



ANNUAL REPORT

2020

CONTENTS

Annual Review

Highlights	2
Short Portrait	4
Strategic Priorities	6
Letter to the Shareholders	8
In Memory of Max Dätwyler	11
Business Areas	
Helathcare Solutions	14
Industrial Solutions	18
Online Distribution	22
Sustainability	28
Corporate Governance	32
Remuneration Report	46
Report of the Statutory Auditor on the Remuneration Report	58

Financial Report

Consolidated Financial Statements	
Group Financial Review	60
Consolidated Income Statement	64
Consolidated Balance Sheet	65
Consolidated Cash Flow Statement	66
Consolidated Statement of Changes in Equity	67
Notes to the Consolidated Financial Statements	68
Report of the Statutory Auditor on the Consolidated Financial Statements	97
Dätwyler Holding Inc.	
Income Statement	104
Balance Sheet	105
Notes to the Financial Statements	106
Proposed Appropriation of Retained Earnings	111
Report of the Statutory Auditor on the Financial Statements	112
Shareholder Information	
Five Year Summary	116
Share Information	117
Share Price Performance, Dividend Performance	118
General Information	119
Addresses	120

HIGHLIGHTS

1'069 mn

Revenue in CHF

14.6%

EBIT margin
continuing operations

118.9 mn

Net result
continuing operations in CHF

KEY FIGURES DATWYLER GROUP

in CHF millions	2020	2019	2020	2019
			Continuing operations	Continuing operations
Net revenue	1'069.2	1'360.8	1'012.1	1'050.5
Year-on-year change (%)	-21.4%	-0.1%	-3.7%	2.9%
EBITDA before non-recurring items¹	211.0	197.1	208.4	190.2
EBITDA before non-recurring items as % of net revenue	19.7%	14.5%	20.6%	18.1%
Operating result (EBIT)	-315.9	-40.3	148.0	133.5
Operating result as % of net revenue	-29.5%	-3.0%	14.6%	12.7%
Net result	-346.3	-86.6	118.9	98.5
Net result as % of net revenue	-32.4%	-6.4%	11.7%	9.4%
ROCE¹ in %	20.4%	16.5%	22.1%	22.4%
Average capital employed	729.4	780.7	668.9	595.8
Net cash from operating activities	185.3	174.8		
Net cash used in investing activities	-69.6	-101.6		
Free cash flow¹	115.7	73.2		
Net cash used in financing activities	-132.7	-49.2		
Net change in cash and cash equivalents¹	-17.0	24.0		
Cash and cash equivalents	169.5	191.9		
Capital expenditures¹	90.8	104.6		
Total assets	1'106.9	1'161.7		
Equity	735.1	675.1		
Equity as % of total assets	66.4%	58.1%		
Number of employees	6'748	7'995		
Full-time equivalents	6'634	7'817		

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

PER SHARE DATA

in CHF	2020	2019
Earnings per bearer share	-20.37	-5.09
Dividend per bearer share	3.20 ³	3.00
Distribution yield at 31 December	1.2%	1.6%
Market price (high/low) per bearer share	264/126	189/123

³ Board of Directors' proposal to the Annual General Meeting

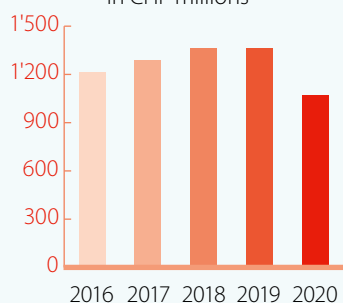


90.8 mn

Capital expenditures in CHF

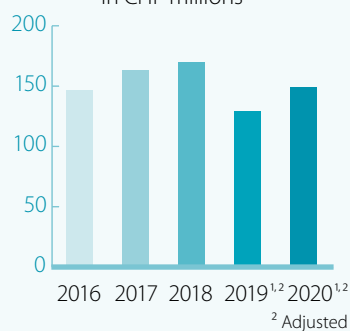
NET REVENUE

in CHF millions



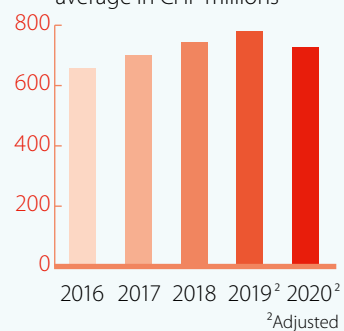
OPERATING RESULT (EBIT)

in CHF millions

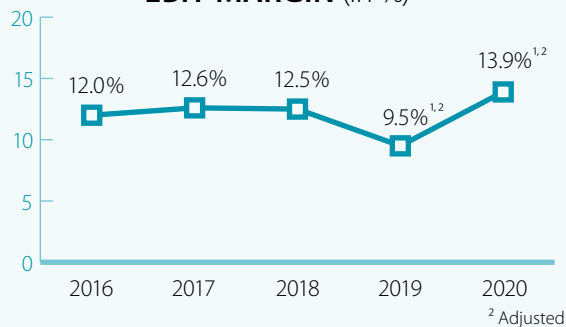


CAPITAL EMPLOYED¹

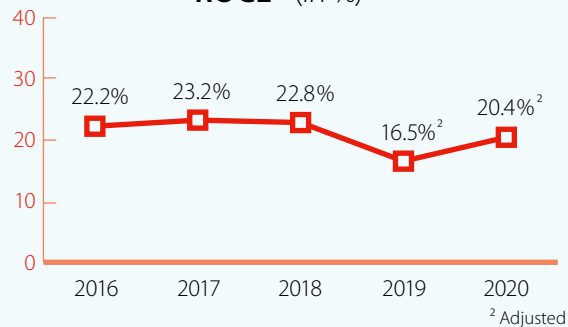
average in CHF millions



EBIT-MARGIN (in %)

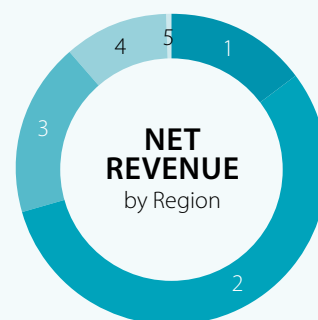


ROCE¹ (in %)



6'748

Employees

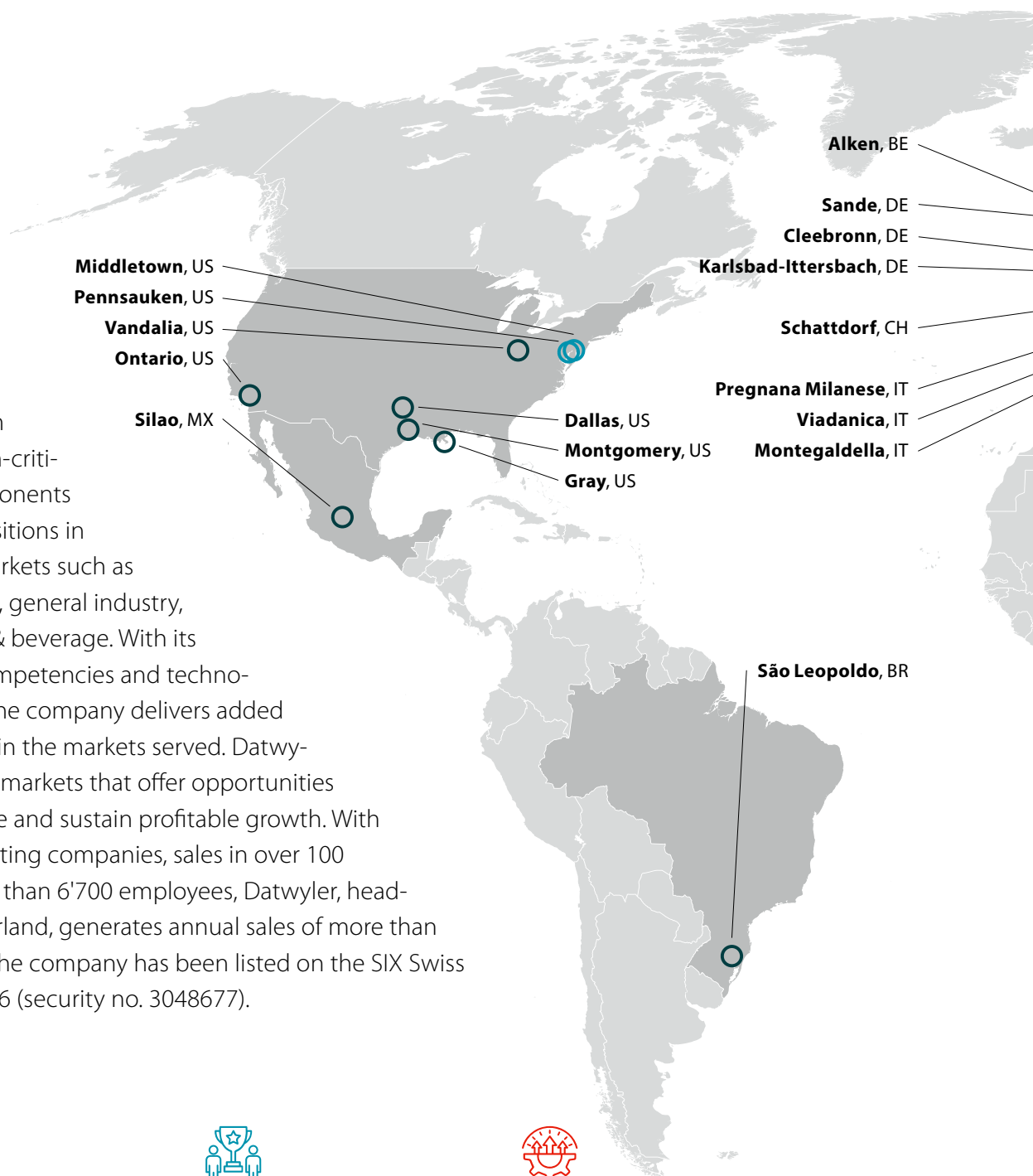


1 Switzerland 2 Rest of Europa 3 North and South America 4 Asia 5 Other markets

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)

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

Datwyler focuses on high-quality, system-critical elastomer components and has leading positions in attractive global markets such as healthcare, mobility, general industry, 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 6'700 employees, Datwyler, headquartered in Switzerland, generates annual sales of more than CHF 1'000 million. The company has been listed on the SIX Swiss Exchange since 1986 (security no. 3048677).



>1 billion

CHF in
sales



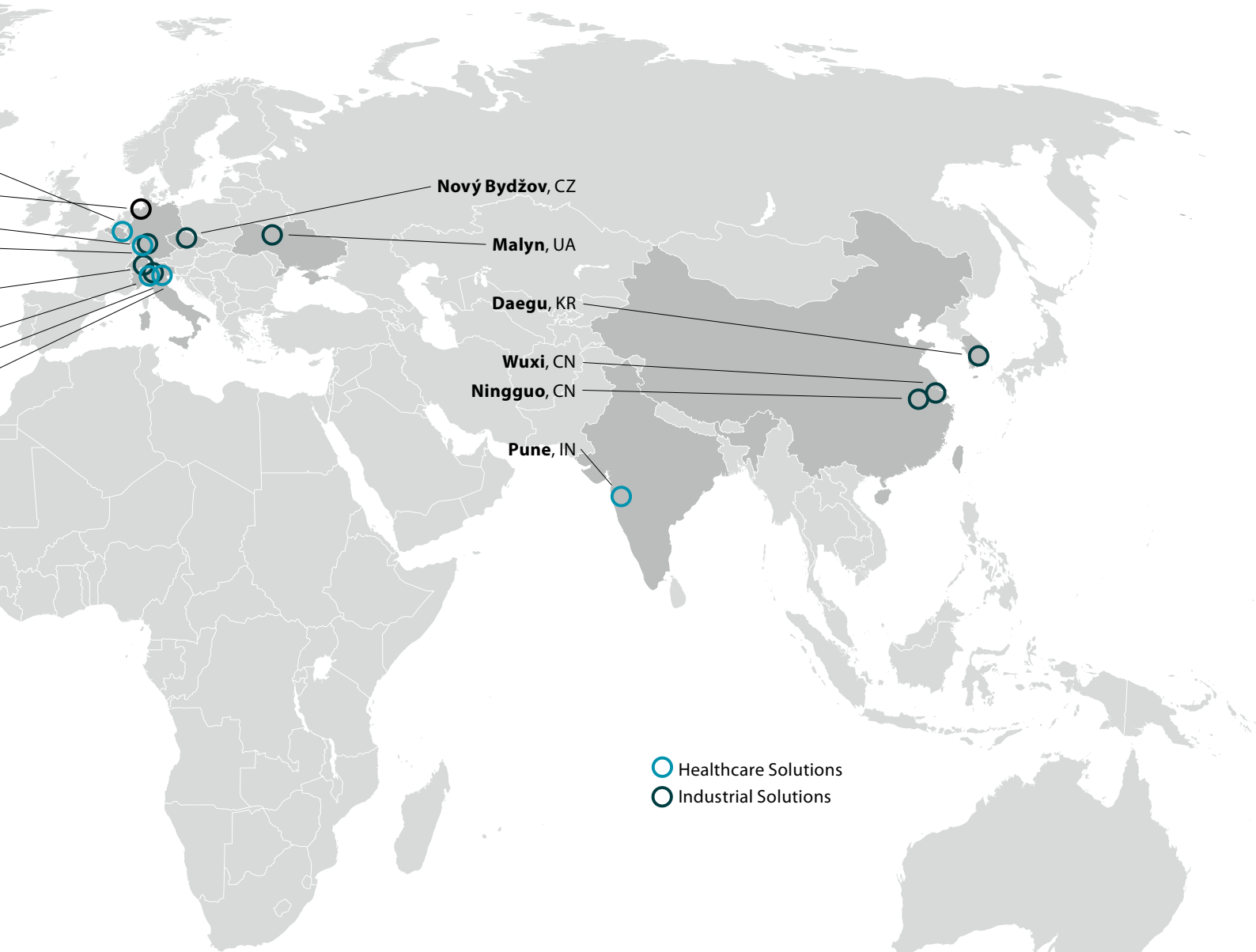
>6'700

employees
worldwide



>90 million

components manu-
factured every day



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



Additional healthcare production capacities

With the expansion of the Indian plant and the new US plant, Datwyler is benefiting from the growth trends in the healthcare market.

**DRIVE
PROFITABLE
GROWTH**



Promotion of new technologies and skills

A new competence center for surface technology opens up new opportunities for multi-component parts.



Expansion into new geographical markets

Expanding local healthcare presence and partner networks in selected emerging markets. International expansion of Reichelt with local webshops.



Innovative new products and applications

Coated Neoflex components for prefilled syringes and smart-rubber products with integrated sensors for mobility applications are just two innovation examples.



Strong leadership culture

Based on our unique values, we develop a strong leadership culture with a focus on coaching employees.

INCREASE AGILITY



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

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



Focus thanks to Objectives and Key Results (OKR)

With the OKR concept, we focus on the right topics and activities in strategy execution.



Carbon neutrality by 2030

Climate neutrality by 2030 (Scope 1 and 2) based on science-based targets. Already today, 35% of the electricity consumption comes from renewable energy sources.



Proactive chemical compliance management

Increasing environmental protection by proactive chemical compliance management that goes far beyond legal requirements.

ADVANCE SUSTAINABILITY



Committed and transparent

Member of the UN Global Compact since 2009 and publication of a sustainability report in accordance with the Global Reporting Initiative (GRI).



Reduction of resource intensity

Reduction in energy and water consumption and in the amount of waste per unit of revenue for three consecutive years.



Data driven intelligent organisation

Future-ready ERP system with built-in digital technologies, including artificial intelligence, machine learning and advanced analytics.



Cloudification

Moving from physical servers to the cloud increases scalability and productivity.

ACCELERATE DIGITALISATION



Network and cyber security

Minimising the risk of cyber attacks through constant monitoring of our networks by internal and external specialists.



Smart factories

Increasing competitiveness through the use of Big Data, real-time information and the technological potential of automation in our sites.

LETTER TO THE SHAREHOLDERS

Datwyler performs strongly in extraordinary times

- **Currency-adjusted revenue increase of 1.2% and EBIT margin of 14.6% from continuing operations.**
- **Healthcare Solutions reports accelerated growth over the course of the year and additional revenue for COVID-19 vaccines.**
- **Recovery in demand in the automotive and general industry markets.**
- **Significant revenue growth expected in the Food & Beverage business unit.**
- **Over 70% of revenue in low cyclical markets that are growing steadily.**
- **Proposal for increased cash dividend of CHF 3.20 per bearer share.**

Due to the COVID-19 pandemic, Datwyler had to contend with some extremely challenging developments in some of the markets it serves in 2020. With measures being taken at an early stage, however, it was possible to protect employees' health at all times and guarantee delivery capacity.

Switch of focus to system-critical elastomer components

Notwithstanding the challenges associated with COVID-19, Datwyler switched its focus, as announced, to high-quality, system-critical elastomer components during the reporting year. This meant selling the Distrelec and Nedis distribution companies in March and the Civil Engineering business in May. Taking into account the companies sold, net revenue amounted to CHF 1'069.2 million. The sale of the subsidiaries resulted, as announced, in a non-cash book loss of CHF 464.5 million. As a consequence, the reported operating result (EBIT) came to CHF –315.9 million and the reported net result to CHF –346.3 million. Further reporting will relate to the operating performance of continuing operations for the two business areas Healthcare Solutions and Industrial Solutions as well as the online distributor Reichelt.

Healthcare reports substantial acceleration in growth for high-quality components

At an operational level, Datwyler performed strongly despite the negative impact of the COVID-19 pandemic. Thanks to its leading market positions and close customer relationships, the company generated net revenue of CHF 1'012.1 million (previous year: CHF 1'050.5 million) from continuing operations. Adjusted for the negative impact of the strong Swiss franc, this equates to a currency-adjusted increase of 1.2%. The Healthcare Solutions business area, the Food & Beverage business unit and the online distributor Reichelt in particular reported additional revenues for 2020 and strong incoming order figures for 2021 as a result of the pandemic. In the healthcare business, the combination of additional demand for the provision of COVID-19 vaccines and the ongoing rise in demand for high-quality FirstLine components accelerated revenue growth in the second half of the year. We are proud to be able to make an important contribution to the global fight against the pandemic and the wellbeing of humanity with our system-critical elastomer components. Datwyler is supporting the leading pharmaceutical companies in the provision of COVID-19 vaccines. In the Food & Beverage business unit and at the online distributor Reichelt, it was the widespread changeover to working from home that led to an increase in demand for capsule coffee and electronic appliances and accessories. The situation was different in the Mobility, General Industry and Oil & Gas business units. In these units, Datwyler had to contend with significant revenue declines over several months due to the coronavirus pandemic.

Improved profitability despite expenses for managing the impact of the pandemic

By taking action early, the company was able to adapt cost structures at the sites negatively impacted by the pandemic to the lower demand quickly and effectively. At the same time, the healthcare business and the online distributor Reichelt significantly improved their profitability. As a result, Datwyler was able to increase the operating result (EBIT) by 10.9% to CHF 148.0 million (previous year: CHF 133.5 million) and the EBIT margin to 14.6% (previous year: 12.7%). This was despite expenses incurred in managing the impact of the pandemic and start-up costs for new production capacities. The net result for continuing operations rose by 20.7% to CHF 118.9 million (previous year: CHF 98.5 million). Diversification across several market segments has proven its worth in tough times such as the COVID-19 pandemic. With the Healthcare Solutions and Food & Beverage areas and the online distributor Reichelt, Datwyler earns over 70% of its revenue in low cyclical markets that are growing steadily. In view of the higher

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)

profitability levels and given that prospects look promising, the Board of Directors is asking the Annual General Meeting to pay an increased cash dividend of CHF 3.20 per bearer share and CHF 0.64 per registered share. This equates to a payout ratio of 45.8% of the net result for continuing operations.

New organisation and strategic priorities prove their worth

The new organisational structure introduced at the start of February 2020 with the two business areas Healthcare Solutions and Industrial Solutions and the two Group functions Technology & Innovation and Finance & Shared Services already proved its worth during the COVID-19 pandemic. The increased focus on the respective markets helped Datwyler respond to changing market conditions and customer needs with speed and agility. At the same time, the core competencies and the innovation process are being further developed and significantly strengthened by the new Group function Technology & Innovation. Our strategic priorities of driving profitable growth, accelerating digitalisation and increasing agility, which have already been in place for some time, mean we are well equipped to deal with any unexpected developments. As a socially and environmentally responsible company, we established the advancing of sustainability as a fourth strategic priority in the reporting year. An interdisciplinary project group is working on a new sustainability and climate strategy with the goal of achieving carbon neutrality for our own activities (scope 1 and 2) at all our sites by 2030 based on the Science Based Targets concept. We already obtain 35% of our global electricity needs from renewable energy sources.

Growth opportunities thanks to global megatrends

A series of global megatrends is providing opportunities in existing and new markets. These are demographic change and the ageing society in western countries and an up-and-coming middle class in the emerging countries, lifestyle changes, an increase in safety regulations and requirements, more efficient use of resources and the digitalisation of all areas of life. As a result, the demand for increasingly powerful and complex technological products is rising. In many cases, our system-critical components are one of the things that make technological progress possible in the first place. Examples include high-precision micro-components for wearable injection devices and smart rubber components with integrated sensors for new active assistance and safety systems in vehicles. To drive organic growth, we constantly assess potential acquisition targets as a way of gaining access to new markets and technologies.

Recognised core competencies provide a strong foundation

Our recognised core competencies provide the basis for utilising growth opportunities in existing and future markets. Through the combination of solution design, materials expertise and operational excellence, we are able to support existing and new customers from the design study and the prototype phase through to global serial production. We have summarised this potential in our new mission statement: "We materialise ideas for a safer, smarter, and more sustainable world." Via the new Technology & Innovation Group function, we are working to intensify our development and innovation activities with the aim of offering more new products to existing and new customers in the future. We are investing in additional resources in order to search for new applications, materials and technologies in a more targeted manner and make them usable for us. To this end, we are intensifying the dialogue with our existing customers and our collaboration with technology partners, research institutions and innovative start-ups. One example is the investment in a new center of competence for surface technology at the Swiss site, with which we are reinforcing our leading position in the market for multi-component parts in combination with elastomers. These products play a particularly important role in systems for electric vehicles.

Emerging from the pandemic even stronger than before

With the help of our mission statement, strategic priorities, core competencies and new organisational structure, we will adopt focused measures that have an impact on both the market and our customers. To this end, Datwyler introduced the concept of Objectives and Key Results (OKRs) in the reporting year

and harmonised the bonus system for all eligible employees with measurable performance indicators at company level. We foster collaboration across departments and down the various levels of the hierarchy with specific and inspiring corporate objectives. By doing so, we ensure that employees are involved in decision-making processes to a much greater extent and encourage them to think entrepreneurially. We are confident that Datwyler has the necessary strategic, organisational, financial and cultural prerequisites to emerge from the pandemic even stronger than before and take advantage of growth opportunities in existing and future markets.

Confident despite uncertainty due to the pandemic

In specific terms, Datwyler expects significant double-digit revenue growth in the healthcare business in 2021. Strong demand for high-quality coated components manufactured according to FirstLine production standards is bringing about a positive change in the product mix and the average margin. To enable us to handle the volumes forecast, we are investing in the expansion of our production facilities. The additional healthcare production capacities at the new US site and the Indian site will enable us to increase our market share and participate in market growth to a disproportionately high extent. For the Industrial Solutions business area we are confident – despite the uncertainty caused by the pandemic – that the recovery of the markets in the fourth quarter and good order backlogs will lead to high single-digit revenue growth in 2021. In the Food & Beverage business unit, we expect to achieve strong growth over the next few years thanks to the new multi-year contract with Nespresso that runs until 2030 and the acquisition of additional customers. Investments in additional production facilities are underway. Margins will weaken as a result of the altered customer and product mix. The demand situation in the Oil & Gas business unit will only improve with a significantly higher oil price. Due to the excellent value for money it offers, the online distributor Reichelt is likely to achieve low single-digit growth in 2021 following the strong reporting year. Subject to additional unpredictable effects of the pandemic, we expect an increase in revenue to over CHF 1'100 million and an EBIT margin to be around 15% in 2021.

Changes to the Board of Directors

Zhiqiang Zhang is not standing for re-election to the Board of Directors at the 2021 Annual General Meeting. We thank him for his dedicated service to Datwyler. Martin Hirzel will be nominated for election as a new Director and a further representative of the public shareholders. Martin Hirzel is the President of Swissmem, the industry association for the Swiss mechanical, electrical engineering and metals industries, Director of Bucher Industries and was CEO of Autoneum from 2011 to 2019.

A special thank you to our employees

We also feel we owe a special thank you to all our employees around the world this year. It makes us proud to see how they are navigating the major challenges presented by the COVID-19 pandemic, with great commitment, creativity, solidarity and optimism. It says a lot about Datwyler that we pull together during hard times – even more than usual – and are willing to use our initiative. These good results would not have been possible without the commitment of our employees. We also thank our customers for their loyalty and understanding. Our top priorities in these extraordinary times are clear: to protect our employees' health and ensure supplies are maintained. We would also like to take this opportunity to thank you, our shareholders, for 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

IN MEMORY OF MAX DÄTWYLER

29 January 1929 – 29 November 2020



As the son of the company founder, Max Dätwyler played a crucial role in the Datwyler Group's development from 1958 to 1999. The holder of a PhD in chemistry and a graduate in economics, he was an active member of the Board of Directors for 41 years, before being appointed an honorary member when he stood down due to his age. He and his brother Peter Dätwyler laid a strong foundation for the Group's global expansion.

Thanks to the unique succession arrangement involving Pema Holding AG and Datwyler Führungs AG, the two brothers secured Datwyler's continued existence as an independent company in 1990. This was only possible because Peter and Max Dätwyler relinquished key assets they were entitled to – a decision that was by no means a matter of course and one that deserves the highest respect and gratitude.

Max Dätwyler was an extraordinary person who stood out on account of his entrepreneurial foresight and socially responsible attitude towards his employees and society as a whole. After stepping down from the company, he initiated and financed a House of Music and a House of Art in Altdorf in the Swiss canton of Uri, where Datwyler is headquartered. In recognition of his passionate commitment, Max Dätwyler was granted honorary citizenship of Uri and received the Altdorf medal of honour as well as the "Goldener Uristier" award.

An astute thinker and analyst, there was always something "beyond supply and demand" for Max Dätwyler. He always argued with passion and incisive statements and was able to win over his listeners with his abundant humour and charm. It therefore comes as no surprise that he asked for the following words to be included in his obituary: "Do not be sad. I am doing fine. Just keep on regardless!"

On behalf of the Board of Directors

Dr. Paul J. Hälg, Chairman

On behalf of the Executive Management

Dirk Lambrecht, CEO





BUSINESS AREAS

Healthcare Solutions	14
Industrial Solutions	18
Online Distribution	22



HEALTHCARE SOLUTIONS

Datwyler is a leading supplier of system-critical elastomer components for injectable drug delivery systems. These components are used in billions of prefilled syringes, glass vials and cartridges worldwide, improving patients' lives. With a worldwide network of highly automated production facilities, Datwyler is able to supply locally manufactured components to global pharmaceutical companies in the key economic regions. The market for healthcare components is low cyclical and is characterised by high entry barriers and structural growth trends such as the aging society in industrialised countries or the increase in living standards in emerging markets.



Target groups

- Pharmaceutical and biotech companies
- Manufacturers and contract fillers of injectable drugs
- Manufacturers of diagnostic and medical products
- Manufacturers of parenteral drug delivery systems

Geographical markets

- Europe, North and South America, Asia, Australia

Products and services

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



The new, highly automated production facilities will enable Datwyler to participate overproportionally in the growth of the healthcare market in the future.

Healthcare Solutions reports increasing growth in revenue and margins

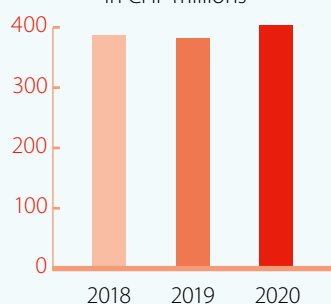
Revenue and earnings

- The pandemic has led on the one hand to additional expenses in the Healthcare Solutions business area and on the other to increased demand for high-quality coated components for COVID-19 vaccines and treatments.
- Revenue rose to CHF 403.4 million (previous year: CHF 380.6 million). Having accelerated continuously over the course of the year, growth ultimately reached a figure of 11.8%, adjusted for the impact of the strong Swiss franc.
- Despite expenses for managing the impact of the pandemic, start-up costs for new production capacities, higher depreciation and negative currency effects, Datwyler succeeded in improving the operating result (EBIT) by 24.1% to CHF 79.2 million (previous year: CHF 63.8 million). This equates to a significantly higher EBIT margin of 19.6% (previous year: 16.8%).

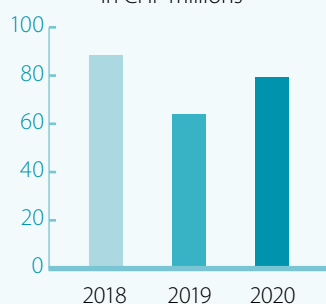
Important developments in 2020

- To maintain delivery capacity during the COVID-19 pandemic, products had to be moved from one site to other sites within a very short space of time. The Datwyler approach of operating all of its locations around the world according to uniform standards proved its worth in this situation.
- A further expansion of production capacities in India and the US.
- Optimisation of the product portfolio thanks to the successful launch of the new NeoFlex components for prefilled syringes and cartridges, manufactured according to the FirstLine production standard. The seamless fluoropolymer coating of the NeoFlex components offers maximum protection for the quality of sensitive biotech medicines, optimises the functionality of the prefilled syringes and improves patient safety.

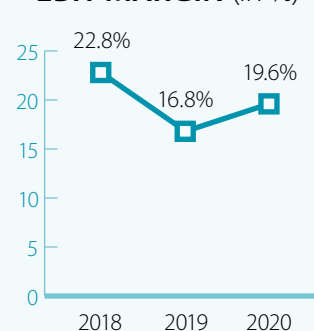
NET REVENUE
in CHF millions



OPERATING RESULT (EBIT)
in CHF millions



EBIT MARGIN (in %)



- A substantially expanded selection of ready-to-use components at several sites and the introduction of steam sterilisation.

Current priorities

- Contribution to the fight against the COVID-19 virus: Datwyler supports pharmaceutical customers in the provision of life-saving vaccines and treatments with its system-critical components.
- Expansion of production capacities at existing sites through continuous increases in productivity with a focus on automation and through additional work shifts (24 hours, seven days a week).
- Investment in additional facilities for coating components in order to eliminate bottlenecks and respond to growing demand.
- Further expansion of production capacities through the extension of the site in India. Owing to delays in construction due to the pandemic, the second plant is now scheduled to go into operation in the second quarter of 2022.
- Significant expansion of local presence and the partner networks in the US, China, India and selected emerging countries so that we can serve customers better with local support in these rapidly growing markets.



Datwyler's system-critical elastomer components are used in billions of pharmaceutical vials and syringes worldwide.

- The additional production capacities and the expansion of our local presence will enable us to increase our market share and participate in market growth to a disproportionately high extent in the future.

Outlook

- In light of the structural growth trends towards high-quality products and the increasing demand for coated components for COVID-19 vaccines and treatments, Datwyler expects to achieve revenue growth well into double figures in 2021.
- To minimise quality risks, manufacturers of COVID-19 vaccines favour coated components. This will have a positive impact on the average margin for the product mix.

KEY FIGURES OF HEALTHCARE SOLUTIONS

in CHF millions	2020	2019
Net revenue	403.4	380.6
Operating result (EBIT) ¹	79.2	63.8
Operating result as % of net revenue ¹	19.6%	16.8%
ROCE ¹ in %	23.7%	24.6%
Average capital employed ¹	334.2	259.8
Capital expenditures ¹	54.4	64.6
Number of full-time equivalents (at year-end)	2'228	2'156



54.4
CHF million
Capital expenditures

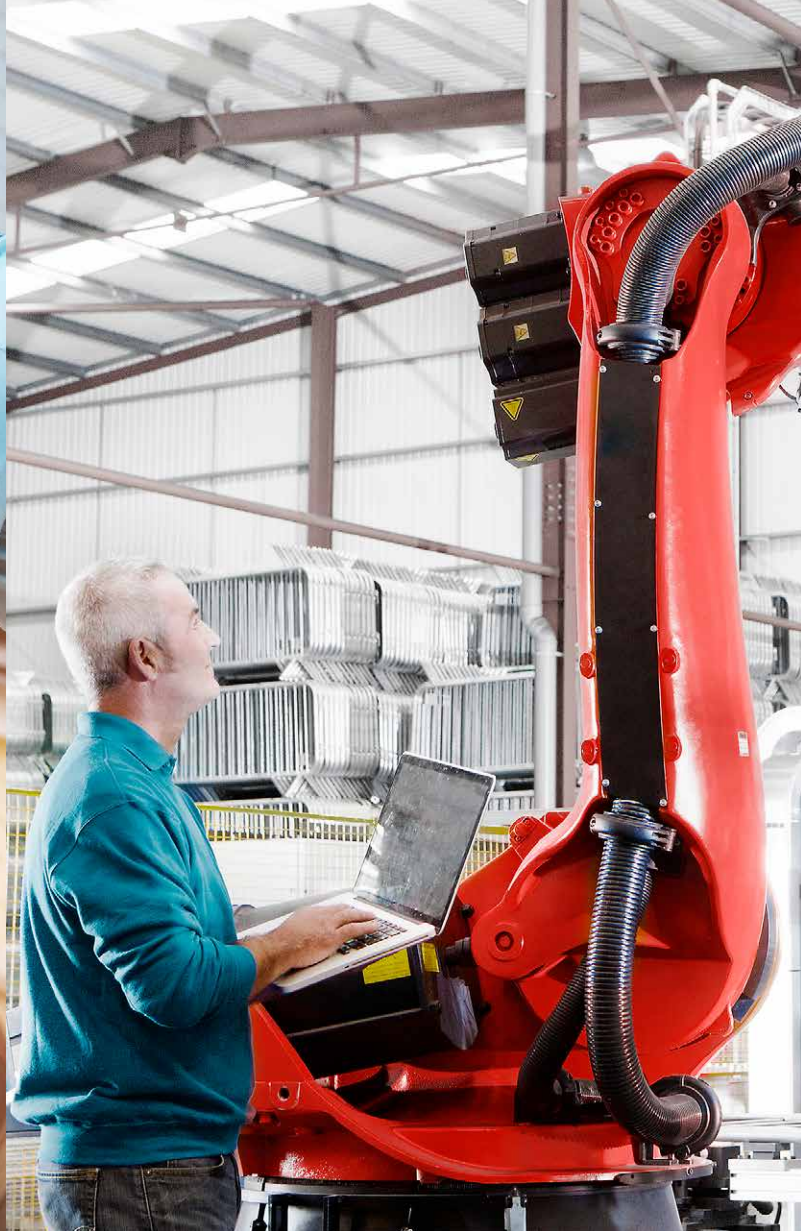


2'228
Full-time equivalents



23.7%
ROCE

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



INDUSTRIAL SOLUTIONS

Datwyler is a leading supplier of system-critical elastomer components to the attractive global Mobility, Oil & Gas, General Industry and Food & Beverage markets. For instance, customer-specific components make an important contribution to driver and passenger safety in in every second car worldwide. Leading core competencies in solution design, material expertise and operational excellence as well as a worldwide presence with its own production sites form the successfull basis for this. As a recognised development partner, Datwyler maintains close, long-standing relationships with global innovation leaders and has in-depth knowledge of technologies and development trends in the markets it serves.



Target groups

- Automotive system suppliers
- Oil and gas service companies
- Aerospace
- Manufacturers of power tools
- Process and drinking water treatment industries
- Manufacturers of portioned food products

Geographical markets

- Europe, North and South America, Asia

Products and services

Food & Beverage

- Sealing solutions for food and beverage industry

Mobility

System-critical components for

- Electromobility of the future
- Active assistance and safety systems
- Brake systems
- Fuel and engine management
- Exhaust gas aftertreatment (Selective Catalytic Reduction)

Oil & Gas

- Sealing components for upstream systems

General Industry

- Sealing components for power tools, water and process industries



With its Lean & Clean production concept, Datwyler is setting new standards for the production of custom and system-critical components for mobility applications.

Industrial Solutions recovers slightly in the second half of the year

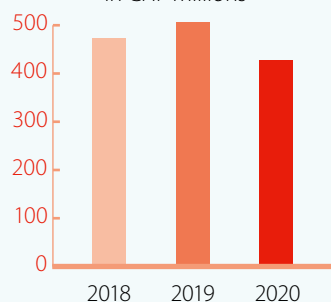
Revenue and earnings

- Due to the substantial negative impact of the pandemic, revenue for continuing operations in the Industrial Solutions business area (excluding the divested Civil Engineering business unit) fell to CHF 427.5 million (previous year: CHF 505.3 million). This corresponds to a currency-adjusted decline of 11.4%.
- Thanks to the rapid adjustment of the cost structures and the encouraging performance of the Food & Beverage business, the EBIT margin improved slightly to 11.8% (previous year: 11.7%). The operating result (EBIT) amounted to CHF 50.4 million (previous year: CHF 59.1 million).

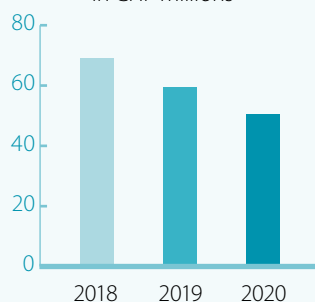
Important developments in 2020

- The Mobility, General Industry and Oil & Gas business units were hit by the negative economic effects of the pandemic in the second quarter. Whereas Mobility and General Industry business showed signs of a recovery from the third quarter onwards, the Oil & Gas business remained under considerable pressure in the second half of the year.
- The Food & Beverage business unit was able to accelerate growth compared with the previous year. Having signed a new multi-year contract with Nespresso up to 2030, Datwyler set about expanding capacity accordingly. Production also got under way for a further customer in the third quarter.

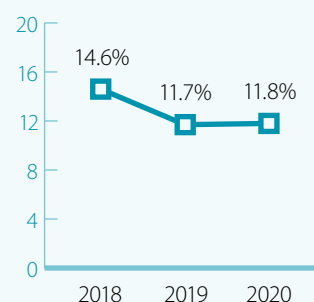
NET REVENUE² in CHF millions



OPERATING RESULT (EBIT)² in CHF millions



EBIT MARGIN (in %)²



² Continuing operations

- The integration of the companies Bins and Parco originally acquired in 2018 was completed successfully.
- The Civil Engineering business with elastomer profiles for application in superstructure, underground and railway construction was sold in May.

Current priorities

- Electromobility is the clear focus topic in the Mobility business unit's strategy. Datwyler is currently developing a large number of system-critical components for vehicle electrification. Smart rubber products with integrated sensors enable new applications for active assistance and safety systems in vehicles.
- By investing in a new center of competence for surface technology at the Swiss site, Datwyler strengthens its leading position in the market for multi-component parts in combination with elastomers. These products play a particularly important role in systems for electric vehicles.
- In the Food & Beverage business unit, Datwyler is investing in a significant expansion of production capacities at the Swiss site so that it can handle the volumes forecast by customers.

Outlook

- The further effects of the pandemic on consumer behaviour and the economy remain uncertain. However, Datwyler is confident that the recovery of the markets in the fourth quarter and the good order backlog in the Industrial Solutions business area will lead to high single-digit revenue growth in 2021.
- In the Food & Beverage business unit, Datwyler expects the next few years to bring strong growth and an altered customer and product mix, which will weaken margins.
- The demand situation in the Oil & Gas business unit will only improve with a significantly higher oil price.



Multi-component housing made of thermoplastic with molded-on seal made of liquid silicone rubber for an electronic control unit in vehicles.

- In the General Industry business unit in particular, Datwyler is constantly assessing potential acquisition targets as a way of gaining access to new technologies and markets in order to drive organic growth.

KEY FIGURES OF INDUSTRIAL SOLUTIONS²

in CHF millions	2020	2019
Net revenue	427.5	505.3
Operating result (EBIT) ¹	50.4	59.1
Operating result as % of net revenue ¹	11.8%	11.7%
ROCE ¹ in %	17.1%	20.0%
Average capital employed ¹	294.8	295.5
Capital expenditures ¹	33.7	28.7
Number of full-time equivalents (at year-end)	4'015	4'362

² Continuing operations



33.7
CHF million
Capital expenditures



4'015
Full-time equivalents



17.1%
ROCE

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



ONLINE DISTRIBUTION

The Datwyler online distributor Reichelt has an attractive range of over 100'000 products for electronics, maintenance, automation, network and measurement technology, communications, ICT as well as home automation and security. More than one million business, government and private customers benefit from an industry-leading price-performance proposition with competent technical support, high availability and short delivery times. Starting from a strong position in its home market of Germany, Reichelt is continuously serving more European countries with state-of-the-art webshops in local languages. More than 10'000 parcels are handled every day in the central distribution center.



Target groups

- Business-to-Business (B2B)
- Business-to-Administration (B2A)
- Business-to-Consumer (B2C, Maker/Prosumer)
- Maintenance, repair and operations (MRO)
- Electronic Design Engineers (EDE)

Geographical markets

- Europe

Products and services

- Components/automation
- Single board computer (Raspberry Pi)
- Power supply
- Measurement equipment
- Tools and soldering
- Home and security
- Network technologies
- Computing
- TV, video and multimedia
- Communication and office



Reichelt benefits from the trend towards online shopping and has sufficient capacity for further growth with its new warehouse.

Online distributor Reichelt wins market share

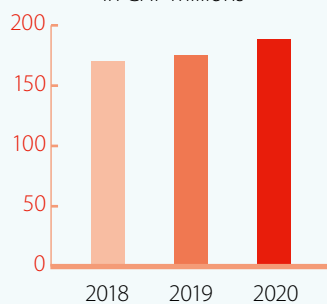
Revenue and earnings

- Reichelt was able to increase its market share in the reporting year by offering excellent value for money. The online distributor achieved currency-adjusted growth of 12.7% in a challenging market environment and increased revenue to CHF 188.8 million (previous year: CHF 174.3 million).
- The low cost base helped to increase the operating result (EBIT) by 16.2% to CHF 17.2 million (previous year: CHF 14.8 million). The EBIT margin improved to 9.1% (previous year: 8.5%).

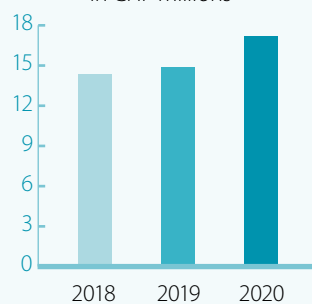
Important developments in 2020

- Readers of the trade magazine Elektronik voted Reichelt distributor of the year for the third time in succession. Reichelt came first in four out of five categories, leaving all notable competitors trailing behind.
- Reichelt benefited from the growing popularity of online shopping, which received a further boost as a result of the pandemic. There was particularly strong demand for electronic devices and accessories for use in a home-office or home-schooling setting.

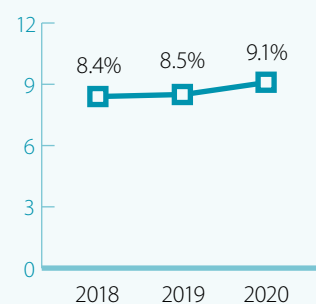
NET REVENUE
in CHF millions

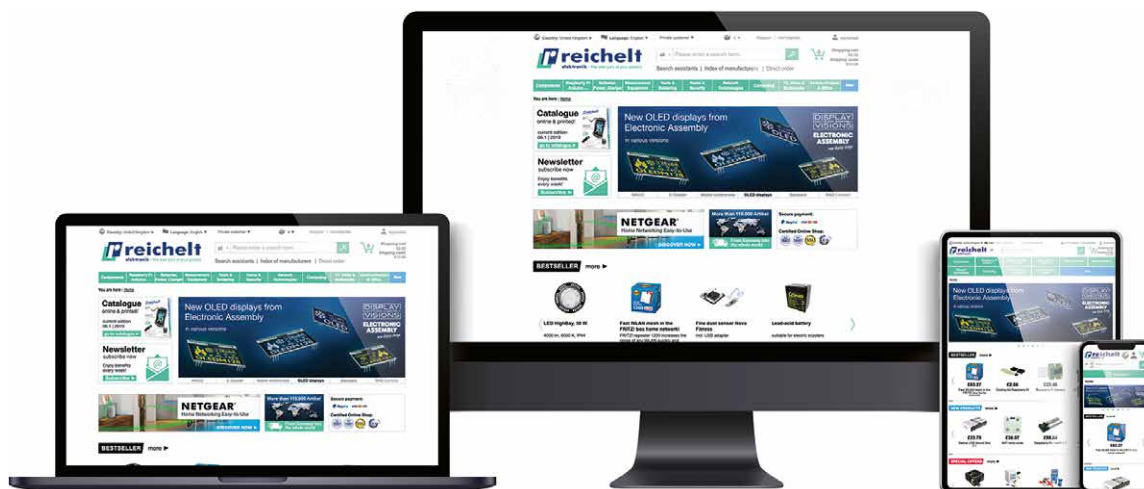


OPERATING RESULT (EBIT)
in CHF millions



EBIT MARGIN (in %)





With its modern online store, Reichelt offers an attractive shopping experience with personalised offers on all devices.

- The scalability of Reichelt's systems and software solutions meant that it was able to guarantee the availability of goods and logistical and delivery capacities at all times despite high order volumes, bottlenecks at courier services and the challenges of Brexit.
- Thanks to the further development of the online shop, customers benefit from an attractive shopping experience for all devices and personalised offers tailored to their specific needs.

Current priorities

- To further expand the product range, 50'000 additional storage spaces were put into operation in the new logistics center in the fourth quarter. With this, we aim in particular to drive the positive development of Reichelt's business-to-business activities.
- Reichelt is taking advantage of the current momentum in the online business and intensifying its efforts to raise the brand's

profile throughout Europe, with a special focus on Germany and Switzerland.

- In the business-to-business and business-to-administration market segments, Reichelt is focusing on product ranges related to the Internet of Things, digitalisation, 3D printing, robotics, automation and home office. In the business-to-consumer market segment, the online distributor is promoting the trends for smart homes and single-board computers such as Raspberry Pi for ambitious private customers (makers/prosumers).

Outlook

- In light of its strong market position in the domestic German market and its successful expansion strategy in several European countries, we are confident that Reichelt will also be able to achieve low single-digit growth in 2021 following the strong year under review.

KEY FIGURES OF REICHELT

in CHF millions	2020	2019
Net revenue	188.8	174.3
Operating result (EBIT) ¹	17.2	14.8
Operating result as % of net revenue ¹	9.1%	8.5%
ROCE ¹ in %	47.1%	42.8%
Average capital employed ¹	36.5	34.6
Capital expenditures ¹	1.4	1.1
Number of full-time equivalents (at year-end)	277	254



1.4
CHF million
Capital expenditures

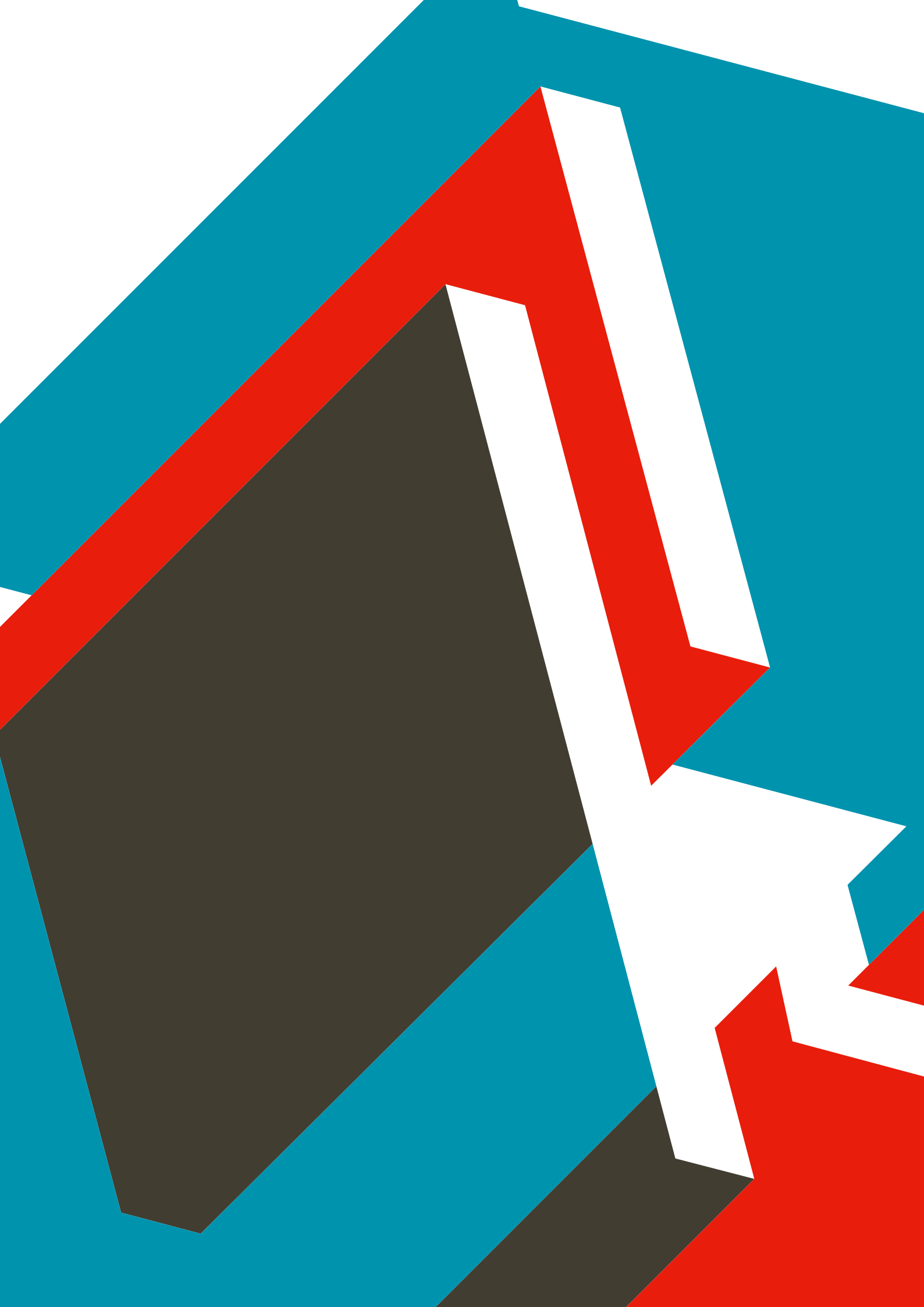


277
Full-time equivalents



47.1%
ROCE

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



SUSTAINABILITY

Long-term values 28

Sustainability as part of the company strategy 29

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 corrup-

tion. 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. Climate neutrality by 2030 (Scope 1 and 2) based on science-based targets.

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.

To define the material sustainability topics, Datwyler first interviewed representatives of the management teams and experts on the topic of sustainability as part of a multi-stage process. 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 all functions and all key subsidiaries, Datwyler subsequently drew up objectives, concepts and priorities related to these topics in terms of strategic focus and strategic development.

As a responsible company, Datwyler wants to contribute to achieving the UN Sustainable Development Goals. We still want to grow as a company, but with public quantitative objectives 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.

Our commitment to sustainable management has also been recognised by independent bodies. For example, Datwyler has received the silver award from the globally recognised rating agency EcoVadis for the second time in succession and is in the top 25% of more than 65'000 companies surveyed. This motivates us to do more: an interdisciplinary project group is currently working on further developing Datwyler's sustainability and climate strategy with the target of achieving carbon neutrality for our own activities (scope 1 and 2) at all our sites by 2030 based on the Science Based Targets concept. Since the beginning of 2021, Datwyler sources some 35% of its total electricity consumption from renewable energy sources.

The 2020 Datwyler Sustainability Report will be available in the course of the second quarter of 2021 via the following link:
www.datwyler.com/company/sustainability



MSCI
ESG RATINGS



CCC B BB BBB A AA AAA





CORPORATE GOVERNANCE

Group structure and shareholders	32
Capital structure	33
Internal organisation	34
Board of Directors	37
Executive Management	40
Shareholders' participation rights	42
Statutory auditors	43
Information policy	43

CORPORATE GOVERNANCE

at 31 December 2020

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 > Corporate Governance > Policies & Regulations

Group structure and shareholders

Datwyler is focusing on high-quality, system-critical elastomer components and has leading positions in attractive global markets such as healthcare, mobility, general industries, 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.

Substantial shareholders and shareholder structure

The ownership structure of the Datwyler Group (see chart, p. 33) 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. 37, 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.

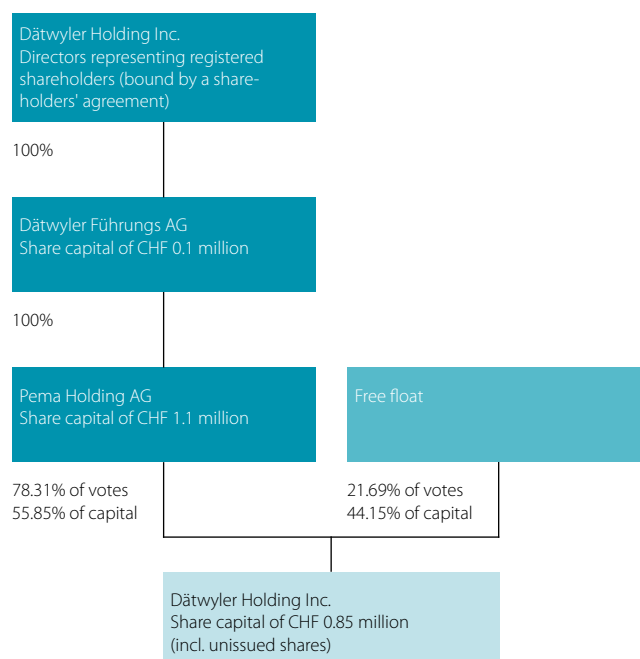
The Board members are likewise not entitled to receive dividend payments from Dätwyler Holding Inc. Dividends are retained by Pema Holding AG and can be reinvested in Dätwyler Holding Inc.

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 5'094'172 of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 78.31% of the voting rights and 55.85% 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 75/76: segment reporting.
- Page 96: detailed list of subsidiaries and investments.
- Page 117 and 119: details of Dätwyler Holding Inc.
- Page 120/121: directory of Group operations.

To strengthen the market focus, the core competencies and the agility, the Board of Directors introduced a new organisational structure as of the beginning of February 2020. Market and production activities are now combined in the two business areas Healthcare Solutions and Industrial Solutions. These two market units are supported by the two service units Technology & Innovation and Finance & Shared Services. The online distributor Reichelt is managed as a separate entity.

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

Capital structure

Composition of share capital in CHF at 31 December 2020:

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 2020 and 2019 is presented in the statement of changes in equity on page 67. Changes in equity for 2019 and 2018 are shown in the statement of changes in equity on page 63 of the Annual Report 2019 (www.datwyler.com > Investors > Financial publications).

Convertible bonds and share options

As at 31 December 2020, 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 86, 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 2020, 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 Hältg, 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 61 and their average tenure is six 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 locations. 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 2020, the Board held six meetings. In addition, there were five phone conferences due to the Covid 19 pandemic. One Director was excused for two meetings due to health reasons. Two Directors were absent for one conference call. Some of the Directors participated in some meetings by telephone due to the restrictions of the Covid 19 pandemic.

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), Gabi Huber and Hanno Ulmer. In 2020, the Audit Committee held four meetings, each of which was attended by the CEO and CFO. One member was excused for one meeting due to health reasons. 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 2020, 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 46.

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". Datwyler 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 business area and Group consolidation: actual and forecast figures, including variance analyses and a written commentary by the business area 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 business area 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. Due to the Covid 19 pandemic, the audit plan had to be adjusted in the 2020 reporting year and, where necessary, switched to remote audits using online data control and video conferencing. 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. Business area 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 business areas.

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 business area is responsible for significant risks and informs the Executive Management 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 business areas. In particular, risks are regularly discussed at the meetings between the business area management and the Group management. These reviews ensure that uniform valuation approaches are applied and that similar risks are treated equally across the Group business areas. 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 business area 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. 32/33, 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 2021)

Paul Hälg was appointed to the Board of Directors and President of Datwyler Holding AG at the 2017 Annual General Meeting. He is a member of the Board of Directors of Datwyler IT Infra AG, an affiliate of the listed Datwyler Holding AG. From 2004 to the end of 2016, he was CEO of the Datwyler Group. Prior to joining Datwyler, he was a member of the Forbo Group Executive Board as Head of the Adhesives division. From 1986 to 2001 Paul Hälg held various senior positions within Gurit-Essex (Gurit-Heberlein Group), most recently as its CEO. Prior to that, he worked at the Swiss Aluminum Group for five years. Paul Hälg is Chairman of the Board of Directors of publicly listed Sika AG and Board of Directors of Sonceboz Automotive S. A. He is also a member of the Board of Trustees of the ETH Foundation, Swisscontact and the Swiss Air Rescue Service (Rega). He graduated from ETH Zurich (Swiss polytechnical university) with a doctorate in chemistry (Dr. sc. techn.).

Hanspeter Fässler (1956, Swiss)

Vice Chairman (term expires in 2021)

Hanspeter Fässler has been a member of Datwyler Holding AG since 2004 and Vice Chairman of the Board of Directors since 2017. He is Chairman of the Nomination and Compensation Committee and Chairman of the Board of Directors of Datwyler IT Infra AG, an affiliate of listed Datwyler Holding AG. He is also a member of the Board of Directors of Axpo Holding AG and Hatebur Umformtechnik AG. As founding Chairman of the Robotics startup ANYbotics AG, he contributes valuable digital expertise to the Datwyler Board of Directors. Hanspeter Fässler worked for the ABB Group in various management positions at home and abroad, including as CEO of ABB Switzerland and from 2006 to 2010 as the Head of ABB Mediterranean Region and Chairman of the Executive Board of ABB Italy. From 2010 to 2011 he was CEO of the Implenia construction services group. He received his doctorate in the specialty area

Mechatronics/Robotics (Dr. sc. techn.) at ETH Zurich. He also holds an Engineer's Degree from Stanford University, USA.

Jens Breu (1972, CH)

Director (term expires in 2021), public shareholders' representative
Jens Breu was appointed to the Board of Directors of Dätwyler Holding Inc. in 2019 as a representative of the public shareholders. He's a member of the Nomination and Compensation Committee. Since the beginning of 2016 he has been CEO of the publicly listed SFS Group, where he has held various positions since 1995. Among other things, during this time, Jens Breu was production manager in the USA for eight years. In 2012 he was promoted to Head of the Industrial Division and in 2014 to Chief Operating Officer. Jens Breu has a mechanical engineering degree from 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 2021)

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 led the Vetropack Group as a delegate of the Board of Directors and CEO. He was elected Chairman of the Board of Directors of the Vetropack Group at the 2018 Annual General Meeting. Since 2002, he has been a member of the Board of Directors of the listed Bucher Industries Group. He is also on the Board of Directors of Glas Trösch Holding AG and Vice-Chairman of the Board of Directors of H. Goessler AG and Cornaz AG Holding. Claude R. Cornaz is a certified mechanical engineer ETH/BWL.

Jürg Fedier (1955, Swiss)

Director (term expires in 2021), 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. as well as the RUAG International. 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 2021)

Gabi Huber was appointed to the Board of Dätwyler Holding Inc. in 2013. She is a member of the Audit Committee. Gabi Huber has been practicing as a self-employed attorney and notary since 1982 and was certified as a mediator in 2006. She is co-owner of the law firm Bachmann Huber Zraggen in Altdorf, Switzerland. From 2003 to 2015 she represented the canton of Uri in the National Council. From 2008 to 2015 she chaired the FDP Liberal faction of the Swiss Federal Councillors. Prior to her election to the National Council, Gabi Huber served as a member of cantonal government and finance director of canton of Uri from 1996 to 2004. From 2002 to 2004 she headed the government of Uri as chief magistrate (Landammann). She is Vice Chairman of the Board of Directors of UBS Switzerland AG. She is also a member of the board of trustees of the Swiss Air Rescue service (Rega). Gabi Huber graduated from the University of Freiburg in 1980, studied law at Columbia University in New York and earned a doctorate in 1990.

Hanno Ulmer (1957, Austrian)Director (term expires in 2021)

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 Ropetrans AG and a Supervisory Chairman 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 2021)

Zhiqiang Zhang was appointed to the Board of Dätwyler Holding Inc. at the Annual General Meeting 2016. The Chinese national works for ABB as Senior Vice President of the group and President of ABB China 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 DirectorsRoland 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.

Changes in the composition of the Board of Directors

There were no changes in the Board of Directors at the 2020 Annual General Meeting.

At the Annual General Meeting 2021, Zhiqiang Zhang will step down from the Board of Directors. Martin Hirzel will be proposed for election as a new Director and further representative of the public shareholders. Martin Hirzel is President of Swissmem, the Swiss association of mechanical and electrical engineering industries, and was CEO of Autoneum from 2011 to 2019.

Board of Directors



Paul J. Hälgi, 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 member of the Board of Directors of Dätwyler IT Infra AG, a sister company of publicly listed Dätwyler Holding Inc. He is also a board member of Swissmem, the Swiss association of mechanical and electrical engineering industries. 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.

Walter Scherz (1977, Swiss)

Chief Financial Officer (CFO)

Walter Scherz has been a member of the Datwyler Executive Management since April 2020 and, as Chief Financial Officer, heads the Finance & Shared Services Group Function. He previously held several positions at Datwyler: From the beginning of 2017 to 2020 as Chief Financial Officer of the Technical Components division, from 2014 to 2016 as Vice President Corporate Development and Post Merger Integration in the Sealing Solutions division and from 2012 to 2014 as Head of Internal Group Audit. Prior to joining Datwyler, he worked amongst others for KPMG as external auditor and in various management positions in Switzerland and abroad, including Russia and the Middle East. Walter Scherz holds a master's degree in Economy from the University of St. Gallen, Switzerland, and is a certified public accountant. He also holds further education and diplomas in risk and compliance management, M&A and internal auditing. Walter Scherz is a member of the Board of Trustees of the Zürcherischen Winkelriedstiftung.

Torsten Maschke (1969, German)

Head of Business Area Industrial Solutions

Torsten Maschke has been heading the Industrial Solutions Business Area since February 2020. Previously, he was Head of the Sealing Solutions division and was already member of the Datwyler Executive Management since October 2016. Before joining Datwyler, 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 he had been working in various international management functions in the automotive business of the Freudenberg Group since completing his education in 1996. Torsten Maschke earned degrees in mechanical engineering from Münster University of Applied Sciences, Germany, and in industrial engineering from Bochum University of Applied Sciences, Germany.

Dirk Borghs (1963, Belgium)

Head of Business Area Healthcare Solutions

Dirk Borghs has been a member of the Datwyler Executive Management since February 2020 and heads the Healthcare Solutions Business Area. Prior to this, he had held a variety of positions at Datwyler. Most recently, he was Executive Senior Vice President responsible for the global manufacturing plants and supply chain of the Sealing Solutions division. From 2006 to 2014, as Vice President for Strategic Projects and Global Procurement, he was responsible for planning and building the FirstLine plants in Belgium and India, among other things. Previously, he was head of the global healthcare quality and engineering unit and managed the healthcare plant in the United States for five years. Before joining Datwyler in 1993, he worked as an engineer in the automotive industry. Dirk Borghs holds a degree in materials science from Leuven University, Belgium, and a degree in finance and marketing from Gent University, Belgium.

Frank Schön (1975, German / Swiss)

Chief Technology Officer

Frank Schön has been a member of Datwyler's Executive Management since February 2020 and, as Chief Technology Officer, heads the Technology & Innovation Group Function. Prior to that, he was Vice President R&D and Innovation, responsible for global research and development in the Sealing Solutions division since 2013. From 2004 to 2012, he held various management positions in research and development in the Sealing Technologies division. Frank Schön completed his studies in chemistry at the University of Bayreuth, Germany, with a master's diploma and then earned his PhD at the University of Freiburg, Germany. In addition, he holds an MAS in Business Administration and Engineering from the University of Lucerne.

Executive Management



Dirk Lambrecht, CEO



Walter Scherz, CFO



Torsten Maschke, Head of
Business Area Industrial Solutions



Dirk Borghs, Head of Business
Area Healthcare Solutions



Frank Schön ,
Chief Technology Officer

Changes in the Executive Management in the reporting year

Due to the new organisation, there were various personnel changes in the Group Executive Management in the course of spring 2020. With Walter Scherz, CFO, Dirk Borghs, Head of Business Area Healthcare Solutions, and Frank Schön, CTO, three new members joined the Executive Management (see p. 40). The former CFO Reto Welte retired as of April 1, 2020. Neil Harrison, head of the former Technical Components Division, has left Daetwyler with the sale of the distribution companies Distrelec and Nedis.

Significant events after balance sheet date

There have been no changes in the Group Management since 31 December 2020.

Management contracts

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

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.

Remuneration, shareholdings and loans

The information on remuneration, shareholdings and loans is recorded in the Remuneration Report on page 46 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

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 2020 to the statutory and other auditors:

in CHF	Statutory auditors	Other auditors
Auditing services, total	705'000	246'000
Additional services, total	23'000	222'000
Tax consulting	18'000	219'000
Legal consulting	–	3'000
Transaction services	–	–
Other advisory services	5'000	–

Representatives of the statutory auditors attend all meetings of the Audit Committee for the discussion of certain items. Four meetings were held in 2020. 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 35.

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 > News. A facility for signing up to receive ad hoc press releases is provided at www.datwyler.com > Media > Newsletter. Contact details and important dates are given in the "General Information" section on page 119. Official notices concerning Datwyler are published in the Swiss Official Gazette of Commerce. Notices and invitations to registered shareholders are made in writing.





REMUNERATION REPORT

Remuneration governance framework	46
Remuneration structure of the Board of Directors	49
Remuneration structure of the Executive Management	50
Remuneration in the reporting year	54
Remuneration outlook	57
Report of the statutory auditor on the Remuneration Report	58

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 2020 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 2020, the members of the Nomination and Compensation Committee were: Hanspeter Fässler (Chairman), Jens Breu and Claude R. Cornaz. In 2020 the Nomination and Compensation Committee met four times. All members were present at all meetings.

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. The CEO attends the meetings by invitation and in an advisory capacity, and the HR officer of the Group takes the minutes. At the agenda points, where his own performance and remuneration are being discussed, the CEO does 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: ALSO, Belimo, Bucher Industries, DKSH, Dormakaba, Emmi, Forbo, Galenica, Georg Fischer, Idorsia, Landis+Gyr, OC Oerlikon, SFS Group, Sigfried, Sulzer, Tecan und VAT Group.

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.

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	+		Cash (CHF)
			Blocked shares (CHF)
CHF 150'000 in blocked shares		Board chairmanship	80'000
		Board vice-chairmanship	20'000
		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.

The elements and levels of remuneration for the Board of Directors is based on benchmarking analysis with a group of comparable international industrial companies listed on the SIX Swiss Exchange with similar geographic scope, revenue, complexity, capitalisation and employee headcount. They include: ALSO, Belimo, Bucher Industries, DKSH, Dormakaba, Emmi, Forbo, Galenica, Georg Fischer, Idorsia, Landis+Gyr, OC Oerlikon, SFS Group, Sigfried, Sulzer, Tecan und VAT Group.

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 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 incentive

The variable incentive plan rewards the collective performance of the company over a time horizon of one year. The variable incentive is capped at 180% of the annual fixed base salary for the CEO and at 45% to 120% for the other members of Executive Management.

In alignment with the overall strategy of sustainable profitable growth, the variable incentive 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.

To calculate the two performance indicators, the Healthcare Solutions and Industrial Solutions business areas are being used since the 2020 reporting year. The comparison of the two Datwyler performance indicators with the performance of similar companies is performed by an independent consulting firm. The peer group includes industrial firms that have a comparable base of products, technology, customers, suppliers or investors and thus are exposed to similar market cycles as Datwyler. The peer group corresponds to that of the former Sealing Solutions division and is identical for all members of the Executive Management (for the list of peer companies, please refer to page 51). 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 target amount of the variable incentive 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 Datwyler achieves the best ranking among all peer companies on both net sales growth and EBIT improvement. Should Datwyler perform below all peer companies on both indicators, the variable incentive will be set at zero. The payout percentage for any point between the lowest ranking (0% payout), the median (100%) and the best ranking (200%) is determined by linear interpolation.

The Board of Directors may decide to adjust both performance

Overview of calculation and payout of the variable incentive

Target values in % of annual fixed base salary	CEO	COOs, CFO, CTO
Net sales growth relative to peers	45%	11.25% – 30%
EBIT improvement relative to peers	45%	11.25% – 30%
Total (at target)	90%	22.5% – 60%
Total (at maximum)	180%	45% – 120%

Peer groups of companies to measure the collective performance

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

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 net sales by more than 10% of the previous year figure. In case of a negative net result, the Board of Directors reserves the right to deviate from the above mentioned calculation approach.

The illustration at the top of this page 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.

In the 2020 financial year, Datwyler for the first time replaced the individual performance target with a correspondingly collective performance target. This approach, including a uniform peer group, applies to all employees of the company who are entitled to a variable incentive. By replacing personal targets with collective targets,

Datwyler promotes agile collaboration across hierarchical levels and departments and accelerates the implementation of customer requests and development projects. By simultaneously introducing the concept of Objectives and Key Results (OKRs), Datwyler focuses the activities of all employees on a clearly defined number of overarching company objectives.

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 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

Due to the divestment of the distribution companies Distrelec and Nedis, the peer group was reduced to that of the former Sealing Solutions division as of 2020. The peer group consists of the following companies:

Amgen	Hexpol AB
Aptargroup	Johnson Control
Aptiv	Parker-Hannifin
Atrion Corp.	Sanok Rubber
Becton Dickinson & Company	Semperit AG Holding
Bridgestone Corporation	Trelleborg
Continental	Valeo

Delphi Technologies	West Pharmaceutical
Gerresheimer	ZF Friedrichshafen

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

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, the 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 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

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

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

rules have been determined for those members of the Executive Management who were members of the Executive Management on 1 January 2018.

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 longstanding Executive Management members from 2021 onwards will follow the regular plan rules. The same applies to new Executive Management members who were 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 54.

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 2020

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 56. Tables 1 to 4 have been audited by the statutory auditors.

Table 1: Remuneration Executive Management in 2020 (in CHF)

Surname and first name	Function	Fixed base salary, gross	Variable incentive, gross ³	Performance Share Units ⁴		Employer social insurance contributions ¹	Perquisites	Total remuneration
				Number	Grant value			
Dirk Lambrecht ¹	CEO	655'000	739'800	3'633	650'016	311'372	9'532	2'365'720
Total for Executive Management²		2'377'583	1'921'683	8'655	1'548'508	1'249'060	142'157	7'238'990

¹ Highest remuneration.

² Due to the new organisation, three new members joined the Executive Management in 2020 and two members left, which led to one-time effects in the remuneration.

³ Best estimate at the time of publication of the annual report, as only the nine-month figures are available for the companies in the peer group at this date.

⁴ The performance share units of the long-term incentive plan were granted on 1 January 2020 based on the Datwyler bearer share price of CHF 178.92 (average closing price 20 trading days prior to the grant date).

Table 2: Remuneration Executive Management in 2019 (in CHF)

Surname and first name	Function	Fixed base salary, gross	Variable incentive, gross ²	Performance Share Units ³		Employer social insurance contributions ¹	Perquisites	Total remuneration
				Number	Fair value			
Dirk Lambrecht ¹	CEO	720'000	727'180	4'797	650'089	314'850	9'520	2'421'640
Total for Executive Management		1'942'000	1'788'096	10'332	1'400'193	1'037'127	38'130	6'205'546

¹ Highest remuneration.

² The variable incentives paid to the Executive Management in 2020 reporting year and relating to the 2019 fiscal year were in total CHF 334'404 lower than the estimate published in the 2019 Annual Report. The social insurance contributions have also been adjusted accordingly.

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 3: Remuneration Board of Directors in 2020 (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	130'000	2'016	330'019	26'890	486'909
Fässler Hanspeter	Vice Chairman	110'000	1'406	230'162	23'311	363'473
Jens Breu	Director	110'000	917	150'113	18'380	278'493
Cornaz Claude R.	Director	70'000	917	150'113	15'382	235'495
Fedier Jürg	Director	130'000	917	150'113	19'880	299'993
Huber Gabi	Director	70'000	917	150'113	12'856	232'969
Ulmer Hanno	Director	70'000	917	150'113	13'328	233'441
Zhang Zhiqiang	Director	50'000	917	150'113	13'883	213'996
Total for Directors		740'000	8'924	1'460'859	143'910	2'344'769

¹ Highest remuneration.

² The shares were granted on 2 June 2020. The reported market value corresponds to the average share price of CHF 163.70 during the 20 trading days prior to the grant date.

Table 4: Remuneration Board of Directors in 2019 (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	2'168	330'013	27'298	507'311
Fässler Hanspeter	Vice Chairman	110'000	1'511	230'004	20'375	360'379
Jens Breu	Director	90'000	986	150'089	14'766	254'855
Cornaz Claude R.	Director	70'000	986	150'089	13'474	233'563
Fedier Jürg	Director	130'000	986	150'089	17'877	297'966
Huber Gabi	Director	70'000	986	150'089	13'474	233'563
Ulmer Hanno	Director	70'000	986	150'089	12'215	232'304
Zhang Zhiqiang	Director	50'000	986	150'089	12'007	212'096
Total for Directors		740'000	9'595	1'460'551	131'486	2'332'037

¹ Highest remuneration.

² The shares were granted on 3 June 2019. The reported market value corresponds to the average price of CHF 152.22 for the 20 trading days prior to the allocation date.

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 share participation for the members of the Board of Directors for the year 2020 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 2 June 2020 was based on a fixed amount and the average share price of the 20 trading days prior to the grant date (CHF 163.70). Due to the higher share price compared to the previous year, the number of granted shares decreased in the year under review. The granted shares are blocked for a period of five years.

In the Executive Management, various personnel changes took place in the course of spring 2020 due to the new organisation. Three new members joined the Executive Management and two existing members resigned, which led to one-time effects in the remuneration. The fixed base salary of the remaining members of the Executive Management was reduced at their request, for the CEO from CHF 720'000 to CHF 655'000. The Executive Management's variable incentive for the 2020 reporting year was calculated according to the model described in detail on pages 50 and 51. This involved comparing net revenue growth and EBIT improvement with a peer group of similar companies. 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 only the nine-month figures are available from the peer group of companies at the time of publication of the annual report, the figures shown for the variable incentive are best estimates.

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 2021 before the date on which the variable incentive is paid out.

If the variable incentive that is ultimately paid out differs significantly from the amount shown in the remuneration table on page 54, the Remuneration Report of the following year will state this.

Under the long-term incentive plan (see pages 52 and 53 for details), performance share units (PSU) were granted to the mem-

bers of the Executive Management on 1 January 2020, based on the Datwyler bearer share price of CHF 178.92 (average closing price of the 20 trading days prior to the grant date). Due to the higher share price compared to the previous year, the number of PSUs granted was reduced in the year under review.

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 below the maximum total remuneration figures of CHF 2.4 million and CHF 8.8 million respectively, which the shareholders approved for the 2020 fiscal year at the 2019 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 2021 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2022 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2022 fiscal year:

- Board of Directors: CHF 2'100'000, of which CHF 600'000 for cash remuneration plus CHF 1'500'000 for granting of Dätwyler Holding Inc. bearer shares.
- Executive Management: CHF 8'500'000, of which CHF 5'500'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 3'000'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

The Board of Directors has decided to reduce its own remuneration as of the 2021 General Meeting. The cash component of the base fee will be reduced from CHF 50'000 to CHF 30'000 for all members. Furthermore, the additional compensation for the representatives of the public shareholders pursuant to OR 709 will be omitted. Accordingly, the proposed maximum total amount for the compensation of the Board of Directors is some 10% below the previous year's value. For the Executive Management, the proposed maximum total amount is also slightly below the previous year's value.

Report of the statutory auditor on the Remuneration Report



KPMG AG
Räffelstrasse 28
PO Box
CH-8036 Zurich

+41 58 249 31 31
kpmg.ch

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 2020. 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 54 to 55 and page 56 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 2020 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, 5 February 2021

© 2021 KPMG AG, a Swiss corporation, is a subsidiary of KPMG Holding AG, which is a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

EXPERTsuisse Certified Company

Consolidated Financial Statements

Group Financial Review	60
Consolidated Income Statement	64
Consolidated Balance Sheet	65
Consolidated Cash Flow Statement	66
Consolidated Statement of Changes in Equity	67
Notes to the Consolidated Financial Statements	68
Report of the Statutory Auditor on the Consolidated Financial Statements	97

Group Financial Review

CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

In 2020, the Datwyler Group generated net revenue of CHF 1'069.2 million (previous year CHF 1'360.8 million), representing a decrease of 21.4%. The effect of subsidiaries disposed of amounted to CHF 247.4 million or 18.2%. The negative impact from foreign currency translation to Swiss francs on consolidation was 3.9%. Adjusted for these factors, an organic increase of 0.7% resulted. In the previous year, Datwyler Group signed an agreement on 23 December 2019 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 31 of the consolidated financial statements. The closing of this transaction occurred in the first half of March 2020. In addition, Dätwyler Sealing Technologies Deutschland GmbH was sold at the beginning of May 2020 which is also included among the discontinued operations in the income statement.

Change in net revenue

in CHF millions	2020	%	2019	%
Acquisition/disposal of subsidiaries	-247.4	-18.2%	59.1	4.3%
Foreign currency translation to CHF	-53.6	-3.9%	-35.0	-2.6%
Organic change	9.4	0.7%	-24.9	-1.8%
Total change in net revenue	-291.6	-21.4%	-0.8	-0.1%

The gross profit margin decreased to 24.0% (previous year 24.1%). Gross profit was impacted by negative foreign currency translation effects of 4.0% and by raw material prices down 0.9%. Other organic change of gross profit amounted to -5.0%.

Change in gross profit

in CHF millions	2020	%	2019	%
Acquisition/disposal of subsidiaries	-44.9	-13.7%	20.4	6.0%
Foreign currency translation to CHF	-13.0	-4.0%	-7.5	-2.2%
Impact raw material purchases	3.0	0.9%	0.5	0.1%
Other organic change	-16.6	-5.0%	-28.5	-8.3%
Total change in gross profit	-71.5	-21.8%	-15.1	-4.4%

In 2020, the Group's operating result (EBIT) was CHF -315.9 million (previous year CHF -40.3 million) and the EBIT margin was -29.5% (previous year -3.0%) with the following factors contributing to this change:

Change in operating result

in CHF millions	2020	%	2019	%
Acquisition/disposal of subsidiaries	-289.9	-719.4%	13.2	7.7%
Foreign currency translation to CHF	-6.5	-16.1%	-3.9	-2.3%
Impairment and provision charges	-	-	-178.9	-105.2%
Other organic change	20.8	51.6%	-40.7	-23.9%
Total change in operating result	-275.6	-683.9%	-210.3	-123.7%

Acquisition/disposal of subsidiaries includes in 2020 the loss on sale of subsidiaries, where as in the previous year the operating result was impacted by impairment charges of CHF 169.0 million resulting from the agreement for the sale of Distrelec and Nedis, see also notes 31 and 32 of the consolidated financial statements. Additionally, the operating result in 2019 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 0.3 million) on sale of property, plant and equipment.

Net finance costs increased to CHF 9.5 million (previous year CHF 7.5 million), with lower interest expense of CHF 1.5 million (previous year CHF 1.9 million). Income tax expense decreased to CHF 20.9 million (previous year CHF 38.8 million). Accordingly, the tax ratio before loss on sale of subsidiaries decreased to 15.0% (previous year before impairment charges 32.0%). The Group's weighted average income tax rate was 21.8% (previous year 22.6%) and the net result amounts to CHF -346.3 million (previous year CHF -86.6 million).

CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets decreased by CHF 54.8 million during the year to CHF 1'106.9 million (previous year CHF 1'161.7 million). Trade accounts receivable increased to CHF 167.8 million (previous year CHF 163.1 million) and inventories decreased to CHF 123.5 million (previous year CHF 141.3 million). With trade accounts payable of CHF 59.8 million (previous year CHF 68.8 million), net working capital decreased by 1.7% to CHF 231.5 million (previous year CHF 235.6 million). Cash and cash equivalents decreased by CHF 22.4 million.

Compared to the previous year, equity increased by CHF 60.0 million to CHF 735.1 million (previous year CHF 675.1 million), maintaining a solid equity ratio of 66.4% (previous year 58.1%). The significant changes in equity include the net result of CHF -346.3 million (previous year CHF -86.6 million), the dividend payment of CHF -51.0 million (previous year CHF -51.0 million), goodwill of CHF 425.3 million (previous year offset of goodwill from acquisitions of CHF -0.1 million) plus cumulative translation adjustments of CHF 55.3 million charged to income on sale of subsidiaries and negative currency translation differences of CHF -24.7 million (previous year CHF -15.7 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debt decreased by CHF 45.9 million during the year to CHF 0.2 million (previous year CHF 46.1 million). The Group's liquidity situation remains good, with cash and cash equivalents amounting to CHF 169.5 million (previous year CHF 191.9 million) at year-end. Including the bond of CHF 150.0 million and the loan of CHF 55.0 million (previous year CHF 88.5 million) granted by Pema Holding AG, net debt amounts to CHF 35.7 million (previous year CHF 92.8 million).

Current assets decreased by 6.4% to CHF 497.7 million (previous year CHF 531.9 million). Non-current assets decreased by 3.3% to CHF 609.2 million (previous year CHF 629.8 million).

CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF -346.3 million (previous year CHF -86.6 million), net cash from operating activities amounted to CHF 185.3 million (previous year CHF 174.8 million). These cash flows were used to pay for investments in property, plant and equipment totalling CHF 79.7 million (previous year CHF 91.6 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 7.5% versus 6.7% a year earlier. Repayment of bank debt amounted to CHF 45.9 million net (previous year CHF 24.2 million). In addition, loans in the amount of CHF 33.5 million (previous year proceeds of CHF 28.5 million) were repaid to Pema Holding AG. Overall cash inflows and outflows led to a net change in cash and cash equivalents of CHF -17.0 million (previous year CHF 24.0 million), resulting in a cash and cash equivalents balance of CHF 169.5 million (previous year CHF 191.9 million) at year-end.

ADDITIONAL INFORMATION

The commentary of the significant events during the year under review is presented on pages 2 to 25 of this annual report.

Full-time equivalents

The annual average of full-time equivalents was 6'798 (previous year 7'979).

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 2020, 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	2020	2019
Cash and cash equivalents	169.5	191.9
Available credit lines	381.8	335.0
Total liquidity reserves	551.3	526.9

Net cash surplus

in CHF millions	2020	2019
Cash and cash equivalents	169.5	191.9
Less short-term bank debt	-0.0	-45.7
Net cash surplus	169.5	146.2

Order intake and backlog

For the Healthcare Solutions and Industrial Solutions business areas order intake amounted to CHF 979.7 million (previous year CHF 937.9 million) and order backlog was CHF 419.6 million (previous year CHF 306.6 million) at year-end. At Reichelt, no significant order intake and backlog exist, because its business consisting of the resale of goods is mostly executed on a daily basis.

Research and development expenses

Research and development expenses are disclosed in the consolidated income statement. Research and development activities relate to various projects for customers or products in the Healthcare Solutions and Industrial Solutions business areas.

Exceptional events

Acquisition and sale of subsidiaries are disclosed in note 32, 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 25 of this annual report.

Consolidated Income Statement

in CHF millions							
	Note	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		2020	2020	2020	2019	2019	2019
Net revenue	3	1'012.1	57.1	1'069.2	1'050.5	310.3	1'360.8
Cost of goods sold		-766.2	-46.5	-812.7	-781.2	-251.6	-1'032.8
Gross profit		245.9	10.6	256.5	269.3	58.7	328.0
Research and development expenses		-22.8	-0.9	-23.7	-26.3	-2.6	-28.9
Marketing and selling expenses		-48.1	-6.5	-54.6	-50.5	-42.7	-93.2
General and administrative expenses	4	-52.1	-2.8	-54.9	-78.1	-19.2	-97.3
Other operating income	4	26.0	0.2	26.2	19.2	1.2	20.4
Other operating expenses		-0.9	-0.0	-0.9	-0.1	-0.2	-0.3
Impairment charges	31	-	-	-	-	-169.0	-169.0
Loss on sale of subsidiaries	32	-	-464.5	-464.5	-	-	-
Operating result	3	148.0	-463.9	-315.9	133.5	-173.8	-40.3
Net finance result	8	-9.2	-0.3	-9.5	-6.8	-0.7	-7.5
Earnings before tax (EBT)		138.8	-464.2	-325.4	126.7	-174.5	-47.8
Income tax expenses	9	-19.9	-1.0	-20.9	-28.2	-10.6	-38.8
Net result		118.9	-465.2	-346.3	98.5	-185.1	-86.6
Net result per bearer share (in CHF)	24	6.99	-27.36	-20.37	5.79	-10.88	-5.09

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

The accompanying notes on pages 68 to 96 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	31.12.2020	31.12.2019
Cash and cash equivalents	10	169.5	191.9
Trade accounts receivable	11	167.8	163.1
Inventories	12	123.5	141.3
Other receivables	13	27.5	24.0
Prepayments made and accrued income		9.4	11.6
Current assets		497.7	531.9
Property, plant and equipment	14	525.4	543.5
Intangible assets	15	25.3	23.4
Deferred income tax assets	22	57.5	61.9
Miscellaneous financial assets	16	1.0	1.0
Non-current assets		609.2	629.8
Total assets		1'106.9	1'161.7

Liabilities and equity

in CHF millions	Note	31.12.2020	31.12.2019
Trade accounts payable	19	59.8	68.8
Short-term bank debt	17	0.0	45.7
Current interest-bearing liabilities due to Pema Holding AG	33	55.0	88.5
Current provisions	21	14.6	14.9
Other current liabilities	20	33.0	33.6
Accrued expenses and deferred income		37.2	51.5
Current liabilities		199.6	303.0
Long-term bank debt	17	0.2	0.4
0.625% bond 2018–2024	18	150.0	150.1
Long-term provisions	21	9.5	17.0
Deferred income tax liabilities	22	9.4	11.0
Pension liabilities	6	3.0	3.8
Other long-term liabilities	20	0.1	1.3
Long-term liabilities		172.2	183.6
Total liabilities		371.8	486.6
Share capital	23	0.9	0.9
Treasury shares	25	–	–
Additional paid-in capital		205.1	205.1
Goodwill offset against equity		–355.4	–780.7
Retained earnings		978.7	1'374.6
Cumulative translation adjustments		–94.2	–124.8
Equity		735.1	675.1
Total liabilities and equity		1'106.9	1'161.7

The accompanying notes on pages 68 to 96 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF millions	Note	2020	2019
Net result		-346.3	-86.6
Income tax expenses	9	20.9	38.8
Depreciation and amortisation	7	62.4	68.4
Loss on sale of subsidiaries / (previous year) impairment charges	32, 31	464.5	169.0
Share award and long-term incentive plan		3.0	2.4
Exchange differences		19.4	6.3
Loss on sale of property, plant and equipment, net		0.5	0.1
Change in long-term provisions and pension liabilities		-0.3	10.7
Interest income	8	-0.5	-0.8
Interest expense	8	1.5	1.9
Operating cash flow before changes in working capital		225.1	210.2
Change in trade accounts receivable		-24.5	5.2
Change in other receivables, prepayments made and accrued income		5.1	-1.6
Change in inventories		-5.7	-3.4
Change in trade accounts payable		6.3	-6.0
Change in other current liabilities, accrued expenses and deferred income		10.4	8.7
Change in current provisions		-4.5	-2.6
Interest received		0.5	0.7
Interest paid		-1.5	-1.8
Income tax paid		-25.9	-34.6
Net cash from operating activities		185.3	174.8
Disbursements relating to purchases of / investments in:			
Property, plant and equipment		-79.7	-91.6
Intangible assets		-9.5	-14.3
Earn-out payments		-0.0	-0.1
Financial assets		-0.3	-0.0
Proceeds from sale of:			
Property, plant and equipment		0.5	2.3
Subsidiaries (net of cash and cash equivalents acquired)	32	19.3	-
Financial assets		0.1	2.1
Net cash used in investing activities		-69.6	-101.6
Proceeds from short-term bank debt		1.5	40.1
Repayment of short-term bank debt		-47.4	-64.3
(Repayment of)/proceeds from loan payable to Pema Holding AG	33	-33.5	28.5
Decrease in finance lease and other long-term liabilities		-0.7	-1.2
Purchase of treasury shares		-1.6	-1.3
Dividend paid to shareholders		-51.0	-51.0
Net cash used in by financing activities		-132.7	-49.2
Net change in cash and cash equivalents		-17.0	24.0
Cash and cash equivalents at 1 January	10	191.9	170.8
Effect of exchange rate changes on cash and cash equivalents		-5.4	-2.9
Cash and cash equivalents at 31 December	10	169.5	191.9

The accompanying notes on pages 68 to 96 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 2019	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
Net result	–	–	–	–	–346.3	–	–346.3
Dividends	–	–	–	–	–51.0	–	–51.0
Purchase of treasury shares (see note 25)	–	–1.6	–	–	–	–	–1.6
Share award plan (see note 26)	–	1.6	–	–	–	–	1.6
Long-term incentive plan (see note 26)	–	–	–	–	1.4	–	1.4
Offset of goodwill from acquisitions (see note 15)	–	–	–	–0.0	–	–	–0.0
Goodwill charged to income on sale of subsidiaries (see note 32)	–	–	–	425.3	–	–	425.3
Cumulative translation adjustments charged to income on sale of foreign subsidiaries (see note 32)	–	–	–	–	–	55.3	55.3
Currency translation differences	–	–	–	–	–	–24.7	–24.7
At 31 December 2020	0.9	–	205.1	–355.4	978.7	–94.2	735.1

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 2020 shareholders' equity includes legal reserves of CHF 195.1 million (previous year CHF 209.1 million), of which CHF 31.3 million (previous year CHF 38.3 million) are not distributable.

The accompanying notes on pages 68 to 96 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 5 February 2021 for submission to the Annual General Meeting on 9 March 2021.

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:

	2020		2019	
	Closing rate at 31.12.	Average rate for the year	Closing rate at 31.12.	Average rate for the year
100 CNY	13.46	13.57	13.88	14.41
1 EUR	1.08	1.07	1.09	1.11
1 USD	0.88	0.94	0.97	0.99

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 Healthcare Solutions and Industrial Solutions business areas revenues are mainly generated from the sale of products from own production and at Reichelt 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. Only the blueprints for the implementation of the new enterprise resource planning system are amortised over a 10 year period.

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 about 40% of the Group's net result for the year.

2 / BUSINESS ACQUISITIONS AND DISPOSALS

Acquisitions and disposals during 2020 and 2019 are shown below, see also note 32. The voting rights held in each company mentioned below were 100%.

Transactions 2020

MERGERS

In 2020 Dätwyler Sealing Solutions International AG was merged with Dätwyler Schweiz AG and Distrelec AG was merged with Dätwyler Holding AG. After the sale of its net assets, Distrelec GmbH, Bremen, was merged with Dätwyler Teco Holding (Deutschland) GmbH. Furthermore, Dätwyler Teco Holding AG and Datwyler Technical Components AG were merged with Dätwyler Schweiz AG.

SALES

Belgium: Nedis NV, Geel

China: TeCo Asia Technology (Shenzhen) Co. Ltd, Shenzhen

Denmark: Elfa Distrelec A/S, Aarhus

Germany: Nedis GmbH, Willich, and Dätwyler Sealing Technologies Deutschland GmbH, Waltershausen

England: Distrelec Ltd., Manchester and Nedis (UK) Limited, Leicester

Estonia: Elfa Distrelec OÜ, Tallinn

Finland: Elfa Distrelec Oy, Helsinki and Nedis Oy, Savonlinna

France: Nedis SAS, Nantes

Hong Kong: Teco Asia Limited

Italy: Distrelec Italia srl and Nedis Italia srl, both in Milan

Latvia: Elfa Distrelec SIA, Riga

Lithuania: Elfa Distrelec UAB, Vilnius

Netherlands: Datwyler TeCo Holding B.V. and TeCo CDC B.V., both in Amsterdam, and the companies Distrelec B.V., Nedis B.V. and Nedis Group B.V., domiciled in 's-Hertogenbosch

Norway: Elfa Distrelec AS, Trollåsen

Austria: Distrelec Gesellschaft m.b.H. and Nedis Elfogro GmbH, both in Vienna

Poland: Elfa Distrelec Spz oo, Warsaw

Sweden: Elfa Distrelec AB and Nedis AB, both in Kista

Spain: Nedis Iberia SL, Barcelona

Czech Republic: Nedis Kerr s.r.o., Modřice

Hungary: Nedis Kft., Budapest

Transactions 2019

COMPANIES ESTABLISHED

Datwyler IT Services SIA, domiciled in Riga, Latvia

MERGERS

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

3 / SEGMENT INFORMATION

in CHF millions	Healthcare Solutions	Industrial Solutions	Technical Components	Eliminations	Total Group
2020					
Revenue from external customers	403.4	430.7	235.1	–	1'069.2
Inter-segment revenue	–	7.1	0.0	–7.1	–
Total net revenue	403.4	437.8	235.1	–7.1	1'069.2
Operating result	79.2	42.6	–437.7	–	–315.9
Operating result as % of net revenue	19.6%	9.7%	–186.2%	–	–29.5%

in CHF millions	Healthcare Solutions	Industrial Solutions	Technical Components	Eliminations	Total Group
2019					
Revenue from external customers	380.6	535.0	445.2	–	1'360.8
Inter-segment revenue	–	6.5	0.0	–6.5	–
Total net revenue	380.6	541.5	445.2	–6.5	1'360.8
Operating result	63.8	60.4	–164.5	–	–40.3
Operating result as % of net revenue	16.8%	11.2%	–36.9%	–	–3.0%

The Datwyler Group is a focused industrial supplier organised into two business areas with leading positions in global and regional market segments. In additions, Datwyler Group owns in the Technical Components division the electronic distributor Reichelt in Germany.

The result of the Group management functions is allocated to the two business areas Healthcare Solutions and Industrial Solutions using a revenue-based key. The business areas and Reichelt are managed independently and their business performance is measured separately.

The Business Area Healthcare Solutions offers system-critical components for containers and delivery systems for injectable drugs and diagnostics in the pharmaceutical and medical markets. The significant manufacturing and distribution companies are located in Belgium, Germany, Italy, the USA and India.

The Business Area Industrial Solutions manufactures customised system-critical components for applications in the Mobility, Food & Beverage, Oil & Gas and General Industry markets. The significant manufacturing and distribution companies are located in Switzerland, Germany, Italy, the Czech Republic, Ukraine, China, South Korea, the USA, Brazil and Mexico.

Until the closing of the sale of all Distrelec and Nedis subsidiaries in March 2020, see note 32, the Technical Components division was a high-service distributor of maintenance, automation, electronic and ICT components and accessories with about 30 distribution and service companies across Europe. The 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, had been signed by Datwyler Group on 23 December 2019, see also note 31. Currently, the division Technical Components consists of the electronic distributor Reichelt located in Germany.

Net revenue by geographical region

<u>in CHF millions</u>	2020	2019
Switzerland	161.3	201.8
Rest of Europe	558.1	758.9
North and South America	198.4	245.3
Asia	146.2	148.8
Other markets	5.2	6.0
Total Group	1'069.2	1'360.8

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

4 / ADDITIONAL INCOME STATEMENT DISCLOSURES

Material expense of CHF 427.7 million (previous year CHF 587.8 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 0.3 million) as well as ancillary revenues and rental income. In 2019, general and administrative expenses included 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>	2020	2019
Wages and salaries	239.6	296.3
Benefit costs	53.7	65.5
State social security contributions	31.9	39.6
Pension costs (see note 6)	9.7	12.0
Other benefit costs	12.1	13.9
Other employee costs	7.5	14.1
Total personnel expenses	300.8	375.9

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
	31.12.2020	31.12.2020	31.12.2019				2020	2019
Welfare funds Switzerland	0.4	–	–	–	–	–	–	–
Pension schemes without funding surplus/deficit Switzerland	–	–	–	–	–	–	–	–
Pension schemes with funding surplus Switzerland	–	–	–	–	–	5.7	5.7	6.9
Pension schemes without funding surplus/deficit abroad	–	–	–	–	–	2.9	2.9	3.9
Unfunded pension schemes abroad	–	–3.0	–3.8	–0.1	–0.7	1.8	1.1	1.2
Total	–	–3.0	–3.8	–0.1	–0.7	10.4	9.7	12.0

¹ Translation differences.

At year-end 2020, 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 1.5%). The pension conversion rate was 5.2% in the current year.

Summary of pension costs

in CHF millions	Switzerland	Abroad	Total
	2020	2020	2020
Contributions to pension schemes expensed at Group companies	5.7	4.7	10.4
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	5.7	4.7	10.4
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	5.7	4.7	10.4
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	–0.7	–0.7
Total change in economic impact from excess/insufficient coverage	–	–0.7	–0.7
= Pension costs included in personnel expenses for the period	5.7	4.0	9.7

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

7 / DEPRECIATION AND AMORTISATION

in CHF millions	2020	2019
Depreciation of property, plant and equipment (see note 14)	56.9	59.8
Amortisation of intangible assets (see note 15)	5.5	8.6
Impairment charges (see notes 14 and 15)	–	46.2
Total depreciation and amortisation	62.4	114.6

8 / NET FINANCE RESULT

in CHF millions	2020	2019
Interest expense on bond, bank and other loans	1.5	1.9
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	8.1	5.2
Finance charges	0.7	1.1
Total interest and finance expenses	10.3	8.3
Interest income on bank deposits and loans receivable	–0.5	–0.8
Fair value gain on forward exchange contracts	–0.3	–
Total interest and finance income	–0.8	–0.8
Net finance result (expenses, net)	9.5	7.5

9 / INCOME TAX EXPENSES

in CHF millions	2020	2019
Current income tax expense	21.9	26.3
Deferred income tax expense	-1.0	12.5
Total income tax expenses	20.9	38.8

The effective tax charge on earnings before tax, using the weighted average income tax rate of 21.8% (previous year 22.6%) of the Group, can be analysed as follows:

in CHF millions	2020	2019
Earnings before tax	-325.4	-47.8
Income tax expense calculated at the weighted average tax rate	-70.9	-10.8
Effect of current year tax losses not recognised and reassessment of tax loss carryforwards	-5.2	46.5
Non-taxable effects on sale of subsidiaries	101.3	4.1
Effect of previously unrecognised tax loss carryforwards used against taxable profits	-0.1	-0.8
Change in tax rates for deferred income taxes	-0.5	1.7
Expense and income items treated differently for tax purposes	-3.4	-2.6
Non-refundable taxes on intra-group charges and dividends	1.4	0.7
Prior year tax adjustments	0.9	-0.0
Other effects	-2.6	0.0
Total (current and deferred) income tax expenses	20.9	38.8

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

10 / CASH AND CASH EQUIVALENTS

in CHF millions	2020	2019
Cash in hand and at bank	154.1	190.5
Money market investments (original maturities up to 90 days)	15.4	1.4
Total cash and cash equivalents	169.5	191.9

11 / TRADE ACCOUNTS RECEIVABLE

in CHF millions	2020	2019
Trade accounts receivable from third parties, gross	168.0	190.3
Provision for impairment of trade accounts receivable	-0.6	-27.5
Total trade accounts receivable from third parties, net	167.4	162.8
Trade accounts receivable from related parties	0.4	0.3
Total trade accounts receivable, net	167.8	163.1

Aging analysis of gross trade accounts receivable from third parties

in CHF millions	2020	2019
Not yet due	144.2	157.8
Past due 1–30 days	16.5	20.4
Past due 31–60 days	4.3	4.1
Past due 61–90 days	1.2	2.1
Past due 91–180 days	1.2	2.7
Past due more than 180 days	0.6	3.2
Total trade accounts receivable from third parties, gross	168.0	190.3

Movements in provision for impairment of trade accounts receivable

in CHF millions	2020	2019
At 1 January	27.5	2.6
Charge for the year	0.3	26.8
Unused amounts reversed	-0.3	-1.1
Receivables written off as uncollectible	-0.2	-0.7
Acquisition/disposal of subsidiaries	-26.6	-
Exchange differences	-0.1	-0.1
At 31 December	0.6	27.5
Of which specific provisions for impairment	0.4	2.3

12 / INVENTORIES

in CHF millions	2020	2019
Raw material, gross	31.7	29.7
Consumables, gross	21.6	19.6
Work in progress, gross	16.8	17.5
Finished goods, gross	42.9	49.1
Goods for resale, gross	27.6	143.3
Provision for impairment of inventories	-17.1	-117.9
Total inventories	123.5	141.3

13 / OTHER RECEIVABLES

in CHF millions	2020	2019
Withholding, capital and value added tax receivables	6.3	9.7
Current income tax assets	12.2	4.6
Prepayments made, advances given and deposits made	2.1	4.7
Derivative assets: forward exchange contracts (see note 28)	3.4	3.2
Miscellaneous receivables	3.5	6.3
Provision for impairment of other receivables	–	–4.5
Total other receivables	27.5	24.0

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 2020					
At cost					
At 1 January 2020	314.2	703.5	50.5	168.5	1'236.7
Additions	1.1	11.2	3.7	65.3	81.3
Disposals	–0.3	–10.1	–1.1	–	–11.5
Transfers	84.1	62.0	2.3	–148.4	–
Acquisition/disposal of subsidiaries	–51.3	–61.0	–10.3	–0.7	–123.3
Exchange differences	–12.1	–20.6	–1.1	–7.3	–41.1
At 31 December 2020	335.7	685.0	44.0	77.4	1'142.1
Accumulated depreciation					
At 1 January 2020	–158.4	–495.5	–39.3	–	–693.2
Depreciation expense	–11.9	–41.2	–3.8	–	–56.9
Disposals	0.2	9.1	1.1	–	10.4
Acquisition/disposal of subsidiaries	41.7	55.8	10.1	–	107.6
Exchange differences	2.8	11.9	0.7	–	15.4
At 31 December 2020	–125.6	–459.9	–31.2	–	–616.7
Net book values					
At 1 January 2020	155.8	208.0	11.2	168.5	543.5
At 31 December 2020	210.1	225.1	12.8	77.4	525.4

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 31)	-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

Acquisition/disposal of subsidiaries include the additions from acquisitions and the disposals on sale of subsidiaries, see also notes 2 and 32.

Other details of property, plant and equipment

in CHF millions	2020	2019
Leased property, plant and equipment, at cost	3.2	3.2
Accumulated depreciation	-2.7	-2.3
Net book value of property, plant and equipment under finance leases	0.5	0.9

At year-end, property, plant and equipment in the amount of CHF 0.0 million (previous year CHF 0.4 million) were pledged or assigned to secure own liabilities. Assets under construction include prepayments made in the amount of CHF 24.6 million (previous year CHF 8.2 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 54.6 million (previous year CHF 33.9 million).

15 / INTANGIBLE ASSETS

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2020			
At cost			
At 1 January 2020	68.7	3.3	72.0
Additions	9.5	–	9.5
Disposals	–2.8	–	–2.8
Acquisition/disposal of subsidiaries	–33.9	–2.1	–36.0
Exchange differences	–1.3	–0.0	–1.3
At 31 December 2020	40.2	1.2	41.4
Accumulated amortisation			
At 1 January 2020	–45.8	–2.8	–48.6
Amortisation expense	–5.3	–0.2	–5.5
Disposals	2.8	–	2.8
Acquisition/disposal of subsidiaries	33.0	2.0	35.0
Exchange differences	0.2	0.0	0.2
At 31 December 2020	–15.1	–1.0	–16.1
Net book values			
At 1 January 2020	22.9	0.5	23.4
At 31 December 2020	25.1	0.2	25.3

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 31)	–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

Intangible assets include no assets under finance leases (previous year none). Additions to software include capitalised cost in the amount of CHF 1.9 million (previous year CHF 3.6 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	2020	2019
At cost		
At 1 January	780.7	780.6
Disposal from sale of subsidiaries (see note 32)	-425.3	-
Adjustments from earn-out agreements	0.0	0.1
At 31 December	355.4	780.7
Accumulated amortisation		
At 1 January	-680.5	-646.9
Disposal from sale of subsidiaries (see note 32)	425.3	-
Amortisation expense	-30.0	-33.6
Impairment charges	-	-
At 31 December	-285.2	-680.5
Theoretical net book values		
At 1 January	100.2	133.7
At 31 December	70.2	100.2

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	2020	2019
Operating result according to income statement	-315.9	-40.3
Amortisation of goodwill	-30.0	-33.6
Theoretical operating result incl. amortisation of goodwill	-345.9	-73.9
Net result according to income statement	-346.3	-86.6
Amortisation of goodwill	-30.0	-33.6
Theoretical net result incl. amortisation of goodwill	-376.3	-120.2

Impact on balance sheet

in CHF millions	2020	2019
Equity according to balance sheet	735.1	675.1
Theoretical capitalisation of goodwill (net book value)	70.2	100.2
Theoretical equity incl. net book value of goodwill	805.3	775.3
Equity according to balance sheet	735.1	675.1
Equity as % of total assets	66.4%	58.1%
Theoretical equity incl. net book value of goodwill	805.3	775.3
Theoretical equity incl. net book value of goodwill as % of total assets	68.4%	61.4%

16 / MISCELLANEOUS FINANCIAL ASSETS

in CHF millions	2020	2019
Long-term loans to third parties	0.4	0.4
Other financial investments	0.6	0.6
Total miscellaneous financial assets	1.0	1.0

17 / BANK DEBT

in CHF millions	2020	2019
Bank overdrafts	–	–
Current portion of long-term bank loans	0.0	45.7
Total short-term bank debt	0.0	45.7
Long-term bank loans	0.2	0.4
Total bank debt	0.2	46.1
Secured portion of short-term and long-term bank debt	–	0.0

The average interest rate was 0.5% for the short-term bank debt in euros and 1.6% for the long-term bank loans in euros.

Maturity of long-term bank debt

in CHF millions	2020	2019
Within 2 years	–	0.1
Within 3 years	–	–
Within 4 years	0.2	–
Within 5 years	–	0.3
Beyond 5 years	–	–
Total long-term bank debt	0.2	0.4

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.

19 / TRADE ACCOUNTS PAYABLE

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

20 / OTHER LIABILITIES

Other current liabilities

<u>in CHF millions</u>	2020	2019
Customer advances received	3.8	6.5
Social security liabilities	2.4	3.9
Current income tax liabilities	5.2	2.1
Capital and value added tax liabilities	2.1	6.8
Current finance lease liabilities (see notes 14)	0.2	0.3
Deferred earn-out obligations	0.4	0.6
Derivative liabilities: forward exchange contracts (see note 28)	0.2	0.1
Miscellaneous current liabilities	18.7	13.3
Total other current liabilities	33.0	33.6

Other long-term liabilities

Other long-term liabilities include long-term finance lease liabilities of CHF 0.1 million (previous year CHF 0.3 million) and deferred earn-out obligations of CHF 0.0 million (previous year CHF 0.6 million).

21 / PROVISIONS

in CHF millions	Employees and social security	Warranty and liability claims	Other	Total
PROVISIONS 2020				
At 1 January 2020	19.9	0.3	11.7	31.9
Charges	20.7	0.5	1.5	22.7
Uses	-21.3	-0.2	-1.6	-23.1
Unused amounts reversed	-0.3	-	-3.3	-3.6
Acquisition/disposal of subsidiaries	-3.3	-	-0.0	-3.3
Exchange differences	-0.4	0.0	-0.1	-0.5
At 31 December 2020	15.3	0.6	8.2	24.1
Thereof current provisions	10.1	0.6	3.9	14.6
Thereof long-term provisions	5.2	-	4.3	9.5

in CHF millions	Employees and social security	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

Discounting

Long-term provisions amounting to CHF 0.6 million were discounted using discount rates between 0.9% and 6.5%.

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 relating to onerous contracts that were recorded in 2019 in the amount of CHF 9.9 million.

22 / DEFERRED INCOME TAX ASSETS/LIABILITIES

in CHF millions	2020	2019
At 1 January:		
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 tax expense/(credit)	-1.0	12.5
Impairment charges relating to deferred income tax assets (see note 31)	-	2.9
Acquisition/disposal of subsidiaries (see note 32)	0.4	-
Exchange differences	3.4	0.7
At 31 December:		
Deferred income tax assets	57.5	61.9
Deferred income tax liabilities	9.4	11.0
Deferred income tax (assets)/liabilities, net	-48.1	-50.9

Deferred income taxes are calculated at every subsidiary using the local effective income tax rates (weighted average around 21%, previous year around 22%) applicable.

Tax loss carryforwards

Total available tax loss carryforwards result in deferred income tax assets, gross, of CHF 23.7 million (previous year CHF 70.8 million), of which an amount of CHF 21.9 million (previous year CHF 11.2 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 1.8 million (previous year CHF 59.6 million).

23 / SHARE CAPITAL

Composition

in CHF	2020	2019
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

	2020	2019
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)	3.20 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)	0.64 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 -20.37 (previous year CHF -5.09) thus arises from the simple division of the net result of CHF -346.3 million (previous year CHF -86.6 million) by the weighted average number of 17 million shares.

25 / TREASURY SHARES

8'924 (previous year 9'595) shares were purchased in 2020 from the related party Pema Holding AG at the current market price of CHF 180.00 (previous year CHF 137.80) and subsequently awarded within the scope of the share award plan, see note 26. At the end of 2020 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 since 2019 only directors are participating in this plan. 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 2020, Directors were awarded a total of 8'924 (previous year 9'595) bearer shares of Dätwyler Holding Inc., see also note 25. Personnel expenses relating to the share award plan amount to CHF 1.6 million (previous year CHF 1.3 million), without impact on additional paid-in capital (previous year no impact on additional paid-in capital).

Since 2018, a long-term incentive plan exists 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 2020 amount to CHF 1.4 million (previous year CHF 1.1 million). Shares will be awarded for the first time in 2021 under this plan.

27 / SHAREHOLDERS

At year-end 2020, Pema Holding AG holds as in the previous year all 22'000'000 registered shares, plus 5'094'172 (previous year 5'103'096) of the total of 12'600'000 bearer shares of Dätwyler Holding Inc. This represents 78.31% (previous year 78.33%) of the voting rights and 55.85% (previous year 55.90%) 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	31.12.2020	31.12.2019
Positive fair value	3.4	3.2
Notional amounts	197.1	273.7
Negative fair value	0.2	0.1
Notional amounts	48.1	23.4

These forward exchange contracts have maturities until June 2021. 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 2020, guarantees amounting to CHF 5.2 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	2020	2019
Less than 1 year	11.8	15.3
Between 2 and 5 years	21.5	38.7
Over 5 years	1.7	4.1
Total commitments	35.0	58.1

Total commitments include CHF 20.7 million (previous year CHF 33.1 million) relating to IT outsourcing contracts for the years 2021 to 2025. Operating lease payments recognised as an expense in the income statement amounted to CHF 3.6 million (previous year CHF 6.8 million). There are no individually significant operating leases.

31 / 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. 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. 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.

32 / ACQUISITION AND SALE OF SUBSIDIARIES

Sales of subsidiaries had the following effect on the Group's assets and liabilities:

In the Technical Components division Datwyler Group signed an agreement on 23 December 2019 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. The closing of the transaction occurred in the first half of March 2020. In note 2, the subsidiaries sold are disclosed country by country.

The following table shows the carrying amount of assets and liabilities disposed of at the date of sale and the result generated from the transaction.

in CHF millions	Carrying amount on sale
Cash and cash equivalents	6.6
Trade accounts receivable	9.7
Inventories	13.6
Other current assets	0.1
Property, plant and equipment	4.8
Other non-current assets	1.3
Current liabilities	-33.3
Long-term liabilities	-8.7
Net assets disposed of	-5.9
Cumulative translation adjustments charged to income on sale of foreign subsidiaries	55.1
Goodwill charged to income on sale of subsidiaries	415.3
Subtotal	464.5
Loss on sale of subsidiaries	-456.5
Selling price, net of transaction costs	8.0
Less cash and cash equivalents disposed of	-6.6
Net cash inflow on disposal	1.4

In the Industrial Solutions business area, the subsidiary Dätwyler Sealing Technologies Deutschland GmbH including its operational real estate was sold at the beginning of May 2020 and is therefore presented as discontinued operations in the income statement. The following table shows the carrying amount of assets and liabilities disposed of at the date of sale and the result generated from the transaction.

in CHF millions	Carrying amount on sale
Cash and cash equivalents	0.6
Trade accounts receivable	3.9
Inventories	4.0
Other current assets	0.4
Property, plant and equipment	10.9
Other non-current assets	1.7
Current liabilities	-5.0
Long-term liabilities	-0.2
Net assets disposed of	16.3
Cumulative translation adjustments charged to income on sale of foreign subsidiaries	0.2
Goodwill charged to income on sale of subsidiaries	10.0
Subtotal	26.5
Loss on sale of subsidiary	-8.0
Selling price, net of transaction costs	18.5
Less cash and cash equivalents disposed of	-0.6
Net cash inflow on disposal	17.9

33 / RELATED PARTY TRANSACTIONS

Pema Holding AG

Transactions with related parties include the dividend payments to Pema Holding AG of CHF 28.5 million (previous year CHF 28.5 million) and administrative costs of CHF 27'500 (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 2020: Net revenue of CHF 0.0 million (previous year CHF 0.0 million), material expense of CHF 0.4 million (previous year CHF 0.8 million), IT and trademark service revenues and other service revenue of CHF 8.8 million in total (previous year CHF 7.8 million) and service expenses of CHF 0.7 million (previous year CHF 0.9 million). Pema Holding AG grants a loan to Dätwyler Holding Inc. in the amount of CHF 55.0 million (previous year CHF 88.5 million) with interest charges of CHF 0.4 million (previous year CHF 0.4 million). 8'924 shares (previous year 9'595 shares) of Dätwyler Holding AG were purchased from Pema Holding AG at the current market price of CHF 180.00 (previous year CHF 137.80), 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 46 to 58 of this annual report, no further relations or transactions existed in 2020 and 2019 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 5 February 2021 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

35 / SUBSIDIARIES

Datwyler Holding Inc. directly or indirectly owned the following fully consolidated subsidiaries at 31 December 2020, all with a capital and voting interest of 100%. There are no minority interests.

		Registered office	Original currency	Capital in original currency (in millions)	Healthcare Solutions	Industrial Solutions	Technical Components	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		○		
	Pohl Immobilien AG	Schattdorf	CHF	1.600	●			
	Teco Immobilien AG *	Altdorf	CHF	0.500			●	
BELGIUM	Datwyler Pharma Packaging Belgium NV *	Alken	EUR	17.688	○			
BRAZIL	Bins Indústria de Artefatos de Borracha Ltda.	São Leopoldo	BRL	36.694		○		
CHINA	Datwyler Sealing Technologies (Anhui) Co., Ltd.	Ningguo	USD	5.000		○		
	Datwyler Sealing Technologies (Wuxi) Co., Ltd.	Wuxi	USD	5.000		○		
GERMANY	Dätwyler Pharma Packaging Deutschland GmbH	Karlsbad	EUR	2.600	○			
	Dätwyler Teco Holding (Deutschland) GmbH *	Sande	EUR	3.100			●	
	Dätwyler Sealing Solutions Deutschland GmbH & Co. KG	Cleebronn	EUR	2.800		○		
	Reichelt Elektronik GmbH & Co. KG	Sande	EUR	3.000			□	
INDIA	Datwyler IT Services India LLP	Magarpatta, Pune	INR	0.100				●
	Datwyler Pharma Packaging India Private Limited	Kesurdi, Satara	INR	656.233	○			
LATVIA	Datwyler IT Services SIA	Riga	EUR	0.003				●
ITALY	Datwyler Pharma Packaging Italy srl	Milano	EUR	2.000	○			
	Datwyler Sealing Solutions Italy S.p.A.	Viadanica	EUR	1.300		○		
MEXICO	Datwyler Sealing Technologies Mexico S DE RL DE CV	Silao	MXN	82.000		○		
SOUTH KOREA	Datwyler Korea Inc.	Daegu	KRW	1'131.000		○		
CZECH REPUBLIC	Datwyler Sealing Technologies CZ s.r.o.	Nový Bydžov	CZK	20.000		○		
UKRAINE	Datwyler Sealing Technologies Ukraine JSC	Malyn	UAH	12.500		○		
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.

Report of the Statutory Auditor on the Consolidated Financial Statements



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 2020 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 64 to 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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.



Revenue Recognition

Key Audit Matter

Consolidated net revenue recognized for the year ended 31 December 2020 amounted to CHF 1,069.2 million. Revenues are an important metric to evaluate the Group's business performance and are therefore considered by external and internal stakeholders.

In the Business Areas Industrial Solutions und Healthcare Solutions 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 69
- Segment Information on page 75



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 components has been closed in the first half of March 2020.

Furthermore, on 28 April 2020 the Dätwyler Group announced the sale of the Civil Engineering business. The sale has been closed beginning of Mai 2020.

In the consolidated financial statements, the sales are presented separately as discontinued operations in the consolidated income statement and disclosed in the notes to the consolidated financial statements.

The management analysed the accounting for these divestments based on the sales contracts and the «Closing Minutes». 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
- Determination of the result of the sales

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 contracts and «Closing Minutes» as well as inquiry with management
- Reconciliation of the sales price payments with corresponding bank statements
- Evaluation of the calculation of the sales result prepared by management at the date of the deconsolidation through a reconciliation with relevant evidences, especially with the sales contracts and the «Closing Minutes»
- Recalculation of the sales result and evaluation of proper recognition in the consolidated financial statements
- Examination of the complete and accurate allocation of the consolidated income statement in 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 68
- Acquisition and Sale of Subsidiaries on page 93

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 scepticism 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 blue ink, appearing to read 'Toni Wattenhofer'.

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'Manuel Odoni'.

Manuel Odoni
Licensed Audit Expert

Zurich, 5 February 2021

Dätwyler Holding Inc.

Income Statement	104
Balance Sheet	105
Notes to the Financial Statements	106
Proposed Appropriation of Retained Earnings	111
Report of the Statutory Auditor on the Financial Statements	112

Income Statement

in CHF	Notes	2020	2019
Dividend income from subsidiaries	2.1	9'500'000	12'004'350
Trademark income	2.2	11'807'713	–
Other income		13'718	4'031
Personnel expenses		–2'485'038	–2'195'315
Other operating expenses	2.3	–117'648	–12'376'200
Income before interest and taxes		18'718'745	–2'563'134
Financial expenses	2.4	–1'467'222	–1'436'007
Financial income	2.5	10'733'512	10'459'953
Impairment charges relating to financial assets and investments in subsidiaries	2.6	–	–365'721'772
Reversal of impairment charges relating to financial assets and investments in subsidiaries	2.7	290'998'476	–
Gain resulting from merger of subsidiary		189'640	–
Earnings before taxes		319'173'151	–359'260'960
Direct taxes		–1'960'711	1'504
Net result		317'212'440	–359'259'456

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

Balance Sheet

Assets

in CHF	Notes	31.12.2020	31.12.2019
Cash and cash equivalents		511'542	191'437
Other current receivables		4'892'955	6'014'142
Due from third parties		10'155	9'792
Due from subsidiaries		4'882'800	6'004'350
Total current assets		5'404'497	6'205'579
Financial assets: Long-term receivables from subsidiaries	2.8	597'111'476	739'377'967
Investments in subsidiaries	2.9	450'078'918	115'954'582
Intangible assets: Trademarks		1	1
Total non-current assets		1'047'190'395	855'332'550
Total assets		1'052'594'892	861'538'129

Liabilities and shareholders' equity

in CHF	Notes	31.12.2020	31.12.2019
Current liabilities third parties		72'938	302'194
Current interest-bearing liabilities		55'000'000	128'500'000
Due to banks		–	40'000'000
Due to Pema Holding AG		55'000'000	88'500'000
Current provisions	2.10	2'300'000	–
Accrued expenses and deferred income		2'504'890	578'899
Total current liabilities		59'877'828	129'381'093
Long-term provisions	2.10	4'204'588	9'857'000
Long-term interest-bearing liabilities		150'000'000	150'000'000
Bond 2018–2024	2.11	150'000'000	150'000'000
Total long-term liabilities		154'204'588	159'857'000
Total liabilities		214'082'416	289'238'093
Share capital	2.12	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	2.14	305'263'318	305'263'318
Retained earnings available for distribution		445'399'158	179'186'718
Profit carried forward		128'186'718	538'446'174
Net result		317'212'440	–359'259'456
Total shareholders' equity		838'512'476	572'300'036
Total liabilities and shareholders' equity		1'052'594'892	861'538'129

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 / TRADEMARK INCOME

The right to use the trademark Dätwyler is invoiced to subsidiaries and related companies. Until 2019, these revenues were assigned to the management company Alvest AG. From 2020, trademark income is directly recorded by Dätwyler Holding again.

2.3 / 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 included charges for provisions of CHF 9.9 million relating to onerous contracts. In 2020, CHF 2.2 million of these provisions could be reversed to income.

2.4 / FINANCIAL EXPENSES

Financial expenses comprise interest expenses for bond coupon payments, interest paid to Pema Holding AG and to banks together with commissions and bank fees.

2.5 / FINANCIAL INCOME

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

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

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

2.7 / REVERSAL OF IMPAIRMENT CHARGES RELATING TO FINANCIAL ASSETS AND INVESTMENTS IN SUBSIDIARIES

As a result of an intragroup restructuring and a streamlining of the structure, impairment charges for loans receivable and investments in subsidiaries in the amount of CHF 291 million could be reversed, see note 2.9.

2.8 / LONG-TERM RECEIVABLES FROM SUBSIDIARIES

These are Swiss franc and Euro denominated long-term loans receivable from subsidiaries. Loans receivable decreased as a result of the intragroup restructuring with loans receivable being repaid or converted to equity. The subordination agreement from the previous year in the amount of CHF 270 million and the existing impairment charges could be fully reversed as the subsidiary concerned was reorganised, see also note 2.9.

2.9 / INVESTMENTS IN SUBSIDIARIES

Dätwyler Holding Inc.'s direct and indirect subsidiaries are disclosed in note 35 to the consolidated financial statements. Investments in subsidiaries have increased in the current year, as Dätwyler Holding Inc. has acquired Datwyler Pharma Packaging Belgium NV, Dätwyler Teco Holding Deutschland GmbH and Teco Immobilien AG from its own subsidiaries. Dätwyler Teco Holding AG was reorganised and then horizontally merged into Dätwyler Schweiz AG. Also Datwyler Technical Components AG was merged into Dätwyler Schweiz AG. As a consequence of the restructuring and the reorganisation, the impairment charges recorded in the previous year for loans receivable and investments in subsidiaries could be fully reversed.

2.10 / PROVISIONS

In 2020, the provisions for onerous contracts recorded in 2019 could be reduced by CHF 3.4 million. They are classified as current provisions in the amount of CHF 2.3 million and as long-term provisions amounting to CHF 4.2 million.

2.11 / 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.

2.12 / SHARE CAPITAL

in CHF	31 Dec. 2020	31 Dec. 2019
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 5'094'172 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 55.85% and its percentage of voting shares is 78.31%.

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

2.13 / SHARE OWNERSHIP PLAN / TREASURY SHARES

In the current year, 8'924 (previous year 9'595) bearer shares were acquired by Alvest AG at the current stock exchange price of CHF 180.00 and then used under the Share Ownership Plan. 8'924 (previous year 9'595) bearer shares with a total value of CHF 1'606'320 (previous year CHF 1'322'191) were allocated to members of the Board of Directors, see Remuneration Report. At the end of 2020 and 2019, no treasury shares were held.

2.14 / VOLUNTARY RETAINED EARNINGS

The voluntary retained earnings represent a free reserve at the disposal of the General Meeting of Shareholders.

2.15 / 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 78.1 million (previous year CHF 122.8 million), of which CHF 1.0 million (previous year CHF 7.9 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 4.9 million (previous year CHF 5.7 million) until the end of 2027 for future rental commitments.

2.16 / 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.

2.17 / 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.

2.18 / 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.

2.19 / BOARD OF DIRECTORS AND EXECUTIVE BOARD SHAREHOLDINGS

As at 31 December 2020, 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 2020

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2021	2022	2023	2024	2025
Hälg, Paul J.	Chairman	33'835	0.097789	3'300	2'400	1'736	2'168	2'016
Fässler, Hanspeter	Vice-Chairman	14'167	0.040945	1'100	1'700	1'210	1'511	1'406
Breu, Jens	Member	1'903	0.005500	0	0	0	986	917
Cornaz, Claude R.	Member	2'692	0.007780	0	0	789	986	917
Fedier, Jürg	Member	5'992	0.017318	1'100	1'100	789	986	917
Huber, Gabi	Member	8'361	0.024165	1'100	1'100	789	986	917
Ulmer, Hanno	Member	4'892	0.014139	1'100	1'100	789	986	917
Zhang, Zhiqiang	Member	4'892	0.014139	1'100	1'100	789	986	917

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2020

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2021	2022	2023	2024	2025
Lambrecht, Dirk	CEO	8'500	0.024566	1'500	4'000	0	0	0
Scherz, Walter	CFO	530	0.001532	0	250	250	0	0
Borghs, Dirk	COO	0	–	0	0	0	0	0
Maschke, Torsten	COO	1'500	0.004335	0	1'500	0	0	0
Schön, Frank	CTO	0	–	0	0	0	0	0

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

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%

2.20 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

Proposed Appropriation of Retained Earnings

Retained earnings carried forward

<u>in CHF</u>	2020	2019
Profit carried forward	128'186'718	538'446'174
Net result	317'212'440	-359'259'456
Retained earnings at disposal of General Meeting of Shareholders	445'399'158	179'186'718

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

<u>in CHF</u>	2020 Proposal of the Board of Directors	2019 Resolution of the General Meeting of Shareholders
Retained earnings at disposal of General Meeting of Shareholders	445'399'158	179'186'718
Distribution of cash dividend	-54'400'000	-51'000'000
Registered shares: CHF 0.64 (previous year CHF 0.60)	-14'080'000	-13'200'000
Bearer shares: CHF 3.20 (previous year CHF 3.00)	-40'320'000	-37'800'000
To be carried forward	390'999'158	128'186'718

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 2020, 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 104 to 110) for the year ended 31 December 2020 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

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. We have determined that there are no key audit matters to communicate in our report.

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. 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 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

A handwritten signature in blue ink, appearing to read 'Toni Wattenhofer'.

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'Manuel Odoni'.

Manuel Odoni
Licensed Audit Expert

Zurich, 5 February 2021

Shareholder Information

Five Year Summary	116
Share Information	117
Share Price Performance, Dividend History	118
General Information	119

Five Year Summary

Datwyler Group

in CHF millions	2020	2019	2018	2017	2016
Net revenue	1'069.2	1'360.8	1'361.6	1'291.4	1'215.8
Year-on-year change (%)	-21.4	-0.1	5.4	6.2	4.3
EBITDA^{1,3}	211.0	197.1	231.5	219.8	204.3
Depreciation and amortisation	62.4	68.4	61.5	57.2	58.2
As % of net revenue	5.8	5.0	4.5	4.4	4.8
Year-on-year change (%)	-8.8	11.2	7.5	-1.7	9.2
Operating result (EBIT)	-315.9	-40.3	170.0	162.6	146.1
As % of net revenue	-29.5	-3.0	12.5	12.6	12.0
Year-on-year change (%)	683.9	-123.7	4.6	11.3	15.9
Net result	-346.3	-86.6	121.0	123.7	57.6
As % of net revenue	-32.4	-6.4	8.9	9.6	4.7
Year-on-year change (%)	299.9	-171.6	-2.2	114.8	-29.9
Net cash from operating activities	185.3	174.8	162.9	112.7	90.7
As % of net revenue	17.3	12.8	12.0	8.7	7.5
Year-on-year change (%)	6.0	7.3	44.5	24.3	-47.4
Free cash flow¹	115.7	73.2	-172.0	2.7	39.4
Non-current assets	609.2	629.8	675.2	565.9	496.3
Year-on-year change (%)	-3.3	-6.7	19.3	14.0	9.5
Current assets	497.7	531.9	639.6	733.7	720.8
Year-on-year change (%)	-6.4	-16.8	-12.8	1.8	6.7
Total assets	1'106.9	1'161.7	1'314.8	1'299.6	1'217.1
Equity	735.1	675.1	827.4	898.5	805.5
Year-on-year change (%)	8.9	-18.4	-7.9	11.5	10.9
As % of total assets	66.4	58.1	62.9	69.1	66.2
Total liabilities	371.8	486.6	487.4	401.1	411.6
Year-on-year change (%)	-23.6	-0.2	21.5	-2.6	2.1
Thereof current liabilities	199.6	303.0	303.5	362.2	208.5
Thereof long-term liabilities	172.2	183.6	183.9	38.9	203.1
Capital expenditures¹	90.8	104.6	138.0	117.9	87.4
Year-on-year change (%)	-13.2	-24.2	17.0	34.9	35.5
Personnel expenses	300.8	375.9	354.4	335.1	311.9
Year-on-year change (%)	-20.0	6.1	5.8	7.4	5.2
Number of employees (at year-end)	6'748	7'995	8'305	7'614	7'312
Year-on-year change (%)	-15.6	-3.7	9.1	4.1	4.3

Dätwyler Holding Inc.

in CHF millions	2020	2019	2018	2017	2016
Finance and investment income	20.2	22.5	21.0	61.5	207.8
Net result	317.2	-359.3	15.0	54.3	146.4
Equity	838.5	572.3	982.6	1'018.5	1'001.6
Equity as % of total assets	79.7	66.4	81.3	87.1	86.7
Share capital	0.9	0.9	0.9	0.9	0.9
Distribution	54.4 ²	51.0	51.0	51.0	37.4

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

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

³ In 2020 before loss on sale of subsidiaries, in 2019 before impairment charges.

Share Information

	Currency	2020	2019	2018	2017	2016
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	0.85
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
Bearer shares in issue		12'600'000	12'600'000	12'600'000	12'600'000	12'600'000
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	263.50	189.60	211.50	189.60	153.00
Bearer share – low	CHF	125.60	123.00	122.60	138.80	111.00
Trading volume						
Number of shares		6'079'477	4'831'200	4'296'019	4'009'272	3'385'022
Value	in CHF mio.	1'107	741	755	634	463
Gross dividend						
Bearer share	CHF	3.20 ¹	3.00	3.00	3.00	2.20
Registered share	CHF	0.64 ¹	0.60	0.60	0.60	0.44
Net result per share						
Bearer share	CHF	–20.37	–5.09	7.12	7.28	3.47
Registered share	CHF	–4.07	–1.02	1.42	1.46	0.69
Net cash from operating activities per share						
Bearer share	CHF	10.90	10.28	9.58	6.63	5.46
Registered share	CHF	2.18	2.06	1.92	1.33	1.09
Price/earnings ratio (average)						
		n/a	n/a	24.7	21.7	39.4
Equity per share						
Bearer share	CHF	43	40	49	53	47
Registered share	CHF	9	8	10	11	9
Market capitalisation						
Average for the year	in CHF mio.	3'096	2'607	2'988	2'688	2'273
As % of equity		421	386	361	299	282
At 31 December	in CHF mio.	4'369	3'169	2'122	3'203	2'353
As % of equity		594	469	256	356	292

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

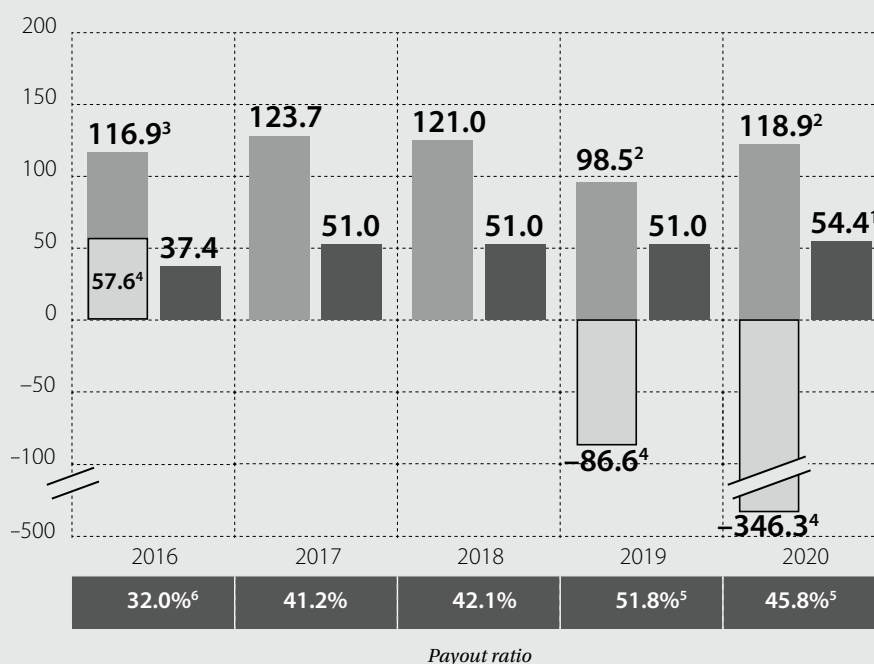
Dividend per bearer share in CHF

— Dividend per bearer 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 Net result continuing operations
3 Adjusted net result
4 Reported net result
5 Pay-out ratio in relation to the net result continuing operations
6 Pay-out ratio in relation to the adjusted net result



Datwyler Group uses certain financial performance measures that are not defined by Swiss GAAP. The definition of these alternative performance measures are published under: [datwyler.com/investors/publications](https://www.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 2020

Bearer share: CHF 257.00

0.625% Bond 2018–2024: 101.60%

Important dates

2021

Annual General Meeting: 9 March 2021

Interim Report: 11 August 2021

2022

Annual Press Conference and Analyst Conference: 18 February 2022

Annual General Meeting: 16 March 2022

Interim Report: 26 July 2022

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

Press Office and Investor Relations

T +41 41 875 19 00

F +41 41 875 12 28

info@datwyler.com

www.datwyler.com

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 9 February 2021

Industrial Solutions

Europe

Datwyler Switzerland Inc.

Militärstrasse 7
6467 Schattdorf
Switzerland
T +41 41 875 1123
F +41 41 875 1546
sealing.ch@datwyler.com

Dätwyler Sealing Solutions Deutschland GmbH & Co. KG

Maybachstrasse 3
74389 Cleebronn
Germany
T +49 7135 9836-0
F +49 7135 9836-22
info_sdec@datwyler.com

Datwyler Sealing Solutions Italy S.p.A.

Via Castello, 14A
24060 Viadanica (BG)
Italy
T +39 035 939 911
F +39 035 939 999
sealing.viadanica@datwyler.com

Datwyler Sealing Technologies CZ s.r.o.

Polní 224
50401 Nový Bydžov
Czech Republic
T +420 495 405 405
F +420 495 405 404
sealing.cz@datwyler.com

Datwyler Sealing Technologies Ukraine JSC

2, Nemanikhina Str.
Malyn 11602
Zhytomyr oblast
Ukraine
T +38 04133 32580
F +38 04133 33008
sealing.ua@datwyler.com

North and South America

Datwyler Sealing Solutions USA Inc.

875 Center Drive
Vandalia, OH 45377
USA
T +1 937-387-2777
F +1 937-387-2767
sales@columbiaerd.com

Parco Inc.

1801 South Archibald Avenue
Ontario, CA 91761
USA
sales@parcoinc.com
www.parcoinc.com

Datwyler Sealing Technologies Mexico S de RL de CV

Ave Paseo de las Colinas 602
Parque Industrial y de Negocios Las Colinas
36270 Silao, Guanajuato
Mexico
T +52 472 103 5000
F +52 472 103 5009
sealing.mx@datwyler.com

Datwyler do Brasil Ltda.

Av. Mauá, 2612
93030-092 São Leopoldo
Brazil
comercial@bins.com.br

Asia

Datwyler Sealing Technologies (Anhui) Co., Ltd.

Economic & Technology
Developing Zone
Ningguo City, Anhui 242300
P. R. China
T +86 563 2165800
F +86 563 2165808
sealing.cn@datwyler.com

Datwyler Sealing Technologies (Wuxi) Co., Ltd.

Dong An Road
Shuo Fang Industrial Park, New District
Wuxi Jiangsu 214142
P. R. China
T +86 510 853 10500
F +86 510 853 10822
sealing.cn@datwyler.com

Datwyler Korea Inc.

26, Seongseoseo-ro 15-gil
Dalseo-gu
Daegu
Korea 704-833
T +82 53 589 3220
F +82 53 588 0470
sealing.kr@datwyler.com

ADDRESSES

Datwyler Annual Review 2020

Healthcare Solutions

Europe

Datwyler Pharma Packaging Belgium NV

Industrieterrein Kolmen 1519
3570 Alken
Belgium
T +32 11 59 0811
F +32 11 31 4086
sealing.be@datwyler.com

Dätwyler Pharma Packaging Deutschland GmbH

Tornadostrasse 4
76307 Karlsbad-Ittersbach
Germany
T +49 7248 9230
F +49 7248 923170
sealing.de.kab@datwyler.com

Datwyler Pharma Packaging Italy srl

Viale dell'Industria 7
20010 Pregnana Milanese (MI)
Italy
T +39 02 939 651
F +39 02 939 65233
sealing.it@datwyler.com

Datwyler Pharma Packaging Italy srl

Via Bernarde 11
36040 Montegaldella (VI)
Italy
T +39 0444 736 501
F +39 0444 737 221
sealing.it@datwyler.com

North and South America

Datwyler Pharma Packaging USA Inc.

9012 Pennsauken Highway
Pennsauken, NJ 08110
USA
T +1 856 663 2202
F +1 856 663 2636
sealing.us@datwyler.com

Datwyler Pharma Packaging USA Inc.

571 Merimac Avenue
Middletown, DE 19709
USA

Asia

Datwyler Pharma Packaging India Pvt Ltd.

Plot No 5, Khandala SEZ (Phase-I) MIDC
Kesurdi, District – Satara, Maharashtra
412801
India
T +91 9921282353
sealing.in@datwyler.com

Onlinedistribution

Reichelt Elektronik GmbH & Co. KG

Elektronikring 1
26452 Sande
Germany
T +49 44 22 955333
F +49 44 22 955111
info@reichelt.com
www.reichelt.com

Imprint

Published and edited by

Dätwyler Holding Inc., Altdorf, Switzerland

Design and realisation

Hotz Brand Consultants, Steinhausen
tinto AG, Altdorf

Pictures

p. 11: Dominic Büttner
p. 14/15: Adobe Stock
p. 16/17: Scanderbeg Sauer
p. 18/19: Adobe Stock
p. 20/21: Scanderbeg Sauer, Datwyler archive
p. 22/23: Adobe Stock, Fotolia
p. 24/25: Datwyler Archive
p. 39 and 41: Dominic Büttner,
Valentin Luthiger

Printing

Gisler Druck AG, Altdorf
Printed on chlorine-free bleached paper,
without optical brightening agent

© Dätwyler Holding Inc. 2021

Disclaimer

The Annual Report contains forward-looking statements. These statements reflect the Group's current assessment of market conditions, economic developments and future events. However, these forward-looking statements are subject to economic, regulatory and political risks, uncertainties, assumptions and other factors over which Datwyler has no control. Unforeseen events could therefore cause actual developments and report to differ materially from those anticipated and from the information published in this report. To that extent, all forward-looking statements contained in this report are qualified in their entirety and Datwyler cannot guarantee that they will prove to be correct. Datwyler is under no obligation, and assumes no liability, to update any such forward-looking statements. This document is neither an offer nor a solicitation to buy or sell Datwyler securities.

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

All trademarks mentioned herein are the property of their respective owners.



Dätwyler Holding Inc.

Gotthardstrasse 31, 6460 Altdorf/Switzerland
T +41 41 875 11 00, F +41 41 875 12 28
info@datwyler.com, www.datwyler.com



This Annual Report can be downloaded
at www.datwyler.com.