

SWATCH GROUP: Half-Year Report 2024

- Net sales of CHF 3 445 million, -14.3% against the previous year at current exchange rates (-10.7% at constant rates). Negative currency impact of CHF -145 million.
 - Operating profit of CHF 204 million (previous year: CHF 686 million).
Operating margin of 5.9% (previous year: 17.1%).
 - Net income of CHF 147 million (previous year: CHF 498 million).
Net margin of 4.3% (previous year: 12.4%).
 - Net liquidity¹⁾ of CHF 1 434 million (December 2023: CHF 1 988 million).
 - Equity of CHF 12.2 billion (December 2023: CHF 12.3 billion).
Equity ratio of 85.8% (December 2023: 86.1%).
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- Decline in sales triggered by the sharp drop in demand for luxury goods in China (including Hong Kong SAR and Macau SAR). Only the Swatch brand bucked the negative trend and even increased its sales in China by 10%.
 - Sales outside of China (including Hong Kong SAR and Macau SAR) in local currencies at the level of the record year 2023. Total sales 5.6% above the first half of 2022, at constant exchange rates.
 - Operating margin in the Watches & Jewelry segment (without Production) at 11.0%.
 - Strongly negative operating result in the Production segment in the short term due to the deliberate maintaining of all production capacities and renouncing from layoffs.
 - In June, the Group's operating margin already rose again to over 15%, which is a positive sign for the second half of the year 2024.

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 2024	1st half 2023	Change in %		Total
			at constant rates	currency effect	
Net sales	3 445	4 019	-10.7%	-3.6%	-14.3%
Operating result	204	686			-70.3%
– in % of net sales	5.9%	17.1%			
Net result	147	498			-70.5%
– in % of net sales	4.3%	12.4%			
Investments in non-current assets	283	379			
Equity, 30 June	12 166	12 063			
Market capitalization, 30 June	9 617	13 302			
Basic earnings per share in CHF					
– Registered shares	0.52	1.88			
– Bearer shares	2.62	9.38			

Unaudited figures

HALF-YEAR REPORT

Highlights of the first half 2024

Group net sales for the first half of 2024 were 10.7% below the previous year, at constant exchange rates. The negative currency impact amounted to -3.6%, or CHF -145 million.

Watches & Jewelry

The Watches & Jewelry segment (without Production) suffered a considerable decline in sales in the first half of 2024. As a result, the operating margin for the segment also saw a sharp drop, to 11.0% (previous year: 19.0%), which was also attributable to the deliberate maintaining of marketing investments.

The huge reduction in demand for luxury goods in China (including Hong Kong SAR and Macau SAR) and in the Southeast Asian markets, which are heavily dependent on Chinese tourists, had a considerable negative impact on sales and results due to the strong presence of the Group's brands in the region. In contrast to this, the Swatch brand exceeded its sales in China compared to the previous year by 10%.

In Europe, the Group's own retail business achieved stable sales at the previous year's level. The geopolitical conflicts unsettled many European retailers, however. Their fear of excessive stock levels led to a significant reluctance to reorders and thus a reduction in wholesale sales of over 10%. Positive exceptions to this were Switzerland and Spain.

The USA achieved the same record sales seen in the previous year. In Japan, which is one of the most important countries for luxury goods and the third-largest export market for Swiss watches, achieved record sales, with growth of over 30% compared to the previous year. Other important countries such as South Korea, India and the United Arab Emirates also considerably outperformed the previous year.

The Group's retail activities exceeded the 45% mark of total sales in the Watches & Jewelry segment for the first time. Sales in the first half of 2024 were above those of the previous year in local currencies, except for China.

The luxury brands Breguet, Blancpain und Omega were particularly affected by the challenging market environment, while Harry Winston performed well. Swatch, Tissot and Longines were able to maintain their strong position. Demand for the *MoonSwatch* and *Scuba Fifty Fathoms* Swatch remained high throughout the entire period under review and was further accelerated by the success of the new "Mission to the MoonPhase" models *New Moon* and *Full Moon* as well as the three new "Mission on Earth" models *Lava*, *Polar Lights* and *Desert*.

Production

The sharp drop in orders, both from third parties and from the Group's own brands, led to considerably lower sales and strongly negative operating results in the Production segment. The Group deliberately renounced to make any redundancies in order to mitigate the financial impact in the short term. As in the past, the strategy of maintaining all production capacities and not laying off qualified staff will enable the Group to recover more quickly and benefit more significantly from the next upswing. In a period of a strong decline in sales, the high degree of verticalisation within the Swatch Group leads to reduced margins in the short term. But as soon as the upswing sets in, the Group will start to benefit more strongly.

Electronic Systems

Segment sales in the first half of 2024 were 14.8% below the excellent previous year (at constant exchange rates), and operating profit amounted to CHF 2 million (previous year: CHF 9 million). Compared to the end of 2023, the order books had increased again by 35% by June, which suggests a rapid recovery can be expected in the second half of 2024.

Inventories

Inventories increased by CHF 399 million or 5.5% compared to December 2023, primarily in the finished products category of watches and jewelry. The procurement of materials was adapted to the business trend. Since May, inventories have stabilized, or have been reduced for raw materials and work in progress.

Personnel

The number of employees decreased by 0.7% in the first half of 2024 and amounted to 33 353 persons at the end of June (December 2023: 33 602).

HALF-YEAR REPORT

Outlook for the second half of 2024

The Group expects the Chinese market (including Hong Kong SAR and Macau SAR) to remain challenging for the entire luxury goods industry until the end of the year. However, China's potential remains intact. The current situation presents the Group's brands in the lower price segment with excellent opportunities for further growth and market share gains.

Further strong growth is expected in Japan and the USA in the second half of 2024, accelerated by investments in the Group's own retail network. The prospects in many European countries are promising. The Omega brand will benefit from a global media presence as the official timekeeper of the Olympic Games in Paris.

The cost-cutting program introduced at the start of the year has begun to bear fruits. The full positive impact, particularly on results in the Production segment, will be felt in the second half of the year.

The Group expects the situation to improve strongly in the second half of the year.

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Income Statement

	1st half 2024		1st half 2023	
	CHF million	%	CHF million	%
Net sales	3 445	100.0	4 019	100.0
Other operating income	61	1.8	64	1.6
Changes in inventories	268	7.8	398	9.9
Material purchases	-798	-23.2	-967	-24.1
Personnel expense	-1 316	-38.2	-1 292	-32.1
Depreciation and impairment on property, plant and equipment	-177	-5.2	-171	-4.3
Amortization and impairment on intangible assets	-25	-0.7	-21	-0.5
Other operating expenses	-1 254	-36.4	-1 344	-33.4
Operating result	204	5.9	686	17.1
Other financial income and expense	22	0.6	-28	-0.7
Interest expense	-1	-0.0	-2	-0.1
Share of result from associates and joint ventures	-1	-0.0	-4	-0.1
Ordinary result	224	6.5	652	16.2
Non-operating result	1	0.0	1	0.0
Result before income taxes	225	6.5	653	16.2
Income taxes	-78	-2.2	-155	-3.8
Net result	147	4.3	498	12.4
Attributable to shareholders of The Swatch Group Ltd	136		486	
Attributable to non-controlling interests	11		12	
Earnings per share in CHF				
Registered shares				
Basic earnings per share	0.52		1.88	
Diluted earnings per share	0.52		1.87	
Bearer shares				
Basic earnings per share	2.62		9.38	
Diluted earnings per share	2.62		9.37	

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Assets	30.06.2024		31.12.2023	
	CHF million	%	CHF million	%
Current assets				
Cash and cash equivalents	1 087	7.7	1 683	11.8
Financial assets, securities and derivative financial instruments	379	2.7	380	2.7
Trade receivables	680	4.8	672	4.7
Other current assets	103	0.7	195	1.4
Inventories	7 708	54.3	7 309	51.4
Prepayments and accrued income	299	2.1	263	1.8
Total current assets	10 256	72.3	10 502	73.8
Non-current assets				
Property, plant and equipment	3 111	21.9	3 029	21.3
Intangible assets	151	1.1	153	1.1
Investments in associates and joint ventures	12	0.1	13	0.1
Other non-current assets	181	1.3	84	0.6
Deferred tax assets	475	3.3	448	3.1
Total non-current assets	3 930	27.7	3 727	26.2
Total assets	14 186	100.0	14 229	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Balance Sheet

Equity and liabilities	30.06.2024		31.12.2023	
	CHF million	%	CHF million	%
Current liabilities				
Financial debts and derivative financial instruments	32	0.2	75	0.5
Trade payables	319	2.2	317	2.2
Other liabilities	182	1.3	164	1.2
Provisions	100	0.7	97	0.7
Accrued expenses	620	4.4	567	4.0
Total current liabilities	1 253	8.8	1 220	8.6
Non-current liabilities				
Financial debts	2	0.0	2	0.0
Deferred tax liabilities	524	3.7	516	3.6
Retirement benefit obligations	44	0.3	42	0.3
Provisions	67	0.5	64	0.5
Accrued expenses	130	0.9	127	0.9
Total non-current liabilities	767	5.4	751	5.3
Total liabilities	2 020	14.2	1 971	13.9
Equity				
Share capital	118		118	
Capital reserves	-972		-971	
Treasury shares	-159		-114	
Goodwill recognized	-1 352		-1 352	
Translation differences	-743		-900	
Retained earnings	15 217		15 416	
Equity of The Swatch Group Ltd shareholders	12 109	85.4	12 197	85.7
Non-controlling interests	57	0.4	61	0.4
Total equity	12 166	85.8	12 258	86.1
Total equity and liabilities	14 186	100.0	14 229	100.0

Unaudited figures

HALF-YEAR FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

[CHF million]	1st half 2024	1st half 2023
Operating activities		
Net result	147	498
Share of result from associated companies and joint ventures	1	4
Income taxes	78	155
Depreciation on non-current assets	202	192
Impairment	0	0
Changes in provisions and retirement benefit obligations	4	17
Gains/losses on sale of non-current assets	0	-2
Fair value gains/losses on marketable securities	1	-2
Expenses for employee stock option plan	5	5
Other non-cash items	-27	47
Changes in net working capital:		
– Trade receivables	10	-111
– Inventories	-277	-432
– Other current assets, prepayments and accrued income	-21	-35
– Trade payables	8	-11
– Other liabilities and accrued expenses	74	81
Dividends received from associated companies and joint ventures	2	1
Income taxes paid	-117	-126
Cash flow from operating activities	90	281
Investing activities		
Investments in property, plant and equipment	-247	-347
Proceeds from sale of property, plant and equipment	5	18
Investments in intangible assets	-22	-24
Proceeds from sale of intangible assets	0	1
Investments in other non-current assets	-14	-8
Proceeds from other non-current assets	6	4
Acquisition of subsidiaries – net of cash	0	-2
Investments in current financial assets and securities	-152	-363
Proceeds from current financial assets and securities	154	371
Cash flow from investing activities	-270	-350
Financing activities		
Dividends paid to shareholders	-335	-311
Dividends paid to non-controlling interests	-21	-14
Purchase of treasury shares	-50	0
Sale of treasury shares	1	1
Change in non-current financial debts	0	0
Change in current financial debts	8	15
Cash flow from financing activities	-397	-309
Net impact of foreign exchange rate differences on cash	34	-41
Change in cash and cash equivalents (net cash)	-543	-419
Change in cash and cash equivalents (net cash)		
– Balance at beginning of year	1 616	2 176
– Balance at 30 June	1 073	1 757
	-543	-419

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 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
Net result						383	383	9	392
Currency translation of foreign entities					-193		-193	-5	-198
Change in goodwill				0			0		0
Dividends paid						0	0	-3	-3
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 2023	118	-971	-114	-1 352	-900	15 416	12 197	61	12 258
Net result						136	136	11	147
Currency translation of foreign entities					157		157	6	163
Change in goodwill							0		0
Dividends paid						-335	-335	-21	-356
Employee stock option plan		-1	5				4		4
Purchase of treasury shares		0	-50				-50		-50
Transactions with non-controlling interests							0		0
Balance at 30 June 2024	118	-972	-159	-1 352	-743	15 217	12 109	57	12 166

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 2024. They have been prepared in accordance with Swiss GAAP FER (Accounting and Reporting Recommendations). The consolidated half-year closing 2024 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 2023.

The new standard *FER 28 Government grants*, which came into force on 1 January 2024, had no material impact on the 2024 half-year financial statements. The total amount of government grants in the first half of 2024 was CHF 1 million (previous year: less than CHF 1 million).

The revised standard *FER 30 Consolidated financial statements* is to be applied from 1 January 2024. The financial impact on the 2024 half-year financial statements was not material. As no companies were acquired or sold, these were limited to the recognition of cumulative translation differences from closed companies in the income statement. These amounted to less than CHF 1 million.

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 2024, this impairment amounted to CHF 20 million (previous year: CHF 24 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 and booked. In the first half of 2024, no impairment was recognized (previous year: none).

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.

The BEPS 2.0 project, launched by the OECD regarding global minimal taxation of companies with an annual turnover of over EUR 750 million came into force in various countries on 1 January 2024, including Switzerland. The new rules did not result in any additional taxes under the minimum tax standard in the first half of 2024. This is because as of 1 January 2024, Switzerland only introduced an additional domestic tax, and the Group has an effective tax rate of over 15% in Switzerland.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

2. Segment information

1st half 2024 (CHF million)	Watches & Jewelry	Electronic Systems	Corporate	Elimination	Total
– Third parties	3 298	145	2		3 445
– Group	2	8	2	–12	0
Net sales	3 300	153	4	–12	3 445
Operating result	263	2	–61	0	204
– in % of net sales	8.0%	1.3%			5.9%

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%

3. Group structure

	2024
Number of companies at 1 January	147
Foundations	2
Group internal mergers	0
Liquidations	–1
Number of companies at 30 June	148
of which associates	5
of which joint ventures	2

4. Key exchange rates

Currency	Unit	Average rates 01.01.–30.06.2024	Prevailing rates 30.06.2024	Average rates 01.01.–30.06.2023	Prevailing rates 31.12.2023	Prevailing rates 30.06.2023
CNY	1	0.1242	0.1240	0.1315	0.1188	0.1241
EUR	1	0.9669	0.9645	0.9902	0.9347	0.9790
HKD	1	0.1147	0.1154	0.1170	0.1082	0.1151
JPY	100	0.5831	0.5610	0.6736	0.5980	0.6232
USD	1	0.8973	0.9010	0.9170	0.8450	0.9017

5. Treasury shares

In the first half of 2024, Swatch Group purchased 250 000 bearer shares with a market value of CHF 50 million (previous year: no purchase of treasury shares). Registered shares were sold under the employee stock option plan in the amount of CHF 1 million (previous year: CHF 1 million).

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

6. Dividend

The Company pays one dividend per fiscal year. For fiscal year 2023, the dividend agreed at the Annual General Meeting on 8 May 2024, with a value date of 15 May 2024, was distributed as follows:

	Dividend per share CHF	Total dividend CHF million
Registered shares	1.30	152
Bearer shares	6.50	188
Total dividend		340
Dividend not paid out on treasury shares		-5
Total dividend paid		335

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 2023. 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 2024.

Original: German
Translations: English, French and Italian

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