

SWATCH GROUP: Half-Year Report 2023

- Net sales of CHF 4 019 million, +18.0% to the previous year at constant exchange rates (+11.3% at current rates), despite a massive negative currency impact of CHF -242 million.
- Net sales exceeded the previous record half-year 2018 by +8.5%, at constant exchange rates.
- Double-digit growth in all watch and jewelry price segments, with strongest growth in the lowest price level.
- Operating profit increased by +36.4% to CHF 686 million (previous year: CHF 503 million). Operating margin of 17.1% (previous year: 13.9%).
- Net income increased by +55.6% to CHF 498 million (previous year: CHF 320 million). Net margin of 12.4% (previous year: 8.9%).
- Operating cash flow of CHF 281 million (previous year: CHF 287 million).
- Net liquidity¹⁾ of CHF 2 099 million (previous year: CHF 2 397 million).
- Equity of CHF 12.1 billion (previous year: CHF 11.7 billion). Equity ratio of 86.0% (previous year: 85.5%).
- Excellent prospects for the second half of 2023 in all markets and price segments.

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

HALF-YEAR REPORT

Group Key Figures

(CHF million)	1st half 2023	1st half 2022	Change in %		Total
			at constant rates	currency effect	
Net sales	4 019	3 612	18.0%	-6.7%	11.3%
Operating result	686	503			36.4%
- in % of net sales	17.1%	13.9%			
Net result	498	320			55.6%
- in % of net sales	12.4%	8.9%			
Investments in non-current assets	379	158			
Equity, 30 June	12 063	11 699			
Market capitalization, 30 June	13 302	11 516			
Basic earnings per share in CHF					
- Registered shares	1.88	1.20			
- Bearer shares	9.38	6.00			

Unaudited figures

HALF-YEAR REPORT

Highlights of the first half 2023

At constant exchange rates, Group net sales for the first half of 2023 were +18.0% above the previous year. The negative currency impact was significant and amounted to -6.7%, or CHF -242 million. At constant exchange rates, sales were even +8.5% above the previous half-year record in 2018.

Watches & Jewelry

The Watches & Jewelry segment (including Production) achieved a significantly increased operating margin of 19.4% (previous year: 15.7%). The first half of 2023 was characterized by the lifting of the last travel restrictions in Asia, which resulted in significant sales increases in local currencies in most major markets. In addition to the expected recovery in Mainland China, with a clear double-digit increase, tourism destinations such as Thailand or Macao in particular benefited from the rapid rise in travel activity. After years of declining consumption, business in Hong Kong SAR has completely revived, resulting in a tripling of sales. The most important European markets also recorded very strong growth, led by Switzerland with an increase of almost 50%, followed by Italy, Spain and France. Sales in North America developed extremely well, particularly in the lower and medium price segments, with high double-digit growth rates.

Global demand for Swatch watches and the MoonSwatch not only continued unabated, but even accelerated. The Tissot brand performed extremely strongly, with significant market share gains in North America. The outstanding development of the Group's own retail network, with growth rates well above 20%, underlines the unique positioning of the Group's brands. The retail businesses of Harry Winston, Omega, Longines and Swatch developed very successfully. The share of sales of the Group's own retail business exceeded the 40% mark of total sales of the Watches & Jewelry segment in the first half of 2023, with average sales per store more than 30% above the previous year. Additionally, the Group was able to acquire a prime property on Old Bond Street in London and a store on the Champs-Élysées in Paris.

Production

Strong demand for products from our brands, particularly Swatch and Tissot, helped the Group's production companies to achieve very good capacity utilization. Timely procurement of the required raw materials remains a major challenge. Order books at the end of June 2023 were 20% over the previous year. The production companies are investing even more than in the past in vocational and technical training in order to alleviate the tense situation on the labor market. Swatch Group is the largest training company in the Swiss watch industry and will welcome a record number of new apprentices in August.

Electronic Systems

Sales and margins in this segment were negatively impacted by the weakness of the USD and EUR. Nevertheless, the segment's order books at the end of June 2023 were at a similarly high level as in the previous year. For Swiss Timing, 2023 is an interim year without the Olympic Games, which led to a significantly lower result compared to the previous year. Segment sales in the first semester 2023 were +3.3% above prior year (at constant rates) and operating profit reached CHF 9 million, corresponding to an operating margin of 4.9%.

Inventories

Inventories increased by CHF 314 million or +4.6% compared to December 2022, mainly in the categories of raw materials, work in progress and semi-finished goods. This allowed ensurance of increased production on the one hand and further completion of the safety stock of raw materials and components on the other hand in order to improve even more the independence from third party suppliers.

Personnel

The number of employees increased by 2.6% in the first semester 2023 and amounted to 32 899 persons at the end of June (December 2022: 32 061).

HALF-YEAR REPORT

Outlook for the second half of 2023

Group Management sees excellent growth opportunities in local currencies for the second half of 2023 in all regions and price segments. The Group brands will introduce many innovative products on the market, especially – but not only – in the lower and mid-range segments. The only cloud on the horizon remains the unfavorable currency environment.

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Income Statement

	1st half 2023		1st half 2022	
	CHF million	%	CHF million	%
Net sales	4 019	100.0	3 612	100.0
Other operating income	64	1.6	137	3.8
Changes in inventories	398	9.9	261	7.2
Material purchases	-967	-24.1	-889	-24.6
Personnel expense	-1 292	-32.1	-1 199	-33.2
Depreciation and impairment on property, plant and equipment	-171	-4.3	-186	-5.1
Amortization and impairment on intangible assets	-21	-0.5	-20	-0.6
Other operating expenses	-1 344	-33.4	-1 213	-33.6
Operating result	686	17.1	503	13.9
Other financial income and expense	-28	-0.7	-35	-0.9
Interest expense	-2	-0.1	-3	-0.1
Share of result from associates and joint ventures	-4	-0.1	-22	-0.6
Ordinary result	652	16.2	443	12.3
Non-operating result	1	0.0	0	0.0
Result before income taxes	653	16.2	443	12.3
Income taxes	-155	-3.8	-123	-3.4
Net result	498	12.4	320	8.9
<i>Attributable to shareholders of The Swatch Group Ltd</i>	<i>486</i>		<i>311</i>	
<i>Attributable to non-controlling interests</i>	<i>12</i>		<i>9</i>	
Earnings per share in CHF				
Registered shares				
Basic earnings per share	1.88		1.20	
Diluted earnings per share	1.87		1.20	
Bearer shares				
Basic earnings per share	9.38		6.00	
Diluted earnings per share	9.37		6.00	

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets	30.06.2023		31.12.2022	
	CHF million	%	CHF million	%
Current assets				
Cash and cash equivalents	1 757	12.5	2 176	15.6
Financial assets, securities and derivative financial instruments	367	2.6	372	2.7
Trade receivables	733	5.2	663	4.8
Other current assets	105	0.8	103	0.7
Inventories	7 187	51.2	6 873	49.5
Prepayments and accrued income	233	1.7	206	1.5
Total current assets	10 382	74.0	10 393	74.8
Non-current assets				
Property, plant and equipment	2 851	20.3	2 706	19.5
Intangible assets	147	1.0	146	1.1
Investments in associates and joint ventures	13	0.1	19	0.1
Other non-current assets	176	1.3	181	1.3
Deferred tax assets	460	3.3	448	3.2
Total non-current assets	3 647	26.0	3 500	25.2
Total assets	14 029	100.0	13 893	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Equity and liabilities	30.06.2023		31.12.2022	
	CHF million	%	CHF million	%
Current liabilities				
Financial debts and derivative financial instruments	25	0.2	8	0.1
Trade payables	279	2.0	298	2.1
Other liabilities	163	1.1	193	1.4
Provisions	106	0.7	94	0.7
Accrued expenses	654	4.7	533	3.8
Total current liabilities	1 227	8.7	1 126	8.1
Non-current liabilities				
Financial debts	2	0.0	2	0.0
Deferred tax liabilities	493	3.5	459	3.3
Retirement benefit obligations	43	0.3	43	0.3
Provisions	60	0.5	61	0.5
Accrued expenses	141	1.0	151	1.1
Total non-current liabilities	739	5.3	716	5.2
Total liabilities	1 966	14.0	1 842	13.3
Equity				
Share capital	118		118	
Capital reserves	-973		-971	
Treasury shares	-116		-123	
Goodwill recognized	-1 352		-1 350	
Translation differences	-707		-547	
Retained earnings	15 033		14 858	
Equity of The Swatch Group Ltd shareholders	12 003	85.6	11 985	86.2
Non-controlling interests	60	0.4	66	0.5
Total equity	12 063	86.0	12 051	86.7
Total equity and liabilities	14 029	100.0	13 893	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

(CHF million)	1st half 2023	1st half 2022
Operating activities		
Net result	498	320
Share of result from associated companies and joint ventures	4	22
Income taxes	155	123
Depreciation on non-current assets	192	205
Impairment	0	1
Changes in provisions and retirement benefit obligations	17	-18
Gains/losses on sale of non-current assets	-2	0
Fair value gains/losses on marketable securities	-2	24
Expenses for employee stock option plan	5	6
Other non-cash items	47	7
Changes in net working capital:		
– Trade receivables	-111	-29
– Inventories	-432	-264
– Other current assets, prepayments and accrued income	-35	45
– Trade payables	-11	-11
– Other liabilities and accrued expenses	81	35
Dividends received from associated companies and joint ventures	1	1
Income taxes paid	-126	-180
Cash flow from operating activities	281	287
Investing activities		
Investments in property, plant and equipment	-347	-127
Proceeds from sale of property, plant and equipment	18	3
Investments in intangible assets	-24	-26
Proceeds from sale of intangible assets	1	3
Investments in other non-current assets	-8	-5
Proceeds from other non-current assets	4	4
Acquisition of subsidiaries – net of cash	-2	0
Investments in current financial assets and securities	-363	-733
Proceeds from current financial assets and securities	371	748
Cash flow from investing activities	-350	-133
Financing activities		
Dividends paid to shareholders	-311	-285
Dividends paid to non-controlling interests	-14	-6
Purchase of treasury shares	0	-2
Sale of treasury shares	1	1
Change in non-current financial debts	0	0
Change in current financial debts	15	-1
Cash flow from financing activities	-309	-293
Net impact of foreign exchange rate differences on cash	-41	17
Change in cash and cash equivalents	-419	-122
Change in cash and cash equivalents		
– Balance at beginning of year	2 176	1 887
– Balance at 30 June	1 757	1 765

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

Attributable to The Swatch Group Ltd shareholders

(CHF million)	Share capital	Capital reserves	Treasury shares	Goodwill recognized	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2021	118	-971	-131	-1 370	-442	14 336	11 540	65	11 605
Net result						311	311	9	320
Currency translation of foreign entities					43		43	3	46
Change in goodwill				20			20		20
Dividends paid						-285	-285	-11	-296
Employee stock option plan		-2	8				6		6
Purchase of treasury shares		0	-2				-2		-2
Transactions with non-controlling interests							0	-0	-0
Balance at 30 June 2022	118	-973	-125	-1 350	-399	14 362	11 633	66	11 699
Net result						496	496	7	503
Currency translation of foreign entities					-148		-148	-3	-151
Change in goodwill				0			0		0
Dividends paid						0	0	-4	-4
Employee stock option plan		2	2				4		4
Purchase of treasury shares		0	0				0		0
Transactions with non-controlling interests							0	0	0
Balance at 31 December 2022	118	-971	-123	-1 350	-547	14 858	11 985	66	12 051
Net result						486	486	12	498
Currency translation of foreign entities					-160		-160	-4	-164
Change in goodwill				-2			-2		-2
Dividends paid						-311	-311	-14	-325
Employee stock option plan		-2	7				5		5
Purchase of treasury shares		0	0				0		0
Transactions with non-controlling interests							0	0	0
Balance at 30 June 2023	118	-973	-116	-1 352	-707	15 033	12 003	60	12 063

Unaudited figures

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1. Basis of preparation**a. Basic accounting principles**

These interim financial statements cover the unaudited half-year results for the six months ended 30 June 2023. They have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations). The consolidated half-year closing 2023 was prepared in accordance with FER 31 "Complementary recommendation for listed companies". This half-year report does not include all the information and disclosures which are required in the annual report. It should therefore be viewed in connection with the annual report at 31 December 2022.

b. Estimates and judgments

In these interim financial statements, Management has reviewed and, if necessary, adapted accounting estimates and judgements. These are based on historical experience as well as other factors such as expectations and assessments of future events, and mainly impact the following areas:

Inventories. Group products have an extremely long life. According to Group policies, inventories with sales risks or insufficient turnover were written down to their realizable net market value. In the first half of 2023, this impairment amounted to CHF 24 million (previous year: CHF 19 million).

Impairment. The recoverable value and the remaining useful life of non-current assets are verified regularly. If there are indications of a sustained impairment and the book value of an asset exceeds the recoverable amount, an impairment loss is recognized. In the first half of 2023, no impairment was recognized (previous year: CHF 1 million).

Provisions. Provisions are recognized and adjusted on an ongoing basis, according to Group policies. For warranty provisions, calculation parameters, such as expected repairs and return volumes, are adjusted to current empirical values at least four times a year. Provisions for dismantling and restoration obligations are reviewed and updated at least once a year. Restructuring provisions are recognized when a management decision raises valid expectations of third parties that a restructuring will be carried out. Such provisions are subsequently adjusted on an ongoing basis to reflect current estimates.

Income taxes. Current and deferred tax positions are reviewed on an ongoing basis and adjusted if necessary. These include the effects of changes in tax rates, the impact of ongoing tax audits and the assessment of carryforward tax losses. Deferred tax assets for carryforward tax losses are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized.

2. Segment information

1st half 2023 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	3 844	173	2		4 019
- Group	2	9	3	-14	0
Net sales	3 846	182	5	-14	4 019
Operating result	745	9	-68	0	686
- in % of net sales	19.4%	4.9%			17.1%
1st half 2022 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	3 436	173	3		3 612
- Group	2	8	2	-12	0
Net sales	3 438	181	5	-12	3 612
Operating result	541	25	-63	0	503
- in % of net sales	15.7%	13.8%			13.9%

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

3. Group structure

	2023
Number of companies at 1 January	148
Foundations	0
Group internal mergers	0
Liquidations	-1
Number of companies at 30 June	147
<i>of which associates</i>	<i>5</i>
<i>of which joint ventures</i>	<i>2</i>

In March 2023, Harry Winston Inc., New York acquired a High Jewelry manufacturing workshop from a business partner for an amount of CHF 1.9 million. The employees as well as the assets in the amount of CHF 0.2 million were integrated into the company Harry Winston Inc. The resulting goodwill of CHF 1.7 million was charged to consolidated equity.

4. Key exchange rates

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates	Prevailing rates
		01.01.-30.06.2023	30.06.2023	01.01.-30.06.2022	31.12.2022	30.06.2022
CNY	1	0.1315	0.1241	0.1459	0.1343	0.1435
EUR	1	0.9902	0.9790	1.0293	0.9900	1.0010
HKD	1	0.1170	0.1151	0.1210	0.1189	0.1224
JPY	100	0.6736	0.6232	0.7638	0.7060	0.7050
USD	1	0.9170	0.9017	0.9473	0.9268	0.9605

5. Treasury shares

In the first half of 2023, the Swatch Group did not purchase any treasury shares (previous year: purchase of 10 000 bearer shares with a market value of CHF 2 million). Registered shares were sold under the employee stock option plan in the amount of CHF 1 million (previous year: CHF 1 million).

6. Dividend

The Company pays one dividend per fiscal year. For fiscal year 2022, the dividend agreed at the Annual General Meeting on 10 May 2023, with a value date of 16 May 2023, was distributed as follows:

	Dividend per share	Total dividend
	CHF	CHF million
Registered shares	1.20	140
Bearer shares	6.00	174
Total dividend		314
Dividend not paid out on treasury shares		-3
Total dividend paid		311

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

7. Significant events and business transactions

During the period under review, no material events or business transactions occurred that might have an impact on the critical estimates, appraisals and assumptions to be found in the consolidated financial statements as at 31 December 2022. Also, there were no further material events or business transactions that might impact upon other positions in the consolidated financial statements (such as, for example, changes to contingent liabilities and receivables or business transactions involving associated enterprises and persons).

8. Events after the closing date

At the publish date of this press release, the Company is not aware of any significant new event that would affect the half-year financial statements at 30 June 2023.

Original: German
Translations: English, French and Italian

CONTACTS

Investors

Thierry Kenel, Chief Financial Officer
Phone: +41 32 343 68 11

The Swatch Group Ltd, Biel/Bienne (Switzerland)
E-mail: www.swatchgroup.com/contactus

Media

Bastien Buss, Corporate Communications
Phone: +41 32 343 68 11

The Swatch Group Ltd, Biel/Bienne (Switzerland)
E-mail: www.swatchgroup.com/contactus