



ANNUAL REPORT 2019



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HIGHLIGHTS

1'361 mn

Revenue in CHF

12.0%

Adjusted EBIT margin¹

118 mn

Adjusted net result¹ in CHF

KEY FIGURES DATWYLER GROUP

in CHF millions	2019	2018	2019 Continuing operations	2018 Continuing operations
Net revenue	1'360.8	1'361.6	1'088.5	1'060.9
Year-on-year change (%)	-0.1%	5.4%	2.6%	n/a
EBITDA before impairment charges¹	197.1	231.5	193.2	224.6
EBITDA before impairment charges as % of net revenue	14.5%	17.0%	17.7%	21.2%
Operating result (EBIT)	-40.3	170.0	134.8	173.6
Operating result as % of net revenue	-3.0%	12.5%	12.4%	16.4%
Net result	-86.6	121.0	95.2	132.7
Net result as % of net revenue	-6.4%	8.9%	8.7%	12.5%
ROCE¹ in %	n/a	22.8%	22.2%	30.9%
Average capital employed	n/a	744.6	606.1	561.6
Net cash from operating activities	174.8	162.9		
Net cash used in investing activities	-101.6	-334.9		
Free cash flow¹	73.2	-172.0		
Net cash (used in) / provided by financing activities	-49.2	64.0		
Net change in cash and cash equivalents¹	24.0	-108.0		
Cash and cash equivalents	191.9	170.8		
Capital expenditures¹	104.6	138.0		
Total assets	1'161.7	1'314.8		
Equity	675.1	827.4		
Equity as % of total assets	58.1%	62.9%		
Number of employees	7'995	8'305		
Full-time equivalents	7'817	8'118		

¹ Datwyler Group uses certain financial performance measures, including adjusted key figures, that are not defined by Swiss GAAP. The definition of these alternative performance measures and adjustments are published under: datwyler.com/investors/publications

PER SHARE DATA

in CHF	2019	2018
Earnings per bearer share	-5.09	7.12
Dividend per bearer share	3.00 ³	3.00
Distribution yield at 31 December	1.6%	2.4%
Market price (high / low) per bearer share	189/123	212/123

³ Board of Directors' proposal to the Annual General Meeting

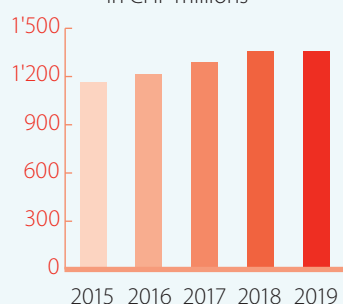


105 mn

Capital expenditures in CHF

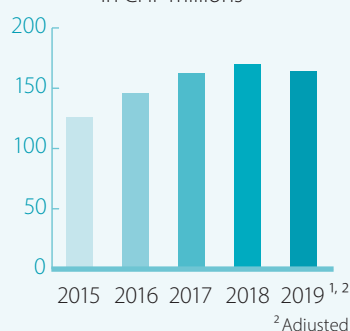
NET REVENUE

in CHF millions



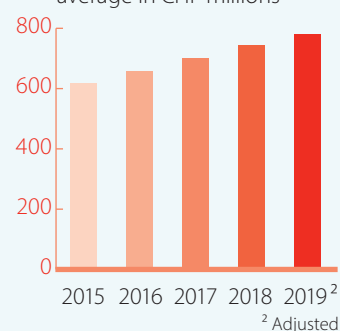
OPERATING RESULT (EBIT)

in CHF millions

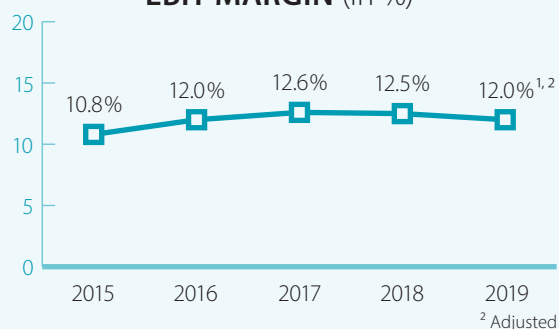


CAPITAL EMPLOYED¹

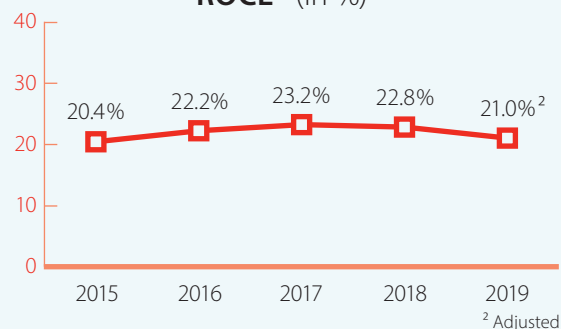
average in CHF millions



EBIT MARGIN (in %)

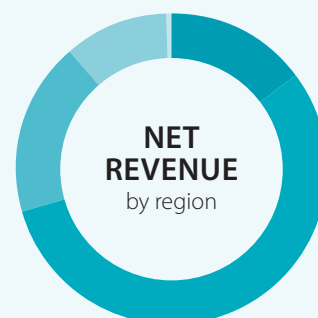


ROCE¹ (in %)



8'000

Employees

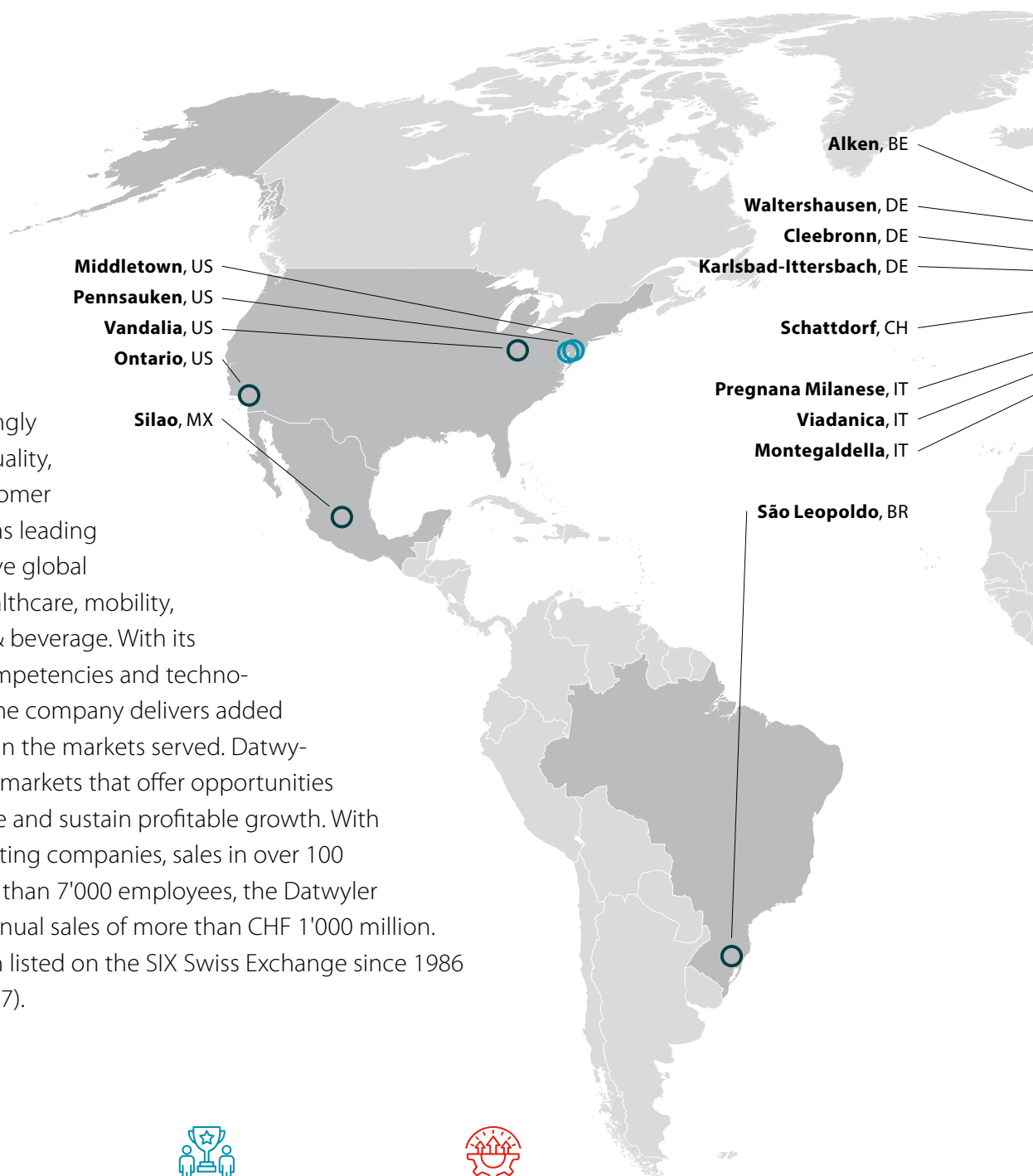


● Switzerland ● Rest of Europe ● North and South America ● Asia ● Other markets

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LEADING PROVIDER OF HIGH-QUALITY, SYSTEM-CRITICAL ELASTOMER COMPONENTS

Datwyler is increasingly focusing on high-quality, system-critical elastomer components and has leading positions in attractive global markets such as healthcare, mobility, oil & gas, and food & beverage. With its recognised core competencies and technological leadership, the company delivers added value to customers in the markets served. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. With more than 20 operating companies, sales in over 100 countries and more than 7'000 employees, the Datwyler Group generates annual sales of more than CHF 1'000 million. The Group has been listed on the SIX Swiss Exchange since 1986 (security no. 3048677).



1 billion

CHF in
sales



7'000

employees
worldwide



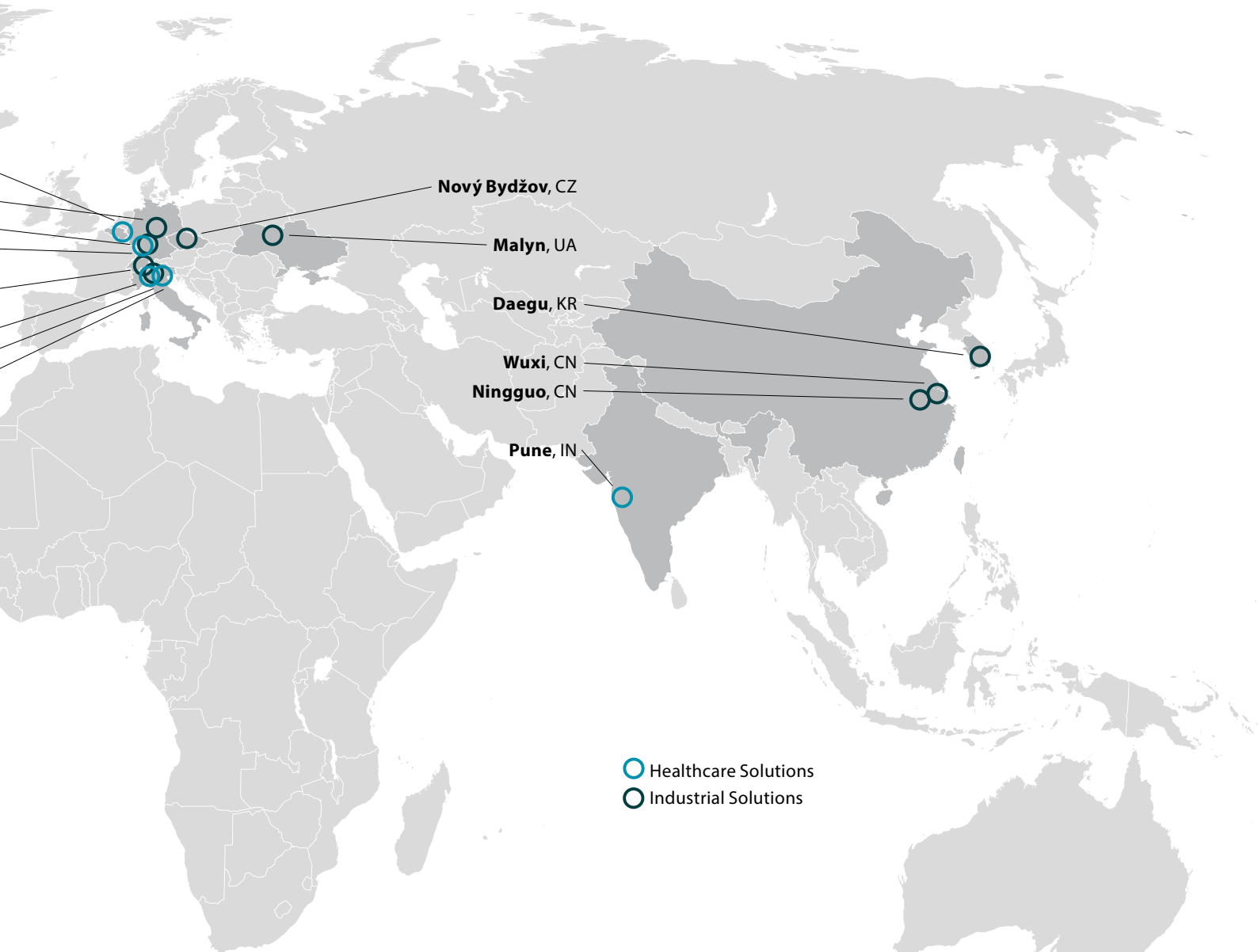
80 million

components manu-
factured every day


1'000
leading
customers


20
global
sites


100
countries
with sales



Future-proof – for more than 100 years

Healthy and sustainable growth for the benefit of our employees, customers and shareholders – this has distinguished Datwyler for more than 100 years. Our success story began with a small cable and rubber factory in Central Switzerland, which Adolf Dätwyler took over in 1915. With a visionary drive, he managed to expand his company and keep it aligned with the ever-changing market. Adolf Dätwyler took carefully considered, far-sighted management decisions. He placed great value on responsible business conduct. The values of our founder are the basis of our success to this day.

STRATEGIC PRIORITIES

DRIVE PROFITABLE GROWTH



New healthcare plant in the USA

Additional first-line production capacity as a basis for accelerating organic growth.



Accessing new markets

The US company Parco, which was acquired in 2018, opens up new market segments.



Promotion of new technologies and skills

Injection moulding technology and the "Lean and Clean" production concept are opening up new opportunities in terms of electromobility.



Expansion into new geographical markets

The acquisition of Bins improves access to the South American automotive industry. International expansion of Reichelt with local webshops.



Innovative new products and applications

The existing materials expertise is being used for innovative new products within Healthcare and Mobility.



Expansion of the Indian healthcare plant

With the expansion of the Indian plant, Datwyler benefits from the growth trends in the healthcare market.

INCREASE AGILITY



Culture change

Targeted training is helping promote a "coaching" style of management so employees can give free rein to all their talents, skills and creativity.



Modernisation and expansion of the ERP software package

A strong platform for future digital applications is being created by investing in state-of-the-art ERP applications.



Robotic process automation (RPA)

Improvements in product quality and competitiveness are being achieved by exploiting the technological potential of automation.

ACCELERATE DIGITALISATION



Use of big data

Predictive maintenance through Big Data analysis using the latest digital technologies.



Automated guided vehicles (AGV)

Automated material flow through the use of self-driving forklifts in internal logistics.



Digitalisation of all human resource processes

With the introduction of the SAP solution SuccessFactors, employees are benefiting from a forward-looking digital working environment.



Self-learning organisation

Self-motivated employees can help the company anticipate change both early and quickly.



Agility and empowerment of employees

Specific trainings motivate and enable our employees to behave agile in internal and external cooperation.



Employee survey underlines high levels of commitment and motivation

Employees rate Datwyler as a more attractive employer than ever before.

LETTER TO THE SHAREHOLDERS

Focusing activities on markets associated with long-term, profitable growth

- **Strengthening market focus and improving core competencies and agility to accelerate sustainable profitable growth**
- **Continuing operations enjoy a 5% currency-adjusted increase in revenue in spite of difficult environment**
- **Adjusted EBIT margin¹ of 15.5% for continuing operations**
- **Proposal for unchanged cash dividend of CHF 3.00 per bearer share**
- **Restructuring of the Group and changes to Executive Management**
- **Divestment of Distrelec and Nedis at a non-cash loss of around CHF 670 million**

During 2019, the Datwyler Group was faced with a slowdown in the economy as a whole, which led in turn to difficult market conditions. The trade dispute between the USA and China led to a reduction in inventories, particularly in the automotive sector, and a decline in demand, whereby this decline varied from region to region. Thanks to good strategic positioning in low cyclical markets and some positive acquisition effects, Datwyler was able to increase net revenue for continuing operations (Sealing Solutions division and Reichelt) to CHF 1'088.5 million (previous year: CHF 1'060.9 million). Adjusted for currency effects, this equates to growth of 5.0%. Integration of the 2018 acquisitions Parco and Bins is proceeding according to schedule and has already generated added value. Adjusted for these two acquisitions, revenue for continuing operations declined slightly by 0.6%. Including the distribution companies Distrelec and Nedis, whose sale has been announced, Datwyler's net revenue is virtually unchanged at CHF 1'360.8 million (previous year: CHF 1'361.6 million).

Solid operating profit figures – dividend levels maintained

As already communicated, the announced sale of the distribution companies Distrelec and Nedis results in a total non-cash loss of around CHF 670 million. Value adjustments relating to asset values and one-off costs for the restructuring of the Group amounting to CHF 195.0 million were offset for the purposes of the financial statements for 2019. There were also start-up costs for the new Healthcare plant in the USA of CHF 9.2 million. Overall, the negative one-time effects in the reporting year resulted in a reported operating result (EBIT) of CHF –40.3 million and a reported net result of CHF –86.6 million.

At an operational level, however, Datwyler again achieved solid profit figures in the reporting year despite the difficult environment. Thanks to the early adoption of efficiency-improvement programmes, continuing operations achieved adjusted EBIT¹ of CHF 168.7 million (previous year: CHF 183.5 million) and an adjusted EBIT margin¹ of 15.5% (previous year: 17.3%). The decrease on the previous year is largely due to the cyclically induced decline in demand for automotive components and higher depreciation. The adjusted net result¹ for continuing operations was CHF 129.7 million (previous year: CHF 140.2 million). The previous year's figures highlight the potential of the "new" Datwyler in a normal market environment. The investment programme to expand production capacities is nearing completion, with investments in the reporting year declining accordingly as planned to CHF 104.6 million (previous year: CHF 138.0 million). In view of the solid profitability levels and given that prospects look promising, the Board of Directors is asking the Annual General Meeting to pay an unchanged cash dividend of CHF 3.00 per bearer share and CHF 0.60 per registered share. This equates to a payout ratio of 43.1% of the adjusted net result of the former Datwyler Group.

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Divestment of the distribution business

As communicated in the Interim Report, Datwyler has carefully evaluated the strategic options for the distribution business in the Technical Components division. The general conditions within the distribution business have changed significantly in recent times. With things increasingly migrating online and given the growing demands from customers, suppliers and regulatory authorities, there has been a rise in fixed costs and it now takes more to achieve “critical mass”. Datwyler had picked up on these trends and attempted, with its plans to acquire Premier Farnell in 2016, to achieve critical mass on the back of a strategic acquisition. Following the takeover of Premier Farnell by Avnet, there is an insufficient number of further acquisition targets within the market to help us achieve critical mass in a short enough time frame. Datwyler has also managed to achieve leading positions in attractive global markets within the sealing business. This has led the Board of Directors to conclude that Datwyler can generate more value for shareholders in this particular business. Consequently, Datwyler announced the sale of the distribution companies Distrelec and Nedis to the German firm Aurelius on 23 December 2019. For the sale of Reichelt, Datwyler is taking time to evaluate further options to optimise value.

Focus on the fast-growing, high-margin sealing business

In future, the Datwyler Group will be focusing on the fast-growing, high-margin sealing business in attractive global markets with high barriers to entry. Based on recognised core competencies, we have become a valued development partner for high-quality, system-critical components in the Healthcare and Automotive industries and beyond. Thanks to the successful growth strategy, revenue in the sealing business has more than doubled since 2011 to CHF 916 million. At the same time, adjusted operating profit (EBIT) has tripled to CHF 151 million. We have tapped into new markets and technologies and developed a global presence by expanding existing plants, setting up new ones and acquiring suitable businesses. A common feature of all our system-critical components is the decisive contribution they make towards the functionality of our customers’ systems, while only accounting for a very small proportion of their overall costs. Examples include prefilled syringes and components used in catalytic converters for exhaust gas treatment.

Restructuring with a view to strengthening market focus and improving core competencies and agility

In order to strengthen our market focus, boost proximity to customers, use our long-standing core competencies more efficiently and make the organisation more agile, Datwyler has restructured the Group’s organisation with effect from 1 February 2020. We have also merged market and production activities into two business areas called Healthcare Solutions and Industrial Solutions. These will be supported by the new Technology & Innovation and Finance & Shared Services service units. The previous holding functions and the management functions of the Sealing Solutions division have been merged. With the new organisation, we will retain our previous synergies and enhance our innovation while optimising our cost structure. We firmly believe that, by restructuring the Group, we will be able to help our customers develop new, innovative systems even more effectively. This will also speed up the implementation of our strategic priorities, including driving profitable organic growth (backed up with targeted acquisitions), increasing agility and accelerating digitalisation.

Recognised core competencies as the basis for profitable growth

The strong market positions are based on our recognised core competencies in terms of solution design, materials expertise and operational excellence. With the new organisational structure, we want to make it even easier for customers to draw on and benefit from our strengths and decades of experience. The pace of technological progress means our globally active customers are running increasingly powerful systems. But these are becoming increasingly complex too. This is why customers are paying ever greater attention to our core competencies and recognising the value they bring. As a result, there is growing demand for high-quality, system-critical Datwyler components across a wide variety of industries, and these components no longer only seal, but also perform a variety of functions. Taken together, our core competencies allow us to support our customers as a development partner – from the original design study and prototype phase through to global production of billions of parts based on a zero-defect philosophy throughout the entire life cycle of the product. Our successful partnership with Nespresso is just one example of how this approach can work. And with FirstLine for healthcare components and Lean&Clean for automotive components, Datwyler has sector-leading production standards.

Structural growth trends in existing and new markets

Megatrends such as the rapid development of living standards in emerging countries or the pace of technological progress are ensuring that growth remains high in the markets we serve. In the Health Care market, further structural growth trends such as the ageing society in industrial countries, the increase in rates of chronic diseases like diabetes and rising numbers of injectable drugs are boosting demand. In the Mobility (previously Automotive) market, new opportunities are emerging in the wake of increasingly stringent exhaust gas standards, the electrification of vehicles and autonomous driving. Here, Datwyler is working on projects relating to seals for sensors, high-voltage connectors and housing for power distribution equipment. Besides developing our core business, we are also working on innovations with a view to accelerating long-term organic growth. The key themes here are smart rubber and soft dry electrodes, which are paving the way for interesting new applications in the fields of digital health, diagnostics and wearables – as well as driver-vehicle interfaces and digitalisation in vehicles. The common thread with all these innovations is how we are using our unique core competencies, in terms of solution design, materials expertise and operational excellence, in order to develop new system-critical applications for existing or new market segments.

Changes to Executive Management

As already communicated, the new organisational structure will mean some changes to the Executive Management. Thanks to our systematic talent management, we have secured three managers with proven records from our own ranks as new members of the Executive Management. Torsten Maschke, who had been in charge of the Sealing Solutions division since the end of 2016 in his capacity as COO, is taking over the management of the Industrial Solutions business area. The Healthcare Solutions business area will be managed in future by Dirk Borghs, who had previously been responsible for all production locations in the Sealing Solutions division. Dr Frank Schön will take over the management of the newly formed Technology & Innovation service unit. He used to be responsible for research and development in the Sealing Solutions division. Walter Scherz, the current CFO of the Technical Components division, will succeed Reto Welte as Chief Financial Officer as of 1 April 2020. In the role of CFO, he will head up the newly created Finance & Shared Services service unit.

Our current CFO Reto Welte has decided to retire at the end of March 2020 after ten years at Datwyler. With the completion of the sale of the distribution companies Distrelec and Nedis during the first quarter of 2020, Neil Harrison will be stepping down from the Executive Management. The Board of Directors and Executive Management are very grateful to Reto Welte and Neil Harrison for their loyalty and commitment to the Datwyler Group and wish them all the best for the future.

Short-term uncertainties – highly promising prospects for the medium term

The immediate challenges facing the markets served have increased due to political, economic and currency-related uncertainties, which makes it difficult to come up with the forecast for 2020. For example, it is hard to see any significant turnaround in the automotive market during the coming months. Thanks to strong market positions, new product lines, targeted use of resources, ongoing efficiency-improvement programmes and the strategic priorities it is pursuing, Datwyler is well positioned to cope with the challenges the future will bring and aims to achieve profitable growth above the average of the markets it serves. With the Healthcare and the Nespresso business, we are earning more than half the revenue of the future core business in low cyclical markets that are growing steadily. When the Healthcare production capacities created – featuring the very latest in “Industry 4.0” technology – come on stream in the USA, Europe and India, this will have a positive impact on revenue and margins in the coming years. The remaining online distributor Reichelt – thanks to its attractive price-performance proposition and its low cost base – is well positioned to compete, even in difficult market conditions. For the sale of Reichelt, Datwyler is taking the time to evaluate further options to optimise value. For 2020, for continuing operations (including Reichelt), Datwyler is aiming for revenue growth of 2% to 5% and an EBIT margin of more than 15%. In the financial statement 2020, the deconsolidation of the Distrelec and Nedis companies will result in a non-cash loss of CHF 415.3 million from the write-off of goodwill and CHF 53.4 million (as at the end of 2019) from the realisation of cumulative currency translation adjustments of the foreign subsidiaries to be sold. These two items will not reduce cash or equity.

The focus on high-quality, system-critical components and the restructuring of the Group are opening up interesting opportunities and possibilities. We are convinced this will prove decisive in making us more competitive and an attractive partner for all stakeholders. We would like to thank all our employees for their dedication and their understanding in respect of the changes announced. We at Datwyler are proud to have such motivated and qualified employees. We thank our customers for staying with us to create long-term relationships dating back many years. We would also like to take this opportunity to thank you, our shareholders, for your confidence and the solidarity you show towards our business.

On behalf of the Board of Directors



Dr Paul J. Hälg, Chairman

On behalf of the Executive Management



Dirk Lambrecht, CEO





DIVISIONS

Sealing Solutions	14
Technical Components	18



SEALING SOLUTIONS

In the future core business, Datwyler is a leading supplier of high-quality, system-critical elastomer components to global markets, such as Healthcare, Mobility, Oil & Gas, General Industry, Food & Beverage and Civil Engineering. This is thanks to its leading core competencies in solution design, material expertise and operational excellence and worldwide presence with its own production locations. As an acknowledged development partner, Datwyler maintains close working relationships with global customers, and has in-depth knowledge of the business models and technologies used in the markets in which it operates.



Target groups

- Manufacturers and contract fillers of injectable drugs
- Manufacturers of diagnostic and medical products
- Manufacturers of parenteral drug delivery systems
- Automotive system suppliers
- Oil and gas service companies
- Aerospace
- Manufacturer of water filtration systems
- Tunnel and construction industry
- Manufacturer of portioned food products

Geographical markets

- Europe, North and South America, Asia, Australia

Products and services

Healthcare

- High-quality rubber components for prefilled syringes, pens and injection systems
- Rubber components for blood collection systems, IV administration sets, disposable syringes, etc.
- Rubber components for diagnostics and medical devices

Mobility

High-quality sealing components for

- Brake systems
- Fuel and engine management
- Exhaust gas aftertreatment (Selective Catalytic Reduction)
- Comfort and safety equipment
- Electromobility

Oil & Gas

- Sealing components and O-rings

General Industry

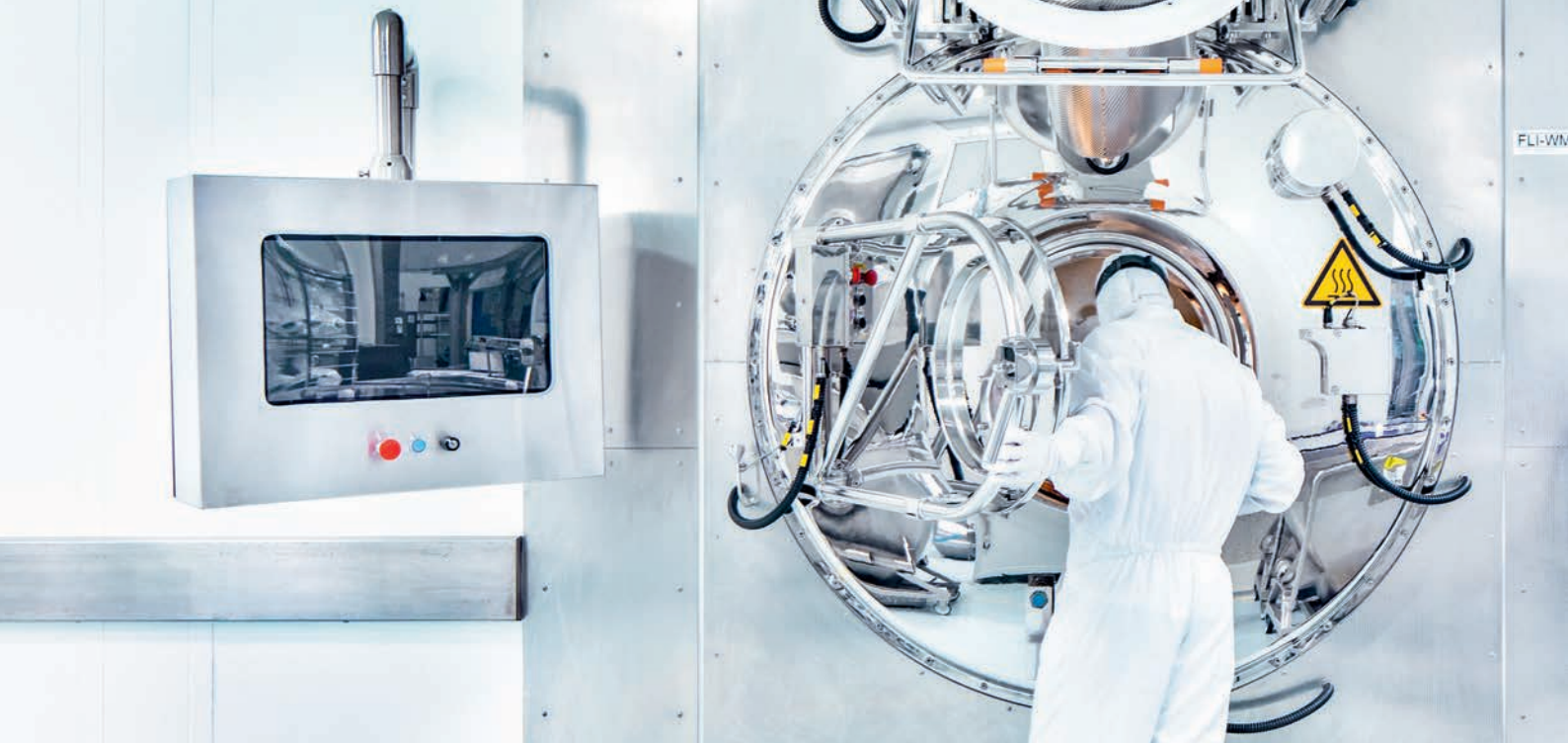
- Sealing components for power tools

Food & Beverage

- Sealing solutions for portioned food and beverages

Civil Engineering

- Sealing profiles for tunnel construction, civil engineering and building construction



The demand for high-quality first-line components for healthcare applications again grew at a double-digit rate in the year under review.

Sealing Solutions achieves revenue growth despite difficult automotive market

Revenue and earnings

- Despite the difficult environment in the automotive market, the Sealing Solutions division increased net revenue compared with the previous year to CHF 915.6 million (previous year: CHF 891.1 million). Adjusted for currency effects, this equates to growth of 4.8%. Adjusted for acquisition effects, revenue declined by 1.8%.
- Through the early adoption of a cost-reduction programme, the division has managed to achieve targeted cost reductions without becoming less competitive.
- The adjusted operating result (EBIT)¹ was CHF 150.6 million (previous year: CHF 162.3 million), which corresponds to an adjusted EBIT margin¹ of 16.4% (previous year: 18.2%). The negative one-time effects to the value CHF 26.4 million include the one-off costs for the restructuring of the Group (mainly provisions for possible contractual IT obligations associated with divestment of the distribution business) and start-up costs for the new Healthcare plant in the USA. EBIT was also negatively impacted by weak capacity utilisation at the Automotive plants and higher levels of depreciation. Reported EBIT declined to CHF 124.2 million (previous year: CHF 155.5 million).

Important developments in 2019

- Falling demand in the global automotive market, particularly in China, meant Datwyler had to contend with a significant drop in revenue in the reporting year. Part of this was offset by double-digit growth associated with high-quality SCR (selective catalytic reduction) components used in diesel vehicles for the treatment of exhaust gases.
- Demand for high-quality Healthcare components from Datwyler's First Line production once again showed double-digit growth. However, delays introducing the very latest automation applications at the new US plant have led to significant delays in terms

of product sample deliveries and customer approvals. This prevented the proposed transfer of certain products and the creation of production capacity at the Belgian plant, which had a negative impact on revenue in turn.

- Integration of the 2018 acquisitions Parco and Bins is going well and has already generated added value. Parco has accelerated growth thanks to expansion of the sales team. Bins has profited in Brazil from one of the few growing automotive markets.
- The Nespresso order has developed positively.

Current priorities

- The 50% expansion of the Health Care plant in India is proceeding according to plan and will support organic growth from 2021.
- With the "StarterPack", Datwyler has launched (in the reporting year) an attractive standardised package for businesses and start-ups which are actively involved in the research and development of high-quality medicines manufactured with the help of biotechnology.
- Within the Automotive market, Datwyler secured further projects in the field of electromobility during the reporting year. The Lean&Clean production concept with clean room conditions at the Swiss site was successfully brought into operation.

Outlook

- While there is no real trend reversal in the mobility market (previously automotive) for the coming months, we expect to see revenue grow in the Healthcare market.
- With the new organisational structure (see Letter to the Shareholders, p. 8), Datwyler is improving its market focus, boosting its core competencies and optimising its cost structure.

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KEY FIGURES OF SEALING SOLUTIONS

in CHF millions	2019	2018
Net revenue	915.6	891.1
Operating result (EBIT) ¹	150.6 ²	155.5
Operating result as % of net revenue ¹	16.4% ²	17.5%
ROCE ¹ in %	26.6% ²	29.8%
Average capital employed ¹	565.7	522.2
Capital expenditures ¹	94.7	130.2
Number of full-time equivalents (at year-end)	6'691	6'929

² Adjusted

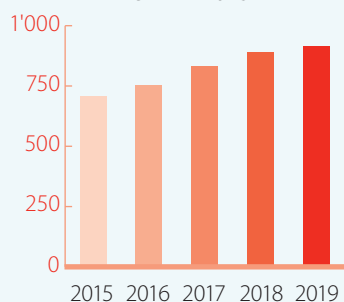


916 mn

Net revenue in CHF

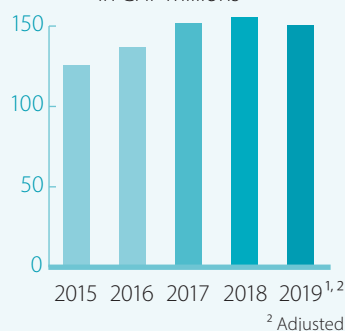
NET REVENUE

in CHF millions



OPERATING RESULT (EBIT)

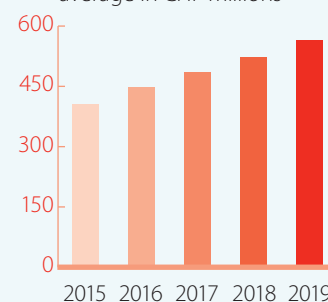
in CHF millions



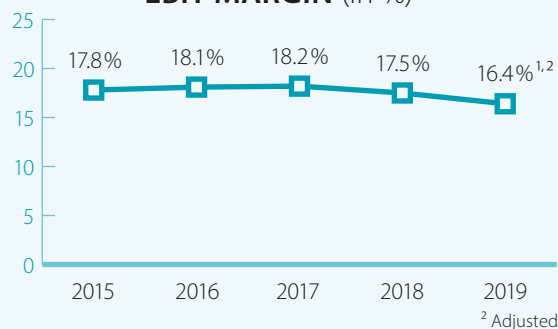
² Adjusted

CAPITAL EMPLOYED¹

average in CHF millions

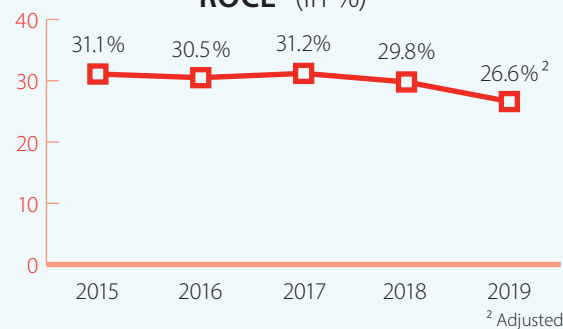


EBIT MARGIN (in %)



² Adjusted

ROCE¹ (in %)



² Adjusted



18 bn

Components for the health care industry

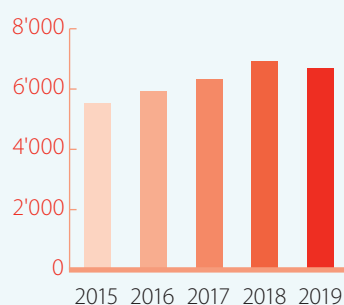


6'691

Full-time equivalents

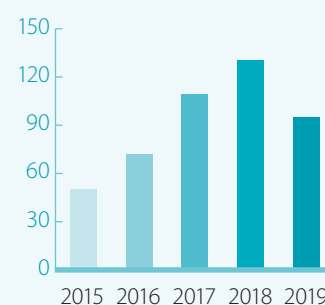
FULL-TIME EQUIVALENTS

at year-end



CAPITAL EXPENDITURES¹

in CHF millions

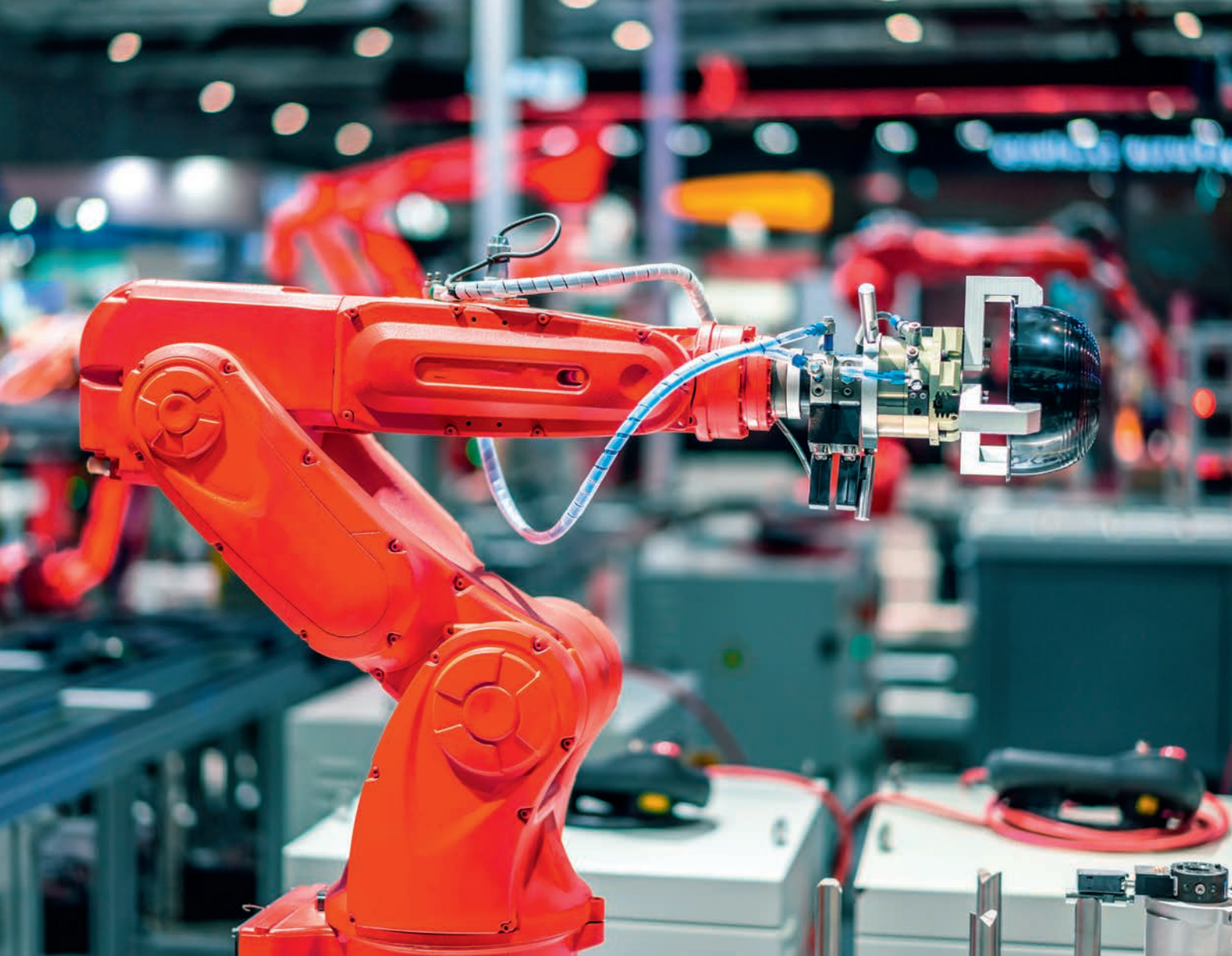


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TECHNICAL COMPONENTS

The Datwyler Technical Components division is one of Europe's leading high-service distributors with local representation, a modern omni-channel offering and an attractive product range. It comprises three specialised brands – Distrelec, Reichelt and Nedis. Altogether, the Technical Components division offers an extended range of up to 500'000 products for Custom Production of Electromechanic Goods, maintenance, automation, electronics, ICT and home/consumer electronics, with excellent availability and fast delivery times.



Target groups

- Custom Production of Electromechanic Goods (CPE)
- Maintenance, Repair, Operations (MRO)
- Automation
- Electronic Design Engineers (EDE)
- Online and retail distributors of home and consumer electronics

Geographical markets

- Europe

Products and services

- Maintenance and safety
- Electronic components and accessories
- Automation
- Connectors
- Electrical engineering
- T&M equipment
- Network technologies
- ICT components and accessories
- Building technology and building automation
- Alarm and security technology



Reichelt's expanded distribution centre offers potential for profitable growth and expansion into other European countries.

Increase in the active customer base and improved service quality in a difficult environment

Decision regarding divestment of the Technical Components division

- Following careful analysis of the strategic options, Datwyler has decided to sell the distribution business within the Technical Components division.
- On 23 December 2019, Datwyler signed a contract with German firm Aurelius for the sale of all companies belonging to the subsidiaries Distrelec and Nedis.
- The contract is due to be concluded in the first quarter of 2020 subject to fulfilment of the usual conditions for completion.
- For the sale of Reichelt, Datwyler is taking the time to evaluate further options to optimise value.

Revenue and earnings

- The general economic situation in the European markets served continued to deteriorate during the reporting year – as reflected in the sharp decline in the purchasing managers' indices.
- In this difficult environment, the Datwyler distribution companies achieved revenue of CHF 445.2 million (previous year: CHF 470.5 million). Adjusted for negative currency effects, this translates into an organic decline of 1.9%.
- Thanks to a consistent and disciplined approach to costs, the adjusted EBIT margin¹ was 3.0% (previous year: 4.2%). The adjusted operating result¹ decreased to CHF 13.3 million (previous year: CHF 19.6 million).
- The announced sale of Distrelec and Nedis led to impairment charges and one-off costs for the restructuring of the Group of CHF 177.8 million in the 2019 financial statements. This led in turn, as regards reported EBIT, to a loss of CHF –164.5 million.

Important developments in 2019

- Reichelt has continued to enjoy success in its pursuit of international expansion. The Italian market is also now served by a local online shop and a customer support service in Italian. Reichelt is generating profitable growth in a contracting market by promising good value for money and keeping its cost base low. Indeed, what the company is offering is certainly having an impact, as confirmed by its second successive "Electronics Distributor of the Year" title (based on nominations from readers of the German trade magazine *Elektronik*).
- By offering the fastest web searches in the industry and improving service quality, Distrelec was able to further increase customer satisfaction – although this has still to translate adequately into improved revenue and margins.
- The revenue of the house brand RND, which grew by more than 40%, continued to outperform the basic business significantly.
- During the reporting year, Nedis managed to implement the one-brand strategy launched in 2018 – enjoying positive customer feedback and improving sales performance in the process – and is working at tapping into new customer segments.

Current priorities

- Now that expansion of the distribution centre is complete, Reichelt is accelerating expansion of the product range. This provides a platform for securing new customers in the attractive business-to-business segment and expansion into additional European countries. Targeted marketing activities will continue to help raise the profile of the brand.
- Distrelec and Nedis are still driving onwards with the measures introduced with a view to increasing demand and revenue and improving margins.

¹ Datwyler Group uses certain financial performance measures, including adjusted key figures, that are not defined by Swiss GAAP. The definition of these alternative performance measures and adjustments are published under: [datwyler.com/investors/publications](https://www.datwyler.com/investors/publications)

KEY FIGURES OF TECHNICAL COMPONENTS

in CHF millions	2019	2018
Net revenue	445.2	470.5
Operating result (EBIT) ¹	13.3 ²	14.5
Operating result as % of net revenue ¹	3.0% ²	3.1%
ROCE ¹ in %	6.3% ²	6.7%
Average capital employed ¹	209.6 ²	217.4
Capital expenditures ¹	6.3	3.4
Number of full-time equivalents (at year-end)	1'037	1'113

² Adjusted

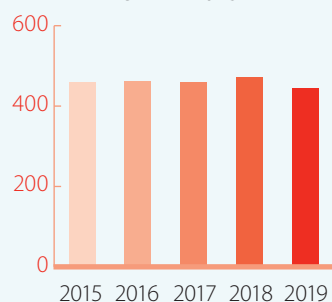


445 mn

Net revenue in CHF

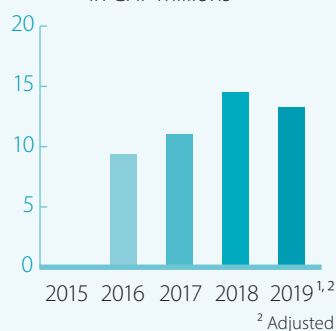
NET REVENUE

in CHF millions



OPERATING RESULT (EBIT)

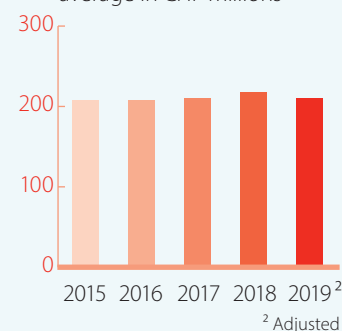
in CHF millions



² Adjusted

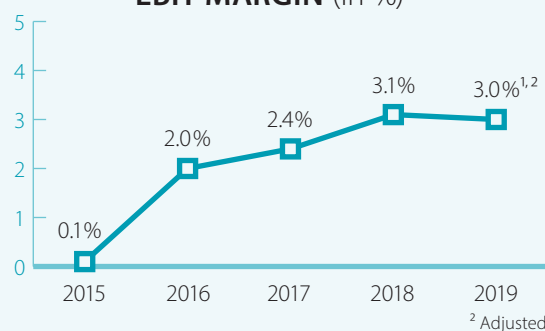
CAPITAL EMPLOYED¹

average in CHF millions



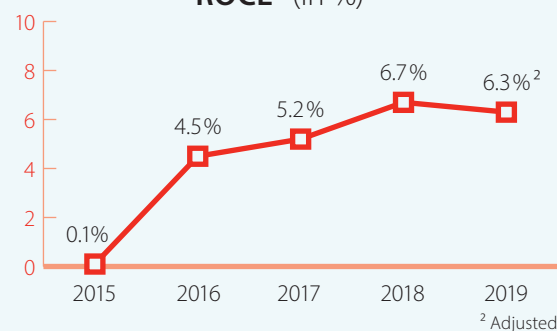
² Adjusted

EBIT MARGIN (in %)



² Adjusted

ROCE¹ (in %)



² Adjusted

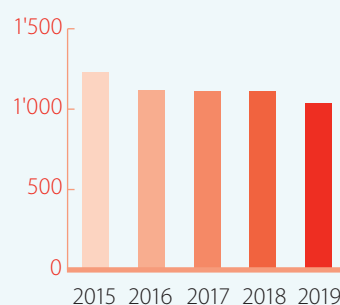


250'000

Products in stock

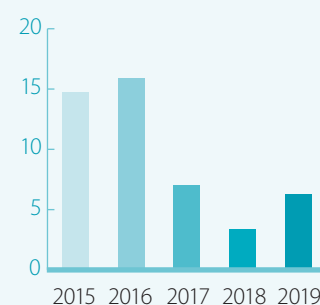
FULL-TIME EQUIVALENTS

at year-end



CAPITAL EXPENDITURES¹

in CHF millions



1'037

Full-time equivalents

¹ Datwyler Group uses certain financial performance measures, including adjusted key figures, that are not defined by Swiss GAAP. The definition of these alternative performance measures and adjustments are published under: [datwyler.com/investors/publications](https://www.datwyler.com/investors/publications)



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SUSTAINABILITY

Long-term values

More than 100 years of innovation for the benefit of our customers, employees, shareholders and the community – that is the hallmark of the Datwyler Group. Over this period, Datwyler has evolved from a family-owned Swiss company into an international group. Building on our strong roots, we have developed our own style with high standards and unique values:

- We are entrepreneurs.
- We bring value to our customers.
- We excel in what we do.
- We have respect for others.

We strive to deliver sustainable profitable growth for the benefit of our stakeholders as the foundation for adding long-term value and preserving the corporate independence of the Datwyler Group. In our efforts, we are addressing the challenges of our times. As early as 2008, we voluntarily adopted the standards of the Global Reporting Initiative (GRI) for the sustainability section of our Annual Report,

and in 2009 we joined the UN Global Compact. This is an initiative launched by the United Nations stating ten principles in the areas of human rights, labour, the environment and in combating corruption. As a UN Global Compact participant, Datwyler commits to follow the ten principles and to accept its responsibility within society. This endeavour is based on Datwyler's values and the Code of Conduct that lay down globally binding rules for all Datwyler Group employees.

As far as our suppliers are concerned, we have set out our requirements in a dedicated code of conduct based on the UN Global Compact since the beginning of 2014. Regular surveys of customers, suppliers and employees provide the basis for our process of continuous improvement. Since 2013, the Datwyler Group has also reported its greenhouse gas emissions to the Carbon Disclosure Project (CDP). In this way, we live up to our social responsibility every day as a reliable partner to our stakeholders.

Selected objectives and visions related to the relevant topics of sustainability

Long-term profitable growth

Above-average long-term profitable growth in the markets we serve.

Accelerate digitalisation

Leading role in the use of digital technologies in the markets served.

High client satisfaction

Use the findings of the customer surveys and complaints management to continuously improve the offer and performance.

Leading quality products

Proactive chemical compliance management; promotion of Ecodesign in the development of new products; increase in the share of reusable containers for delivery.

Resource friendly production

Continuous reduction of resource consumption (electricity, energy, water) and in waste per revenue unit.

Workplace safety and health

Reduction in work-related accidents, injuries and illnesses – towards the long-term goal of an accident and injury-free working environment.

Attractive employer, agility and empowerment

Strengthening of talent management; comprehensive development discussions; global onboarding processes for new employees; continuous improvement in employee commitment.

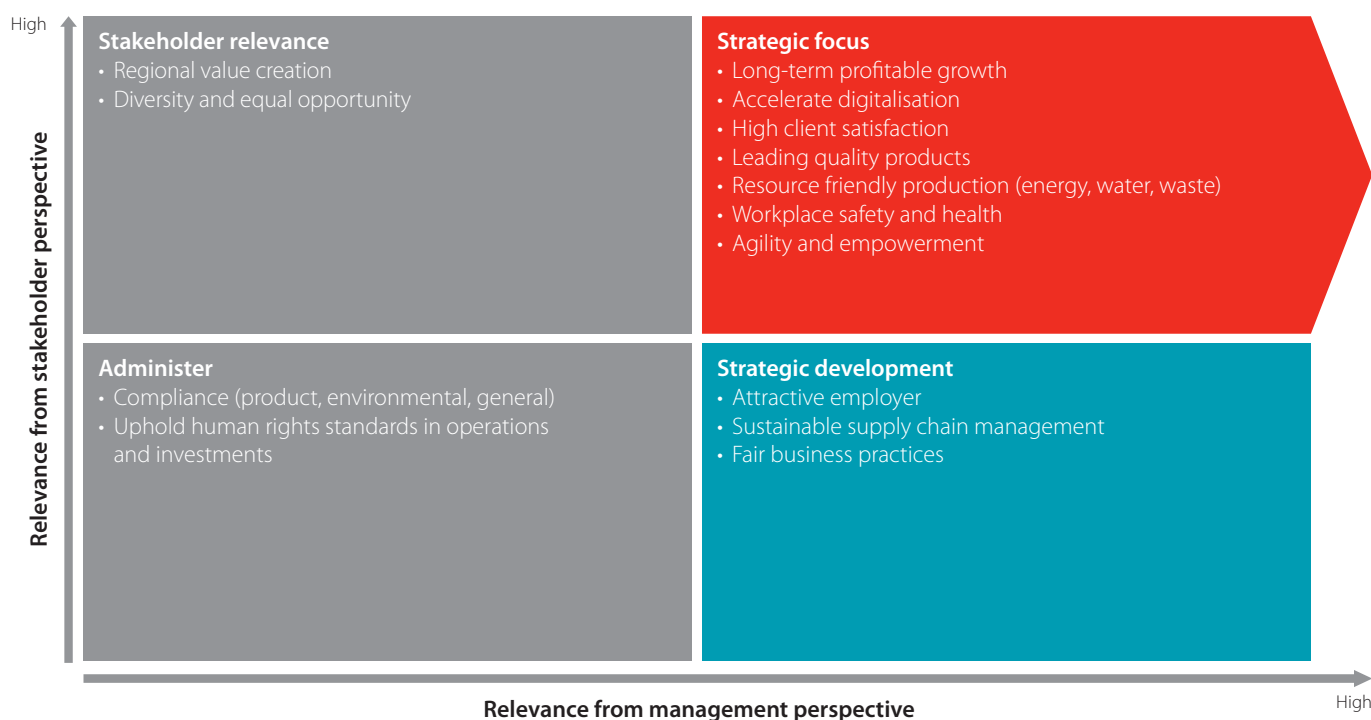
Sustainable supply chain management

Binding code of conduct for suppliers; principles of the UN Global Compact as the minimum standard for suppliers; integration and monitoring of sustainability criteria in the sourcing process.

Fair business practices

No cases of corruption; no cases of legal actions against Datwyler; compliance with the Datwyler Code of Conduct by each and every employee.

Prioritisation of sustainability topics relevant to the Datwyler Group



Sustainability as part of the company strategy

Sustainability is about balancing economic, social and environmental responsibility. Within the Datwyler Group, sustainability is an important strategic objective, embedded in all we do from product development, customer support, human resources management and production to social engagement. Taking the issue's significant importance into account, Datwyler's sustainability report for the 2016 reporting year was published as a separate document for the first time. This document meets the latest GRI standards on sustainability reporting. Datwyler launched a comprehensive process to this end in 2016, aimed at defining material sustainability topics for the company while determining objectives in each main area of focus.

As part of a multi-stage process, Datwyler first interviewed representatives of the management teams and experts from both divisions on the topic of sustainability. We also performed a benchmark analysis of peer companies. The Executive Management structured the identified material topics by order of strategic relevance, and approved them for the Group accordingly.

In a workshop attended by over 70 managers from both divisions and all key subsidiaries, Datwyler subsequently drew up objectives, concepts and priorities related to these topics in terms of strategic focus and strategic development. Datwyler will continue to develop the sustainability objectives over the next few years. In the Sustainability Report 2017, the company also communicated quantitative targets for reducing the relative consumption of resources per revenue unit for the first time.

As a responsible company, Datwyler wants to contribute to achieving the UN Sustainable Development Goals. We still want to grow as a company, but we also want to reduce our consumption per revenue unit of resources such as heating energy, electricity and water. The same applies to the volume of waste produced at our plants.

In future, the ideal of sustainable processes and products must be engrained in our mindset – just as innovation and quality have been for many years. Through responsible management of resource use and other sustainability issues, Datwyler believes that it will create added value for its customers, stand out from its competitors, become more attractive to employees and meet societal requirements.

The 2019 Datwyler Sustainability Report will be available from the second quarter of 2020 via the following link:
www.datwyler.com/en/company/sustainability/



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CORPORATE GOVERNANCE

at 31 December 2019

As a company committed to creating long-term value, Datwyler has a clear framework of management and control policies in place to ensure compliance with the principles of good corporate governance. These policies are set out in the Articles of Association* and the Rules of Organisation and Business Conduct of Dätwyler Holding Inc. They are presented below following the applicable Directive issued by the SIX Swiss Exchange. Where appropriate, reference is made to issues that are discussed in detail in the notes to the financial statements and in the Remuneration Report. Where information required under a section of the SIX Directive has been omitted, it is either not applicable to Datwyler or the corresponding situation does not exist at Datwyler or does not apply to Datwyler.

* www.datwyler.com > Governance > Articles of Association

Group structure and shareholders

The Datwyler Group is a focused industrial supplier with leading positions in global and regional markets. The Sealing Solutions division is a leading supplier of customer-specific sealing solutions to global markets, such as the health care, automotive and general industries. The Technical Components division is one of Europe's foremost high-service distributors of maintenance, electronic, automation and ICT components and accessories.

Substantial shareholders and shareholder structure

The ownership structure of the Datwyler Group (see chart, p. 29) is the result of the Dätwyler family succession arrangements of 1990. The family's primary objective was to ensure the long-term independence of the company.

Following the 1986 IPO, Peter and Max Dätwyler's interest had been reduced to roughly 50% of capital and just below 80% of votes. They placed this ownership interest without compensation in a company they had founded, Pema Holding AG (PeMa = Peter and Max). Today, the Board of Directors of Dätwyler Holding Inc. controls these assets and the associated voting rights on a fiduciary basis and without beneficial ownership. It does so through Dätwyler Führungs AG, likewise founded by the Dätwyler brothers in 1990. The members of the Board of Directors of Dätwyler Holding Inc. (see p. 33, Members of the Board of Directors) are concurrently members of the Board of Directors of Pema Holding AG and hold equal interests of CHF 0.1 million in the share capital of Dätwyler Führungs AG. A shareholders' agreement requires departing Board members to pass their shares in Dätwyler Führungs AG on to their successors at par value and without financial gain.

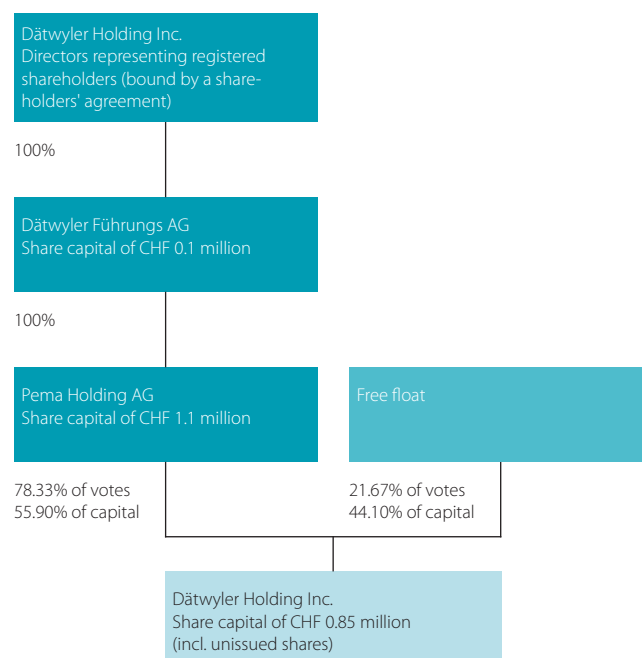
The Board members are likewise not entitled to receive dividend payments from Dätwyler Holding Inc. Dividends are retained by Pema Holding AG and can be reinvested in Dätwyler Holding Inc.

Under the shareholders' agreement, Pema Holding AG may invest only in the Datwyler Group and its spin-offs. It therefore has no conflicts of interest with other shareholdings and completely reflects the interests of the bearer shareholders. Disposal of a majority of votes is permitted only by a qualified majority, and only in the event that it is no longer economically feasible to maintain Dätwyler Holding Inc. as an independent going concern. In this case, Dätwyler Führungs AG and Pema Holding AG are to be liquidated, with the proceeds going to the Datwyler Foundation. Pema Holding AG may be compared to a family of entrepreneurs who hold the majority of the capital and voting rights in a listed company. The restriction relating to Dätwyler Holding Inc., as set out in the shareholders' agreement, allows Pema Holding AG a management mandate with an obligation to create long-term value.

The representatives of public shareholders on the Board of Directors of Dätwyler Holding Inc. are not member of the Boards of Directors of Pema Holding AG or of Dätwyler Führungs AG. Concluded in 1990, these Dätwyler family succession arrangements entailed a waiver of claims to substantial assets and are unique.

Pema Holding AG currently owns all 22 million registered shares and 5'103'096 of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 78.33% of the voting rights and 55.90% of the share capital.

The Board of Dätwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold 3% or more of the total voting rights. No disclosure notices were received in the year under review.



Group structure and companies

The required disclosures relating to the Group structure are presented on the following pages of the Annual Report:

- Page 71: segment reporting.
- Page 91: detailed list of subsidiaries and investments.
- Page 115 and 117: details of Dätwyler Holding Inc.
- Page 118: directory of Group operations.

No listed companies are included in the consolidation of Dätwyler Holding Inc. There are no cross-shareholdings with other companies.

Significant events after balance sheet date

Following the decision to divest the distribution business, the Board of Directors introduced a new organisational structure to strengthen the market focus, the core competencies and agility as of the beginning of February 2020. Market and production activities are now combined in the two business areas Health Care Solutions and Industrial Solutions. These two market units are supported by the two service units Technology & Innovation and Finance & Shared Services.

Capital structure

Composition of share capital in CHF at 31 December 2019:

22'000'000 registered shares of CHF 0.01 each	220'000
12'600'000 bearer shares of CHF 0.05 each	630'000
Total ordinary share capital	850'000
Authorised additional share capital	none
Authorised contingent share capital	none
Participation certificates	none
Profit-sharing certificates	none
Registration and voting restrictions	none
Opting-out and opting-up provisions	none

All shares are fully paid-up and – irrespective of their value – are entitled to vote and rank for dividend. Information about changes in equity for 2019 and 2018 is presented in the statement of changes in equity on page 63. Changes in equity for 2018 and 2017 are shown in the statement of changes in equity on page 63 of the Annual Report 2018 (www.datwyler.com > Investors > Publications > Annual Reports).

Convertible bonds and share options

As at 31 December 2019, Datwyler did not have any outstanding convertible bonds or options. On 30 May 2018, a 0.625% CHF 150 million bond was placed. The bond is repayable on 30 May 2024 (see page 82, Note 18, Bond).

Internal organisation

Role of the Board of Directors

The Board of Directors is the ultimate decision-making, management and governing body of the Datwyler Group. The Board consists of no fewer than five and no more than eleven members. At 31 December 2019, the Board comprised eight Directors. The roles of the Chairman and Chief Executive Officer (CEO) are separate. The Directors or companies and organisations which they influence have no executive functions in the Group and do not have any business relationship with the Datwyler Group. The current Chairman, Paul Hälg, was the CEO of the Datwyler Group from 2004 to 2016. The other members of the Board never served in executive functions for the Datwyler Group. No Director holds cross-directorships with other Directors through involvement in other listed companies.

When members are appointed to the Board of Directors, care is taken to ensure that the kinds of competencies important to the Datwyler Group with regard to the various industries, technologies and markets are suitably represented.

Since the Annual General Meeting 2014, Directors are elected for one-year terms. They are eligible for re-election for further periods, with no limit on the number of terms they may serve. Each class of shares is entitled to nominate at least one representative to the Board. The average age of the Directors currently in office is 60 and their average tenure is five years.

Main responsibilities and operation of the Board

The Board organises itself. Its main responsibilities are defined in Art. 716a of the Swiss Code of Obligations. In order to discharge these responsibilities efficiently, the Board has authority under the Rules of Organisation and Business Conduct of Dätwyler Holding Inc. to appoint Committees from among its members to deal with specific matters. There are currently two Committees: the Audit Committee and the Nomination and Compensation Committee.

In accordance with the Rules of Organisation, the Board holds at least five regular meetings a year, each lasting between half a day and one full day. A two-day annual strategy workshop is held to review and develop the strategy. The strategy workshop is usually combined with a visit to one of the divisions. Special Board meetings are held when necessary. Agendas for Board meetings are set by the Chairman in consultation with the CEO and CFO. Any Director may request that an item be placed on the agenda or that a special meeting be held. The CFO acts as Secretary to the Board.

Directors receive papers and information in good time in advance of meetings to allow them to prepare for discussion of each item. Depending on the nature of the business to be transacted, the Chairman may invite members of the Executive Management to provide information at Board meetings and participate in an

advisory capacity. The Board operates as a team and strives to reach decisions unanimously, wherever possible. If a unanimous decision cannot be reached, the minutes of the meeting must give the names of who voted and how they voted. The Board has a quorum when at least a majority of its members is present. Its resolutions are passed by a majority of the members present. The Chairman is also a voting member and has the casting vote in the event of a tie. Resolutions may also be adopted by telephone conference or by circular letter.

During 2019, the Board held six meetings. In addition, there were three phone conferences. One Director was excused for a meeting and another Director for a phone conference. A further Director attended one meeting by telephone. The CEO and CFO and the other members of the Executive Management were present at each meeting for the discussion of items relating to them. In 2019, no external specialists were called in.

Operation of the Committees

The Committees have written terms of reference specifying their responsibilities. In addition to these written terms, the Audit Committee has defined its tasks and responsibilities in a detailed checklist. The Committees generally prepare the groundwork for decision-making by the full Board. They meet at the call of their chairmen as often as necessary to discharge their duties, but at least once a year. Their meetings usually last half a day. All Directors, Executive Management members and the external auditors may request a meeting of the Committees. Depending on the nature of the business to be transacted, meetings are attended by the CEO, CFO or, if required, a representative of the external auditors or a specialist in an advisory capacity. The agendas for Committee meetings are set by the respective chairmen in agreement with the CEO and CFO. Committee members receive papers and information in advance of meetings to allow them to prepare for discussion of each item. At least two members must be present to constitute a quorum. The Committees pass their resolutions by an absolute majority of the votes cast. In the event of a tie, the chairman has the casting vote. The Committees keep a record of their decisions and recommendations in minutes submitted to the Board and report the results of their activities at the next Board meeting.

Audit Committee

The Audit Committee consists of at least three Directors, each of whom has experience in finance and accounting, who are appointed by the Board from among its members for a period of one year. The Audit Committee appoints its chairman. Members of the Audit Committee are: Jürg Fedier (Chairman), Paul Hälg and Hanno Ulmer. In 2019, the Audit Committee held four meetings with all members present, each of which was attended by the CEO and CFO. The

reporting of the internal audit is a standard agenda item at the meetings of the Audit Committee. The representatives of the external auditors attended all the meetings for the discussion of selected items. In 2019, other external specialists were not called in.

Responsibilities of the Audit Committee

- To ensure a comprehensive and effective audit programme for Dätwyler Holding Inc. and the Datwyler Group.
- To comment on the annual and consolidated financial statements.
- To comment on the audit plan and results of audits.
- To receive recommendations from the external auditors, discuss the recommendations with the Executive Management and provide a summary for the Board of Directors.
- To present the Executive Management's proposal for the appointment of Dätwyler Holding Inc.'s external auditors to the Board of Directors for consideration by the Annual General Meeting of Shareholders.

Nomination and Compensation Committee

The responsibilities of the Nomination and Compensation Committee are recorded in the Remuneration Report on page 42.

Division of responsibilities between the Board of Directors and Executive Management

The authority and responsibilities delegated to the Board of Directors and Executive Management are laid down in the "Rules of Organisation" as provided in Article 20 of the Articles of Association of Dätwyler Holding Inc. These rules are updated on a regular basis. They describe the duties and responsibilities of the Board of Directors and define the duties and responsibilities of the Executive Management, presided over by the CEO. In addition to the non-delegable functions reserved for the Board of Directors by law, the Rules of Organisation delegate the following duties, among others, to the Board:

- To determine the principles of corporate strategy.
- To make decisions on financial policy.
- To adopt resolutions on the establishment of new business units and discontinuation of existing ones.
- To adopt resolutions on the setting up of new sites and closure of existing ones.
- To adopt resolutions on the acquisition and disposal of equity holdings.
- To adopt resolutions on the acquisition, encumbrance and disposal of land and buildings.
- To review the risk management system.

As a rule, the Board of Directors approves major projects it deems expedient together with the rolling forecast. For urgent capital expenditures not included in the budget, levels of authority are defined and a return on investment analysis must be prepared. Capital expenditures exceeding CHF 3 million must be approved by the full Board of Directors.

The policies set out in the "Rules of Organisation" are detailed for all business and functional areas in the following written documents: "Division of Responsibilities of the Executive Management" and "Investment Manual". The Datwyler Group operates a systematically decentralised management system within a clear framework. The Group fosters an entrepreneurial culture where decisions are taken at the lowest possible level close to the market and customers.

Information and control systems for monitoring the Executive Management

The Board has an internal control system in place to monitor and control the Executive Management. This is based on an institutionalised, annual management process cycle, of which the key elements available to the full Board of Directors are as follows:

- Monthly report with a division and Group consolidation: actual and forecast figures, including variance analyses and a written commentary by the division managers on current developments and potential risks.
- Interim and annual report.
- Quarterly review and approval of the rolling forecast for 18 months and annual review and approval of the three-year medium-term plan.
- Annual review and approval of the updated Group and division strategies.
- Uniform Group-wide management system with integrated risk evaluation for strategic projects.
- Special reports on major items of capital expenditures, acquisitions and alliances.
- Inclusion of Executive Management members at Board and Committee meetings.

In addition to these institutionalised information and control systems, the Chairman of the Board and CEO engage in regular dialogue regarding all important business. In addition, the CEO and CFO are required to inform the Chairman of the Board without delay of any important unusual events or developments.

Internal Audit

Internal Audit reports to the Audit Committee and is under the direct administrative line management of the CFO. Every year it draws up a risk-based audit plan, which is approved by the Audit Committee. The interval between audits of Group companies varies between two and five years, depending on the size and importance of the individual company. To optimise cooperation, the head of Internal Audit meets regularly with the representatives of the external auditors. At their meetings they harmonise audit plans and audit priorities and exchange useful information.

Internal Audit verifies compliance with the division of responsibilities and monitors the internal control system, risk management and the efficiency of the structures and processes. The findings and recommendations of Internal Audit are recorded in written reports. Following completion of the audit, the findings are reviewed and discussed with the local management. In coordination with Internal Audit, the local management defines specific corrective measures and a timetable for implementation. Division management and local management each issue an opinion. The report (including the corrective measures, the timetable for implementation and the opinions) is sent to the line managers, the external auditors, Executive Management and the Audit Committee. The head of Internal Audit presents the significant findings contained in the audit reports at the respective next meeting of the Audit Committee. Comments and suggestions of the Audit Committee and the external auditors are taken into consideration in planning and conducting audits. Internal Audit also ensures that all discrepancies raised by its audits are addressed within the prescribed period and submits a report on such matters to Executive Management and the Audit Committee.

Risk Management

The Datwyler Group is aware of the importance of systematic risk management for lasting corporate success. Final responsibility in assessing risks lies with the Board of Directors. The head of Internal Audit is responsible for the Group-wide coordination of risk management. He is supported by risk officers in both divisions.

As part of an ongoing process, risks are continuously identified and assessed throughout the Group. An open exchange of views on opportunities and risks is encouraged at all levels of the company and is part of the corporate culture. The management of each division is responsible for significant risks and informs the Executive Committee and the Board of Directors. The findings are recorded in a risk management software. The CFO of the Datwyler Group and the Head of Internal Audit monitor the risk management process through active exchanges and quarterly meetings with the divisions. In particular, risks are regularly discussed at the business review meetings between the divisional management and the Group management. These reviews ensure that uniform valuation approaches are applied and that similar risks are treated equally across the Group divisions. The consolidation of risks and the annual reporting to the Board of Directors are carried out by the Head of Internal Audit.

Datwyler basically divides the risks recorded into four categories: Strategic risks, operational risks, financial risks and compliance risks. Strategic risks include risks relating to the industry and the market, external stakeholders, social and environmental developments, corporate governance and catastrophic events. For their part, operating risks include risks along the value chain, risks from investment activities and personnel and cultural risks. The financial risks category includes market risk, liquidity and credit risk, capital structure and compliance with tax and accounting regulations. Finally, compliance risks are defined as the risks arising from laws, regulations and other rules and regulations.

Risks are assessed on the basis of the probability of occurrence and the potential loss amount. Once the individual risks have been identified and assessed, it is the responsibility of the division management to develop a series of measures to reduce the risk of occurrence and the loss potential for each risk. The implementation of these measures is monitored as part of the continuous risk management process and taken into account in the next risk evaluation.

Board of Directors

The Directors of Dätwyler Holding Inc. are all – with the exception of the representative of the public shareholders – also Directors of Pema Holding AG and Dätwyler Führungs AG. Pema Holding AG is the majority owner of Dätwyler Holding Inc. (see p. 28, Substantial shareholders and ownership).

Pursuant to Article 14 of the Dätwyler Holding Inc. Articles of Association, the number of mandates members of the Board of Directors may hold on management and supervisory boards of legal entities outside the Group is restricted as follows: Four mandates in exchange-listed enterprises, ten mandates in unlisted enterprises and fifteen mandates in other legal entities such as foundations and associations.

Paul J. Hälg (1954, Swiss)

Chairman (term expires in 2020)

Paul Hälg was appointed to the Board and Chairman of Dätwyler Holding Inc. at the 2017 Annual General Meeting. He is a member of the Audit Committee and a Director of Dätwyler Cabling Solutions AG, a sister company of publicly listed Dätwyler Holding Inc. From 2004 until the end of 2016 Paul Hälg had managed the Datwyler Group as CEO. Before joining Datwyler, he served on Forbo Group's Executive Board as Executive Vice President of Forbo Adhesives. From 1986 to 2001, he held a number of management positions with Gurit-Essex (Gurit-Heberlein Group), ultimately as CEO. In the five years prior to that, he worked for the Swiss Aluminium Group. Paul Hälg is Chairman of listed Sika Ltd. and Director of Sonceboz Automotive SA. He is also a member of the Foundation Board of the ETH Foundation, Swisscontact and of the Swiss air-rescue service Rega. He studied chemistry at the Swiss Federal Institute of Technology Zurich, graduating with a doctorate (DSc).

Hanspeter Fässler (1956, Swiss)

Vice Chairman (term expires in 2020)

Hanspeter Fässler has been a Director of Dätwyler Holding Inc. since 2004. He is Vice Chairman (since 2017), Chairman of the Nomination and Compensation Committee, and Chairman of the Board of Directors of Dätwyler Cabling Solutions AG, a sister company of the listed Dätwyler Holding Inc. He is also a member of the board of Axpo Holding AG and Hatebur Metalforming Equipment Ltd. As Executive Chairman of the robotics spinoff ANYbotics AG, he brings valuable digital competence to the Datwyler Board of Directors. Hanspeter Fässler held various national and international management positions within the ABB Group, including the position of Country Manager Switzerland. From 2006 to 2010 he was responsible for ABB's Mediterranean Region and Country Manager of ABB Italy. From 2010 until 2011 he was CEO of the Implen Construction

Services Group. He earned a doctorate specialising in mechatronics/robotics from the Swiss Federal Institute of Technology Zurich and also holds an Engineer's degree from Stanford University (USA).

Jens Breu (1972, CH)

Director (term expires in 2020), public shareholders' representative

Jens Breu was appointed to the Board of Directors of Dätwyler Holding Inc. in 2019 as a representative of the bearer shareholders. Since early 2016 he serves as CEO of the listed SFS Group, for which he has held various positions since 1995. Among other functions, he was head of production in the USA for eight years. He was promoted to Head of the Industrial Division in 2012 and Chief Operating Officer in 2014. Jens Breu has a degree in mechanical engineering from the St. Gallen University of Applied Sciences and an MBA from Cleveland State University in the USA.

Claude R. Cornaz (1961, Swiss)

Director (term expires in 2020)

Claude R. Cornaz was appointed to the Board of Directors of Dätwyler Holding Inc. at the 2018 General Meeting. He is a member of the Nomination and Compensation Committee. From 2000 to 2017, Claude R. Cornaz was the delegate of the Board of Directors and CEO of the listed Vetropack Group. He was nominated as Chairman of the Board of Directors of the Vetropack Group at the 2018 Annual General Meeting. Since 2002, he is a member of the Board of Directors of the listed Bucher Industries Group. In addition, he is member of the Board of Directors of Glas Trösch Holding AG and Vice Chairman of H. Goessler AG and Cornaz AG-Holding. Claude R. Cornaz is a graduated mechanical engineer ETH/BWL.

Jürg Fedier (1955, Swiss)

Director (term expires in 2020), public shareholders' representative

Jürg Fedier was appointed to the Board of Dätwyler Holding Inc. at the 2015 Annual General Meeting. He is Chairman of the Audit Committee and a representative of the public shareholders. From 2009 to 2019, he served as Chief Financial Officer of the listed Oerlikon Group. From 2007 to 2008 he acted as CFO of Ciba Group. Between 2006 and 2007, he was Head of Finance of Dow Europe and a Member of the Executive Board. From 2002 to 2006, Jürg Fedier served as Vice President Finance for Dow Chemical, Performance Chemicals, USA, between 2000 and 2002 as Global Business Finance Director for Dow Chemical, Thermosets. From 1978 to 2000, he filled several management positions with Dow Chemical in the USA and in Asia. Jürg Fedier is Director of the listed Ascom Holding Inc. He holds a Commercial Diploma from the College of Commerce in Zurich, Switzerland, and completed international executive management programmes at the IMD, Switzerland, and the University of Michigan, USA.

Gabi Huber (1956, Swiss)

Director (term expires in 2020)

Gabi Huber was appointed to the Board of Dätwyler Holding Inc. in 2013 and is a member of the Nomination and Compensation Committee and Chairwoman of the Board of Directors of Dätwyler Immobilien AG, a sister company of the publicly listed Dätwyler Holding Inc. Co-owner of the law firm of Bachmann, Huber, Zraggen in Altdorf, she has practised as an independent lawyer and notary public since 1982 and was certified as a mediator in 2006. She represented the Canton of Uri in the National Council from 2003 to 2015 and was the "FDP. The Liberals" parliamentary group leader from 2008 to 2015. Prior to her election to the National Council, Gabi Huber served as a member of the cantonal government and head of the Finance Department of the Canton of Uri from 1996 to 2004. From 2002 to 2004, she was president of the Uri cantonal executive. She is Vice Chairwoman of the Board of Directors of UBS Switzerland AG. Furthermore, she is a member of the Foundation Board of the Swiss air-rescue service Rega. Gabi Huber graduated 1980 from the University of Fribourg, completed a course of study at Columbia University, New York and did a doctorate in law in 1990.

Hanno Ulmer (1957, Austrian)

Director (term expires in 2020)

Hanno Ulmer was appointed to the Board of Dätwyler Holding Inc. at the 2015 Annual General Meeting. He is a member of the Audit Committee. From 1994 to 27 September 2019, he was Managing Director of Doppelmayr Holding SE, the parent company of the world's leading Austrian ropeway manufacturer. Since 27 September 2019, he has been Vice Chairman of the Board of Directors of this company. Hanno Ulmer has held various finance and management positions within the Doppelmayr Group since 1976. He is also Chairman of Garaventa AG and of Ropetrans AG and a Supervisory Board member of Bank für Tirol und Vorarlberg AG. Hanno Ulmer holds an accounting diploma from WIFI Vorarlberg and completed university studies in export and international management.

Zhiqiang Zhang (1961, Chinese)

Director (term expires in 2020)

Zhiqiang Zhang was appointed to the Board of Dätwyler Holding Inc. at the Annual General Meeting 2016. The Chinese national works for ABB China as Senior Vice President of the Group and Country Managing Director since 2018. From 2012 until 2018 he had been with the Swedish Sandvik Group and was serving as President of Sandvik China and Regional Holding Officer of APAC. From 2005 to 2012 he was President of Nokia Siemens Networks Greater China Region and from 1999 to 2005 he served as President of Siemens VDO Automotive China. Prior to that, Zhiqiang Zhang

supported the development of the Chinese market since 1987 in various management positions at Siemens. Since 2005 he has been a member of the Board of Directors at the listed Georg Fischer Group. Zhiqiang Zhang holds a Bachelor of Sciences of Northern Jiaotong University, Beijing (China) and an MBA of Queen's University, Kingston (Canada).

Honorary Directors

Roland Zimmerli (1934, Swiss), Honorary Chairman (since 2005)

During his 35 years of committed service in a variety of management positions, Roland Zimmerli helped to shape Datwyler into a Group of international dimensions. In appreciation of his services to the Datwyler Group, the Board appointed him Honorary Chairman in 2005, following his term as Chairman from 1999 to 2005. Before joining the Board, Roland Zimmerli served as CEO of Dätwyler Holding Inc. from 1991 to 1999. His expertise was also much sought after on the Boards of renowned Swiss companies. He graduated with a degree in business administration from the University of Zurich.

Max Dätwyler (1929, Swiss), Honorary Director (since 1999)

Max Dätwyler was Chairman of Dätwyler Holding Inc. from its inception in 1958 until 1965. After handing over the Chairmanship to outside Directors, he continued to serve as Deputy Chairman and Executive Director until the end of 1999. Together with his late brother, Peter Dätwyler, Max Dätwyler was instrumental in building Dätwyler Holding Inc. into a diversified international corporation and, in 1990, ensured the Group's long-term independence through the shareholders' agreement of Dätwyler Führungs AG. He holds a doctorate in chemistry from the Swiss Federal Institute of Technology Zurich and a degree in economics from the University of Zurich.

Changes in the composition of the Board of Directors

At the ordinary Annual General Meeting for 2019, Jens Breu, CEO of the SFS Group, was elected as a new Director and a further representative of the public shareholders.

No resignations from the Board of Directors are planned for the 2020 ordinary Annual General Meeting, nor will any additional person be proposed for election as a member of the Board of Directors.

Board of Directors



Paul J. Hälg, Chairman



Hanspeter Fässler, Vice Chairman



Jens Breu



Claude R. Cornaz



Jürg Fedier



Gabi Huber



Hanno Ulmer



Zhiqiang Zhang

Executive Management

Pursuant to Article 19 of the Dätwyler Holding Inc. Articles of Association, the number of mandates members of the Executive Management may hold on management and supervisory boards of legal entities outside the Group is restricted as follows: Two mandates in exchange-listed enterprises, five mandates in unlisted enterprises and ten mandates in other legal entities such as foundations and associations.

Dirk Lambrecht (1960, German)

Chief Executive Officer (CEO)

Dirk Lambrecht was appointed CEO of the Datwyler Group at the beginning of 2017. Previously, he led the Sealing Solutions division, in which the divisions previously known as Sealing Technologies and Pharma Packaging are combined. He was head of the Sealing Technologies division from 2005 to 2012. Before joining the Datwyler Group, he managed Phoenix Traffic Technology GmbH, a subsidiary of Phoenix AG. Prior to that, from 1987 to 2003, he held a number of international management positions with Phoenix AG in Hamburg. Dirk Lambrecht is a Director of Dätwyler Cabling Solutions AG, a sister company of listed Dätwyler Holding Inc. He earned a degree in mechanical engineering, specialising in apparatus engineering, from Hamburg University of Applied Sciences and completed further studies, including programmes at the Management School St. Gallen.

Reto Welte (1959, Swiss)

Chief Financial Officer (CFO)

Reto Welte was appointed Chief Financial Officer and Member of the Datwyler Executive Management from 2009. Before joining Datwyler, he for two years held the same function with the Kardex Remstar Group, also a SIX Swiss Exchange-listed Group of companies. Between 2003 and 2006, he was CFO and member of Group Management of the Feintool Group. Previously Reto Welte was CFO of the Gretag Imaging Group and of co.don AG in Berlin. From 1991 to 2000, he held various management positions in finance with the Alstom group and was head of the Medium-Voltage Technology unit. Reto Welte is Vice Chairman of F.G. Pfister Holding AG. He also is a Director of Dätwyler Cabling Solutions AG, a sister company of listed Dätwyler Holding Inc. He holds a degree in business administration from the University of St. Gallen.

Torsten Maschke (1969, German)

Head of Sealing Solutions division

Torsten Maschke has been head of the Sealing Solutions division and member of the Executive Management since 1 October 2016. Before joining the Datwyler Group, he was responsible for the worldwide distribution of sealing and damping solutions for the automotive industry at the Freudenberg Group since 2011. Prior to this – having completed his education in 1996 – he was employed in various international management roles within the automotive business of the Freudenberg Group. Torsten Maschke earned degrees in mechanical engineering from Münster University of Applied Sciences and in industrial engineering from Bochum University of Applied Sciences.

Neil Harrison (1967, British)

Head of Technical Components division

Neil Harrison, as a member of the Executive Management, is head of the Technical Components division. Before joining the Datwyler Group, he was, since 2009, the President of Premier Farnell Europe, a UK-based company, where he was responsible for the European business. In addition, as the global head of eCommerce, he was responsible for the continuous upgrading and expansion of the worldwide e-business offering. Neil Harrison has held several international management functions for Premier Farnell since 1995. He has completed various international management programmes at the universities of Harvard (USA) and Cranfield (GB).

Significant events after balance sheet date

Chief Financial Officer (CFO) Reto Welte has decided to retire on 31 March 2020. As part of a long-term succession plan, the Board of Directors has appointed Walter Scherz as the new CFO and member of the Executive Committee. He will take up his position on 1 April 2020.

Furthermore, the Board of Directors introduced a new organisational structure to strengthen the market focus, the core competencies and agility as of the beginning of February 2020. Market and production activities are now combined in the two business areas Health Care Solutions and Industrial Solutions. These two market units are supported by the two service units Technology & Innovation and Finance & Shared Services. As a result, the Board of Directors has appointed the two proven Datwyler executives Dirk Borghs as Head of Health Care Solutions and Frank Schön as Head of Technology & Innovation to Executive Management.

In addition, Neil Harrison will leave the Executive Management with the planned completion of the sale of the distribution companies Distrelec and Nedis in the course of the first quarter 2020.

Executive Management



Dirk Lambrecht, CEO



Reto Welte, CFO



Neil Harrison, Head of Technical
Components division



Torsten Maschke, Head of Sealing
Solutions division

Management contracts

There are no management contracts with external individuals or companies to perform management tasks for the Datwyler Group.

Remuneration, shareholdings and loans

The information on remuneration, shareholdings and loans is recorded in the Remuneration Report on page 42 ff.

Shareholders' participation rights

The shareholders' participation rights comply with the provisions of Swiss Corporation Law, subject to the one-share-per-vote principle presented below. The Articles of Association contain no quorum requirements that differ from those prescribed by law.

Voting restrictions and proxy voting

There are no restrictions on registration or voting. Under the Articles of Association of Dätwyler Holding Inc., each share carries one vote at general meetings regardless of its par value. Persons representing shareholders must present a written proxy. Legal representatives of shareholders do not need a proxy appointment. Shareholders who are unable to attend a general meeting may also appoint and instruct an independent proxy to represent them. To do so, an electronic solution has been provided since 2014. The independent proxy is elected annually by the Annual General Meeting for the next ordinary Annual General Meeting.

Calling of general meetings and additions to the agenda

The procedures for calling general meetings and adding items to the agenda are set out in the Articles of Association of Dätwyler Holding Inc. in accordance with the Swiss Code of Obligations (Art. 699 f.). Shareholders holding no less than 10% of the share capital are entitled to submit agenda items in writing. The deadline for submitting agenda items is published in advance in the Swiss Official Gazette of Commerce.

Share registration

Every person whose name is entered in the share register no later than 14 days prior to a general meeting is recognised by the company as a shareholder and holder of all rights attached to the registered shares.

Change of control and defensive measures

The Articles of Association do not contain any "opting out" or "opting up" provisions. Dätwyler Holding Inc. does not have any change of control clauses which benefit Directors or Executive Management members.

Statutory auditors

KPMG was mandated to audit the consolidated financial statements at the Annual General Meeting 2018. The auditors are appointed by the Annual General Meeting of Shareholders for a period of one year. In accordance with the Swiss Code of Obligations, the normal rate of rotation for the auditor in charge is seven years. Some of the Group companies are audited by other audit firms.

Fees paid in 2019 to the statutory and other auditors:

in CHF	Statutory auditors	Other auditors
Auditing services, total	854'000	254'000
Additional services, total	36'000	150'000
Tax consulting	13'000	139'000
Legal consulting	–	2'000
Transaction services	–	–
Other advisory services	23'000	9'000

Representatives of the statutory auditors attend all meetings of the Audit Committee for the discussion of certain items. Four meetings were held in 2019. At each meeting, the statutory auditors present a written report on the progress of their work. The core element of the auditors' reporting is the annual audit report with recommendations to the Audit Committee.

The supervisory body for the external statutory auditors is the overall Board of Directors. It conducts an annual evaluation of the statutory auditors. This is based on the following criteria:

- Professional competence.
- Scope and quality of their written reports and verbal statements.
- Practicability of recommendations.
- Priority setting.
- Transparent and effective communication and coordination.
- Ability to meet deadlines.
- Independence.
- Fees.

The members of the Board of Directors rely on the competencies and experience they have gained in similar roles with other companies, on the statutory auditors' reports as well as on the comments made by the Audit Committee. The responsibilities of the Audit Committee are defined on page 31.

Information policy

The Datwyler Group maintains an open dialogue with all stakeholders. In the interests of shareholders, Datwyler especially fosters relationships with investors, banks and media representatives. Communication takes place through the Annual Report, Interim Report, Annual General Meeting and at least one press and analyst conference every year. Through press releases and on its website (www.datwyler.com), Datwyler provides up-to-the-minute information on all important projects as required by the ad hoc publicity rules of SIX Swiss Exchange. The archive of ad hoc press releases can be found at www.datwyler.com > Media > Press Releases. A facility for signing up to receive ad hoc press releases is provided at www.datwyler.com > Media > Email Alerts. Contact details and important dates are given in the "General Information" section on page 117. Official notices concerning Datwyler are published in the Swiss Official Gazette of Commerce. Notices and invitations to registered shareholders are made in writing.





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REMUNERATION REPORT

The Remuneration Report describes the governance framework and principles of remuneration of the Board of Directors and Executive Management of the Datwyler Group. It also provides information on remuneration plans and remuneration paid for the 2019 fiscal year.

The Remuneration Report is written in accordance with the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

Remuneration governance framework

Nomination and Compensation Committee

The Nomination and Compensation Committee generally consists of three members of the Board of Directors who are elected individually each year by the Annual General Meeting. The Nomination and Compensation Committee appoints its chairman. At the end of 2019, the members of the Nomination and Compensation Committee were: Hanspeter Fässler (Chairman), Gabi Huber and Claude R. Cornaz. In 2019 the Nomination and Compensation Committee met four times. One member was excused for one meeting.

Responsibilities of the Nomination and Compensation Committee:

- Basic human resource matters (e.g. talent management, succession planning, etc.) of the Datwyler Group.
- Nominations to the Board of Directors and Executive Management.
- Preparation of the maximum compensation amounts to the Board of Directors and Executive Management to be submitted to shareholders' vote at the Annual General Meeting
- Determination of remuneration for members of the Board of Directors within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association.
- Terms of employment for members of the Executive Management.
- Determination of performance-based remuneration for members of the Executive Management within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association.
- Monitoring of structure and development of remuneration.

- Oversight of compliance by the members of the Board of Directors and Executive Management with the provisions of the Articles of Association concerning the number of mandates in top management and supervisory bodies of legal entities outside the Datwyler Group (Art. 14 section 5 and Art. 19 section 3 of the Articles of Association) including any necessary measures.
- Compliance with regulations concerning the disclosure of remuneration of members of the Board of Directors and Executive Management.
- Preparation of the remuneration report.

The Nomination and Compensation Committee has written terms of reference setting out its responsibilities. The Committee generally prepares the groundwork for proposals and decision-making by the full Board. It has executive authority only within the remuneration framework already approved in principle by the Annual General Meeting or Board of Directors and where expressly provided in the Articles of Association or a policy. It meets upon invitation of its Chairman as often as necessary, but at least once a year. When the business to be transacted so requires, meetings are attended by the CEO and CFO, by invitation and in an advisory capacity. At the agenda points, where their own performance and remuneration are being discussed, the CEO and CFO do not attend. The members of the Committee receive documentation before meetings to enable them to prepare for the individual agenda items. At least two members must be present to adopt decisions. The committees pass resolutions by an absolute majority of the votes cast. In the event of a tie, the Chairman casts the deciding vote. The Nomination and Compensation Committee keeps a record of its decisions and recommendations in minutes submitted to the full Board of Directors and reports the results of its activities at the next Board meeting.

Approval levels

	Proposal	Review	Approval
Remuneration principles (Articles of Association)	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration models for the Board of Directors and Executive Management	Nomination and Compensation Committee		Board of Directors
Remuneration Report	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (consultative vote)
Maximum aggregate amount of remuneration for Board of Directors	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (binding vote)
Individual remuneration of Board of Directors members	Nomination and Compensation Committee		Board of Directors
Maximum aggregate amount of remuneration for Executive Management	Nomination and Compensation Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration CEO	Nomination and Compensation Committee		Board of Directors
Individual remuneration other members of Executive Management	CEO	Nomination and Compensation Committee	Board of Directors

Determination procedure for the remuneration system

The remuneration system is normally reviewed every three years by the Nomination and Compensation Committee and may be adjusted to reflect the evolving business environment.

The Datwyler Group's remuneration policy is compared against common standards for similar positions at comparable companies. The process for determining the elements and levels of remuneration for the Board of Directors and Executive Management is based on a periodic benchmarking analysis on the basis of remuneration surveys and of remuneration disclosures published by comparable companies in their annual reports. Comparable companies are defined as international industrial companies listed on the SIX Swiss Exchange with similar geographic scope, revenue, complexity, capitalisation and employee headcount. They include: Bucher Industries, Feintool, Forbo, Geberit, Georg Fischer, Dormakaba, Lonza, Oerlikon, Sika, Sonova and Sulzer.

The Annual General Meeting approves the proposals of the Board of Directors concerning the maximum aggregate amount for remuneration of the Board of Directors each year for the period up to the next ordinary Annual General Meeting pursuant to Art. 21b of the Articles of Association, and of remuneration for the Executive Management for the following fiscal year pursuant to Art. 21c of the Articles of Association.

The amount of remuneration for members of the Board of Directors is based on service on the individual committees. It is determined annually by the Nomination and Compensation Committee within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association. The full Board of Directors approves the result. Members of the Board of Directors have a right to be consulted at these meetings of the Board of Directors.

The effective performance-based remuneration of members of the Executive Management is determined annually by the Nomination and Compensation Committee within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association. The full Board of Directors approves the result.

Under Art. 21a section 5 of the Articles of Association, the company is authorised to pay an additional amount of up to 50% of the applicable aggregate amount of the applicable maximum total remuneration of the Executive Management to members of the Executive Management who join the Executive Management or assume additional duties during a period for which Executive Management remuneration has already been approved in the event that the approved maximum aggregate amount of remuneration is insufficient for this period.

The Remuneration Report is submitted to the Annual General Meeting for approval in an consultative vote.

Remuneration philosophy and principles

The remuneration philosophy, as set forth in the Articles of Association, is aligned with the business strategy of sustainable, profitable growth and aims to promote and support the four core values of the Datwyler Group:

- We are entrepreneurs.
- We excel at what we do.
- We bring value to our customers.
- We have respect for others.

Remuneration principles

Pay for performance

The variable incentive plan for Executive Management rewards the collective performance of the company and the individual contributions.

Reward long-term and sustainable value creation

Part of the remuneration is paid in the form of blocked shares for the Board of Directors and in the form of performance share units for the Executive Committee in order to encourage a long-term view and to create alignment with the interests of the shareholders. Furthermore, the variable incentive plan for Executive Management has no excessive leverage and therefore does not encourage inappropriate risk-taking.

Market competitiveness

Remuneration levels are in line with competitive market practice and are designed to attract, retain and develop the best talent.

Fairness and transparency

Remuneration programmes are straightforward, transparent and fair.

The framework for implementing these remuneration principles is set forth in the Articles of Association.

Remuneration structure of the Board of Directors

Remuneration model for members of the Board of Directors

Base fee for Board membership		Additional fee for special functions	
CHF 50'000 in cash	CHF 150'000 in blocked shares		
		Cash (CHF)	Blocked shares (CHF)
		Board chairmanship	80'000 180'000
		Board vice-chairmanship	20'000 80'000
		Committee chairmanship	40'000
		Committee membership	20'000
		Representation of minority shareholders	40'000

The remuneration of members of the Board of Directors is determined based on the responsibility and time requirements of their function and includes a base fee for Board membership and additional fees for special functions such as committee chairmanship and membership. The additional fees are cumulative in the case of multiple functions. Members of the Board of Directors receive their remuneration in the form of a fixed fee in cash and a grant of bearer shares of Dätwyler Holding Inc., blocked for five years. The number of bearer shares granted is calculated from the fixed amount and the average price on the 20 trading days prior to the grant date. In the event of death or disability of a Board member, the shares may be subject to early un-blocking if the participant or his or her beneficiaries so choose. They remain blocked in all other instances.

Board members may receive additional compensation for assuming special duties, as well as for participation in meetings of a temporary additional committee (other than the Audit Committee and the Nomination and Compensation Committee). Both the special duty and the additional committee and the corresponding compensation must be determined in advance by the Board of Directors.

Fees are paid and shares allocated in June for the current year of Board service. They are subject to regular social security contributions but are not pensionable. Members of the Board of Directors receive no additional reimbursement of business expenses beyond actual expenditures for business travel.

Remuneration structure of the Executive Management

Remuneration model for the Executive Management

	Instrument	Purpose
Fixed base salary	Monthly cash payments	To compensate for performance of duties and for qualifications required to perform the role
Variable incentive	Annual cash payment	To reward collective business performance and achievement of individual objectives in the reporting year
Long-term incentive plan	Annual granting of performance share units with a vesting period of three years	To drive sustainable results and create long-term alignment with shareholders' interests
Employer social insurance contributions and perquisites	Retirement pension, insurance & perquisites	To protect against risks and reimburse business expenses

The remuneration of Executive Management members is determined based on the scope and responsibilities of their position and consists of a fixed base salary, a variable incentive, a long-term incentive plan with performance share units and benefits such as retirement pension, insurance and perquisites.

Fixed base salary

The amount of the fixed base salary depends on the scope of the position, the qualifications and experience required to perform the role together with the market environment. The objective is to pay fixed salaries in line with those offered by comparable companies for similar positions.

Variable incentives

The variable incentive plan rewards the collective performance of the company and the individual contributions over a time horizon of one year. It is split into a collective performance component and an individual performance component. The variable incentives are capped at 180% of the annual fixed base salary for the CEO and 120% for the other members of Executive Management.

In alignment with the overall strategy of sustainable profitable growth, the collective performance will be measured on the basis of two performance indicators weighted equally:

- Net sales growth compared to previous year, relative to a peer group of companies;
- EBIT improvement (earnings before interest and tax) compared to previous year, relative to the same peer group of companies.

Relative net sales growth and EBIT improvement are measured by an independent consulting firm that compares and ranks the performance of Datwyler against the performances of similar companies. For each of the two Datwyler divisions, a specific peer group has been determined, including industrial and distribution firms that have a comparable base of products, technology, customers, suppliers or investors and thus are exposed to similar market cycles as the corresponding Datwyler division (for the list of peer companies, please refer to page 47). The intention of measuring the performance relatively to peer companies is to neutralise the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralised, the true performance of the company can be better assessed.

The objective of the collective performance component will be to achieve the median performance of the peer group on both indicators (net sales growth and EBIT improvement), which provides for a 100% payout. The maximum payout of 200% can only be achieved if the division achieves the best ranking among all peer companies on both net sales growth and EBIT improvement. Should a Datwyler division perform below all peer companies on both indicators, the collective performance component of this division will be set at zero. The payout percentage for any point between the last ranking (0% payout), the median (100%) and the best ranking (200%) is determined by linear interpolation.

Overview of calculation and payout of the variable incentive

Target values in % of annual fixed base salary		CEO	CFO	COO (division heads)
Collective performance	Net sales growth relative to peers	37.5% average of both divisions	25% average of both divisions	25% own division
	EBIT improvement relative to peers	37.5% average of both divisions	25% average of both divisions	25% own division
Individual performance	Individual objectives	15%	10%	10%
Total (at target)		90%	60%	60%
Total (at maximum)		180%	120%	120%

Peer groups of companies to measure the collective performance

Sealing Solutions division

Company

Amgen
Aptargroup – Food & Beverages
Aptargroup – Pharma
Atrion Corp.
Becton Dickinson & Company – Life Sciences
Becton Dickinson & Company – Medical
Bridgestone Corporation
Continental – Chassis & Safety
Continental – Powertrain
Continental – Interior
Continental – ContiTech
Delphi Technologies (formerly Delphi)
Aptiv (formerly Delphi)
Gerresheimer – Plastics & Devices
Gerresheimer – Primary Packaging Glass
Hexpol AB
Johnson Controls International PLC
Parker-Hannifin - Diversified Industrial (America and International)
Sanok (Stomil Sanok)
Semperit AG Holding
Trelleborg – Sealing Solutions
Valeo
West Pharmaceutical
ZF Friedrichshafen

Technical Components division

Company¹

AB S.A.
Also Holding AG
AO World plc
Bechtle - IT e-commerce
Ceconomy AG
Clas Ohlson AB
Cnova N.V.
Delphi Technologies PLC - Technologies Aftermarket
DistIT AB
Dustin Group
Electrocomponents plc – Electronics
Esprinet SpA
Groupe LDLC
Jost Werke AG
Landi Renzo – Automotive
Momentum Group
OEM International
Qliro Group AB – CDON
Rexel
Valeo SA - Powertrain Systems
Verkkokauppa.com Oyj

¹ As announced in the Annual Report for 2018, the Board of Directors has adapted the peer group for the variable element of salary within the Technical Components division for the 2019 fiscal year to reflect the new market segmentation in this division.

The Board of Directors may decide to adjust both performance indicators to reflect currency effects, extraordinary effects such as one-time costs or sale of real estate and structural changes such as acquisitions or divestments affecting divisional net sales by more than 10% of the previous year figure. In case of a negative net result of a division or the Datwyler Group, the Board of Directors reserves the right to deviate from the above mentioned calculation approach.

The assessment of the individual performance is based on personal objectives that are set as part of the annual performance evaluation process. The personal objectives are clearly measurable and may include financial indicators such as net working capital in percent of net sales, but also non-financial metrics such as customer satisfaction and employee commitment. The level of achievement for each objective corresponds to a payout percentage, which ranges from 0% to 200%.

The illustration at the top of page 47 summarises the performance objectives and their respective weighting in percentage of the annual fixed base salary for the CEO and the other members of Executive Management.

Long-term incentive plan

With the 2018 financial year, Datwyler replaced the previous share participation for the Executive Board with a long-term incentive plan. The performance is now measured relative to comparable peer companies. This is intended to neutralise the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralised, the true performance of the company can be better assessed.

Share-based remuneration will be awarded under a long-term incentive plan in future in the form of performance share units (PSUs). A PSU is a conditional right to receive shares of the company subject to the fulfilment of certain conditions during a three-year vesting period. The vesting conditions will include both the achievement of predetermined performance objectives (performance conditions) and continuous employment at the end of the vesting period (service condition).

As a basis for the allocation of PSUs, a target amount for the long-term incentive plan was determined for each member of the Executive Management. This target amount is based on the previous share participation and the relevant compensation benchmarks.

At grant date (1 January), the target incentive amount will be converted to a number of PSUs on the basis of the average closing share price during the twenty trading days before the grant date. The PSUs will be subject to a three-year vesting period, conditional on continued service within the company and on the following performance targets being achieved:

- Relative net sales growth, with one-third weight
- Relative ROCE growth, with one-third weight
- Relative total shareholder return (TSR), with one-third weight

Datwyler's performance on all three indicators will be compared with a peer group of companies. The peer group is a consolidation of the peer companies that are already considered for the calculation of the annual variable incentive.

Peer group

The peer group consists of the following companies:

Amgen	AB S.A.
Aptargroup	Also Holding AG
Aptiv	AO World plc
Atrion Corp.	Bechtle
Becton Dickinson & Company	Ceconomy AG
Bridgestone Corporation	Clas Ohlson AB
Continental	Cnova N.V.
Delphi Technologies	DistIT AB
Gerresheimer	Dustin Group AB
Hexpol AB	Electrocomponents
Johnson Control	Esprinet SpA
Parker-Hannifin	Groupe LDLC
Sanok Rubber Company	Jost Werke AG
Semperit AG Holding	Landi Renzo
Trelleborg	Momentum Group AB
Valeo	OEM International AB
West Pharmaceutical	Qliro Group
ZF Friedrichshafen	Rexel S.A.

The peer group is confirmed by the Board prior to the annual grant of PSUs and may be adjusted if required.

The total number of shares transferred to the participant after the vesting period will be calculated as follows:

$$\text{Number of PSUs originally granted to the participant} \times \text{Combined payout factor (0–200\%)} = \text{Number of shares transferred}$$

Reward for long-term performance

With the long-term incentive plan, a significant portion of compensation of Executive Management is linked to the long-term company's performance. This strengthens the alignment to shareholders' interests. Datwyler's relative performance will be expressed as a percentile rank, which determines a payout factor between 0% and 200%:

- Ranking < 25% of the peer group (threshold): 0% payout
- Ranking at the median of the peer group: 100% payout
- Ranking > 75% of the peer group (cap): 200% payout
- Linear interpolation between those points

The combined payout factor is a weighted average of the payout factors for relative sales growth (one-third weight), relative ROCE growth (one-third weight) and relative TSR (one-third weight) over the three-year vesting period. An independent external specialist will calculate the level of relative performance achievement and the combined payout factor. If Datwyler reports a negative profit after tax (i.e. a loss) from continuous operations during the last year of the three-year vesting period, or if the Board of Directors believes that an adequate dividend cannot be paid out to shareholders, the Board of Directors reserves the right to determine whether and to what extent the PSUs for this period should be forfeited, irrespective of the combined payout factor achieved.

In the case of someone leaving, PSUs are usually forfeited, except in the case of retirement, death, disability or change of control of the company where they are converted into shares for the number of months up to the time of leaving based on the payout factor achieved (pro-rata vesting).

In the event of death, the pro-rata payout is made at the time of leaving (accelerated vesting). It follows the regular vesting schedule in the other cases.

If Datwyler is required to prepare an accounting/financial restatement, clawback and malus provisions will apply to PSUs or shares awarded under the long-term incentive plan. Datwyler shall have the right to forfeit (malus provision) and/or to obtain reimbursement (claw-back provision) of any PSU or shares that were granted or allocated to the participant in the case that fraud or misconduct by the participant has led to the booking correction.

Transition rules

In order to facilitate the transition from the former long-term incentive plan (fixed number of restricted shares) to the new long-term incentive plan that is fully performance-based, specific transition rules have been determined for current members of the Executive Management.

First of all, the individual grant value in the transition years 2018, 2019 and 2020 will be multiplied by a factor of 1.75, 1.5 and 1.25 respectively. This is to compensate for the fact that in each of those years, neither shares will be allocated under the former share participation programme (discontinued) nor under the new long-term incentive plan (no vesting before the year 2020).

Secondly, the vesting schedule for the awards granted in the transition years 2018, 2019 and 2020 is subject to an upper limit, but also a lower limit as follows:

- PSUs granted in 2018: the vesting in 2020 will range from a minimum of 80% to a maximum of 120%
- PSUs granted in 2019: the vesting in 2021 will range from 50% to 150%
- PSUs granted in 2020: the vesting in 2022 will range from 25% to 175%

The Board of Directors has decided to introduce a lower upper limit during the transition period. This is due to the introduction of the above mentioned factor, which could lead to all too high payout values. However, the Board of Directors also decided that the introduction of an upper limit would at the same time be supplemented by a symmetrical lower limit for reasons of fairness. This ensures that the payout values remain in a reasonable range within the transitional phase between the two systems. PSUs granted to current Executive Management members from 2021 onwards will follow the regular plan rules. The same applies to new Executive Management members who are hired after 1 January 2018.

Employer social insurance contributions

Members of the Executive Management participate in the regular employee pension plan provided by Datwyler to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to the sixfold of the maximal retirement pension of the Swiss Governmental Old-Age, Survivors' and Disability Insurance (AHV) and a supplementary plan in which earnings in excess of this limit are insured up to a maximum of the tenfold of the upper limiting amount according to the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG). The benefits provided under the pension fund exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are in line with typical market practice of other industrial companies in Switzerland.

Perquisites

Members of Executive Management do not receive any particular executive benefits. They are entitled to a company car and a fiscally approved entertainment allowance, in accordance with the expense

rules applicable to all employees at management levels employed in Switzerland. Since representation allowance represent a reimbursement of expenses, they are not included in the remuneration tables on page 50.

Employment contracts

Employment contracts with members of Executive Management stipulate a notice period of 6 to 12 months and of 12 months for the CEO. They contain neither a severance provision in the event of termination of employment, nor any change of control clauses. The employment contracts of Executive Management members contain a clawback clause allowing the company, where necessary under applicable Swiss law and the Articles of Association, to recover remuneration already paid, insofar as and to the extent that such remuneration was paid before approval by the Annual General Meeting and the next Annual General Meeting fails to approve the proposals of the Board of Directors.

Remuneration in 2019

The remuneration to current and former members of the Board of Directors and Executive Management and persons connected with them are presented below. Explanations are provided on pages 52 and 53. Tables 1 to 4 have been audited by the statutory auditors.

Table 1: Remuneration Executive Management in 2019 (in CHF)

Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross ²	Performance Share Units ³		Employer social insurance contributions ¹	Perquisites	Total remuneration
				Number	Grant value			
Dirk Lambrecht ¹	CEO	720'000	878'460	4'797	650'089	327'633	9'520	2'585'703
Total for Executive Management		1'942'000	2'122'500	10'332	1'400'193	1'065'384	38'130	6'568'207

¹ Highest remuneration.

² Best estimate at the time of publication of the annual report.

³ The performance share units of the long-term incentive plan were granted on 1 January 2019 based on the Datwyler bearer share price of CHF 135.52 (average closing price 20 trading days prior to the grant date).

Table 2: Remuneration Executive Management in 2018 (in CHF)

Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross	Performance Share Units ³		Employer social insurance contributions ¹	Perquisites	Total remuneration
				Number	Fair value			
Dirk Lambrecht ¹	CEO	720'000	540'000	3'630	650'060	297'409	9'520	2'216'989
Total for Executive Management		1'942'000	1'340'400	7'821	1'400'585	992'255	35'280	5'710'520

¹ Highest remuneration.

² The performance share units of the long-term incentive plan were granted on 1 January 2018 based on the Datwyler bearer share price of CHF 179.08 (average closing price 20 trading days prior to the grant date).

Table 3: Remuneration Board of Directors in 2019 (in CHF)

Surname and first name	Function	Fixed base salary, gross	Share participation ²		Employer social insurance contributions ¹	Total remuneration
			Number	Fair value		
Hälg Paul ¹	Chairman	150'000	2'168	298'750	27'298	476'048
Fässler Hanspeter	Vice Chairman	110'000	1'511	208'216	20'375	338'591
Jens Breu	Director	90'000	986	135'871	14'766	240'637
Cornaz Claude R.	Director	70'000	986	135'871	13'474	219'345
Fedier Jürg	Director	130'000	986	135'871	17'877	283'748
Huber Gabi	Director	70'000	986	135'871	13'474	219'345
Ulmer Hanno	Director	70'000	986	135'871	12'215	218'086
Zhang Zhiqiang	Director	50'000	986	135'871	12'007	197'878
Total for Directors		740'000	9'595	1'322'192	131'486	2'193'678

¹ Highest remuneration.

² The shares were valued on 3 June 2019 at a daily closing price of CHF 137.80

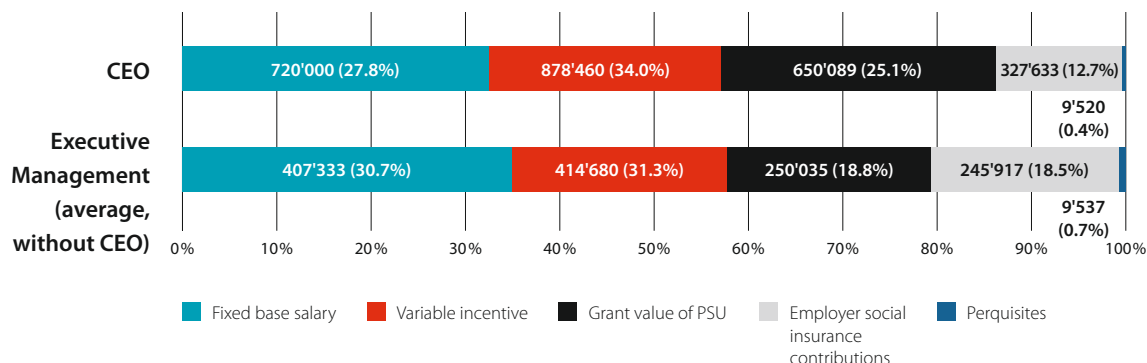
Table 4: Remuneration Board of Directors in 2018 (in CHF)

Surname and first name	Function	Fixed base salary, gross	Share participation ²		Employer social insurance contributions	Total remuneration
			Number	Fair value		
Hälg Paul ¹	Chairman	150'000	1'736	344'075	30'834	524'909
Fässler Hanspeter	Vice Chairman	110'000	1'210	239'822	22'162	371'984
Cornaz Claude R.	Director	70'000	789	156'380	14'473	240'853
Fedier Jürg	Director	130'000	789	156'380	19'047	305'427
Huber Gabi	Director	70'000	789	156'380	14'633	241'013
Ulmer Hanno	Director	70'000	789	156'380	14'129	240'509
Zhang Zhiqiang	Director	50'000	789	156'380	13'162	219'542
Total for Directors		650'000	6'891	1 365'797	128'440	2'144'237

¹ Highest remuneration.

² The shares were valued on 1 June 2018 at a daily closing price of CHF 198.20.

Structure of 2019 remuneration for members of Executive Management (in CHF)



Remuneration mix

The chart above illustrates the remuneration mix for the members of Executive Management for the remuneration related to 2019 and includes the fixed cash salary in 2019, the variable incentive that will be paid out in 2020 related to performance year 2019, the number of performance share units granted in 2019, and the value of benefits received in 2019.

Remuneration paid to members of the Board of Directors and Executive Management

The fixed remuneration for members of the Board of Directors remained unchanged compared to the previous year. For the members of the Board of Directors, the fixed base salary depends on membership of the various committees. Two members of the Board of Directors (representatives in accordance with SCO 709) received higher remuneration in consideration of their efforts in favour of public shareholders.

The Executive Management's variable incentive for the 2019 reporting year was calculated according to the model described in detail on pages 46 to 48. Due to the significant negative special effects of the divestment of Distrelec and Nedis, the Board of Directors decided to use the adjusted values for the calculation of the variable incentive. As the Sealing Solutions division in particular performed very well operationally compared to its defined peer group, this resulted in a higher variable incentive than in the previous year.

The following provisional figures for the collective performance component are based on the available revenue and profit figures of the peer group and the Datwyler Group as at mid-December 2019. The Sealing Solutions division outperformed 92.2% of the peer group in net revenue growth and 73.9% in EBIT

improvement. The Technical Components division surpassed 11.3% of the peer group in net revenue growth and 66.2% in EBIT improvement. Both indicators – net revenue growth and EBIT improvement – are afforded the same weighting as far as their aggregate value is concerned.

An external, independent specialist calculated the provisional figures for net revenue growth and EBIT improvement relative to peer groups of similar companies. Based on the annual reports published by peer companies, the same specialist will ascertain the definitive figures in April 2020 before the date on which the collective performance component is paid out.

In terms of the individual performance component for members of the Executive Management, the Board of Directors envisages achievements between 82% and 90% for the year under review, with the definitive figures to be calculated on the basis of the annual financial statements.

Overall, this equates to a variable incentive of 122.0% of the annual fixed base salary for the CEO in 2019 (target: 90%; maximum rate: 180%). For the members of the Executive Management excluding the CEO, the average variable incentive corresponds to 101.8% of the annual fixed base salary (target: 60%; maximum rate: 120%). In absolute figures, the variable incentive for the entire Executive Management in 2019 was CHF 782'100 or 58.3% above the previous year's figure (best estimate on the date of publication of this remuneration report). This is the result of the revenue and EBIT development compared to the prior year. On an adjusted basis, both divisions performed significantly better than their peer group.

If the variable incentive that is ultimately paid out differs significantly from the amount shown in the remuneration table on page 50, the Remuneration Report of the following year will state this.

The share participation for the members of the Board of Directors for the year 2019 was determined by the Nomination and Compensation Committee and approved by the Board of Directors in accordance with the maximum aggregate amount approved by the Annual General Meeting and Art. 21b of the Articles of Association. The grant of bearer shares as of 3 June 2019 was based on a fixed amount and the average share price of the 20 trading days prior to the grant date. Due to the lower share price compared to the previous year, the number of granted shares increased in the year under review. The granted shares are blocked for a period of five years. After the end of this period, the shares are at the free disposal of the beneficiary or his or her legal successor regardless of death, disability or termination.

For members of Executive Management, a long-term incentive plan with performance share units has been in place since 2018 (for details see pages 48 and 49). The performance share units were granted on 1 January 2019 based on the Datwyler bearer share price of CHF 135.52 (average closing price 20 trading days prior to the grant date). The grant value of the granted performance share units is only insignificantly lower than in the previous year.

The heading employer social insurance contributions includes all employer expenditures for pension plans and social security contributions. Perquisites reflect the employer's contribution to private use of business vehicles and child allowances.

The total remuneration of the Board of Directors and the Executive Management is significantly below the maximum total remuneration figures of CHF 2.4 million and CHF 8.8 million respectively, which the shareholders approved for the 2019 fiscal year at the 2018 Annual General Meeting.

Remuneration of former members of the Board of Directors and Executive Management

No remuneration was paid to former members of the Board of Directors or Executive Management in the year under review, nor was any non-arm's length remuneration paid to persons connected with current or former members of the Board of Directors or Executive Management.

Loans and credits

The Articles of Association do not allow for the possibility to grant loans and/or credits to current or former members of the Board of Directors or Executive Management or persons connected with them.

Remuneration outlook

The Board of Directors will propose the following maximum total sums to the 2020 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2021 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2021 fiscal year:

- Board of Directors (eight members): CHF 2'400'000, of which CHF 800'000 for cash remuneration plus CHF 1'600'000 for granting of Dätwyler Holding Inc. bearer shares. The maximum amounts proposed have not changed compared to the previous year.
- Executive Management (new five instead of four members): CHF 8'650'000, of which CHF 5'700'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 2'950'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

As part of the announced reorganisation, the Board of Directors has decided to adjust the performance components of the variable salary component for the Executive Management from 2020. The individual performance component will be replaced by a correspondingly increased collective performance component from 2020. This will continue to be measured on the basis of the two previous equally weighted performance indicators of net sales growth and EBIT relative to a peer group (see page 46). By replacing personal targets with collective targets, Datwyler aims to promote agile collaboration across hierarchical levels and departments and accelerate the implementation of customer requests and development projects.

The peer group is the same as the existing one for the Sealing Solutions division (see p. 47) and applies across the board to all members of the Executive Management. For the CEO, the targets, as a percentage of the annual fixed base salary, are each based on 45% for both net revenue growth and EBIT improvement relative to the peer group. The upper limit for the variable incentive remains unchanged for the CEO at 180% of the annual fixed base salary. For the other members of the Executive Management, the targets, as a percentage of the annual fixed base salary, are based on a range between 11.25% and 30% – depending on the person's role – for both net revenue growth and EBIT improvement relative to the peer group. This in turn gives an upper limit for the variable incentive of between 45% and 120% of the annual fixed base salary.

The long-term participation scheme remains unchanged, except for the peer group being reduced to the existing peer companies for the Sealing Solutions division from 2020 due to the decision to proceed with divestment of the distribution business.

Report of the statutory auditor on the Remuneration Report



Report of the Statutory Auditor

To the General Meeting of Dätwyler Holding AG, Altdorf

We have audited the accompanying remuneration report of Dätwyler Holding AG for the year ended 31 December 2019. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 1 to 4 on pages 50 to 51 and page 53 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 December 2019 of Dätwyler Holding AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Zurich, 3 February 2020

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich

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Consolidated Financial Statements

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Group Financial Review

CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

In 2019, the Datwyler Group generated net revenue of CHF 1'360.8 million (previous year CHF 1'361.6 million), representing an decrease of 0.1%. The effect of subsidiaries acquired amounted to CHF 59.1 million or 4.3%. The negative impact from foreign currency translation to Swiss francs on consolidation was 2.6%. Adjusted for these factors, an organic decrease of 1.8% resulted.

On 23 December 2019, Datwyler Group signed an agreement for the sale of all Distrelec and Nedis subsidiaries including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong. Accordingly, these entities are presented as discontinued operations in the income statement, see also note 32 of the consolidated financial statements.

Change in net revenue

in CHF millions	2019	%	2018	%
Acquisition/disposal of subsidiaries	59.1	4.3%	19.4	1.5%
Foreign currency translation to CHF	-35.0	-2.6%	25.3	1.9%
Organic change	-24.9	-1.8%	25.5	2.0%
Total change in net revenue	-0.8	-0.1%	70.2	5.4%

The gross profit margin decreased to 24.1% (previous year 25.2%). Gross profit was impacted by negative foreign currency translation effects of 2.2% and by raw material prices slightly down 0.1%. Other organic change of gross profit amounted to -8.3%.

Change in gross profit

in CHF millions	2019	%	2018	%
Acquisition/disposal of subsidiaries	20.4	6.0%	4.6	1.4%
Foreign currency translation to CHF	-7.5	-2.2%	4.9	1.5%
Impact raw material purchases	0.5	0.1%	-8.5	-2.6%
Other organic change	-28.5	-8.3%	12.4	3.8%
Total change in gross profit	-15.1	-4.4%	13.4	4.1%

In 2019, the Group's operating result (EBIT) was CHF -40.3 million (previous year CHF 170.0 million) and the EBIT margin was -3.0% (previous year 12.5%) with the following factors contributing to this change:

Change in operating result

in CHF millions	2019	%	2018	%
Acquisition/disposal of subsidiaries	13.2	7.7%	2.0	1.3%
Foreign currency translation to CHF	-3.9	-2.3%	1.0	0.6%
Impairment and provision charges	-178.9	-105.2%	-	-
Other organic change	-40.7	-23.9%	4.4	2.7%
Total change in operating result	-210.3	-123.7%	7.4	4.6%

As a result of the agreement for the sale of Distrelec and Nedis, the operating result in 2019 was impacted by impairment charges of CHF 169.0 million, see also note 32 of the consolidated financial statements. Additionally, the operating result was affected by charges in the amount of CHF 9.9 million relating to onerous contracts which were recorded as provisions. The operating result includes a gain of CHF 0.3 million (previous year CHF 0.5 million) on sale of property, plant and equipment.

Net finance costs decreased to CHF 7.5 million (previous year CHF 9.5 million), with slightly higher interest expense of CHF 1.9 million (previous year CHF 1.8 million). Income tax expense decreased to CHF 38.8 million (previous year CHF 39.5 million). Accordingly, the tax ratio before impairment charges increased to 32.0% (previous year 24.6%). The Group's weighted average income tax rate for 2019 was 22.6% (previous year 23.6%).

The net result amounts to CHF -86.6 million (previous year CHF 121.0 million).

CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets decreased by CHF 153.1 million during the year to CHF 1'161.7 million (previous year CHF 1'314.8 million), mainly influenced by the impairment charges on the assets of discontinued operations. Trade accounts receivable decreased to CHF 163.1 million (previous year CHF 198.0 million) and inventories decreased to CHF 141.3 million (previous year CHF 230.9 million). With trade accounts payable of CHF 68.8 million (previous year CHF 76.3 million), net working capital decreased by 33.2% to CHF 235.6 million (previous year CHF 352.6 million). Cash and cash equivalents increased by CHF 21.1 million.

Compared to the previous year, equity decreased by CHF 152.3 million to CHF 675.1 million (previous year CHF 827.4 million), maintaining a solid equity ratio of 58.1% (previous year 62.9%). The significant changes in equity include the net result of CHF -86.6 million (previous year CHF 121.0 million), the dividend payment of CHF -51.0 million (previous year CHF -51.0 million), the offset of goodwill from acquisitions of CHF -0.1 million (previous year CHF -124.4 million) and negative currency translation differences of CHF -15.7 million (previous year CHF -17.1 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debt decreased by CHF 24.4 million during the year to CHF 46.1 million (previous year CHF 70.5 million). In the previous year, on 30 May 2018, a 0.625% CHF 150.0 million bond was placed at an issue price of 100.368%. Interest payments are due annually on 30 May and the bond is repayable on 30 May 2024. The 1.125% CHF 150.0 million bond was repaid on 7 June 2018 at nominal value. The Group's liquidity situation remains good, with cash and cash equivalents amounting to CHF 191.9 million (previous year CHF 170.8 million) at year-end. Including the bond of CHF 150.1 million and the loan of CHF 88.5 million granted by Pema Holding AG, net debt amounts to CHF 92.8 million (previous year CHF 109.8 million).

Current assets decreased by 16.8% to CHF 531.9 million (previous year CHF 639.6 million). Non-current assets decreased by 6.7% to CHF 629.8 million (previous year CHF 675.2 million).

CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF -86.6 million (previous year CHF 121.0 million), net cash from operating activities amounted to CHF 174.8 million (previous year CHF 162.9 million). These cash flows were used to pay for investments in property, plant and equipment totalling CHF 91.6 million (previous year CHF 137.9 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 6.7% versus 10.1% a year earlier. In addition, operating cash flow was in the previous year partly used for the acquisition of subsidiaries in the amount of CHF 188.7 million. Repayment of bank debt amounted to CHF 24.2 million net (previous year proceeds of CHF 57.0 million). In addition, Pema Holding AG granted additional loans in the amount of CHF 28.5 million (previous year CHF 60.0 million). Overall cash outflows and inflows led to a net change in cash and cash equivalents of CHF 24.0 million (previous year CHF -108.0 million), resulting in a cash and cash equivalents balance of CHF 191.9 million (previous year CHF 170.8 million) at year-end.

ADDITIONAL INFORMATION

The commentary of the significant events during the year under review is presented on pages 2 to 21 of this annual report.

Full-time equivalents

The annual average of full-time equivalents was 7'979 (previous year 7'705).

Risk assessment

As part of its duties to oversee the management of the Group, the Board of Directors of Dätwyler Holding Inc. conducts a systematic risk assessment at least once a year. At its meeting held on 24 September 2019, the Board of Directors acknowledged management's report on group-wide risk management and approved the proposed actions included therein.

Financial risk management

The Datwyler Group's global operations expose it to a variety of financial risks, including currency risk, interest rate risk, credit risk, liquidity risk and market price risk. The nature of these risks has not changed significantly from the previous year. The Group's financial risk management measures, implemented without change from the previous year, seek to minimise potential adverse effects of the unpredictability of financial markets on the Group's financial performance. For this purpose, derivative financial instruments are used to hedge risks and exposures.

Liquidity reserves

in CHF millions	2019	2018
Cash and cash equivalents	191.9	170.8
Available credit lines	335.0	305.8
Total liquidity reserves	526.9	476.6

Net cash surplus

in CHF millions	2019	2018
Cash and cash equivalents	191.9	170.8
Less short-term bank debt	-45.7	-63.6
Net cash surplus	146.2	107.2

Order intake and backlog

For Datwyler Group overall no meaningful order intake or backlog data can be presented because the business in the Technical Components division is mostly executed on a daily basis with no significant order intake and backlog existing.

Research and development expenses

The research and development expenses are disclosed in the consolidated income statement. The research and development activities relate to various projects primarily for customers or products in the Sealing Solutions division.

Exceptional events

Acquisition and sale of subsidiaries are disclosed in note 31, other business transactions are presented in note 2 of the notes to the consolidated financial statements.

Future outlook

The estimates relating to the future outlook are presented on pages 6 to 21 of this annual report.

Consolidated Income Statement

in CHF millions							
	Note	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		2019	2019	2019	2018	2018	2018
Net revenue	3	1'088.5	272.3	1'360.8	1'060.9	300.7	1'361.6
Cost of goods sold		-812.1	-220.7	-1'032.8	-779.4	-239.1	-1'018.5
Gross profit		276.4	51.6	328.0	281.5	61.6	343.1
Research and development expenses		-28.9	-	-28.9	-28.0	-	-28.0
Marketing and selling expenses		-52.2	-41.0	-93.2	-48.8	-45.5	-94.3
General and administrative expenses	4	-79.9	-17.4	-97.3	-51.3	-20.8	-72.1
Other operating income	4	19.5	0.9	20.4	20.4	1.2	21.6
Other operating expenses		-0.1	-0.2	-0.3	-0.2	-0.1	-0.3
Impairment charges	32	-	-169.0	-169.0	-	-	-
Operating result	3	134.8	-175.1	-40.3	173.6	-3.6	170.0
Net finance result	8	-6.8	-0.7	-7.5	-8.5	-1.0	-9.5
Earnings before tax (EBT)		128.0	-175.8	-47.8	165.1	-4.6	160.5
Income tax expenses	9	-32.8	-6.0	-38.8	-32.4	-7.1	-39.5
Net result		95.2	-181.8	-86.6	132.7	-11.7	121.0
Net result per bearer share (in CHF)	24	5.60	-10.69	-5.09	7.81	-0.69	7.12

For both years, there were no dilutive effects affecting the net result per share.

The accompanying notes on pages 64 to 92 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	31.12.2019	31.12.2018
Cash and cash equivalents	10	191.9	170.8
Trade accounts receivable	11	163.1	198.0
Inventories	12	141.3	230.9
Other receivables	13	24.0	27.3
Prepayments made and accrued income		11.6	12.6
Current assets		531.9	639.6
Property, plant and equipment	14	543.5	566.2
Intangible assets	15	23.4	26.0
Deferred income tax assets	22	61.9	80.0
Miscellaneous financial assets	16	1.0	3.0
Non-current assets		629.8	675.2
Total assets		1'161.7	1'314.8

Liabilities and equity

in CHF millions	Note	31.12.2019	31.12.2018
Trade accounts payable	19	68.8	76.3
Short-term bank debt	17	45.7	63.6
Current interest-bearing liabilities due to Pema Holding AG	32	88.5	60.0
Current provisions	21	14.9	17.0
Other current liabilities	20	33.6	42.9
Accrued expenses and deferred income		51.5	43.7
Current liabilities		303.0	303.5
Long-term bank debt	17	0.4	6.9
0.625% bond 2018–2024	18	150.1	150.1
Long-term provisions	21	17.0	7.4
Deferred income tax liabilities	22	11.0	13.0
Pension liabilities	6	3.8	4.1
Other long-term liabilities	20	1.3	2.4
Long-term liabilities		183.6	183.9
Total liabilities		486.6	487.4
Share capital	23	0.9	0.9
Treasury shares	25	–	–
Additional paid-in capital		205.1	205.1
Goodwill offset against equity		–780.7	–780.6
Retained earnings		1'374.6	1'511.1
Cumulative translation adjustments		–124.8	–109.1
Equity		675.1	827.4
Total liabilities and equity		1'161.7	1'314.8

The accompanying notes on pages 64 to 92 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF millions	Note	2019	2018
Net result		-86.6	121.0
Income tax expenses	9	38.8	39.5
Depreciation and amortisation	7	68.4	61.5
Impairment charges	32	169.0	–
Share award and long-term incentive plan		2.4	2.1
Exchange differences		6.3	9.9
Loss/(gain) on sale of property, plant and equipment, net		0.1	-0.2
Change in long-term provisions and pension liabilities		10.7	-3.2
Interest income	8	-0.8	-0.2
Interest expense	8	1.9	1.8
Operating cash flow before changes in working capital		210.2	232.2
Change in trade accounts receivable		5.2	5.8
Change in other receivables, prepayments made and accrued income		-1.6	-8.5
Change in inventories		-3.4	-12.7
Change in trade accounts payable		-6.0	-3.9
Change in other current liabilities, accrued expenses and deferred income		8.7	-5.0
Change in current provisions		-2.6	-1.5
Interest received		0.7	0.3
Interest paid		-1.8	-2.1
Income tax paid		-34.6	-41.7
Net cash from operating activities		174.8	162.9
Disbursements relating to purchases of / investments in:			
Property, plant and equipment		-91.6	-137.9
Intangible assets		-14.3	-11.7
Subsidiaries (net of cash and cash equivalents acquired)	31	–	-188.7
Earn-out payments		-0.1	–
Financial assets		-0.0	–
Proceeds from sale of:			
Property, plant and equipment		2.3	2.8
Financial assets		2.1	0.6
Net cash used in investing activities		-101.6	-334.9
Proceeds from short-term bank debt		40.1	64.8
Repayment of short-term bank debt		-64.3	-7.8
Proceeds from loan payable to Pema Holding AG	33	28.5	60.0
Net proceeds from issue of bond	18	–	150.1
Repayment of bond	18	–	-150.0
Decrease in finance lease and other long-term liabilities		-1.2	-0.4
Purchase of treasury shares		-1.3	-1.7
Dividend paid to shareholders		-51.0	-51.0
Net cash (used in) / provided by financing activities		-49.2	64.0
Net change in cash and cash equivalents		24.0	-108.0
Cash and cash equivalents at 1 January	10	170.8	281.8
Effect of exchange rate changes on cash and cash equivalents		-2.9	-3.0
Cash and cash equivalents at 31 December	10	191.9	170.8

The accompanying notes on pages 64 to 92 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in CHF millions

	Share capital ¹	Treasury shares	Additional paid-in capital	Goodwill offset against equity	Retained earnings	Cumulative translation adjustments ²	Total equity ³
At 1 January 2018	0.9	–	205.1	–656.2	1'440.7	–92.0	898.5
Net result	–	–	–	–	121.0	–	121.0
Dividends	–	–	–	–	–51.0	–	–51.0
Purchase of treasury shares (see note 25)	–	–1.7	–	–	–	–	–1.7
Share award plan (see note 26)	–	1.7	–	–	–	–	1.7
Long-term incentive plan (see note 26)	–	–	–	–	0.4	–	0.4
Offset of goodwill from acquisitions (see note 15)	–	–	–	–124.4	–	–	–124.4
Currency translation differences	–	–	–	–	–	–17.1	–17.1
At 31 December 2018	0.9	–	205.1	–780.6	1'511.1	–109.1	827.4
Net result	–	–	–	–	–86.6	–	–86.6
Dividends	–	–	–	–	–51.0	–	–51.0
Purchase of treasury shares (see note 25)	–	–1.3	–	–	–	–	–1.3
Share award plan (see note 26)	–	1.3	–	–	–	–	1.3
Long-term incentive plan (see note 26)	–	–	–	–	1.1	–	1.1
Offset of goodwill from acquisitions (see note 15)	–	–	–	–0.1	–	–	–0.1
Currency translation differences	–	–	–	–	–	–15.7	–15.7
At 31 December 2019	0.9	–	205.1	–780.7	1'374.6	–124.8	675.1

¹ Holding company's share capital: CHF 850'000 (previous year CHF 850'000).

² Arising on translation of subsidiaries' equity and income statements denominated in foreign currencies.

³ At 31 December 2019 shareholders' equity includes legal reserves of CHF 209.1 million (previous year CHF 209.3 million), of which CHF 38.3 million (previous year CHF 38.5 million) are not distributable.

The accompanying notes on pages 64 to 92 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Datwyler Group. They have been prepared in accordance with the complete set of Swiss GAAP Accounting and Reporting Recommendations (Swiss GAAP ARR) and are based on the subsidiaries' annual financial statements at 31 December which are prepared using uniform classification and accounting policies. The consolidated financial statements are prepared under the going concern assumption, based on the historical cost principle, and also comply with the Listing Rules of the SIX Swiss Exchange and the provisions of Swiss Corporation Law. The Board of Directors of Dätwyler Holding Inc. approved the consolidated financial statements at its meeting on 3 February 2020 for submission to the Annual General Meeting on 11 March 2020.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Dätwyler Holding Inc. domiciled in Altdorf (Switzerland) and all subsidiaries that belonged to the Group during the year and over which Dätwyler Holding Inc. had the power to govern the financial and operating policies so as to obtain benefits from their activities. At Datwyler Group, this is achieved when more than 50% of a subsidiary's share capital or voting rights is unconditionally owned directly or indirectly by Dätwyler Holding Inc.

A list of the subsidiaries included in the consolidation is presented in note 35.

Consolidation method

The reporting date for Dätwyler Holding Inc., all subsidiaries and the consolidated financial statements is 31 December.

The full consolidation method is applied to all subsidiaries included in the consolidation. Their assets, liabilities, income and expenses are incorporated in full. Minority interests are presented as a separate component of the Group's equity and net result. The purchase method of accounting is used to account for the acquisition of subsidiaries. Under this method, the carrying amount of the investment in a subsidiary is offset against the Group's share of the fair value of the subsidiary's net assets.

Intercompany transactions and balances are eliminated. Unrealised intercompany profits on goods and services supplied within the Group but not yet sold to third parties are eliminated on consolidation.

Companies over which the Group has the power to exercise significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, are classified as associates and accounted for using the equity method. At year-end of the current reporting year, the Group had no investments classified as associates.

Companies acquired or established or those in which the Group increases its interest and thereby obtains control during the year are consolidated from the date of formation or date on which control commences. Companies are deconsolidated from the date that control effectively ceases upon disposal or a reduction in ownership interest.

Foreign currency translation

TRANSLATION FOR CONSOLIDATION PURPOSES

The financial statements of foreign subsidiaries are prepared in local currencies. For the purpose of consolidation, the local financial statements are translated into Swiss francs (CHF), which is the Group's presentation currency. The principal exchange rates used to translate foreign currencies in the Datwyler Group were as follows:

	2019		2018	
	Closing rate at 31.12.	Average rate for the year	Closing rate at 31.12.	Average rate for the year
100 CNY	13.88	14.41	14.25	14.78
1 EUR	1.09	1.11	1.12	1.15
1 USD	0.97	0.99	0.98	0.98

For the purpose of presenting consolidated financial statements, assets and liabilities for each balance sheet are translated at the closing rate at the balance sheet date, while income statements, cash flow statements and other movements are translated at average exchange rates for the year.

Exchange differences arising from the translation of balance sheets and income statements of foreign subsidiaries are taken directly to reserves (currency translation reserve in equity) and not recognised in the income statement.

TRANSLATION OF BALANCES AND TRANSACTIONS IN THE ACCOUNTS OF SUBSIDIARIES

In preparing the financial statements of the individual subsidiaries, assets and liabilities denominated in foreign currencies are translated at the closing rates used in the consolidation. Exchange differences resulting from the settlement of foreign currency transactions and from the translation of assets and liabilities denominated in foreign currencies are recognised as foreign exchange gains or losses in the income statement. Exchange differences from the valuation of equity-like loans denominated in foreign currencies or in CHF at foreign subsidiaries are directly charged to equity.

Income statement and balance sheet

REVENUE RECOGNITION

In the Sealing Solutions division revenues are mainly generated from the sale of products from own production and in the Technical Components division from distribution of goods for resale. Revenue arising from the sale of manufactured products and goods for resale is recognised when the significant risks and rewards of ownership have passed to the buyer, which generally coincides with their delivery, depending on the terms agreed for instance ex works or on arrival at the customer's destination. Revenue under long-term multiple supply contracts is recorded when each instalment is delivered, according to the quantity delivered. Revenue from services rendered is recognised by reference to the stage of completion in the period in which the services were rendered.

GROSS PROFIT

The income statement is presented using the functional format where gross profit represents net revenue less cost of goods sold.

RESEARCH AND DEVELOPMENT

Research expenditure is recognised as an expense in the period in which it is incurred. Development costs are capitalised only if it can be demonstrated that future economic benefits will be generated. Otherwise they are charged to the income statement.

INCOME TAX EXPENSE

Current income tax is calculated on taxable profits for the year and recognised on an accrual basis.

Deferred income tax is provided, using the liability method, on all temporary differences and recognised as tax liabilities or assets. Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The same method is also used to provide for differences arising on acquisitions between the fair value and tax base of the assets acquired. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right and intends to settle its current tax assets and liabilities on a net basis. Deferred tax is calculated using local tax rates that have been enacted by the balance sheet date.

Tax losses carried forward and other temporary valuation differences are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Provision is made for tax that will arise on the distribution of profits retained by subsidiaries, mainly comprising non-refundable withholding tax and income tax in the parent company, if it is intended to remit such profits in the form of dividends.

CASH AND CASH EQUIVALENTS AND MONEY MARKET INVESTMENTS

Cash and cash equivalents comprise cash in hand, deposits in postal and bank accounts, and money market investments with original maturities of three months or less. They are stated at nominal value. Money market investments with a maturity of 91 to 360 days are also stated at nominal value and classified separately in the balance sheet.

TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

Trade accounts receivable and other current receivables are recognised at nominal value less provision for any impairment.

Doubtful debts are provided for by way of specific provisions and taking into account the actual losses expected based on past experience. Delinquency in payment by customers, or the probability that the debtor will enter bankruptcy or financial reorganisation are considered indicators of impairment. The provision for impairment of receivables is presented separately. The amount of the provision is the difference between the receivable's carrying amount and its current estimated recoverable amount. When receivables are no longer collectible, they are written off against the provision for impairment. Changes in the carrying amount of the provision for impairment and income from recoveries of receivables previously written off are recognised in the income statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Purchasing discounts received are offset against the production cost of inventories. Production cost comprises all direct material and manufacturing costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method. Appropriate provisions are made for slow-moving inventories and obsolete inventories are fully written off. If the net realisable value of inventories is lower than their purchase price or production cost, then their carrying amount is written down as necessary.

PROPERTY, PLANT AND EQUIPMENT

Land is stated at cost. Buildings, plant and equipment are stated at cost less depreciation, calculated on a straight-line basis to write off the assets over their estimated useful lives, and less any impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the assets into working condition for their intended use.

The estimated useful lives and depreciation periods are as follows:

	Years
Buildings:	
Building structures	20–40
Interiors	20
Installations, storage equipment, tanks, silos, etc.	10–20
Production equipment	10–15
Production equipment: electrical/electronic equipment	5–8
Machinery	8–10
Moulds and tools	3

Land is generally not depreciated, but any impairment loss is recognised.

Costs of maintenance and renovations, other than improvements, are charged to the income statement. Borrowing costs of long-term projects actually incurred during construction in progress are capitalised, all other financing costs are expensed as incurred.

The residual values and useful lives of property, plant and equipment are reviewed annually and adjusted, if appropriate.

LEASES

The Datwyler Group leases certain assets. Finance leasing and operating leasing agreements are treated differently. In a finance lease, the lessor transfers substantially all the risks and rewards relating to ownership of the leased asset to the Datwyler Group. The fair value of such assets or, if lower, the net present value of the future minimum lease payments is therefore recognised as a non-current asset and as a finance lease liability in the balance sheet. Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets mainly include software as well as licences, patents and other intangible assets which are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of software are between 3 and 5 years.

GOODWILL

Goodwill arising on business combinations represents the excess of the cost of acquisition over the Group's interest in the fair value of the acquired assets and liabilities at the date of acquisition. Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalisation and amortisation of goodwill is disclosed in the notes to the consolidated financial statements. On sale of an acquired subsidiary, goodwill from acquisitions formerly directly offset against equity is charged to income at original cost when calculating the gain or loss on sale. For the determination of goodwill from acquisitions, parts of the purchase price contingent on future performance are estimated best possible at the date of acquisition. Accordingly, goodwill offset against equity is modified for adjustments resulting later from the final purchase price determination. Goodwill may also arise upon investments in associates, being the excess of the cost of investment over the Group's share of the fair value of the net assets recognised.

IMPAIRMENT OF NON-CURRENT ASSETS AND GOODWILL

At every balance sheet date an assessment is made for non-current assets (in particular property, plant, equipment, intangible assets, financial assets as well as goodwill offset against equity) whether indicators for an impairment exist. If indicators for a continuous impairment exist, the recoverable amount of the asset is determined. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset belongs.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. As goodwill is fully offset against equity at the date of acquisition, an impairment of goodwill will not affect income, but only be disclosed in the notes to the consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments used for hedging balance sheet items are recognised at fair value on the date a derivative contract is entered into and are recorded as other receivables or other current liabilities. Derivatives are subsequently remeasured to their current fair value at each balance sheet date, with unrealised gains and losses recognised in the income statement. Fair values of derivative financial instruments are determined by reference to current market prices on the balance sheet date. Changes in the fair value of derivative financial instruments used to hedge future cash flows are directly recognised in equity until realised.

The Group uses forward exchange contracts and currency options to hedge its exposure to foreign currency risk.

MISCELLANEOUS FINANCIAL ASSETS

Miscellaneous financial assets include loans to third parties and minority shareholdings. Loans receivable and minority shareholdings are stated at cost less appropriate impairment losses.

TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at nominal value.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. A provision for the expected costs associated with restructuring is recognised when a detailed restructuring plan has been developed and the measures have been approved before the balance sheet date. For long-term provisions material discounting effects are considered.

BANK DEBT

Bank debt is recognised at nominal value. Discounts are netted with bank debt and recognised on a straight-line basis in the financial result of the income statement over the period of the respective bank loan. Bank debt is classified as current liabilities unless the Group has the right to defer settlement of the liability for at least 12 months after the balance sheet date.

BONDS

Bonds are initially recorded at issue price net of issue costs. Issue costs and any discount or premium are recognised in the financial result of the income statement over the period of the respective bond.

DIVIDENDS

Dividend payments to shareholders are recognised as a liability in the balance sheet in the period in which the dividends are approved by shareholders.

PENSION BENEFITS

Pension benefit obligations of subsidiaries are recognised in the consolidated financial statements according to legal regulations and local rules of the respective countries. The actual economic impact of pension schemes for a Group company is calculated as at balance sheet date. An economic benefit is recorded, if it will be used for future pension contributions made by the company. An economic obligation is recognised if the requirements to record a provision are met. Unrestricted employer contribution reserves are capitalised as an asset.

The Swiss subsidiaries of the Group have their own legally independent pension schemes financed by employer and employee contributions. The economic impact of a funding surplus or deficit of pension schemes for the Group, the change in employer contribution reserves and the contributions accrued for the period are charged to income as personnel expenses. The calculation of a funding surplus or deficit is made based on the annual financial statements of the respective pension schemes prepared in accordance with Swiss GAAP ARR 26.

There are no significant pension schemes in foreign countries. Certain foreign subsidiaries have unfunded pension schemes and recognise the respective benefit obligation as a provision directly in the balance sheet. Such pension liabilities are calculated using methods accepted in the respective countries with changes charged to income as personnel expenses. In addition, in certain countries there are comprehensive coverages with insurance companies where the paid insurance premiums are recorded as an expense.

SHARE AWARD PLAN AND LONG-TERM INCENTIVE PLAN

The share award plan was introduced in 2007 and from 2019 only directors will participate in this plan, see note 26. The awarding of shares is based on a fixed monetary amount. The number of shares to be awarded, representing the fixed monetary amount, is determined based on market value. Share-based payments under the share award plan are recognised as personnel expenses in full at issue date, because the voting and dividend rights of shares awarded are transferred to the beneficiaries at issue date. The shares awarded under the share award plan may not be sold for a period of five years after issue date.

Since 2018, there has been a long-term incentive plan for senior executives, granting the participants a conditional right to receive bearer shares of Dätwyler Holding Inc. subject to fulfilment of certain conditions after completion of a three-year vesting period. Participants leaving the company before completion of the three-year vesting period usually will forfeit the right to receive shares. The number of shares to be received after completion of the vesting period is dependent on the share price performance as well as on achieving three performance targets in comparison with a peer group of companies.

CAPITAL MANAGEMENT

The Group has a solid equity base. It consequently focuses the management of its capital structure on the equity of the Group as a whole, the following objectives and policies being relevant:

- Where possible and economically viable, the Group finances its operations through equity, the objective being to maintain an equity ratio of at least 40%.
- A portion of profits generated is paid out to owners as dividends, taking into account current financing needs and compliance with legal requirements. The current dividend policy is generally to maintain a payout ratio of some 40% of the Group's net result for the year.

2 / BUSINESS ACQUISITIONS AND DISPOSALS

Acquisitions and disposals during 2019 and 2018 are shown below, see also note 31. The percentages in brackets indicate the percentage voting rights held in each company.

Transactions 2019

COMPANIES ESTABLISHED

Datwyler IT Services SIA, domiciled in Riga, Latvia (100%)

MERGERS

At the end of 2019, Datwyler Pharma Packaging International NV (100%) was merged with Datwyler Pharma Packaging Belgium NV.

Transactions 2018

COMPANIES ESTABLISHED

Datwyler Parco Holdings, Inc., domiciled in Wilmington (Delaware), USA (100%)

ACQUISITIONS

Bins Indústria de Artefatos de Borracha Ltda., domiciled in São Leopoldo, Brazil (100%)

Parco LLC, domiciled in Ontario (California), USA (100%) and Double-E LLC, domiciled in Dallas (Texas), USA (100%)

MERGERS

In 2018 Nedis Proditec AG (100%) was merged with Dätwyler Schweiz AG.

At the end of 2018, Datwyler Sealing Solutions do Brasil Ltda was merged with Bins Indústria de Artefatos de Borracha Ltda.

LIQUIDATIONS

Nedis Slovakia a.s., Bratislava, Slovakia (100%)

3 / SEGMENT INFORMATION

in CHF millions	Sealing Solutions	Technical Components	Elimi- nations	Total Group
2019				
Revenue from external customers	915.6	445.2	–	1'360.8
Inter-segment revenue	–	0.0	–0.0	–
Total net revenue	915.6	445.2	–0.0	1'360.8
Operating result	124.2	–164.5	–	–40.3
Operating result as % of net revenue	13.6%	–36.9%	–	–3.0%

in CHF millions	Sealing Solutions	Technical Components	Elimi- nations	Total Group
2018				
Revenue from external customers	891.1	470.5	–	1'361.6
Inter-segment revenue	–	0.0	–0.0	–
Total net revenue	891.1	470.5	–0.0	1'361.6
Operating result	155.5	14.5	–	170.0
Operating result as % of net revenue	17.5%	3.1%	–	12.5%

The Datwyler Group is a focused industrial supplier with leading positions in global and regional markets. The Group is organised into two divisions.

The result of the Group management functions is allocated to the divisions using a revenue-based key. The divisions are managed independently and their business performance is measured separately.

The Sealing Solutions division offers customised sealing solutions in the markets health care, automotive and general industries. The significant manufacturing and distribution companies are located in Switzerland, Germany, Belgium, Italy, the Czech Republic, Ukraine, China, South Korea, India, the USA, Brazil and Mexico.

The Technical Components division is a high-service distributor of maintenance, automation, electronic and ICT components and accessories with about 30 distribution and service companies across Europe. Significant operations are located in Switzerland, Germany, the Netherlands as well as in Scandinavia. On 23 December 2019, Datwyler Group signed an agreement for the sale of all Distrelec and Nedis subsidiaries including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong, see also note 32 of the consolidated financial statements.

Net revenue by geographical region

<u>in CHF millions</u>	2019	2018
Switzerland	201.8	203.2
Rest of Europe	758.9	780.8
North and South America	245.3	198.1
Asia	148.8	172.9
Other markets	6.0	6.6
Total Group	1'360.8	1'361.6

Net revenue by geographical region corresponds to revenue from external customers by destination.

4 / ADDITIONAL INCOME STATEMENT DISCLOSURES

Material expense of CHF 587.8 million (previous year CHF 588.6 million) is included in the income statement.

Other operating income includes gain on sale of property, plant and equipment of CHF 0.3 million (previous year CHF 0.5 million) as well as ancillary revenues and rental income. In 2019, general and administrative expenses include charges in the amount of CHF 9.9 million relating to onerous contracts which were recorded as provisions.

5 / PERSONNEL EXPENSES

<u>in CHF millions</u>	2019	2018
Wages and salaries	296.3	279.0
Benefit costs	65.5	60.5
State social security contributions	39.6	38.2
Pension costs (see note 6)	12.0	10.0
Other benefit costs	13.9	12.3
Other employee costs	14.1	14.9
Total personnel expenses	375.9	354.4

Since 2007, Directors and senior executives receive a portion of their remuneration in the form of bearer shares of Dätwyler Holding Inc., see note 26.

6 / EMPLOYEE BENEFIT SCHEMES

Economic benefit / obligation and pension costs

in CHF millions	Funding surplus/deficit according to Swiss GAAP ARR 26	Economic impact Group	Economic impact Group	Changes not affecting income ¹	Change to prior year or charge to income current year	Contributions for the period	Pension costs in personnel expenses	Pension costs in personnel expenses
	31.12.2019	31.12.2019	31.12.2018				2019	2018
Welfare funds Switzerland	0.4	–	–	–	–	–	–	–
Pension schemes without funding surplus/deficit Switzerland	–	–	–	–	–	–	–	6.1
Pension schemes with funding surplus Switzerland	–	–	–	–	–	6.9	6.9	–
Pension schemes without funding surplus/deficit abroad	–	–	–	–	–	3.9	3.9	3.5
Unfunded pension schemes abroad	–	–3.8	–4.1	–0.2	–0.1	1.3	1.2	0.4
Total	–	–3.8	–4.1	–0.2	–0.1	12.1	12.0	10.0

¹ Translation differences.

At year-end 2019, as at the end of the previous year, no employer contribution reserves (ECR) existed. The Swiss pension schemes calculate their pension benefit obligations using the statistical assumptions of the VZ 2015 mortality tables and a discount rate of 1.5% (previous year 1.75%). The pension conversion rate was 5.6% in the current year.

Summary of pension costs

in CHF millions	Switzerland	Abroad	Total
	2019	2019	2019
Contributions to pension schemes expensed at Group companies	6.9	5.2	12.1
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	6.9	5.2	12.1
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	6.9	5.2	12.1
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	–0.1	–0.1
Total change in economic impact from excess/insufficient coverage	–	–0.1	–0.1
= Pension costs included in personnel expenses for the period	6.9	5.1	12.0

in CHF millions	Switzerland	Abroad	Total
	2018	2018	2018
Contributions to pension schemes expensed at Group companies	6.1	4.2	10.3
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	6.1	4.2	10.3
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	6.1	4.2	10.3
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	–0.3	–0.3
Total change in economic impact from excess / insufficient coverage	–	–0.3	–0.3
= Pension costs included in personnel expenses for the period	6.1	3.9	10.0

7 / DEPRECIATION AND AMORTISATION

in CHF millions	2019	2018
Depreciation of property, plant and equipment (see note 14)	59.8	54.3
Amortisation of intangible assets (see note 15)	8.6	7.2
Impairment charges (see notes 14 and 15)	46.2	–
Total depreciation and amortisation	114.6	61.5

8 / NET FINANCE RESULT

in CHF millions	2019	2018
Interest expense on bond, bank and other loans	1.9	1.8
Interest expense on finance leases	0.0	0.0
Fair value loss on forward exchange contracts	0.1	–
Net foreign exchange loss on financing activities	5.2	11.9
Finance charges	1.1	1.3
Total interest and finance expenses	8.3	15.0
Interest income on bank deposits and loans receivable	–0.8	–0.2
Fair value gain on forward exchange contracts	–	–5.3
Total interest and finance income	–0.8	–5.5
Net finance result (expenses, net)	7.5	9.5

9 / INCOME TAX EXPENSES

in CHF millions	2019	2018
Current income tax expense	26.3	35.1
Deferred income tax expense	12.5	4.4
Total income tax expenses	38.8	39.5

The effective tax charge on earnings before tax, using the weighted average income tax rate of 22.6% (previous year 23.6%) of the Group, can be analysed as follows:

in Mio. CHF	2019	2018
Earnings before tax	-47.8	160.5
Income tax expense calculated at the weighted average tax rate	-10.8	37.8
Effect of current year tax losses not recognised and reassessment of tax loss carryforwards	46.5	3.4
Tax rate deviation from the weighted average income tax rate of the Group	4.1	-
Effect of previously unrecognised tax loss carryforwards used against taxable profits	-0.8	-0.0
Change in tax rates for deferred income taxes	1.7	-1.4
Expense and income items treated differently for tax purposes	-2.6	-2.7
Non-refundable taxes on intra-group charges and dividends	0.7	0.6
Prior year tax adjustments	-0.0	1.6
Other effects	0.0	0.2
Total (current and deferred) income tax expenses	38.8	39.5

Taxable results differing by region are responsible for changes in the weighted average tax rate.

10 / CASH AND CASH EQUIVALENTS

in CHF millions	2019	2018
Cash in hand and at bank	190.5	159.5
Money market investments (original maturities up to 90 days)	1.4	11.3
Total cash and cash equivalents	191.9	170.8

11 / TRADE ACCOUNTS RECEIVABLE

in CHF millions	2019	2018
Trade accounts receivable from third parties, gross	190.3	199.1
Provision for impairment of trade accounts receivable	-27.5	-2.6
Total trade accounts receivable from third parties, net	162.8	196.5
Trade accounts receivable from related parties	0.3	1.5
Total trade accounts receivable, net	163.1	198.0

Aging analysis of gross trade accounts receivable from third parties

in CHF millions	2019	2018
Not yet due	157.8	164.6
Past due 1–30 days	20.4	21.7
Past due 31–60 days	4.1	6.7
Past due 61–90 days	2.1	1.7
Past due 91–180 days	2.7	1.5
Past due more than 180 days	3.2	2.9
Total trade accounts receivable from third parties, gross	190.3	199.1

Movements in provision for impairment of trade accounts receivable

in CHF millions	2019	2018
At 1 January	2.6	3.0
Charge for the year	26.8	1.4
Unused amounts reversed	-1.1	-0.9
Receivables written off as uncollectible	-0.7	-0.7
Acquisition/disposal of subsidiaries	-	0.0
Exchange differences	-0.1	-0.2
At 31 December	27.5	2.6
Of which specific provisions for impairment	2.3	2.4

12 / INVENTORIES

in CHF millions	2019	2018
Raw material, gross	29.7	31.2
Consumables, gross	19.6	18.9
Work in progress, gross	17.5	16.7
Finished goods, gross	49.1	51.0
Goods for resale, gross	143.3	144.1
Provision for impairment of inventories	-117.9	-31.0
Total inventories	141.3	230.9

13 / OTHER RECEIVABLES

in CHF millions	2019	2018
Withholding, capital and value added tax receivables	9.7	10.9
Current income tax assets	4.6	4.0
Prepayments made, advances given and deposits made	4.7	3.4
Derivative assets: forward exchange contracts (see note 28)	3.2	3.9
Miscellaneous receivables	6.3	5.1
Provision for impairment of other receivables	-4.5	-
Total other receivables	24.0	27.3

14 / PROPERTY, PLANT AND EQUIPMENT

in CHF millions	Real estate	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total property, plant and equipment
PROPERTY, PLANT AND EQUIPMENT 2019					
At cost					
At 1 January 2019	305.0	654.3	48.4	174.7	1'182.4
Additions	3.8	25.9	3.8	56.8	90.3
Disposals	-3.1	-6.9	-1.5	-	-11.5
Transfers	14.4	44.5	0.9	-59.8	-
Exchange differences	-5.9	-14.3	-1.1	-3.2	-24.5
At 31 December 2019	314.2	703.5	50.5	168.5	1'236.7
Accumulated depreciation					
At 1 January 2019	-129.6	-452.7	-33.9	-	-616.2
Depreciation expense	-10.3	-45.0	-4.5	-	-59.8
Impairment charges (see note 32)	-22.1	-13.2	-2.9	-	-38.2
Disposals	1.5	6.5	1.1	-	9.1
Exchange differences	2.1	8.9	0.9	-	11.9
At 31 December 2019	-158.4	-495.5	-39.3	-	-693.2
Net book values					
At 1 January 2019	175.4	201.6	14.5	174.7	566.2
At 31 December 2019	155.8	208.0	11.2	168.5	543.5

in CHF millions	Real estate	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total property, plant and equipment
PROPERTY, PLANT AND EQUIPMENT 2018					
At cost					
At 1 January 2018	298.6	607.9	47.2	127.2	1'080.9
Additions	2.1	25.9	4.2	94.1	126.3
Disposals	-3.8	-8.3	-3.2	-	-15.3
Transfers	11.4	31.3	1.3	-44.0	-
Acquisition/disposal of subsidiaries	4.2	15.3	0.8	0.0	20.3
Exchange differences	-7.5	-17.8	-1.9	-2.6	-29.8
At 31 December 2018	305.0	654.3	48.4	174.7	1'182.4
Accumulated depreciation					
At 1 January 2018	-124.1	-430.7	-34.2	-	-589.0
Depreciation expense	-9.8	-40.6	-3.9	-	-54.3
Disposals	1.9	7.9	2.9	-	12.7
Exchange differences	2.4	10.7	1.3	-	14.4
At 31 December 2018	-129.6	-452.7	-33.9	-	-616.2
Net book values					
At 1 January 2018	174.5	177.2	13.0	127.2	491.9
At 31 December 2018	175.4	201.6	14.5	174.7	566.2

Acquisition/disposal of subsidiaries include the additions from acquisitions and the disposals on sale of subsidiaries, see also notes 2 and 31.

Other details of property, plant and equipment

in CHF millions	2019	2018
Leased property, plant and equipment, at cost	3.2	3.4
Accumulated depreciation	-2.3	-2.0
Net book value of property, plant and equipment under finance leases	0.9	1.4

At year-end, property, plant and equipment in the amount of CHF 0.4 million (previous year CHF 0.8 million) were pledged or assigned to secure own liabilities. Assets under construction include prepayments made in the amount of CHF 8.2 million (previous year CHF 15.8 million). Additions to property, plant and equipment include no capitalised borrowing costs (previous year none). At balance sheet date, commitments for capital expenditure on property, plant and equipment amounted to CHF 33.9 million (previous year CHF 49.7 million).

15 / INTANGIBLE ASSETS

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2019			
At cost			
At 1 January 2019	57.6	3.3	60.9
Additions	14.2	0.1	14.3
Disposals	-2.7	-	-2.7
Exchange differences	-0.4	-0.1	-0.5
At 31 December 2019	68.7	3.3	72.0
Accumulated amortisation			
At 1 January 2019	-32.6	-2.3	-34.9
Amortisation expense	-7.2	-0.5	-7.7
Impairment charges (see note 32)	-8.9	-	-8.9
Disposals	2.6	-	2.6
Exchange differences	0.3	0.0	0.3
At 31 December 2019	-45.8	-2.8	-48.6
Net book values			
At 1 January 2019	25.0	1.0	26.0
At 31 December 2019	22.9	0.5	23.4

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2018			
At cost			
At 1 January 2018	46.3	3.5	49.8
Additions	11.7	-	11.7
Disposals	-0.1	-	-0.1
Acquisition/disposal of subsidiaries	0.1	-	0.1
Exchange differences	-0.4	-0.2	-0.6
At 31 December 2018	57.6	3.3	60.9
Accumulated amortisation			
At 1 January 2018	-26.3	-1.8	-28.1
Amortisation expense	-6.6	-0.6	-7.2
Disposals	0.1	-	0.1
Exchange differences	0.2	0.1	0.3
At 31 December 2018	-32.6	-2.3	-34.9
Net book values			
At 1 January 2018	20.0	1.7	21.7
At 31 December 2018	25.0	1.0	26.0

Intangible assets include no assets under finance leases (previous year none). Additions to software include capitalised cost in the amount of CHF 3.6 million (previous year CHF 4.2 million).

Goodwill from acquisitions

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalisation and amortisation of goodwill is disclosed below:

Theoretical movement schedule for goodwill

in CHF millions	2019	2018
At cost		
At 1 January	780.6	656.2
Additions from acquisition of subsidiaries	–	124.6
Adjustments from earn-out agreements	0.1	–0.2
At 31 December	780.7	780.6
Accumulated amortisation		
At 1 January	–646.9	–631.2
Amortisation expense	–33.6	–15.7
Impairment charges	–	–
At 31 December	–680.5	–646.9
Theoretical net book values		
At 1 January	133.7	25.0
At 31 December	100.2	133.7

Goodwill is theoretically amortised on a straight-line basis usually over 5 years. The carrying amounts of goodwill existing on conversion from IFRS to Swiss GAAP ARR at 1 January 2009 have been included in the theoretical movement schedule above using the closing rates prevailing at 1 January 2009. Goodwill from new acquisitions is converted once to Swiss francs using the closing rate as at acquisition date. With this procedure no exchange differences result in the movement schedule.

Impact on income statement

in CHF millions	2019	2018
Operating result according to income statement	–40.3	170.0
Amortisation of goodwill	–33.6	–15.7
Theoretical operating result incl. amortisation of goodwill	–73.9	154.3
Net result according to income statement	–86.6	121.0
Amortisation of goodwill	–33.6	–15.7
Theoretical net result incl. amortisation of goodwill	–120.2	105.3

Impact on balance sheet

in CHF millions	2019	2018
Equity according to balance sheet	675.1	827.4
Theoretical capitalisation of goodwill (net book value)	100.2	133.7
Theoretical equity incl. net book value of goodwill	775.3	961.1
Equity according to balance sheet	675.1	827.4
Equity as % of total assets	58.1%	62.9%
Theoretical equity incl. net book value of goodwill	775.3	961.1
Theoretical equity incl. net book value of goodwill as % of total assets	61.4%	66.4%

16 / MISCELLANEOUS FINANCIAL ASSETS

in CHF millions	2019	2018
Long-term loans to third parties	0.4	0.3
Other financial investments	0.6	2.7
Total miscellaneous financial assets	1.0	3.0

17 / BANK DEBT

in CHF millions	2019	2018
Bank overdrafts	–	2.2
Current portion of long-term bank loans	45.7	61.4
Total short-term bank debt	45.7	63.6
Long-term bank loans	0.4	6.9
Total bank debt	46.1	70.5
Secured portion of short-term and long-term bank debt	0.0	0.8

The average interest rate was 0.7% for the short-term bank debt in Swiss francs, euros and Brazilian reals and 1.5% for the long-term bank loans in euros.

Maturity of long-term bank debt

in CHF millions	2019	2018
Within 2 years	0.1	6.3
Within 3 years	–	0.3
Within 4 years	–	0.0
Within 5 years	0.3	0.0
Beyond 5 years	–	0.3
Total long-term bank debt	0.4	6.9

18 / BOND

On 30 May 2018, a 0.625% CHF 150.0 million bond was placed at an issue price of 100.368%. Interest payments are due annually on 30 May and the bond is repayable on 30 May 2024. The 1.125% CHF 150.0 million bond was repaid on 7 June 2018 at nominal value.

19 / TRADE ACCOUNTS PAYABLE

Trade accounts payable include accounts payable to related parties of CHF 0.1 million (previous year CHF 0.2 million).

20 / OTHER LIABILITIES

Other current liabilities

in CHF millions	2019	2018
Customer advances received	6.5	6.9
Social security liabilities	3.9	3.5
Current income tax liabilities	2.1	9.7
Capital and value added tax liabilities	6.8	6.3
Current finance lease liabilities (see notes 14 and 15)	0.3	0.4
Other short-term loans payable and financial liabilities	–	0.0
Deferred earn-out obligations	0.6	0.6
Derivative liabilities: forward exchange contracts (see note 28)	0.1	0.6
Miscellaneous current liabilities	13.3	14.9
Total other current liabilities	33.6	42.9

Other long-term liabilities

Other long-term liabilities include long-term finance lease liabilities of CHF 0.3 million (previous year CHF 0.7 million) and deferred earn-out obligations of CHF 0.6 million (previous year CHF 1.2 million), see also note 31.

21 / PROVISIONS

in CHF millions	Employees and social security	Restruc- turing	Warranty and liability claims	Other	Total
PROVISIONS 2019					
At 1 January 2019	21.8	–	0.7	1.9	24.4
Charges	20.4	–	0.1	11.6	32.1
Uses	–21.8	–	–0.1	–1.6	–23.5
Unused amounts reversed	–0.0	–	–0.3	–0.1	–0.4
Exchange differences	–0.5	–	–0.1	–0.1	–0.7
At 31 December 2019	19.9	–	0.3	11.7	31.9
Thereof current provisions	12.8	–	0.3	1.8	14.9
Thereof long-term provisions	7.1	–	–	9.9	17.0

in CHF millions	Employees and social security	Restruc- turing	Warranty and liability claims	Other	Total
PROVISIONS 2018					
At 1 January 2018	23.6	1.3	0.3	3.1	28.3
Charges	19.9	–	0.7	1.5	22.1
Uses	–19.3	–1.3	–0.3	–2.6	–23.5
Unused amounts reversed	–2.8	–	–0.0	–0.2	–3.0
Acquisition/disposal of subsidiaries	1.3	–	0.0	–	1.3
Exchange differences	–0.9	–0.0	–0.0	0.1	–0.8
At 31 December 2018	21.8	–	0.7	1.9	24.4
Thereof current provisions	14.6	–	0.7	1.7	17.0
Thereof long-term provisions	7.2	–	–	0.2	7.4

Discounting

Long-term provisions amounting to CHF 1.0 million were discounted using discount rates between 0.0% and 7.2%.

Employees and social security

This provision covers holiday pay, overtime, statutory termination benefits, long-term employee retention plans and similar liabilities. The provisions are calculated based on actual data.

Warranty and liability claims

The Datwyler Group gives warranties in connection with the products and services it provides. These are based on local legislation or contractual arrangements as well as on past experience. The provision for liability claims is based on actual claims reported, which are generally settled within one year.

Other provisions

Other provisions among others include provisions for rental contracts of redundant facilities. Additionally, charges in the amount of CHF 9.9 million relating to onerous contracts were recorded as provisions in 2019.

22 / DEFERRED INCOME TAX ASSETS/LIABILITIES

in CHF millions	2019	2018
At 1 January:		
Deferred income tax assets	80.0	48.8
Deferred income tax liabilities	13.0	14.9
Deferred income tax (assets)/liabilities, net	-67.0	-33.9
Deferred income tax expense/(credit)	12.5	4.4
Impairment charges relating to deferred income tax assets (see note 32)	2.9	-
Changes directly affecting equity	-	-
Acquisition/disposal of subsidiaries (see note 31)	-	-38.2
Exchange differences	0.7	0.7
At 31 December:		
Deferred income tax assets	61.9	80.0
Deferred income tax liabilities	11.0	13.0
Deferred income tax (assets)/liabilities, net	-50.9	-67.0

Deferred income taxes are calculated at every subsidiary using the local effective income tax rates (weighted average around 22%, previous year around 23%) applicable.

Tax loss carryforwards

Total available tax loss carryforwards result in deferred income tax assets, gross, of CHF 70.8 million (previous year CHF 34.4 million), of which a net amount of CHF 11.2 million (previous year CHF 17.0 million) was capitalised. Deferred income tax assets were impacted by valuation allowances for and non-capitalisation of tax loss carryforwards in the amount of CHF 59.6 million (previous year CHF 17.4 million).

23 / SHARE CAPITAL

Composition

in CHF	2019	2018
22 million registered shares of CHF 0.01 each	220'000	220'000
12.6 million bearer shares of CHF 0.05 each	630'000	630'000
Total share capital	850'000	850'000

Per share data

	2019	2018
Bearer shares		
Par value (CHF)	0.05	0.05
Number issued	12'600'000	12'600'000
Number with voting rights and ranking for dividend	12'600'000	12'600'000
Proposed/approved dividend per bearer share (CHF)	3.00 ¹	3.00
Registered shares		
Par value (CHF)	0.01	0.01
Number issued	22'000'000	22'000'000
Number ranking for dividend	22'000'000	22'000'000
Proposed/approved dividend per registered share (CHF)	0.60 ¹	0.60
Total par value of shares ranking for dividend (CHF)	850'000	850'000
Authorised additional share capital	none	none
Authorised contingent share capital	none	none
Registration/voting restrictions	none	none
Opting-out and opting-up provisions	none	none

¹ See Board of Directors' proposed appropriation of retained earnings.

24 / NET RESULT PER SHARE

Net result per share is calculated by dividing net result by the weighted average number of shares in issue and ranking for dividend, excluding the weighted average number of treasury shares. The weighted value of the 22'000'000 registered shares represents 4'400'000 bearer shares. As in the previous year, the weighted average number of bearer and registered shares outstanding was 17 million shares in total. The short-time purchase and subsequent award of treasury shares, see notes 25 and 26, had no noticeable impact on the calculation of earnings per share. The net result per share of CHF -5.09 (previous year CHF 7.12) thus arises from the simple division of the net result of CHF -86.6 million (previous year CHF 121.0 million) by the weighted average number of 17 million shares.

25 / TREASURY SHARES

9'595 (previous year 8'541) shares were purchased in 2019 from the related party Pema Holding AG at the current market price of CHF 137.80 (previous year CHF 198.20) and subsequently awarded within the scope of the share award plan, see note 26. At the end of 2019 as at the end of the previous year, the Group held no treasury shares.

26 / SHARE AWARD PLAN AND LONG-TERM INCENTIVE PLAN

Since 2007, Directors and senior executives have received a portion of their remuneration in the form of bearer shares of Dätwyler Holding Inc.

The share award plan was introduced in 2007 and from 2019 only directors will participate in this plan. In the transition year 2018 shares were awarded for the last time to senior executives excluding members of the executive management. The awarding of shares is based on a fixed monetary amount. The number of shares to be awarded, representing the fixed monetary amount, is determined based on current market value. Share-based payments under the share award plan are recognised as personnel expenses in full at issue date, because the voting and dividend rights of shares awarded are transferred to the beneficiaries at issue date. The shares awarded under the share award plan may not be sold for a period of five years after issue date. In June 2019, Directors were awarded a total of 9'595 (previous year 6'891) bearer shares and senior executives were awarded no (previous year 1'650) bearer shares of Dätwyler Holding Inc., see also note 25. Personnel expenses relating to the share award plan amount to CHF 1.3 million (previous year CHF 1.7 million), without impact on additional paid-in capital (previous year no impact on additional paid-in capital).

Since 2018, there has been a long-term incentive plan for senior executives, granting the participants a conditional right to receive bearer shares of Dätwyler Holding Inc. subject to fulfilment of certain conditions after completion of a three-year vesting period. Participants leaving the company before completion of the three-year vesting period usually will forfeit the right to receive shares. The number of shares to be received after completion of the vesting period is dependent on the share price performance as well as on achieving three performance targets in comparison with a peer group of companies. Personnel expenses for the long-term incentive plan attributable to 2019 amount to CHF 1.1 million (previous year CHF 0.4 million). Shares will be awarded for the first time in 2021 under this plan.

27 / SHAREHOLDERS

At year-end 2019, Pema Holding AG holds as in the previous year all 22'000'000 registered shares, plus 5'103'096 (previous year 5'112'691) of the total of 12'600'000 bearer shares of Dätwyler Holding Inc. This represents 78.33% (previous year 78.36%) of the voting rights and 55.90% (previous year 55.96%) of the share capital. The entire share capital of Pema Holding AG is held by Dätwyler Führungs AG, thereby indirectly possessing the majority of the voting rights in Dätwyler Holding Inc.

The Board of Dätwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold 3% or more of the total voting rights.

28 / DERIVATIVE FINANCIAL INSTRUMENTS

The Group economically hedges part of its exposure to foreign currency risk on trade accounts receivable and payable as well as intercompany loans. Forward exchange contracts and currency options, which generally have maturities of less than 12 months, are used as hedging instruments.

Unsettled forward exchange contracts

in CHF millions	31.12.2019	31.12.2018
Positive fair value	3.2	3.9
Notional amounts	273.7	341.5
Negative fair value	0.1	0.6
Notional amounts	23.4	48.4

These forward exchange contracts have maturities until June 2020. Positive fair values are recorded as other receivables (see note 13), while negative fair values have been recognised in other current liabilities (see note 20).

29 / CONTINGENT LIABILITIES

In the ordinary course of business, the Group is exposed to a number of risks among others in connection with litigation cases and outstanding or disputed tax assessments which can lead to possible obligations (contingent liabilities). For most actual cases the amounts involved are insignificant. No provisions have been made where the outcome of such matters is uncertain or the risk is not quantifiable or an outflow of resources is not probable. Provisions have been recognised to the extent that the outcome can be reliably estimated and an outflow of resources is probable.

At year-end 2019, guarantees amounting to CHF 0.3 million in favour of third parties existed. The Datwyler Group has not given any other guarantees in respect of its business relationships with third parties. Performance bonds and guarantees within the Group have been eliminated on consolidation. There are no subordination agreements with third parties.

With the agreement to sell Distrelec and Nedis at the end of 2019, the Group granted usual contractual guarantees to the purchasers. These guarantees are in general limited to a maximum of CHF 5.0 million and apply for certain cases for a maximum period of 5 years or until barred by statute. At present, no claims from the purchasers are known.

30 / COMMITMENTS

Maturities of commitments under operating leases, long-term rental and outsourcing agreements

in CHF millions	2019	2018
Less than 1 year	15.3	22.4
Between 2 and 5 years	38.7	37.9
Over 5 years	4.1	4.9
Total commitments	58.1	65.2

Total commitments include CHF 33.1 million (previous year CHF 36.4 million) relating to IT outsourcing contracts for the years 2020 to 2025. Operating lease payments recognised as an expense in the income statement amounted to CHF 6.8 million (previous year CHF 6.6 million). There are no individually significant operating leases.

31 / ACQUISITION AND SALE OF SUBSIDIARIES

Acquisitions of subsidiaries had the following effect on the Group's assets and liabilities in the previous year:

Acquisitions in 2018

At the beginning of September 2018, Bins Indústria de Artefatos de Borracha Ltda. in São Leopoldo, Brazil, was fully acquired by the Sealing Solutions division. Since September until the end of 2018, the acquired company employing an average of 371 people generated net revenue of CHF 6.1 million. The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from this transaction.

in CHF millions	Fair value on acquisition
Cash and cash equivalents	0.1
Trade accounts receivable	2.0
Inventories	2.6
Other current assets	0.2
Property, plant and equipment	2.5
Other non-current assets	0.2
Current liabilities	-4.0
Long-term liabilities	-0.8
Net assets acquired at fair value	2.8
Goodwill including directly attributable transaction costs	7.3
Total	10.1
Less deferred deferred earn-out obligations	-1.8
Less cash and cash equivalents acquired	-0.1
Net cash outflow on acquisition	8.2

At the beginning of October 2018, Parco LLC in Ontario (California) and Double-E LLC in Dallas (Texas), USA, were fully acquired by the Sealing Solutions division. Since October until the end of 2018, the acquired companies employing an average of 250 people generated net revenue of CHF 13.3 million. The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from this transaction.

in CHF millions	Fair value on acquisition
Cash and cash equivalents	4.0
Trade accounts receivable	7.1
Inventories	5.1
Other current assets	0.3
Property, plant and equipment	17.8
Intangible assets	0.1
Deferred income tax assets	38.2
Current liabilities	-5.2
Long-term liabilities	-0.2
Net assets acquired at fair value	67.2
Goodwill including directly attributable transaction costs	117.3
Total	184.5
Less cash and cash equivalents acquired	-4.0
Net cash outflow on acquisition	180.5

32 / DISCONTINUED OPERATIONS

On 23 December 2019, Datwyler Group signed an agreement for the sale of all Distrelec and Nedis subsidiaries including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong. Accordingly, these entities are presented as discontinued operations in the income statement, see also note 32 of the consolidated financial statements. As distributors of electronic components, Distrelec and Nedis as part of the Technical Components division in 2019 generated net revenue of CHF 272.3 million in various European countries, employing some 840 employees. In note 35, the respective subsidiaries and the countries affected by the discontinued operations are marked accordingly. The closing of the transaction is expected in the first quarter of 2020 subject to the fulfilment of the usual conditions for completion. As a result of the sales agreement, the income statement in 2019 was impacted by impairment charges of CHF 169.0 million in total, which were allocated proportionally to the assets of the discontinued operations excluding cash and cash equivalents, see the following table.

in CHF millions	31.12.2019
Cash and cash equivalents	16.1
Trade accounts receivable	29.3
Inventories	103.9
Other current assets	7.0
Property, plant and equipment	44.7
Intangible assets	9.3
Other non-current assets	3.5
Total assets before impairment charges	213.8
Impairment charges	-169.0
Total assets after impairment charges	44.8

In addition, the liabilities of discontinued operations include long-term liabilities of CHF 2.6 million at 31 December 2019. On deconsolidation of the respective subsidiaries in 2020, a non-cash loss will result from goodwill of CHF 415.3 million charged to income on sale of subsidiaries and from realising the cumulative translation adjustments of the foreign subsidiaries to be sold, which amounted to CHF 53.4 million at the end of 2019. Neither item will affect total equity.

33 / RELATED PARTY TRANSACTIONS

Pema Holding AG

Transactions between the companies include the dividend payments to Pema Holding AG of CHF 28.5 million (previous year CHF 28.6 million) and administrative costs of CHF 20'000 (previous year CHF 20'000) for administration and accounting services provided by Alvest AG. In addition, the following transactions with Pema Holding AG and its subsidiaries occurred in 2019: Net revenue of CHF 0.0 million (previous year CHF 0.0 million), material expense of CHF 0.8 million (previous year CHF 0.8 million), IT and trademark service revenues and other service revenue of CHF 7.8 million in total (previous year CHF 8.1 million) and service expenses of CHF 0.9 million (previous year CHF 0.6 million). Pema Holding AG grants a loan to Dätwyler Holding Inc. in the amount of CHF 88.5 million (previous year CHF 60.0 million) with interest charges of CHF 0.4 million (previous year CHF 0.1 million). 9'595 shares (previous year 8'541 shares) of Dätwyler Holding AG were purchased from Pema Holding AG at the current market price of CHF 137.80 (previous year CHF 198.20), see notes 25 and 26. Accounts receivable and payable with Pema Holding AG and its subsidiaries are disclosed as items with related parties in notes 11 and 19.

Pension schemes

Alvest AG charged administrative costs of CHF 0.2 million (previous year CHF 0.2 million) to the pension schemes.

Remuneration of Directors and Executive Board members

Except for the remuneration as disclosed in the remuneration report on pages 42 to 54 of this annual report, no further relations or transactions existed in 2019 and 2018 with the members of the Board of Directors and the Executive Board.

34 / EVENTS AFTER BALANCE SHEET DATE

The Board of Directors and the Executive Board are not aware of any other significant events occurring up to the date of approval of the consolidated financial statements on 3 February 2020 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

35 / SUBSIDIARIES

Dätwyler Holding Inc. directly or indirectly owned the following fully consolidated subsidiaries at 31 December 2019, all with a capital and voting interest of 100%. There are no minority interests.

		Registered office	Original currency	Capital in original currency (in millions)	Technical Components	Sealing Solutions	Service and financial companies
SWITZERLAND	Alvest AG *	Altdorf	CHF	15.000			●
	Dätwyler AG *	Altdorf	CHF	0.100			●
	Dätwyler IT Services AG *	Altdorf	CHF	0.100			●
	Dätwyler Schweiz AG *	Schattdorf	CHF	32.000		○	
	Dätwyler Sealing Solutions International AG	Schattdorf	CHF	0.100		●	
	Dätwyler Teco Holding AG *	Altdorf	CHF	9.900	●		
	Dätwyler Technical Components AG	Altdorf	CHF	0.100	●		
	Distrelec AG *	Altdorf	CHF	0.090			●
	Pohl Immobilien AG	Schattdorf	CHF	1.600		●	
	Teco Immobilien AG	Altdorf	CHF	0.500	●		
BELGIUM	Dätwyler Pharma Packaging Belgium NV	Alken	EUR	17.693		○	
	Nedis NV °	Geel	EUR	0.062	□		
BRAZIL	Bins Indústria de Artefatos de Borracha Ltda.	São Leopoldo	BRL	36.694		□	
CHINA	Dätwyler Sealing Technologies (Anhui) Co., Ltd.	Ningguo	USD	5.000		○	
	Dätwyler Sealing Technologies (Wuxi) Co., Ltd.	Wuxi	USD	5.000		○	
	TeCo Asia Technology (Shenzhen) Co. Ltd °	Shenzhen	CNY	0.500	●		
DENMARK	Elfa Distrelec A/S °	Aarhus	DKK	1.000	□		
GERMANY	Dätwyler Pharma Packaging Deutschland GmbH	Karlsbad	EUR	2.600		○	
	Dätwyler Sealing Technologies Deutschland GmbH	Waltershausen	EUR	0.256		○	
	Dätwyler Teco Holding (Deutschland) GmbH	Sande	EUR	3.100	●		
	Distrelec GmbH °	Bremen	EUR	0.800	□		
	Nedis GmbH °	Willich	EUR	0.026	□		
	Dätwyler Sealing Solutions Deutschland GmbH & Co. KG	Cleebronn	EUR	1.000		○	
	Reichelt Elektronik GmbH & Co. KG	Sande	EUR	3.000	□		
UK	Distrelec Ltd. °	Manchester	GBP	0.002	●		
	Nedis (UK) Limited °	Leicester	GBP	0.009	□		
ESTONIA	Elfa Distrelec OÜ °	Tallinn	EUR	0.079	□		
FINLAND	Elfa Distrelec Oy °	Helsinki	EUR	0.020	□		
	Nedis Oy °	Savonlinna	EUR	0.017	□		
FRANCE	Nedis SAS °	Nantes	EUR	0.100	□		
HONG KONG	Teco Asia Limited °	Hong Kong	HKD	0.010	●		

		Registered office	Original currency	Capital in original currency (in millions)	Technical Components	Sealing Solutions	Service and financial companies
INDIA	Datwyler IT Services India LLP	Magarpatta, Pune	INR	0.100			●
	Datwyler Pharma Packaging India Private Limited	Kesurdi, Satara	INR	656.233		○	
ITALY	Datwyler Pharma Packaging Italy srl	Milano	EUR	2.000		○	
	Distrelec Italia srl °	Milano	EUR	1.275	□		
	Nedis Italia srl °	Milano	EUR	0.100	□		
	Datwyler Sealing Solutions Italy S.p.A.	Viadanica	EUR	1.300		○	
LATVIA	Elfa Distrelec SIA °	Riga	EUR	0.008	□		
	Datwyler IT Services SIA	Riga	EUR	0.003			●
LITHUANIA	Elfa Distrelec UAB °	Vilnius	EUR	0.003	□		
MEXICO	Datwyler Sealing Technologies Mexico S DE RL DE CV	Silao	MXN	82.000		○	
NETHERLANDS	Datwyler TeCo Holding B.V. °	Amsterdam	EUR	51.768	●		
	Distrelec B.V. °	's-Hertogenbosch	EUR	0.064	□		
	Nedis B.V. °	's-Hertogenbosch	EUR	0.045	□		
	Nedis Group B.V. °	's-Hertogenbosch	EUR	0.018	●		
	TeCo CDC B.V. °	Amsterdam	EUR	0.018	●		
NORWAY	Elfa Distrelec AS °	Trollåsen	NOK	0.200	□		
AUSTRIA	Distrelec Gesellschaft m.b.H. °	Wien	EUR	0.145	□		
	Nedis Elfogro GmbH °	Wien	EUR	0.035	□		
POLAND	Elfa Distrelec Spz oo °	Warschau	PLN	0.100	□		
SWEDEN	Elfa Distrelec AB °	Kista	SEK	0.100	□		
	Nedis AB °	Kista	SEK	3.575	□		
SPAIN	Nedis Iberia SL °	Barcelona	EUR	0.153	□		
SOUTH KOREA	Datwyler Korea Inc.	Daegu	KRW	1'131.000		○	
CZECH REPUBLIC	Datwyler Sealing Technologies CZ s.r.o.	Nový Bydžov	CZK	20.000		○	
	Nedis Kerr s.r.o. °	Modřice	CZK	0.100	□		
UKRAINE	Datwyler Sealing Technologies Ukraine JSC	Malyn	UAH	12.500		○	
HUNGARY	Nedis Kft. °	Budapest	HUF	13.040	□		
USA	Datwyler Parco Holdings Inc.	Wilmington	USD	0.000		●	
	Datwyler Pharma Packaging USA Inc.	Pennsauken	USD	9.130		○	
	Datwyler Sealing Solutions USA Inc.	Dayton	USD	0.153		○	
	Double-E LLC	Dallas	USD	0.000		○	
	Parco LLC	Ontario	USD	0.000		○	

- Manufacturing and sales
□ Distribution
● Services/finance/real estate

* = Held directly by Dätwyler Holding Inc.
° = Part of discontinued operations, see note 32



Statutory Auditor's Report

To the General Meeting of Dätwyler Holding AG, Altdorf

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dätwyler Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2019 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 60 to 92) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Revenue Recognition



Discontinued Operations

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report of the Statutory Auditor on the Consolidated Financial Statements



Revenue Recognition

Key Audit Matter

Consolidated net revenue recognized for the year ended 31 December 2019 amounted to CHF 1,360.8 million. Revenues are an important metric to evaluate the Group's business performance and are therefore considered by external and internal stakeholders.

In the Sealing Solutions Division revenues are mainly generated from the sale of products from own production and in the Technical Components Division from distribution of goods for resale. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer in accordance with the agreed terms and conditions.

Risk and rewards of ownership generally transfer with their delivery. Revenues under long-term multiple supply contracts are recorded at delivery of each instalment, according to the quantity delivered. These circumstances have to be considered when determining the appropriate time of revenue recognition. This results in a significant risk from an audit perspective.

There is an additional risk that Revenues may be deliberately over- or understated in order for management to achieve planned results. This could for example occur by manipulating inputs in the Group's accounting system.

Based on this rationale, we consider revenue recognition as a key audit matter.

Our response

We obtained an understanding of the revenue recognition process from initiating sales orders to payment receipts. Based on this we critically assessed whether transactions are completely and accurately recorded in the consolidated financial statements.

We considered the existence (design and implementation) of the relevant controls within the Group and we tested the operating effectiveness of key controls relating to revenue recognition on a sample basis.

We assessed the appropriateness of accounting policies for revenue recognition and, specifically, for the appropriate time of revenue recognition.

In addition and among others, our procedures included the following:

- On a sample basis, we performed detailed cut-off testing of revenue transactions to either side of the balance sheet date with reference to shipping documentation and contracts. Based on that we assessed the appropriate revenue recognition based on the transfer of risks and rewards of ownership to the buyer in accordance with the agreed terms and conditions.
- On a sample basis, we obtained trade debtors confirmations and agreed the confirmations to the trade debtors balances.
- On a sample basis, we assessed the appropriateness of credit notes issued as well as the payments received after year end.
- In addition we performed analytical procedures including gross margin trend analysis on a Division level as well as on the level of various entities.
- In addition to the procedures described above, we further addressed the risk of management override of controls by analysing manual journal entries related to revenue accounts.

For further information on Revenue Recognition refer to the following:

- Summary of Significant Accounting Policies on page 65
- Segment Information on page 71



Discontinued Operations

Key Audit Matter

On 23 December 2019 the Dätwyler Group announced the sale of Nedis and Distrelec out of the Technical Components Division.

The sale of these operations shall be closed in the first quarter 2020. In the consolidated financial statements the sale is presented separately as discontinued operations in the consolidated income statement and disclosed in the notes to the consolidated financial statements.

The company analysed the accounting for this divestment based on the sales contract. The assessment requires management to exercise judgement in the following areas:

- Identification and Valuation of assets and liabilities of the discontinued operations, including the disclosure of potential contingent liabilities
- Proportional recognition of the impairment of assets

Based on this rationale, we consider discontinued operations as a key audit matter.

Our response

Among others, our audit procedures included the following:

- Review of the sale contract and inquiry with management
- Evaluation of the appropriateness of the significant impairments as per balance sheet date through a reconciliation with the relevant paragraphs of the sales contract
- Recalculation of the impairment calculation and evaluation of proper recognition in the consolidated financial statements
- Examination of the complete and accurate allocation of the result from continuing and discontinued operation through a reconciliation with the underlying accounting data
- Evaluation of proper disclosure in the consolidated financial statements

[For further information on discontinued operations refer to the following:](#)

- Summary of Significant Accounting Policies on page 64
- Discontinued Operations on page 89

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

A handwritten signature in black ink on a light blue grid background. The signature is cursive and appears to read 'Toni Wattenhofer'. A small red circular stamp is visible in the top right corner of the grid.

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink on a light blue grid background. The signature is cursive and appears to read 'Manuel Odoni'. A small red circular stamp is visible in the top right corner of the grid.

Manuel Odoni
Licensed Audit Expert

Zurich, 3 February 2020

KPMG AG, R ffelstrasse 28, PO Box, CH-8045 Zurich

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Dätwyler Holding Inc.

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Income Statement

in CHF	Notes	2019	2018
Dividend income from subsidiaries	2.1	12'004'350	11'000'000
Other income		4'031	4'863
Personnel expenses		–2'195'315	–2'143'848
Other operating expenses	2.2	–12'376'200	–2'064'106
Income before interest and taxes		–2'563'134	6'796'909
Financial income	2.3	10'459'953	9'992'708
Financial expenses	2.4	–1'436'007	–1'426'547
Impairment charges relating to financial assets and investments in subsidiaries	2.5	–365'721'772	–
Earnings before taxes		–359'260'960	15'363'070
Direct taxes		1'504	–335'350
Net result		–359'259'456	15'027'720

The accompanying notes are an integral part of these financial statements.

Balance Sheet

Assets

in CHF	Notes	31.12.2019	31.12.2018
Cash and cash equivalents		191'437	392'080
Other current receivables		6'014'142	9'575
Due from third parties		9'792	9'575
Due from subsidiaries		6'004'350	–
Total current assets		6'205'579	401'655
Financial assets: Long-term receivables from subsidiaries	2.6	739'377'967	1'062'467'884
Investments in subsidiaries	2.7	115'954'582	145'963'753
Intangible assets: Trademarks		1	1
Total non-current assets		855'332'550	1'208'431'638
Total assets		861'538'129	1'208'833'293

Liabilities and shareholders' equity

in CHF	Notes	31.12.2019	31.12.2018
Current liabilities third parties		302'194	305'551
Current interest-bearing liabilities		128'500'000	75'012'781
Due to banks		40'000'000	
Due to subsidiaries		–	15'012'781
Due to Pema Holding AG		88'500'000	60'000'000
Accrued expenses and deferred income		578'899	955'469
Total current liabilities		129'381'093	76'273'801
Provisions	2.2	9'857'000	–
Long-term interest-bearing liabilities	2.8	150'000'000	150'000'000
Bond 2018–2024		150'000'000	150'000'000
Total long-term liabilities		159'857'000	150'000'000
Total liabilities		289'238'093	226'273'801
Share capital	2.9	850'000	850'000
Statutory capital reserves		83'000'000	83'000'000
Statutory retained earnings		4'000'000	4'000'000
Voluntary retained earnings	2.11	305'263'318	305'263'318
Retained earnings available for distribution		179'186'718	589'446'174
Profit carried forward		538'446'174	574'418'454
Net result		–359'259'456	15'027'720
Total shareholders' equity		572'300'036	982'559'492
Total liabilities and shareholders' equity		861'538'129	1'208'833'293

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 / VALUATION PRINCIPLES

These Financial Statements were prepared in accordance with the provisions of the Swiss Code of Obligations concerning commercial accounting and financial reporting standards (SCO 957 ff.). Significant balance sheet items are reported as follows.

Financial assets and investments in subsidiaries

Financial assets are measured at nominal value less necessary impairment charges. Investments in subsidiaries are measured individually at purchase price less necessary impairment charges.

Measurement of liabilities/bonds

Liabilities including bonds are carried at nominal value.

2 / EXPLANATIONS CONCERNING THE FINANCIAL STATEMENTS

Dätwyler Holding Inc. is domiciled in Altdorf.

The average number of full-time equivalents in the course of a year does not exceed ten employees.

2.1 / DIVIDEND INCOME FROM SUBSIDIARIES

Dividend income from subsidiaries comprises profit distributions from subsidiaries.

2.2 / OTHER OPERATING EXPENSES

This item comprises Dätwyler Holding Inc.'s general costs of doing business. Dätwyler Holding Inc. has no operating costs, as these are charged in full to Alvest AG and then in turn to the subsidiaries. "Stewardship costs" (Dätwyler Holding Inc. administrative expenses) are charged to Dätwyler Holding Inc. In 2019, other operating expenses include charges for provisions of CHF 9.9 million relating to onerous contracts.

2.3 / FINANCIAL INCOME

Financial income is derived primarily from interest-bearing assets of subsidiaries.

2.4 / FINANCIAL EXPENSES

Financial expenses comprise interest expenses for bond coupon payments together with commissions and bank fees.

2.5 / IMPAIRMENT CHARGES RELATING TO FINANCIAL ASSETS AND INVESTMENTS IN SUBSIDIARIES

As a result of the sales agreement for Distrelec and Nedis in December 2019 impairment charges and debt waivers relating to financial assets and investments in subsidiaries in the amount of CHF 365.7 million were recorded.

2.6 / LONG-TERM RECEIVABLES FROM SUBSIDIARIES

These are Swiss franc denominated long-term loans receivable from subsidiaries for which a subordination agreement in the amount of CHF 270 million (previous year CHF 140 million) was declared and the necessary impairment charges were booked.

2.7 / INVESTMENTS IN SUBSIDIARIES

Dätwyler Holding Inc.'s direct and indirect subsidiaries are disclosed in note 35 to the consolidated financial statements. The necessary impairment charges were booked.

2.8 / BONDS

On 30 May 2018, a 0.625% CHF 150.0 million bond was placed at an issue price of 100.368%. Interest payments are due annually on 30 May and the bond is repayable on 30 May 2024. The 1.125% CHF 150.0 million bond was repaid on 7 June 2018 at nominal value.

2.9 / SHARE CAPITAL

in CHF	31 Dec. 2019	31 Dec. 2018
22'000'000 registered shares at CHF 0.01 par	220'000	220'000
12'600'000 bearer shares at CHF 0.05 par	630'000	630'000
Share capital	850'000	850'000

Shares in Dätwyler Holding Inc. are listed on the SIX Swiss Exchange. Each registered share and each bearer share, regardless of nominal value, carries one vote at the General Meeting of Shareholders, with the exception of bearer treasury shares.

All 22'000'000 registered shares along with 5'103'096 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 55.90% and its percentage of voting shares is 78.33%.

The Board of Directors is unaware of any further shareholders or of shareholder voting pools whose interest amounts to 3% of all votes.

2.10 / EMPLOYEE SHARE OWNERSHIP PLAN / TREASURY SHARES

In the current year, 9'595 (previous year 8'541) bearer shares were acquired by Alvest AG at the current stock exchange price of CHF 137.80 and then used under the Employee Share Ownership Plan. 9'595 (previous year 6'891) bearer shares with a total value of CHF 1'322'191 (previous year CHF 1'365'797) were allocated to members of the Board of Directors, see Remuneration Report. No bearer shares were allocated to other employees. In the previous year 1'650 bearer shares with a total value of CHF 327'030 had been allocated to other employees. At the end of 2019 and 2018, no treasury shares were held.

2.11 / VOLUNTARY RETAINED EARNINGS

The voluntary retained earnings represent a free reserve at the disposal of the General Meeting of Shareholders. Pursuant to Art. 659a para. 2 and Art. 671a of the Swiss Code of Obligations, the company is required to maintain a separate reserve for treasury shares held by a subsidiary in an amount equal to their purchase cost. The Board of Directors forms this reserve by transfers to and from the voluntary retained earnings.

2.12 / SURETIES, GUARANTEES AND PLEDGE COMMITMENTS IN FAVOUR OF THIRD PARTIES

On a basis of joint and several liability, lines of credit were granted to various subsidiaries in the amount of CHF 122.8 million (previous year CHF 157.6 million), of which CHF 7.9 million (previous year CHF 70.3 million) was used to secure bank debt and unsettled forward exchange contracts. In addition, Dätwyler Holding Inc. has issued a guarantee in the amount of CHF 5.7 million (previous year CHF 6.3 million) until the end of 2027 for future rental commitments.

2.13 / JOINT AND SEVERAL LIABILITY

Since 1 January 2009 the company has been a member of the value-added tax group under the number CHE-116.346.605 MWST. The principal member of the group is Alvest AG, Altdorf. For the term of its membership in this group, the company bears joint and several liability pursuant to Art. 15 para. 1 lit c of the VAT Act.

2.14 / CONTINGENT LIABILITIES

In the normal course of business, risks arise in connection with such matters as legal disputes and pending or disputed tax assessments that could potentially lead to liabilities (contingent liabilities). The amount involved in most current cases is immaterial. Where the outcome of such cases is unclear or the risk is unquantifiable or the likelihood of an outflow of funds is unlikely, no provisions are being made. Provisions are being made where the outcome can be estimated or an outflow of funds is probable.

The sales agreement for Distrelec and Nedis from December 2019 includes usual contractual guarantees to the purchasers incurred by Dätwyler Holding Inc. as the ultimate parent company. These guarantees are in general limited to a maximum of CHF 5.0 million and apply for certain cases for a maximum period of 5 years or until barred by statute. At present, no claims from the purchasers are known.

2.15 / LOANS AND CREDITS

No loans and/or credits were granted to individual current or former members of the Board of Directors or Executive Management (including persons connected with them) in the year under review.

2.16 / BOARD OF DIRECTORS AND EXECUTIVE BOARD SHAREHOLDINGS

As at 31 December 2019, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the company's equity securities:

Board of Directors shareholdings 2019

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2020	2021	2022	2023	2024
Hälg, Paul J.	Chairman	31'819	0.091962	3'300	3'300	2'400	1'736	2'168
Fässler, Hanspeter	Vice-Chairman	15'685	0.045332	1'100	1'100	1'700	1'210	1'511
Breu, Jens	Member	986	0.002850	0	0	0	0	986
Cornaz, Claude R.	Member	1'775	0.005130	0	0	0	789	986
Fedier, Jürg	Member	5'075	0.014668	1'100	1'100	1'100	789	986
Huber, Gabi	Member	7'444	0.021514	1'100	1'100	1'100	789	986
Ulmer, Hanno	Member	5'075	0.014668	1'100	1'100	1'100	789	986
Zhang, Zhiqiang	Member	3'975	0.011488	0	1'100	1'100	789	986

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2019

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2020	2021	2022	2023	2024
Lambrecht, Dirk	CEO	10'000	0.028902	1'500	1'500	4'000	0	0
Welte, Reto	CFO	6'000	0.017341	1'500	1'500	1'500	0	0
Harrison, Neil	Division CEO	4'500	0.013006	1'500	1'500	1'500	0	0
Maschke, Torsten	Division CEO	1'500	0.004335	0	0	1'500	0	0

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Board of Directors shareholdings 2018

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2019	2020	2021	2022	2023
Hälg, Paul J.	Chairman	29'651	0.085697	3'300	3'300	3'300	2'400	1'736
Fässler, Hanspeter	Vice-Chairman	14'174	0.040965	1'100	1'100	1'100	1'700	1'210
Cornaz, Claude R.	Member	789	0.002280	0	0	0	0	789
Fedier, Jürg	Member	4'089	0.011818	0	1'100	1'100	1'100	789
Huber, Gabi	Member	6'458	0.018665	1'100	1'100	1'100	1'100	789
Ulmer, Hanno	Member	4'089	0.011818	0	1'100	1'100	1'100	789
Zhang, Zhiqiang	Member	2'989	0.008639	0	0	1'100	1'100	789

Share type: Bearer share, nom. CHF 0.05
Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2018

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2019	2020	2021	2022	2023
Lambrecht, Dirk	CEO	10'000	0.028902	1'500	1'500	1'500	4'000	0
Welte, Reto	CFO	6'000	0.017341	1'500	1'500	1'500	1'500	0
Harrison, Neil	Division CEO	4'500	0.013006	0	1'500	1'500	1'500	0
Maschke, Torsten	Division CEO	1'500	0.004335	0	0	0	1'500	0

Share type: Bearer share, nom. CHF 0.05
Voting rights per bearer share: 0.00000289%

2.17 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

Proposed Appropriation of Retained Earnings

Retained earnings carried forward

<u>in CHF</u>	2019	2018
Profit carried forward	538'446'174	574'418'454
Net result	-359'259'456	15'027'720
Retained earnings at disposal of General Meeting of Shareholders	179'186'718	589'446'174

Proposal of the Board of Directors on the appropriation of retained earnings

<u>in CHF</u>	2019 Proposal of the Board of Directors	2018 Resolution of the General Meeting of Shareholders
Retained earnings at disposal of General Meeting of Shareholders	179'186'718	589'446'174
Distribution of cash dividend	-51'000'000	-51'000'000
Registered shares: CHF 0.60 (previous year CHF 0.60)	-13'200'000	-13'200'000
Bearer shares: CHF 3.00 (previous year CHF 3.00)	-37'800'000	-37'800'000
To be carried forward	128'186'718	538'446'174

Report of the Statutory Auditor on the Financial Statements



Statutory Auditor's Report

To the General Meeting of Dätwyler Holding AG, Altdorf

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dätwyler Holding AG (the Company), which comprise the balance sheet as at 31 December 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 100 to 106) for the year ended 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Recoverability of investments in subsidiaries and long-term receivables from subsidiaries Nedis and Distrelec in the Technical Components Division

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of investments in subsidiaries and long-term receivables from subsidiaries Nedis and Distrelec in the Technical Components Division

Key Audit Matter

On 23 December 2019 the Dätwyler Group announced the sale of Nedis and Distrelec out of the Technical Components division. The Company has significant investments in subsidiaries and long-term receivables from subsidiaries to be sold in the Technical Components Division.

Based on the sales contract, the Company has therefore assessed their recoverability and determined how high the impairment charge for the investments and long-term loans to be sold is as of 31 December 2019. The assessment of the recoverability of these investments in subsidiaries and long-term receivables from subsidiaries was based on a comparison of the carrying amounts with the value of the proportional sales price.

The allocation of the proportional sale price as well as the measurement of the impairment of these investments in subsidiaries and long-term receivables from subsidiaries requires management judgment.

Accordingly, we consider this to be a key audit matter.

For further information on Recoverability of investments in subsidiaries and long-term receivables from subsidiaries Nedis and Distrelec in the Technical Components Division refer to the following:

- Valuation principles on page 102
- Impairment charges relating to financial assets and investments in subsidiaries on page 102
- Long-term receivables from subsidiaries on page 102
- Investments in subsidiaries on page 103

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists.

Our response

Based on the sales contract we evaluated as part of our audit the assessment of the recoverability of investments in subsidiaries and long-term receivables from Nedis and Distrelec subsidiaries in the Technical Components Division by the management.

Essentially, our audit procedures included the following:

- Review of the sales contract and inquiry with management;
- Critical assessment of the relevant contractual provisions for the allocation of the proportional sales price based on the sales contract and verification of the calculations made by the Company;
- Recalculation of the determined impairment charge by comparing the carrying amounts to the proportional sales price;
- Evaluation of the accurate accounting and the appropriate presentation in the financial statements.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Zurich, 3 February 2020

KPMG AG, Râffelstrasse 28, PO Box, CH-8045 Zurich

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Shareholder Information

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Five Year Summary

Datwyler Group

in CHF millions	2019	2018	2017	2016	2015
Net revenue	1'360.8	1'361.6	1'291.4	1'215.8	1'165.2
Year-on-year change (%)	-0.1	5.4	6.2	4.3	-6.9
EBITDA^{1 3}	197.1	231.5	219.8	204.3	179.4
Depreciation and amortisation	68.4	61.5	57.2	58.2	53.3
As % of net revenue	5.0	4.5	4.4	4.8	4.6
Year-on-year change (%)	11.2	7.5	-1.7	9.2	-0.6
Operating result (EBIT)	-40.3	170.0	162.6	146.1	126.1
As % of net revenue	-3.0	12.5	12.6	12.0	10.8
Year-on-year change (%)	-123.7	4.6	11.3	15.9	-4.7
Net result	-86.6	121.0	123.7	57.6	82.2
As % of net revenue	-6.4	8.9	9.6	4.7	7.1
Year-on-year change (%)	-171.6	-2.2	114.8	-29.9	-16.0
Net cash from operating activities	174.8	162.9	112.7	90.7	172.5
As % of net revenue	12.8	12.0	8.7	7.5	14.8
Year-on-year change (%)	7.3	44.5	24.3	-47.4	55.7
Free cash flow¹	73.2	-172.0	2.7	39.4	126.9
Non-current assets	629.8	675.2	565.9	496.3	453.4
Year-on-year change (%)	-6.7	19.3	14.0	9.5	-1.4
Current assets	531.9	639.6	733.7	720.8	675.7
Year-on-year change (%)	-16.8	-12.8	1.8	6.7	-3.5
Total assets	1'161.7	1'314.8	1'299.6	1'217.1	1'129.1
Equity	675.1	827.4	898.5	805.5	726.1
Year-on-year change (%)	-18.4	-7.9	11.5	10.9	-3.6
As % of total assets	58.1	62.9	69.1	66.2	64.3
Total liabilities	486.6	487.4	401.1	411.6	403.0
Year-on-year change (%)	-0.2	21.5	-2.6	2.1	-0.9
Thereof current liabilities	303.0	303.5	362.2	208.5	196.3
Thereof long-term liabilities	183.6	183.9	38.9	203.1	206.7
Capital expenditures¹	104.6	138.0	117.9	87.4	64.5
Year-on-year change (%)	-24.2	17.0	34.9	35.5	-21.0
Personnel expenses	375.9	354.4	335.1	311.9	296.6
Year-on-year change (%)	6.1	5.8	7.4	5.2	-10.0
Number of employees (at year-end)	7'995	8'305	7'614	7'312	7'013
Year-on-year change (%)	-3.7	9.1	4.1	4.3	3.7

Dätwyler Holding Inc.

in CHF mio.	2019	2018	2017	2016	2015
Finance and investment income	22.5	21.0	61.5	207.8	79.7
Net result	-359.3	15.0	54.3	146.4	72.8
Equity	572.3	982.6	1'018.5	1'001.6	891.4
Equity as % of total assets	66.4	81.3	87.1	86.7	85.5
Share capital	0.9	0.9	0.9	0.9	0.9
Distribution	51.0 ²	51.0	51.0	37.4	36.2

¹ Datwyler Group uses certain financial performance measures, including adjusted key figures, that are not defined by Swiss GAAP.
The definition of these alternative performance measures and adjustments are published under: datwyler.com/investors/publications

² Board of Directors' proposal to the Annual General Meeting.

³ In 2019 before impairment charges.

Share Information

	Currency	2019	2018	2017	2016	2015
Share capital						
	in CHF mio.	0.85	0.85	0.85	0.85	0.85
Eligible for a dividend	in CHF mio.	0.85	0.85	0.85	0.85	0.82
Number of shares						
Bearer shares of CHF 0.05 each		12'600'000	12'600'000	12'600'000	12'600'000	12'600'000
Unissued shares		–	–	–	–	550'042
Bearer shares in issue		12'600'000	12'600'000	12'600'000	12'600'000	12'049'958
Registered shares of CHF 0.01 each		22'000'000	22'000'000	22'000'000	22'000'000	22'000'000
Market price SIX (high/low)						
Bearer share – high	CHF	189.60	211.50	189.60	153.00	148.70
Bearer share – low	CHF	123.00	122.60	138.80	111.00	102.00
Trading volume						
Number of shares		4'831'200	4'296'019	4'009'272	3'385'022	3'559'931
Value	in CHF mio.	741	755	634	463	454
Gross dividend						
Bearer share	CHF	3.00 ¹	3.00	3.00	2.20	2.20
Registered share	CHF	0.60 ¹	0.60	0.60	0.44	0.44
Net result per share						
Bearer share	CHF	–5.09	7.12	7.28	3.47	5.04
Registered share	CHF	–1.02	1.42	1.46	0.69	1.01
Net cash from operating activities per share						
Bearer share	CHF	10.28	9.58	6.63	5.46	10.59
Registered share	CHF	2.06	1.92	1.33	1.09	2.12
Price/earnings ratio (average)						
		n/a	24.7	21.7	39.4	25.3
Equity per share						
Bearer share	CHF	40	49	53	47	44
Registered share	CHF	8	10	11	9	9
Market capitalisation						
Average for the year	in CHF mio.	2'607	2'988	2'688	2'273	2'078
As % of equity		386	361	299	282	286
At 31 December	in CHF mio.	3'169	2'122	3'203	2'353	2'359
As % of equity		469	256	356	292	325

The Articles of Association of Dätwyler Holding Inc. do not contain any opting-out or opting-up provisions pursuant to the Swiss Stock Exchange Act.

¹ Board of Directors' proposal to the Annual General Meeting.

Share Price Performance

in CHF

— Datwyler bearer share
— SPI



Dividend History

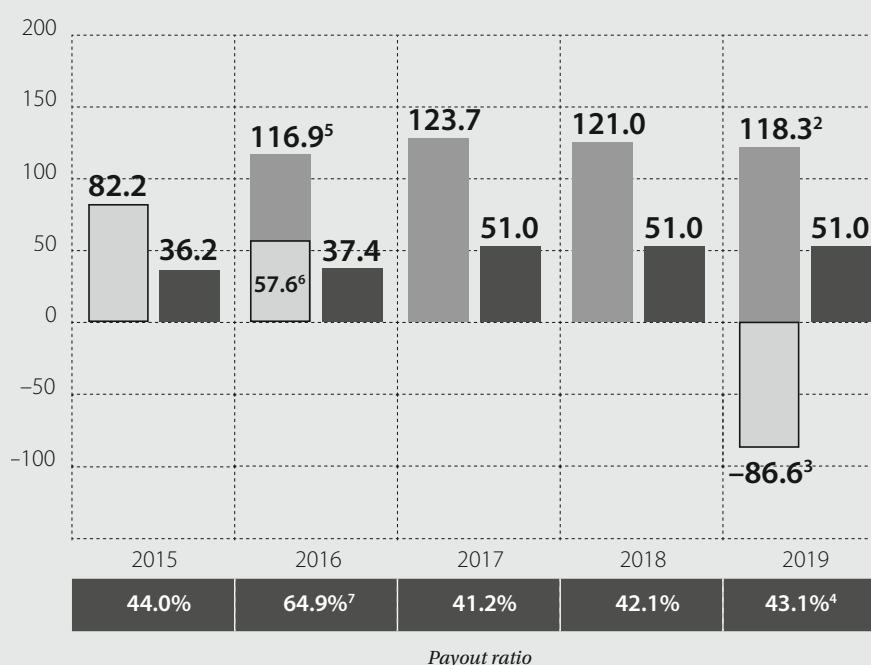
Dividend per share in CHF

— Dividend per share in CHF
1 Proposal to the Annual General Meeting



Dividend in CHF millions

□ Net result in CHF millions
■ Dividend in CHF millions
1 Proposal to the Annual General Meeting
2 Adjusted net result 2019*
3 Reported net result 2019
4 Pay-out ratio in relation to the adjusted net result 2019*
5 Adjusted net result 2016*
6 Reported net result 2016
7 Corresponds to 32.0% of the adjusted net result*



* Datwyler Group uses certain financial performance measures, including adjusted key figures, that are not defined by Swiss GAAP. The definition of these alternative performance measures and adjustments are published under: datwyler.com/investors/publications

General Information

Financial year

Datwyler Group: 1 January to 31 December

Dätwyler Holding Inc.: 1 January to 31 December

Incorporated

Dätwyler Inc.: 1915

Dätwyler Holding Inc.: 1958

Publicly listed since 1986

Share trading

Bearer shares traded on the SIX Swiss Exchange

Ticker symbols

Security	Security No.	Investdata	ISIN	Common Code	Reuters
Datwyler bearer share	3 048 677	DAE	CH003 048677 0	XS030821700	DAE
Datwyler bond	40 993 815	DAE18	CH0409938153	182003140	DAE

Taxable value set by the Swiss Federal Tax Administration at 31 December 2019

Bearer share: CHF 186.40

0.625% Bond 2018–2024: 102.45%

Important dates

2020

Annual General Meeting: 11 March 2020

Interim Report: 11 August 2020

2021

Annual Press Conference and Analyst Conference: 9 February 2021

Annual General Meeting: 9 March 2021

Interim Report: 11 August 2021

Annual General Meetings are held at 5.00 p.m. at the Theater Uri (Tellspielhaus) Altdorf

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This Annual Report is also available in German and can be downloaded from our website at www.datwyler.com.

In the event of any inconsistency, the German version will prevail.

DATWYLER GROUP

at 6 February 2020

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