

Ad hoc announcement pursuant to Art. 53 of the Listing Rules

SWATCH GROUP: Half-Year Report 2021

- Net sales of CHF 3 392 million, +54.6% to the previous year at constant exchange rates, or +54.4% at current rates.
- Operating profit of CHF 402 million compared with operating loss of CHF -327 million in the previous year. Operating margin of 11.9%.
- Watches & Jewelry segment (excluding Production) with a strong operating margin of 17.0%, above the level of 15.6% for the year 2019. In the 2nd quarter, margin was 19.2% (2019: 15.5%).
- Net income of CHF 270 million compared with net loss of CHF -308 million in the previous year. Net margin of 8.0%.
- Operating cash flow of CHF 519 million, 38.0% higher than 2019. Free Cash Flow¹⁾ of CHF 380 million, doubled compared to 2019.
- Net liquidity²⁾ of CHF 1 975 million, more than double in comparison with the previous year, as well as a very strong equity base of CHF 11.2 billion, with an equity ratio of 85.2% (previous year: CHF 10.8 billion, or 84.6%).
- The already very high consumer demand will be enhanced by the further easing of Covid restrictions in many markets and generate additional growth. Swatch Group expects higher sales in local currencies in the second half of 2021 in comparison with 2019.

1) Cash flow from operating activities minus cash flow from investing activities

2) Cash and cash equivalents and marketable securities and derivative financial instruments minus current financial debts and derivative financial instruments

HALF-YEAR REPORT

Group Key Figures

(CHF million)	1st half 2021	1st half 2020	Change in %		Total
			at constant rates	currency effect	
Net sales	3 392	2 197	54.6%	-0.2%	54.4%
Operating result	402	-327			
- in % of net sales	11.9%	-14.9%			
Net result	270	-308			
- in % of net sales	8.0%	-14.0%			
Investments in non-current assets	108	139			
Equity, 30 June	11 164	10 826			
Market capitalization, 30 June	16 322	9 805			
Basic earnings per share in CHF					
- Registered shares	1.03	-1.17			
- Bearer shares	5.15	-5.87			

Unaudited figures

Highlights of the first half 2021

Continuous recovery in the regions

At constant exchange rates, Group net sales in the first half of 2021 were -12.3% below 2019. The currency-related decline in sales compared to 2019 was CHF 185 million or -4.5%. The Watches & Jewelry segment (excluding Production) recorded an operating margin of 17.0%, higher than in 2019 with 15.6%.

Sales recovery accelerated from month to month. High growth rates were realized primarily in China, Macao, USA and Russia. Above-average growth was reported in the Group's own retail stores, parallel to the very strong increase in e-commerce, which once again confirms the importance of brick and mortar stores as well as e-commerce as separate and additional sales channel. Sales in airports and travel destinations in the first half of 2021 remained significantly below 2019.

Gradual increase in Production

The orderbook situation in the Production sector also improved significantly. Activities in the companies again reached normal levels and short-time work was ended. In the first half of 2021, an operating loss in Production was still reported. In the second half of the year, production will again operate at full capacity.

Strong performance in Electronic Systems

The main activities of this segment, with Renata, EM Microelectronic-Marin and Micro Crystal, performed very well despite the negative currency situation, thanks to very high demand for electronic high-tech products and components as well as button cell batteries. At constant exchange rates, sales were +14.3% above the previous year, respectively +4.6% above 2019. Order backlog at the end of June 2021 was 50% above the previous year.

HALF-YEAR REPORT

Personnel

The number of employees slightly decreased from the end of 2020 by -2.7% to 31 545 persons. The reduction related in particular to the closing of 135 retail stores. However, in the first half of 2021, 36 new stores were also opened in promising locations.

Financial situation

Operating cash flow after taxes of CHF 519 million reached the highest half-year figure in 5 years and was 38.0% higher than the first half year 2019. Free Cash Flow¹⁾ doubled in comparison with the same period in 2019 to CHF 380 million. The very high net liquidity²⁾ of CHF 1 975 million at the end of June 2021 provides the Swatch Group with a lot of flexibility for medium and long-term investments.

The Group is debt free and finances all its real estate holdings from its own resources, for example, the exclusive locations in Tokyo (Ginza), Zürich (Peterhof), Milan (Omega) or Düsseldorf (Harry Winston Salon). Also, no goodwill from business combinations is capitalized in the balance sheet. It was recognized directly in equity.

1) Cash flow from operating activities minus cash flow from investing activities

2) Cash and cash equivalents and marketable securities and derivative financial instruments minus current financial debts and derivative financial instruments

HALF-YEAR REPORT

Outlook for the second half of 2021

Based on the significantly accelerated increase in sales in the second quarter, particularly in the month of June, the Swatch Group anticipates further strong growth in local currencies in the second half of the year, with sales above 2019 levels. The easing of Covid restrictions announced by Europe and Asian countries, as well as resumption of tourism in many regions, will provide a further boost in sales.

Brand highlights in brief:

- Very strong demand for Harry Winston jewelry. Opening of three new flagship stores in Beijing, Shenzhen and Milan.
- Continuing strong performance by Blancpain leads to major order backlogs and the challenge to quickly increase production capacity.
- The Olympic Summer Games in Tokyo will open on 23 July. Once again, Omega, as official timekeeper, will be visible worldwide in all the media. In September, with the global release of the new James Bond film *No Time To Die*, Omega will also show a very strong presence with the *James Bond Seamaster Co-Axial Master Chronometer*.
- After successful launch in China and the USA, the Tissot *T-Touch Connect Solar* will be introduced in additional markets such as Japan. Furthermore, it will also be equipped with additional new functions such as the option to receive live results of NBA games or bicycle races of which Tissot is a partner.
- Swatch very successfully launched the new bioplastic and bioceramic models to the market, and will continuously increase production capacity in the next months.

The technology companies in the Electronic Systems segment report an exceptionally good order backlog at the moment. The current massive demand for microchips has resulted in a worldwide shortage. EM Microelectronic-Marin, one of the few European manufacturers of ultra-low-power chips, profits from this situation and has gained access to new markets and customers. Swatch Group will invest heavily in the expansion of production capacity in Marin over the next few years. This confirms the strong commitment of the Group to Switzerland as an industrial and innovation place, also for the microelectronics sector.

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Income Statement

	1st half 2021		1st half 2020	
	CHF million	%	CHF million	%
Net sales	3 392	100.0	2 197	100.0
Other operating income	58	1.7	62	2.8
Changes in inventories	34	1.0	0	0.0
Material purchases	-723	-21.3	-451	-20.5
Personnel expense	-1 107	-32.6	-1 020	-46.4
Depreciation and impairment on property, plant and equipment	-201	-5.9	-214	-9.7
Amortization and impairment on intangible assets	-20	-0.6	-21	-1.0
Other operating expenses	-1 031	-30.4	-880	-40.1
Operating result	402	11.9	-327	-14.9
Other financial income and expense	7	0.2	-12	-0.5
Interest expense	-3	-0.1	-1	0.0
Share of result from associates and joint ventures	-3	-0.1	-4	-0.2
Ordinary result	403	11.9	-344	-15.6
Non-operating result	-1	-0.0	0	0.0
Result before income taxes	402	11.9	-344	-15.6
Income taxes	-132	-3.9	36	1.6
Net result	270	8.0	-308	-14.0
<i>Attributable to shareholders of The Swatch Group Ltd</i>	<i>267</i>		<i>-303</i>	
<i>Attributable to non-controlling interests</i>	<i>3</i>		<i>-5</i>	
Earnings per share in CHF				
Registered shares				
Basic earnings per share	1.03		-1.17	
Diluted earnings per share	1.03		-1.17	
Bearer shares				
Basic earnings per share	5.15		-5.87	
Diluted earnings per share	5.15		-5.87	

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets	30.06.2021		31.12.2020	
	CHF million	%	CHF million	%
Current assets				
Cash and cash equivalents	1 728	13.2	1 585	12.3
Marketable securities and derivative financial instruments	260	2.0	207	1.6
Trade receivables	666	5.1	685	5.3
Other current assets	96	0.7	212	1.6
Inventories	6 444	49.2	6 315	49.0
Prepayments and accrued income	242	1.9	234	1.8
Total current assets	9 436	72.1	9 238	71.6
Non-current assets				
Property, plant and equipment	2 823	21.6	2 929	22.7
Intangible assets	138	1.0	144	1.1
Investments in associates and joint ventures	28	0.2	29	0.2
Other non-current assets	206	1.6	106	0.9
Deferred tax assets	465	3.5	451	3.5
Total non-current assets	3 660	27.9	3 659	28.4
Total assets	13 096	100.0	12 897	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Equity and liabilities	30.06.2021		31.12.2020	
	CHF million	%	CHF million	%
Current liabilities				
Financial debts and derivative financial instruments	13	0.1	92	0.7
Trade payables	249	1.9	281	2.2
Other liabilities	193	1.5	182	1.4
Provisions	105	0.8	69	0.5
Accrued expenses	621	4.7	588	4.6
Total current liabilities	1 181	9.0	1 212	9.4
Non-current liabilities				
Financial debts	3	0.0	3	0.0
Deferred tax liabilities	478	3.7	465	3.6
Retirement benefit obligations	45	0.4	43	0.3
Provisions	63	0.5	51	0.4
Accrued expenses	162	1.2	158	1.3
Total non-current liabilities	751	5.8	720	5.6
Total liabilities	1 932	14.8	1 932	15.0
Equity				
Share capital	118		118	
Capital reserves	-972		-970	
Treasury shares	-133		-141	
Goodwill recognized	-1 372		-1 372	
Translation differences	-376		-490	
Retained earnings	13 838		13 752	
Equity of The Swatch Group Ltd shareholders	11 103	84.8	10 897	84.5
Non-controlling interests	61	0.4	68	0.5
Total equity	11 164	85.2	10 965	85.0
Total equity and liabilities	13 096	100.0	12 897	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

(CHF million)	1st half 2021		1st half 2020	
Operating activities				
Net result	270		-308	
Share of result from associated companies and joint ventures	3		4	
Income taxes	132		-36	
Depreciation on non-current assets	221		235	
Impairment	0		0	
Changes in provisions and retirement benefit obligations	41		1	
Gains/losses on sale of non-current assets	1		-3	
Other non-cash items	-28		54	
Changes in net working capital:				
– Trade receivables	39		341	
– Inventories	-35		2	
– Other current assets, prepayments and accrued income	9		5	
– Trade payables	-32		-36	
– Other liabilities and accrued expenses	66		-88	
Dividends received from associated companies and joint ventures	0		1	
Income taxes paid	-168		-144	
Cash flow from operating activities		519		28
Investing activities				
Investments in property, plant and equipment	-90		-121	
Proceeds from sale of property, plant and equipment	1		3	
Investments in intangible assets	-14		-17	
Proceeds from sale of intangible assets	0		3	
Investments in other non-current assets	-4		-1	
Proceeds from other non-current assets	9		8	
Purchase of marketable securities	-76		-65	
Sale of marketable securities	35		107	
Cash flow from investing activities		-139		-83
Financing activities				
Dividends paid to shareholders	-181		-284	
Dividends paid to non-controlling interests	-9		-1	
Sale of treasury shares	1		18	
Change in non-current financial debts	0		-1	
Change in current financial debts	-36		68	
Cash flow from financing activities		-225		-200
Net impact of foreign exchange rate differences on cash		32		-27
Change in cash and cash equivalents		187		-282
Change in cash and cash equivalents				
– Balance at beginning of year	1 540		1 148	
– Balance at 30 June	1 727	187	866	-282

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 2019	118	-948	-195	-1 372	-285	14 087	11 405	88	11 493
Net result						-303	-303	-5	-308
Currency translation of foreign entities					-95		-95	-1	-96
Dividends paid						-284	-284	-1	-285
Employee stock option plan			5				5		5
Sale of treasury shares		-19	36				17		17
Balance at 30 June 2020	118	-967	-154	-1 372	-380	13 500	10 745	81	10 826
Net result						252	252	3	255
Currency translation of foreign entities					-110		-110	-6	-116
Dividends paid						0	0	-10	-10
Employee stock option plan		-1	4				3		3
Sale of treasury shares		-2	9				7		7
Transactions with non-controlling interests		-0					-0	0	0
Balance at 31 December 2020	118	-970	-141	-1 372	-490	13 752	10 897	68	10 965
Net result						267	267	3	270
Currency translation of foreign entities					114		114	3	117
Dividends paid						-181	-181	-13	-194
Employee stock option plan		-2	8				6		6
Balance at 30 June 2021	118	-972	-133	-1 372	-376	13 838	11 103	61	11 164

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 2021. They have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations). The consolidated half-year closing 2021 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 2020.

b. Accounting 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 net market value. In the first half of 2021, this impairment amounted to CHF 25 million (previous year: CHF 28 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 2021, no indications of impairment were identified and no impairment was recognized (previous year: none).

Provisions. Provisions are recognized and adjusted on an ongoing basis, according to Group policies. For warranty provisions, the 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 2021 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	3 248	141	3		3 392
- Group	1	7	2	-10	0
Net sales	3 249	148	5	-10	3 392
Operating result	460	3	-61	0	402
- in % of net sales	14.2%	2.0%			11.9%
1st half 2020 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	2 068	127	2		2 197
- Group	0	6	2	-8	0
Net sales	2 068	133	4	-8	2 197
Operating result	-260	-4	-63	0	-327
- in % of net sales	-12.6%	-3.0%			-14.9%

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

3. Group structure

At 30 June 2021, the Group consolidation structure comprised 149 legal entities (year end 2020: 152). The decrease was due to three intragroup mergers. In the first half of the year under review as well as the previous year, no companies were acquired or sold and there were no changes in investments in associated companies and joint ventures.

4. Discontinuing operations

The business unit Calvin Klein, which will be discontinued at the end of 2021 due to the expiration of the license agreement, reported the following key figures:

(CHF million)	1st half 2021	1st half 2020
Net sales	12	17
Operating result	-16	-26

5. Key exchange rates

Currency	Unit	Average rates 01.01.-30.06.2021	Prevailing rates 30.06.2021	Average rates 01.01.-30.06.2020	Prevailing rates 31.12.2020	Prevailing rates 30.06.2020
CNY	1	0.1416	0.1433	0.1373	0.1357	0.1348
EUR	1	1.0989	1.0980	1.0668	1.0860	1.0700
HKD	1	0.1178	0.1192	0.1246	0.1142	0.1230
JPY	100	0.8427	0.8355	0.8976	0.8585	0.8850
USD	1	0.9147	0.9260	0.9672	0.8860	0.9530

6. Treasury shares

In the first half of 2021, with the exception of registered shares sold under the employee stock option plan in the amount of CHF 1 million (previous year: CHF 1 million), the Swatch Group did not purchase or sell any treasury shares. In the previous year, the Swatch Group sold 421 556 registered shares with a market value of CHF 17 million.

7. Dividend

The Company pays one dividend per fiscal year. For fiscal year 2020, the dividend agreed at the Annual General Meeting on 11 May 2021, with a value date of 18 May 2021, was distributed as follows:

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

8. 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 2020. 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).

9. 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 2021.

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