

## SWATCH GROUP: Key Figures 2020

- Group net sales for the full year of CHF 5 595 million, -28.7% compared with the previous year at constant exchange rates, or -32.1% at current rates. The currency-related sales loss amounted to CHF 286 million.
- Operating result of CHF 52 million (previous year: CHF 1 023 million), or CHF 99 million, excluding the discontinued business unit Calvin Klein.
- Net loss of CHF -53 million, versus net income of CHF 748 million in the previous year.
- Operating cash flow of CHF 819 million and net liquidity of CHF 1 700 million, 24.3% or CHF 332 million higher than the previous year.
- Net sales in the second half of the year -14.3% compared with the previous year (at constant exchange rates), but 54.7% above the first half. Strong December despite renewed lockdowns in important markets such as Germany and Great Britain.
- Operating profit in the second half of the year of CHF 379 million and operating margin of 11.2% for the entire Group. The Watches & Jewelry segment (excluding Production) increased its operating margin in the second half year to 17.8% against 14.8% the previous year.
- Thanks to the strong operating cash flow of the second half, the Board of Directors proposes a dividend of CHF 3.50 per bearer share and CHF 0.70 per registered share (previous year: CHF 5.50 per bearer share; CHF 1.10 per registered share).
- For 2021, the Group sees a good chance that sales in local currencies will approach those of 2019, with significantly improved margins. Yearend order book in the Production sector was only -4% under the previous year.

## KEY FIGURES 2020

## Group Key Figures

(CHF million)	2020	2019	Change in %		Total
			at constant rates	currency effect	
<b>Net sales</b>	<b>5 595</b>	8 243	-28.7%	-3.4%	<b>-32.1%</b>
<b>Operating result</b>	<b>52</b>	1 023			<b>-94.9%</b>
- In % of net sales	0.9%	12.4%			
<b>Net result</b>	<b>-53</b>	748			
- In % of net sales	-0.9%	9.1%			
<b>Equity</b>	<b>10 965</b>	11 493			
- As % of balance sheet total	85.0%	83.9%			
<b>Dividend in CHF 1)</b>	<b>2020</b>	2019			
- Per bearer share	<b>3.50</b>	5.50			
- Per registered share	<b>0.70</b>	1.10			

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

Unaudited figures

## Highlights of the financial year 2020

## Greatly improved 2nd half year 2020

The Group massively increased sales in the second half of the year compared to the first half, despite state-imposed Covid-19 measures and interim lockdowns in many countries. Many retail stores had to stay closed over long periods. Especially stores run by the Swatch Group in airports and at travel destinations are still suffering considerably from lack of tourists. In local currencies, Group net sales were -14.3% below the second half of 2019, while in the first half, a minus of -43.4% was reported.

Mainland China with double-digit sales growth not only for the second half but also for the full year. USA at previous-year level in December. The Tissot brand achieved the best monthly sales in its history in the USA in December, even without the *T-Touch Connect Solar*, which will only be launched in the USA in early 2021.

In the second half of the year 2020, operating margin of 11.2% was slightly below the previous year's 11.4%, mainly due to low capacity utilization in some instances in certain areas of production. Free cash flow<sup>1)</sup> increased in the second half of the year 2020 versus the previous year by 8.4% to CHF 748 million.

The Watches & Jewelry segment (excluding Production) increased its operating margin in the second half of the year 2020 to 17.8% against 14.8% the previous year. Without the business unit Calvin Klein and special costs in connection with the closure of retail stores, the operating margin amounted to 19.3%.

The Production sector reduced losses compared to the first half of 2020. The situation in the Production sector varied widely in the second half of the year. Some areas which mainly produced for third parties continued to report below-average capacity utilization. In other areas, demand exceeded production capacities, which lead to bottlenecks, for example, in production for Blancpain, Omega, Longines and Tissot. In addition, Omega suffered a 10-day production interruption due to a cyber attack, which led to delivery delays and lost sales. Order book in the production sector almost reached the previous year's level (-4%) at the end of 2020.

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

## KEY FIGURES 2020

### Overall year 2020

Despite major losses in the first half of 2020, the Group achieved a positive operating result of CHF 52 million for the entire year under review. Without the business unit Calvin Klein, which will be discontinued during the course of 2021, the operating result would have amounted to CHF 99 million. Net loss amounted to CHF -53 million.

In the year under review, the Group closed 384 retail stores. The resulting one-time special costs incurred amounted to CHF 42 million. In Hong Kong SAR alone, the number of stores was reduced from 92 in the previous year to 38 at the end of 2020. Conversely, Group brands opened 55 new stores in growth markets. Further expansion of e-commerce business, which reported sales growth of 70%, could not compensate for sales losses in traditional retail. The proportion of e-commerce for brands in the middle and basic price segment reached between 20% and 30%. Production of watches, jewelry and components was gradually increased in the past months, but will only reach capacity again in the first half of 2021.

Net sales in the Electronic Systems segment decreased slightly in local currencies by -3.1%. The operating loss amounted to CHF -6 million. Excluding Swiss Timing, whose activities for sporting events were, for the most part, either cancelled or postponed due to Covid-19, would have resulted in an operating profit of CHF 2 million. In December, there was a double-digit increase in segment sales (without Swiss Timing) over the previous year.

### Research and development

Research and development activities were continued at the same high level as previous years. This resulted in 205 new patent applications in the year under review (previous year: 231).

### Personnel

As a result of closures of retail stores, the situation in Hong Kong SAR, and reduction of Calvin Klein activity, the workforce decreased by -10.2% compared with the previous year, to 32 400 persons.

### Inventories

Inventories decreased by CHF 537 million or -7.8% to CHF 6 315 million.

### Cash flow and net liquidity

After-tax operating cash flow generated in 2020 was CHF 819 million (-33.1% against the previous year). Free cash flow<sup>1)</sup> amounted to CHF 693 million (-21.3% against the previous year), or 12.4% of net sales (previous year: 10.7%). The net liquidity<sup>2)</sup> increased by CHF 332 million or 24.3% to CHF 1 700 million.

### Dividend proposal

Thanks to the strong operating cash flow of the second half, the Board of Directors of the Swatch Group will propose a dividend of CHF 3.50 per bearer share and CHF 0.70 per registered share at the Annual General Meeting on 11 May 2021 (previous year: CHF 5.50 per bearer share and CHF 1.10 per registered share).

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

## KEY FIGURES 2020

### Outlook 2021

Group Management anticipates a strong catch-up in consumption worldwide for watches and jewelry in 2021, as has already been observed in Mainland China after normalization of the health situation. Demand will strengthen further as soon as travel restrictions can be relaxed or lifted.

Numerous new products from the Group's brands will be additional sales drivers for 2021, for example, the Omega *Moonwatch*, the Longines *Spirit* or the highly demanded Tissot *T-Touch Connect Solar*. The latter will be launched in additional markets in 2021, including the USA and China. Swatch is pleased with the high demand for its *SwatchPAY!* models with credit card function. In future, these models can be conveniently configured online – unique in the world – and tokenization on site at a Swatch Store will no longer be necessary.

Highlights in Production will be the startup of a new production line for solar watch dials as well as the introduction of new technologies in the polishing sector.

### Tentative next publications / events:

<b>18.03.2021</b>	Publication of the annual report 2020 Press conference
<b>11.05.2021</b>	Annual General Meeting
<b>30.07.2021</b>	Publication of 2021 half-year results

Original:	German
Translations:	English, French and Italian

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## KEY FIGURES 2020

## Consolidated Income Statement

	2020		2019	
	CHF million	%	CHF million	%
<b>Net sales</b>	<b>5 595</b>	<b>100.0</b>	8 243	100.0
Other operating income	122	2.2	134	1.6
Changes in inventories	-364	-6.5	-16	-0.2
Material purchases	-983	-17.6	-1 600	-19.4
Personnel expense	-1 972	-35.2	-2 578	-31.3
Depreciation and impairment on property, plant and equipment	-420	-7.5	-437	-5.3
Amortization and impairment on intangible assets	-43	-0.8	-43	-0.5
Other operating expenses	-1 883	-33.7	-2 680	-32.5
<b>Operating result</b>	<b>52</b>	<b>0.9</b>	1 023	12.4
Other financial income and expense	-3	-0.0	-3	-0.0
Interest expense	-3	-0.0	-8	-0.1
Share of result from associates and joint ventures	-10	-0.2	-9	-0.1
<b>Ordinary result</b>	<b>36</b>	<b>0.7</b>	1 003	12.2
Non-operating result	0	0.0	1	0.0
<b>Result before income taxes</b>	<b>36</b>	<b>0.7</b>	1 004	12.2
Income taxes	-89	-1.6	-256	-3.1
<b>Net result</b>	<b>-53</b>	<b>-0.9</b>	748	9.1
<i>Attributable to shareholders of The Swatch Group Ltd</i>	<i>-51</i>		<i>730</i>	
<i>Attributable to non-controlling interests</i>	<i>-2</i>		<i>18</i>	
<b>Earnings per share in CHF</b>				
<b>Registered shares</b>				
Basic earnings per share	-0.20		2.84	
Diluted earnings per share	-0.20		2.83	
<b>Bearer shares</b>				
Basic earnings per share	-0.99		14.18	
Diluted earnings per share	-0.99		14.17	

Unaudited figures

## KEY FIGURES 2020

## Consolidated Balance Sheet

Assets	31.12.2020		31.12.2019	
	CHF million	%	CHF million	%
<b>Current assets</b>				
Cash and cash equivalents	1 585	12.3	1 239	9.0
Marketable securities and derivative financial instruments	207	1.6	230	1.7
Trade receivables	685	5.3	838	6.1
Other current assets	212	1.6	132	1.0
Inventories	6 315	49.0	6 852	50.1
Prepayments and accrued income	234	1.8	264	1.9
<b>Total current assets</b>	<b>9 238</b>	<b>71.6</b>	<b>9 555</b>	<b>69.8</b>
<b>Non-current assets</b>				
Property, plant and equipment	2 929	22.7	3 189	23.3
Intangible assets	144	1.1	150	1.1
Investments in associates and joint ventures	29	0.2	45	0.3
Other non-current assets	106	0.9	325	2.4
Deferred tax assets	451	3.5	428	3.1
<b>Total non-current assets</b>	<b>3 659</b>	<b>28.4</b>	<b>4 137</b>	<b>30.2</b>
<b>Total assets</b>	<b>12 897</b>	<b>100.0</b>	<b>13 692</b>	<b>100.0</b>

Unaudited figures

## KEY FIGURES 2020

## Consolidated Balance Sheet

Equity and liabilities	31.12.2020		31.12.2019	
	CHF million	%	CHF million	%
<b>Current liabilities</b>				
Financial debts and derivative financial instruments	92	0.7	101	0.7
Trade payables	281	2.2	313	2.3
Other liabilities	182	1.4	185	1.4
Provisions	69	0.5	84	0.6
Accrued expenses	588	4.6	678	5.0
<b>Total current liabilities</b>	<b>1 212</b>	<b>9.4</b>	1 361	10.0
<b>Non-current liabilities</b>				
Financial debts	3	0.0	20	0.1
Deferred tax liabilities	465	3.6	546	4.0
Retirement benefit obligations	43	0.3	46	0.3
Provisions	51	0.4	57	0.4
Accrued expenses	158	1.3	169	1.3
<b>Total non-current liabilities</b>	<b>720</b>	<b>5.6</b>	838	6.1
<b>Total liabilities</b>	<b>1 932</b>	<b>15.0</b>	2 199	16.1
<b>Equity</b>				
Share capital	118		118	
Capital reserves	-970		-948	
Treasury shares	-141		-195	
Goodwill recognized	-1 372		-1 372	
Translation differences	-490		-285	
Retained earnings	13 752		14 087	
<b>Equity of The Swatch Group Ltd shareholders</b>	<b>10 897</b>	<b>84.5</b>	11 405	83.3
Non-controlling interests	68	0.5	88	0.6
<b>Total equity</b>	<b>10 965</b>	<b>85.0</b>	11 493	83.9
<b>Total equity and liabilities</b>	<b>12 897</b>	<b>100.0</b>	13 692	100.0

Unaudited figures

## KEY FIGURES 2020

## Consolidated Statement of Cash Flows

(CHF million)	2020	2019
<b>Operating activities</b>		
Net result	-53	748
Share of result from associated companies and joint ventures	10	9
Income taxes	89	256
Depreciation on non-current assets	463	481
Impairment on non-current assets	0	-1
Changes in provisions and retirement benefit obligations	-23	-2
Gains/losses on sale of non-current assets	-16	-9
Other non-cash items	73	3
Changes in net current assets:		
- Trade receivables	124	42
- Inventories	370	21
- Other current assets, prepayments and accrued income	67	16
- Trade payables	-12	-91
- Other liabilities and accrued expenses	-45	-7
Dividends received from associated companies and joint ventures	1	4
Income tax paid	-229	-246
<b>Cash flow from operating activities</b>	<b>819</b>	<b>1 224</b>
<b>Investing activities</b>		
Investments in property, plant and equipment	-208	-399
Proceeds from sale of property, plant and equipment	7	26
Investments in intangible assets	-41	-47
Proceeds from sale of intangible assets	19	0
Investments in other non-current assets	-4	-13
Proceeds from sale of other non-current assets	83	11
Purchase of marketable securities	-132	-60
Sale of marketable securities	150	138
<b>Cash flow from investing activities</b>	<b>-126</b>	<b>-344</b>
<b>Financing activities</b>		
Dividends paid to shareholders	-284	-413
Dividends paid to non-controlling interests	-11	-17
Repurchase of treasury shares	0	-34
Sale of treasury shares	24	1
Change in non-current financial debts	0	2
Change in current financial debts	20	-153
Repurchase of non-controlling interests	0	-1
<b>Cash flow from financing activities</b>	<b>-251</b>	<b>-615</b>
<b>Net impact of foreign exchange rate differences on cash</b>	<b>-50</b>	<b>-19</b>
<b>Change in cash and cash equivalents</b>	<b>392</b>	<b>246</b>
<b>Change in cash and cash equivalents</b>		
- Balance at beginning of year	1 148	902
- Balance at end of year	<b>1 540</b>	<b>1 148</b>

Unaudited figures



## KEY FIGURES 2020

## Segment information

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

  

2019 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
- Third parties	7 965	273	5		8 243
- Group	1	16	5	-22	0
Net sales	7 966	289	10	-22	8 243
Operating result	1 145	7	-129	0	1 023
- In % of net sales	14.4%	2.4%			12.4%

Unaudited figures

## Statistical Information

	2020 Basic	2019 Basic
<b>Average number of registered shares outstanding</b>	<b>114 169 222</b>	113 428 394
<b>Average number of bearer shares outstanding</b>	<b>28 872 923</b>	28 814 317
<b>Key data per registered share (nom. CHF 0.45) in CHF</b>		
Consolidated net result attributable to shareholders	-0.20	2.84
Cash flow from operating activities 1)	3.17	4.75
Consolidated equity 1)	42.41	44.63
Dividend 2)	0.70	1.10
<b>Key data per bearer share (nom. CHF 2.25) in CHF</b>		
Consolidated net result attributable to shareholders	-0.99	14.18
Cash flow from operating activities 1)	15.83	23.76
Consolidated equity 1)	212.07	223.17
Dividend 2)	3.50	5.50
<b>Share capital in CHF</b>	<b>117 719 775</b>	117 719 775

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

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

Unaudited figures