

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

SWATCH GROUP: Half-Year Report 2022

- Net sales of CHF 3 612 million, +7.4% to the previous year at constant exchange rates, or +6.5% at current rates, despite sales losses of approximately CHF 400 million due to closures of warehouses and many retail stores in April and May in China.
- The phenomenal success of the MoonSwatch for the Swatch brand as well as Omega underscores the strength of the Group's verticalized production and the strategic importance of a presence in all price segments with strong brands.
- Operating profit of CHF 503 Mio, +25.1% to the previous year with CHF 402 million. Operating margin of 13.9% (previous year: 11.9%).
- Net income of CHF 320 million, +18.5% to the previous year with CHF 270 million. Net margin of 8.9% (previous year: 8.0%).
- Operating cash flow of CHF 287 million (previous year: CHF 519 million). Free cash flow¹ of CHF 139 million (previous year: CHF 421 million).
- Net liquidity² of CHF 2 397 million (previous year: CHF 1 975 million).
- Equity of CHF 11.7 billion (previous year: CHF 11.2 billion). Equity ratio of 85.5% (previous year: 85.2%).
- Excellent prospects in all segments with anticipated double-digit sales growth in local currencies for the entire year.

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

2) 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 2022	1st half 2021	Change in %		Total
			at constant rates	currency effect	
Net sales	3 612	3 392	7.4%	-0.9%	6.5%
Operating result	503	402			25.1%
– in % of net sales	13.9%	11.9%			
Net result	320	270			18.5%
– in % of net sales	8.9%	8.0%			
Investments in non-current assets	158	108			
Equity, 30 June	11 699	11 164			
Market capitalization, 30 June	11 516	16 322			
Annualized return on equity 1)	5.5%	4.9%			
Basic earnings per share in CHF					
– Registered shares	1.20	1.03			
– Bearer shares	6.00	5.15			

1) Net income end of June doubled, as a percentage of average equity (December 2021 + June 2022, divided by two).

Unaudited figures

HALF-YEAR REPORT

Highlights of the first half 2022**Strong growth in Watches & Jewelry segment curbed by lockdown in China**

At constant exchange rates, Group net sales for the first half of 2022 were +7.4% above the previous year. The negative currency impact was -0.9%. The Watches & Jewelry segment (including Production) generated an operating margin of 15.7% (previous year: 14.2%).

All major markets in Europe, America and the Middle East increased their sales by double digits. High growth rates were also reported by most of the Asian markets, such as Japan, Taiwan, Singapore or Thailand. The strongest growth was achieved by the Group's retail stores, both in the prestige brands such as Breguet and Harry Winston, as well as by Omega and Swatch. The lockdown in China in the months of April and May led to massive sales declines totaling approximately CHF 400 million, not only in Mainland China, but also in Hong Kong SAR and Macao. This was due to the fact that not only many retail stores were closed, but also because no products could be delivered from the central warehouses. The Ukraine conflict had less than a 1% impact on Group sales.

The launch of the Bioceramic MoonSwatch collection was altogether revolutionary, starting with the collaboration of the Swatch and Omega brands, followed by the product as such with the use of exceptional materials, and onward to the extremely selective distribution. With sales in only 110 selected Swatch retail stores, availability is even more exclusive than luxury brands such as Breguet, Blancpain or Glashütte Original.

Worldwide media hype for the MoonSwatch continues unabated. The stores are experiencing an incredible run of customers of all age categories and origins. Demand, which is increasing daily in the markets, currently far exceeds available product. Shortly after delivery, these products are already sold out. Exclusive sale through Swatch's own retail network underscores the importance of physical stores. At the same time, Omega has been confronted with supply shortages of the Speedmaster Moonwatch, after a soaring increase in demand.

In the first half of 2022, the Group brands invested more in marketing than in the previous year, for example at Omega as timekeeper of the Olympic Winter Games in Peking.

Good utilization in Production

The production sector significantly increased sales and margins thanks to normalized order books. Despite a massive increase in production capacities for the new MoonSwatch, the huge demand from the markets could not yet be completely satisfied.

Unabated growth in Electronic Systems

Due to worldwide shortages of electronic components, high-tech products from EM Microelectronic-Marin and Micro Crystal, as well as button cell batteries from Renata continued to be in high demand. Swiss Timing acted – once again – very successfully as timekeeper of the Olympic Winter Games in Peking. Segment sales were +22.3% above the previous year in the first half of 2022, and operating profit reached CHF 25 million, corresponding to an operating margin of 13.8% (previous year: operating profit of CHF 3 million, margin of 2.0%). Order books at the end of June 2022 were 40% over the previous year.

Personnel

The number of employees remained practically unchanged at 31 405 persons at the end of June [December 2021: 31 444].

HALF-YEAR REPORT

Outlook for the second half of 2022

Group Management is convinced that the goal of double-digit sales growth in local currencies for the entire year 2022 defined at the beginning of the year remains realistic. Growth prospects for all price segments, from Swatch to the prestige brands, are extremely positive. Regionally, the strongest growth in the second half of the year 2022 is expected in America, Asia and Mainland China. The production companies, and particularly the Electronic Systems segment will also contribute to the positive development.

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Income Statement

	1st half 2022		1st half 2021	
	CHF million	%	CHF million	%
Net sales	3 612	100.0	3 392	100.0
Other operating income	137	3.8	58	1.7
Changes in inventories	261	7.2	34	1.0
Material purchases	-889	-24.6	-723	-21.3
Personnel expense	-1 199	-33.2	-1 107	-32.6
Depreciation and impairment on property, plant and equipment	-186	-5.1	-201	-5.9
Amortization and impairment on intangible assets	-20	-0.6	-20	-0.6
Other operating expenses	-1 213	-33.6	-1 031	-30.4
Operating result	503	13.9	402	11.9
Other financial income and expense	-35	-0.9	7	0.2
Interest expense	-3	-0.1	-3	-0.1
Share of result from associates and joint ventures	-22	-0.6	-3	-0.1
Ordinary result	443	12.3	403	11.9
Non-operating result	0	0.0	-1	-0.0
Result before income taxes	443	12.3	402	11.9
Income taxes	-123	-3.4	-132	-3.9
Net result	320	8.9	270	8.0
<i>Attributable to shareholders of The Swatch Group Ltd</i>	<i>311</i>		<i>267</i>	
<i>Attributable to non-controlling interests</i>	<i>9</i>		<i>3</i>	
Earnings per share in CHF				
Registered shares				
Basic earnings per share	1.20		1.03	
Diluted earnings per share	1.20		1.03	
Bearer shares				
Basic earnings per share	6.00		5.15	
Diluted earnings per share	6.00		5.15	

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets	30.06.2022		31.12.2021	
	CHF million	%	CHF million	%
Current assets				
Cash and cash equivalents	1 826	13.3	1 979	14.5
Financial assets, securities and derivative financial instruments	637	4.7	677	4.9
Trade receivables	731	5.3	710	5.2
Other current assets	108	0.8	136	1.0
Inventories	6 703	49.0	6 389	46.7
Prepayments and accrued income	205	1.5	216	1.6
Total current assets	10 210	74.6	10 107	73.9
Non-current assets				
Property, plant and equipment	2 685	19.6	2 771	20.3
Intangible assets	144	1.1	144	1.0
Investments in associates and joint ventures	20	0.1	21	0.1
Other non-current assets	191	1.4	186	1.4
Deferred tax assets	440	3.2	449	3.3
Total non-current assets	3 480	25.4	3 571	26.1
Total assets	13 690	100.0	13 678	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Equity and liabilities	30.06.2022		31.12.2021	
	CHF million	%	CHF million	%
Current liabilities				
Financial debts and derivative financial instruments	66	0.5	98	0.7
Trade payables	291	2.1	313	2.3
Other liabilities	239	1.7	258	1.9
Provisions	95	0.7	112	0.8
Accrued expenses	597	4.4	596	4.4
Total current liabilities	1 288	9.4	1 377	10.1
Non-current liabilities				
Financial debts	2	0.0	2	0.0
Deferred tax liabilities	430	3.1	430	3.2
Retirement benefit obligations	43	0.3	42	0.3
Provisions	66	0.5	68	0.5
Accrued expenses	162	1.2	154	1.1
Total non-current liabilities	703	5.1	696	5.1
Total liabilities	1 991	14.5	2 073	15.2
Equity				
Share capital	118		118	
Capital reserves	-973		-971	
Treasury shares	-125		-131	
Goodwill recognized	-1 350		-1 370	
Translation differences	-399		-442	
Retained earnings	14 362		14 336	
Equity of The Swatch Group Ltd shareholders	11 633	85.0	11 540	84.4
Non-controlling interests	66	0.5	65	0.4
Total equity	11 699	85.5	11 605	84.8
Total equity and liabilities	13 690	100.0	13 678	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

(CHF million)	1st half 2022	1st half 2021
Operating activities		
Net result	320	270
Share of result from associated companies and joint ventures	22	3
Income taxes	123	132
Depreciation on non-current assets	205	221
Impairment	1	0
Changes in provisions and retirement benefit obligations	-18	41
Gains/losses on sale of non-current assets	0	1
Other non-cash items	37	-28
Changes in net working capital:		
- Trade receivables	-29	39
- Inventories	-264	-35
- Other current assets, prepayments and accrued income	45	9
- Trade payables	-11	-32
- Other liabilities and accrued expenses	35	66
Dividends received from associated companies and joint ventures	1	0
Income taxes paid	-180	-168
Cash flow from operating activities	287	519
Investing activities		
Investments in property, plant and equipment	-127	-90
Proceeds from sale of property, plant and equipment	3	1
Investments in intangible assets	-26	-14
Proceeds from sale of intangible assets	3	0
Investments in other non-current assets	-5	-4
Proceeds from other non-current assets	4	9
Investments in associated companies and joint ventures	0	0
Investments in current financial assets and securities	-733	-76
Proceeds from current financial assets and securities	748	35
Cash flow from investing activities	-133	-139
Financing activities		
Dividends paid to shareholders	-285	-181
Dividends paid to non-controlling interests	-6	-9
Purchase of treasury shares	-2	0
Sale of treasury shares	1	1
Change in non-current financial debts	0	0
Change in current financial debts	-1	-36
Repurchase of non-controlling interests	0	0
Cash flow from financing activities	-293	-225
Net impact of foreign exchange rate differences on cash	17	32
Change in cash and cash equivalents	-122	187
Change in cash and cash equivalents		
- Balance at beginning of year	1 887	1 540
- Balance at 30 June	1 765	1 727

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 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
Net result						498	498	6	504
Currency translation of foreign entities					-66		-66	0	-66
Change in goodwill				2			2		2
Dividends paid						0	0	-2	-2
Employee stock option plan		2	1				3		3
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						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

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 2022. They have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations). The consolidated half-year closing 2022 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 2021.

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 2022, this impairment amounted to CHF 19 million (previous year: CHF 25 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 2022, impairment of CHF 1 million 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 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%
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%

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

3. Group structure

	2022
Number of companies at 1 January	147
Foundations	2
Group internal mergers	-1
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 the first half of 2022, liquidation of an associated company in the Middle East commenced. As a result, corresponding goodwill in the amount of CHF 20 million was recycled in the income statement under *Share of result from associates and joint ventures*. Group equity was not impacted by this one-time cash-neutral expense.

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.

4. Key exchange rates

Currency	Unit	Average rates	Prevailing rates	Average rates	Prevailing rates	Prevailing rates
		01.01.-30.06.2022	30.06.2022	01.01.-30.06.2021	31.12.2021	30.06.2021
CNY	1	0.1459	0.1435	0.1416	0.1440	0.1433
EUR	1	1.0293	1.0010	1.0989	1.0385	1.0980
HKD	1	0.1210	0.1224	0.1178	0.1177	0.1192
JPY	100	0.7638	0.7050	0.8427	0.7975	0.8355
USD	1	0.9473	0.9605	0.9147	0.9180	0.9260

5. Treasury shares

In the first half of 2022, the Swatch Group purchased 10 000 bearer shares with a market value of CHF 2 million (previous year: no purchases of treasury shares). In addition, 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 2021, the dividend agreed at the Annual General Meeting on 24 May 2022, with a value date of 31 May 2022, was distributed as follows:

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

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 2021. 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 2022.

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