 268 442
Total average number of shares outstanding	143 547 201	143 355 428	143 042 145	142 242 711	144 718 013
Share capital registered shares in CHF	51 596 502	51 512 385	51 376 150	51 042 777	51 952 307
Share capital bearer shares in CHF	64 998 693	64 987 790	64 964 077	64 832 213	65 853 995
Total average share capital in CHF	116 595 195	116 500 174	116 340 227	115 874 991	117 806 302

Key data per registered share (nom. CHF 0.45) in CHF	2022	2021	2020	2019	2018
Consolidated net result attributable to shareholders	3.11	2.96	-0.20	2.84	3.23
Cash flow from operating activities 1)	2.79	5.01	3.17	4.75	3.60
Consolidated equity 1)	46.51	44.82	42.41	44.63	43.07
Dividend 2)	1.20	1.10	0.70	1.10	1.60

Key data per bearer share (nom. CHF 2.25) in CHF	2022	2021	2020	2019	2018
Consolidated net result attributable to shareholders	15.57	14.78	-0.99	14.18	16.14
Cash flow from operating activities 1)	13.96	25.06	15.83	23.76	18.01
Consolidated equity 1)	232.55	224.12	212.07	223.17	215.33
Dividend 2)	6.00	5.50	3.50	5.50	8.00

Stock price (adjusted) in CHF	2022	2021	2020	2019	2018
Registered shares high	58.95	64.30	52.75	62.60	91.30
Registered shares low	40.40	45.68	28.56	46.62	54.05
Registered shares at year-end	48.04	53.45	46.76	51.15	56.80
Bearer shares high	309.50	333.90	280.50	322.00	499.10
Bearer shares low	215.70	235.50	151.00	247.70	275.60
Bearer shares at year-end	263.00	279.00	241.50	270.00	286.70

Key ratios (year-end)	2022	2021	2020	2019	2018
Average return on equity 3)	7.0%	6.9%	-0.5%	6.6%	7.7%
Dividend yield registered shares 4)	2.5%	2.1%	1.5%	2.2%	2.8%
Dividend yield bearer shares 4)	2.3%	2.0%	1.4%	2.0%	2.8%
Market capitalization in CHF million	13 227	14 322	12 455	13 793	15 887

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.



The Swatch Group Ltd

P.O. Box 1232, Seedorstadt 6
2501 Biel/Bienne, Switzerland
Phone: +41 32 343 68 11
www.swatchgroup.com/contactus