



ANNUAL REPORT
2021

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About us

«Leading provider of high-quality, system-critical elastomer components»

Datwyler is focusing on high-quality, system-critical elastomer components and has leading positions in attractive global markets such as healthcare, mobility, food & beverage and general industry. With its recognized 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 6'900 employees Datwyler, headquartered in Switzerland, generates annual sales of more than CHF 1'000 million. Looking back on more than 100 years of successful corporate history, the company has been listed on the SIX Swiss Exchange since 1986 (security no. 3048677).



over **100**
countries with sales



over **1'000**
customers and innovation
leaders



over **20**
sites worldwide



over **90** million
components
manufactured every day



over **6'900**
employees worldwide



over **100**
years of material
expertise



1 Highlights

Datwyler increased its revenue to CHF 1'101.7 million and the net result to CHF 194.0 million in 2021. The continuing operations generated record revenue and currency-adjusted growth of 15.0%. The associated EBIT margin improved to 16.9%.

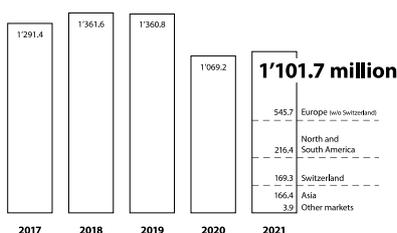
1'101.7 million
Revenue (CHF)

16.9 %
EBIT margin
continuing operations

194.0 million
Net result (CHF)

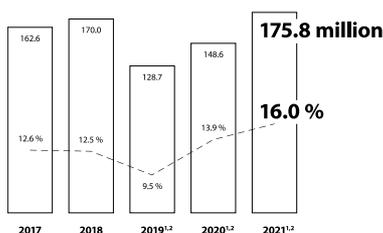
Net revenue

□ Net revenue (CHF millions)
 --- Net revenue by region (CHF millions)



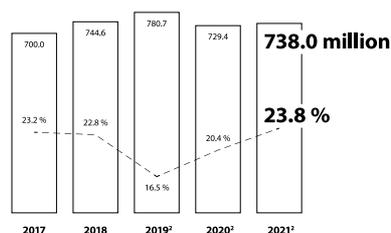
Operating result (EBIT)

□ EBIT (CHF millions)
 --- EBIT margin



Capital employed and ROCE

□ Average capital employed¹ (CHF million)
 --- ROCE¹

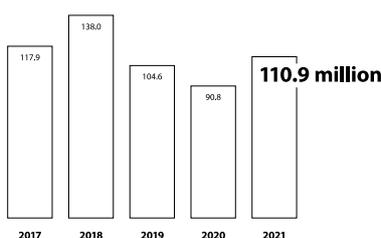


¹The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document "Remuneration Performance Measure".
²Adjusted

¹The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document "Remuneration Performance Measure".
²Adjusted

Capital expenditures

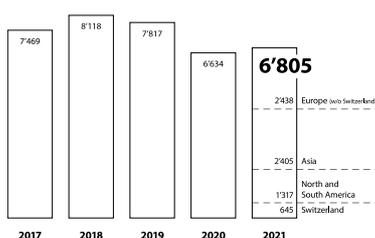
□ Capital expenditures¹ (CHF million)



¹The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document "Remuneration Performance Measure".

Full-time equivalents

□ Full-time equivalents at 31 December
 --- Full-time equivalents by region at 31 December



Key figures, reported

	2021	2020	Change	Continuing operations 2021	Continuing operations 2020	Continuing operations Change
Net revenue (CHF millions)	1'101.7	1'069.2	+3.0 %	947.6	823.3	+15.1 %
EBITDA before non-recurring items¹ (CHF millions)	241.8	211.0	+14.6 %	225.6	188.5	+19.7 %
└ as % of net revenue	21.9 %	19.7 %	n/a	23.8 %	22.9 %	n/a
EBIT before non-recurring items¹ (CHF millions)	175.8	148.6	+18.3 %	160.4	130.2	+23.2 %
└ as % of net revenue	16.0 %	13.9 %	n/a	16.9 %	15.8 %	n/a
Operating result (EBIT) (CHF millions)	234.2	-315.9	n/a	160.4	130.2	+23.2 %
└ as % of net revenue (EBIT margin)	21.3 %	-29.5 %	n/a	16.9 %	15.8 %	n/a
Net result (CHF millions)	194.0	-346.3	n/a	123.7	105.2	+17.6 %
└ as % of net revenue	17.6 %	-32.4 %	n/a	13.1 %	12.8 %	n/a
ROCE¹ (%)	23.8 %	20.4 %	n/a	22.5 %	20.6 %	n/a
Average capital employed (CHF millions)	738.0	729.4	+1.2 %	712.4	632.4	+12.7 %
Net cash from operating activities (CHF millions)	183.5	185.3	-1.0 %			
Net cash used in investing activities (CHF millions)	-23.1	-69.6	-66.8 %			
Free cash flow¹ (CHF millions)	160.4	115.7	+38.6 %			

				Continuing operations	Continuing operations	Continuing operations
	2021	2020	Change	2021	2020	Change
Net cash used in financing activities (CHF millions)	-113.0	-132.7	-14.8 %			
Net change in cash and cash equivalents¹ (CHF millions)	47.4	-17.0	n/a			
Cash, cash equivalents and money market investments (CHF millions)	279.6	169.5	+65.0 %			
Capital expenditures¹ (CHF millions)	110.9	90.8	+22.1 %			
Total assets (CHF millions)	1'261.0	1'106.9	+13.9 %			
Equity (CHF millions)	948.3	735.1	+29.0 %			
Equity as % of total assets	75.2 %	66.4%	n/a			
Number of employees at 31 December	6'909	6'748	+2.4 %			
Full-time equivalents at 31 December	6'805	6'634	+2.6 %			

(1) The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document Alternative Performance Measures.

11.41 CHF
Earnings per bearer share

4.20 CHF
Dividend per bearer share
Board of Director's proposal

409 CHF
Highest market price per
bearer share

Per share data

	2021	2020
Earnings per bearer share (CHF)	11.41	-20.37
Dividend per bearer share (CHF)	4.20 ¹	3.20
Distribution yield at 31 December	1.0 %	1.2 %
Market price (high/low) per bearer share (CHF)	409 / 251	264 / 126

(1) Board of Director's proposal to the Annual General Meeting

2 Letter to the Shareholders

Datwyler experienced high demand in 2021 thanks to strong positions in attractive markets and leading core competencies. In comparison with the previous year, our sales markets and production were significantly less impacted by the negative effects of the pandemic. The safety concepts and rules of conduct at the sites were optimized continuously and proved to be effective, enabling us to protect our employees' health and guarantee delivery capacities for our customers at all times.

Focused Datwyler achieves profitable growth

- Currency-adjusted revenue growth of 15.0% and EBIT margin of 16.9% from continuing operations.
- Proposal for increased cash dividend of CHF 4.20 per bearer share.
- Following the sale of Reichelt, Datwyler is focusing exclusively on system-critical elastomer components.
- Opening up of attractive Chinese healthcare market through strategic acquisition.
- For 2022, Datwyler is aiming to achieve the lower value in its medium-term target range for the EBIT margin of 18% to 21% in 2022. Revenue growth should also in 2022 exceed the upper value of the medium-term target range of 6% to 10%.

REVIEW

4.20 CHF
Increased cash dividend
per bearer share

Profit increase and higher dividend

The figures reported for the year 2021 are influenced by the sale of the online distributor Reichelt at the end of September. Datwyler's reported revenue rose to CHF 1'101.7 million (previous year: CHF 1'069.2 million). Reichelt's revenue contribution for the first nine months of the year was CHF 154.1 million. The profit figures reported also include contributions from Reichelt for the last time. At the level of the operating result (EBIT), this contribution was CHF 15.4 million from the operating business and CHF 58.4 million profit from the sale of the subsidiary. Datwyler thus achieved a total EBIT of CHF 234.2 million and a net result of CHF 194.0 million for 2021. In view of the strong and sustainably profitable growth, the Board of Directors will ask the Annual General Meeting to pay a substantially increased cash dividend of CHF 4.20 per bearer share (previous year: CHF 3.20) and CHF 0.84 per registered share (previous year: CHF 0.64). This equates to an increase of 31.3% in the total dividend to CHF 71.4 million (previous year: CHF 54.4 million).

Record revenue from continuing operations

15.0 %

Datwyler was able to significantly increase revenue from continuing operations in all business units. Our record revenue figure of CHF 947.6 million (previous year: CHF 823.3 million) constitutes currency-adjusted growth of 15.0% (the currency effect was negligible).

Revenue growth

currency-adjusted

We surpassed average growth rates in all the markets we serve and are 8.0% above the pre-pandemic levels from 2019. Having been hit particularly hard by the pandemic in 2020, the Mobility and General Industry business units also performed encouragingly. The Mobility business unit, for example, acquired more new projects than it ever has in the past. In the Food & Beverage business unit, Datwyler grew successfully together with its coffee customers. In total, the Industrial Solutions business area (Mobility, General Industry and Food & Beverage) generated currency-adjusted revenue growth of more than 13%. The Healthcare Solutions business area posted currency-adjusted revenue growth of 16.0%. Here, Datwyler supports the leading pharmaceutical companies with the provision of COVID-19 vaccines. We are proud to make an important contribution to the global fight against the pandemic with our system-critical components.



Datwyler supplies the leading manufacturers of COVID-19 vaccines.

16.9%

EBIT margin

continuing operations

Sustainable increase in profitability

Thanks to strong growth, continual efficiency improvements and strict cost management, the EBIT for continuing operations increased over-proportionally by 23.2% to CHF 160.4 million (previous year: CHF 130.2 million). As a result, the EBIT margin improved significantly to 16.9% (previous year: 15.8%). The net result for continuing operations rose by 17.6% to CHF 123.7 million (previous year: CHF 105.2 million). In comparison with 2019, both EBIT and the EBIT margin for continuing operations are well above pre-pandemic levels.

Transformation complete – focus on organic growth and targeted acquisitions

With the sale of online distributor Reichelt in autumn 2021, Datwyler's strategic transformation into a specialist in system-critical elastomer components is now complete. In the forthcoming phase, we will focus on organic growth and targeted acquisitions so as to bolster existing business sustainably. Our strong balance sheet, our highly distinctive core competencies and the associated competitive advantages provide an ideal basis from which to accelerate the implementation of our growth strategy and overcome the challenges of the pandemic. We will also continue to make acquisitions in order to open up new geographical markets, technologies or related product segments. The companies we acquire must be suited to Datwyler in terms of strategy, core competencies and culture. A current example of a targeted acquisition is the takeover of Yantai Xinhui Packing in China that was announced in December 2021. With this transaction, Datwyler has gained direct access to the fast-growing healthcare market in China and filled an important strategic gap. Yantai Xinhui Packing's modern production facility with reserve capacity offers an optimal platform for manufacturing our product range for the Chinese healthcare market locally.



Acquisition of Yantai Xinhui Packing in China.

STRATEGIC TOPICS

Two-thirds of revenue in low cyclical, structurally growing markets

Datwyler generates around two-thirds of its revenue in low cyclical, structurally growing markets like healthcare and food & beverages. The healthcare market in particular has long-term structural growth drivers that are independent of economic trends and the COVID pandemic. The aging society in the industrial countries, the rapidly growing middle class in the emerging countries, the increasing rates of chronic diseases like diabetes and the use of injections as the preferred method for administering medicines are keeping growth rates high.

System-critical elastomer components with low cost share and high barriers to entry

Datwyler's elastomer components perform critical functions in our customers' systems. In vehicle brakes or pre-filled syringes, for example, they make a vital contribution to the safety of car drivers and patients all around the world. Despite their importance for the quality of the end products, Datwyler's components are set apart by the fact that they account for a low share of the overall costs of customer systems.

Furthermore, the barriers to entry are high due to the long learning curve and the strict regulatory requirements. New trends and technologies mean that the demand for increasingly powerful and complex products is rising. In many cases, our system-critical components are one of the things that make technological progress possible in the first place. We have summarized this potential in our mission statement:

«We materialize ideas for a safer, smarter and more sustainable world.»



System-critical components for exhaust gas aftertreatment.

Core competency-based market development and innovation

By bundling our technological core competencies in the Technology & Innovation Group function, we enhance our capacity for innovation and increase the share of our new primary products in total revenue. In the healthcare business, among our promising innovation projects are the coated NeoFlex components for pre-filled syringes and the soft dry electrodes for measuring brain, heart and muscle activity in wearable devices. Besides medical technology, applications in the fields of lifestyle, sport and computer games are also evolving. In the Mobility business, Datwyler is continuing to develop its material and technology portfolio. The electroactive polymer (EAP) technology and the electrically and thermally conductive ETEMI materials will open up new applications in the vehicle of the future. We are therefore confident that, thanks to our leading core competencies, we will be able to utilize the transformation to electromobility to increase our component number and revenue per vehicle.



Further development of the materials and technology portfolio.

Further improvement in agility and digital competencies

In addition to the core competencies, the innovation pipeline and the expansion of production capacities, it is our proven strategic priorities that enable us to proactively seize

market opportunities and accelerate organic growth. We have been facilitating profitable growth, increasing our agility, accelerating digitalization and promoting sustainability for a number of years now. In parallel to the actual digitalization process, we have significantly increased network and cyber security in recent years. With our modern management culture, we are continuously implementing our vision of being a self-learning organization.

Enhanced sustainability strategy

by **2030**
Climate neutrality
Scope 1 and 2

One of the things we launched in the year under review was our enhanced sustainability strategy. We introduced 12 focus topics in order to reduce our environmental footprint and deliver more value for all stakeholders. The focus topics are structured according to Environmental, Social and Governance dimensions and are intended to close gaps and build on existing strengths. Each topic bundles activities relating to current and future projects, and contains clear responsibilities with measurable objectives and quantifiable key figures for effective management. Datwyler has been a member of the UN Global Compact since 2009 and aims to attain climate neutrality (scope 1 and 2) at all its sites by 2030.



Support for the local communities in India.

OUTLOOK

Confirmation of the medium-term target ranges

On the basis of its high order backlog and increased use of new production capacities and the positive change in the Healthcare product mix, we are confident that we will be able to reach the target ranges we set for ourself, namely to increase revenue by between 6% and 10% and to achieve an EBIT margin of 18% to 21%, in the medium term. However, the rising costs of raw materials, upstream products, energy and logistics services will present an increasing challenge in 2022. Despite this, Datwyler is aiming to achieve the lower value in its target range for the EBIT margin in 2022. Revenue growth should also in 2022 exceed the upper value in the target range.

6–10%
Revenue growth

Midterm target

18–21%
EBIT margin

Midterm target



Investments in the expansion of production capacities.

Changes to the Board of Directors

For personal reasons, Hanno Ulmer will not be available for re-election at the 2022 ordinary Annual General Meeting. We would like to thank him for his valuable work over the last seven years. Judith van Walsum will be nominated for election as a new Director and a representative of the public shareholders. Judith van Walsum is Chief Financial Officer and Head of IT at Roche Diabetes Care, a globally active division of the Roche Group.

«A very special thank you goes once again to our employees.»

Despite pandemic-related constraints both at work and in private, they continued to achieve excellence day in, day out. Thanks to their exemplary work, we were able to supply our customers with important products at all times, and that is something we as a company and our employees can be very proud of. We also thank our customers for their trust and flexibility. Both are necessary to overcome the challenges of a pandemic. Finally, we would like to take this opportunity to thank you, our shareholders, for your loyalty to Datwyler.

On behalf of the Board of Directors and the Executive Management



Dr. Paul Hälg
Chairman

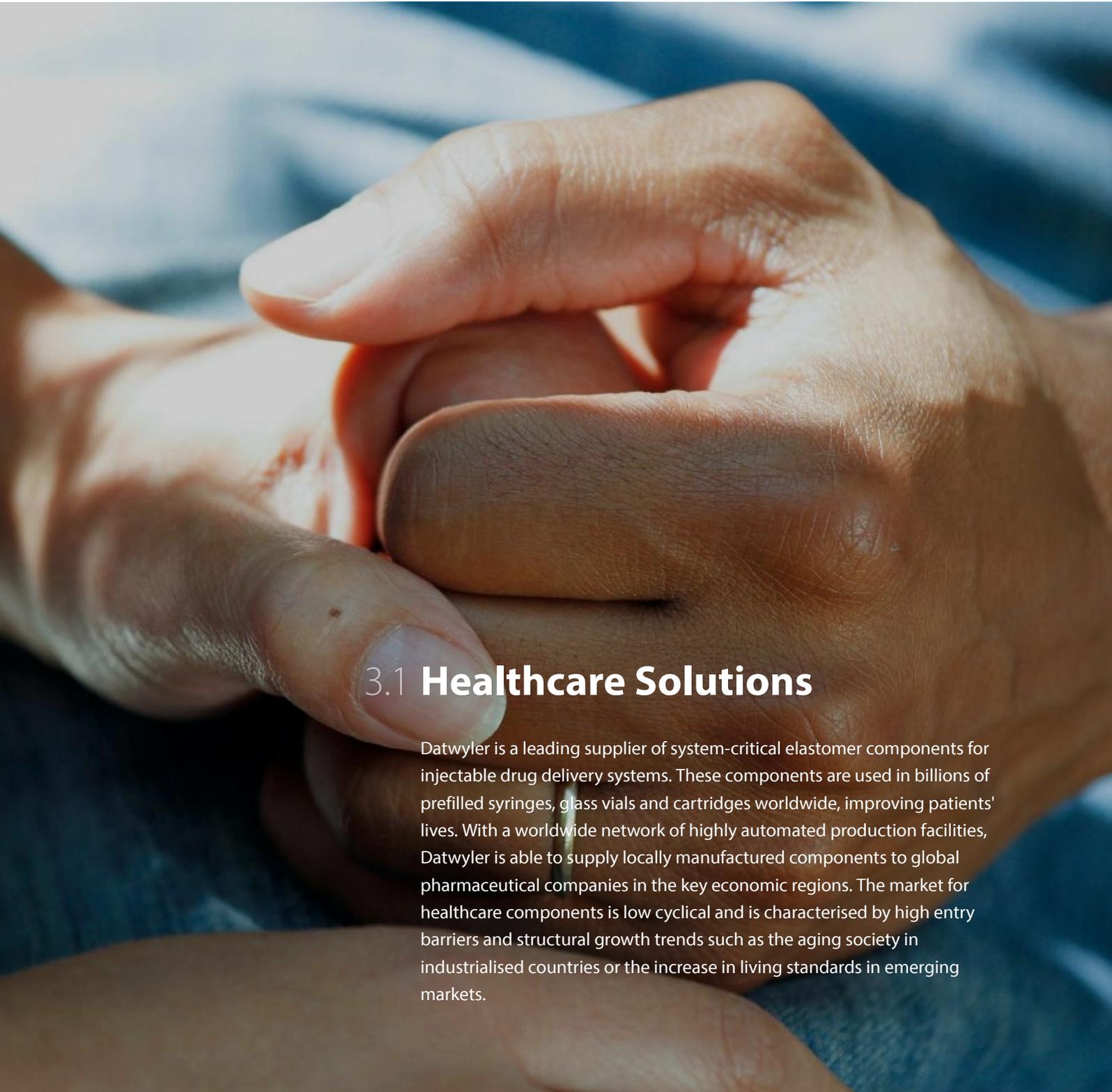


Dirk Lambrecht
CEO

3 Business Areas

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

- 3.1 Healthcare Solutions
- 3.2 Industrial Solutions



3.1 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.

System-critical components to improve patients' lives

Target groups

- Pharmaceutical and biotech companies
- Manufacturers and contract fillers of injectable drugs
- Manufacturers of diagnostic and medical products

Products and services

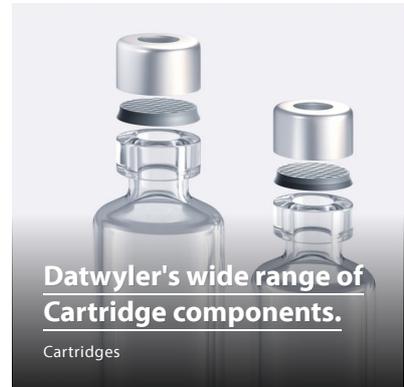
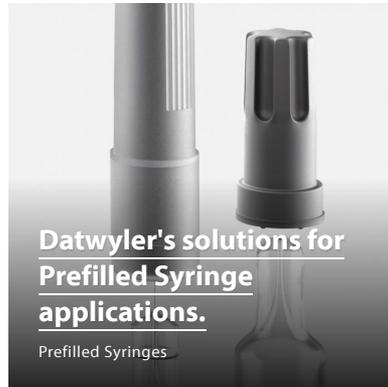
- High-quality rubber components for prefilled syringes, pens and injection systems
- Components and closures for injectable drugs in vials

Geographical markets

- Europe
- North and South America
- Asia
- Australia

- Manufacturers of parenteral drug delivery systems

- Rubber components for blood collection systems, IV administration sets, disposable syringes, etc.
- Rubber components for diagnostics and medical devices



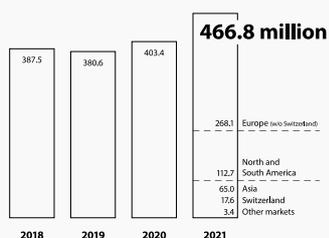
466.8 million
Revenue (CHF)

104.6 million
Operating result (EBIT)
(CHF)

22.4%
EBIT margin

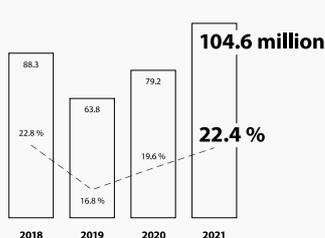
Net revenue

□ Net revenue (CHF million)
-- Net revenue by region (CHF million)



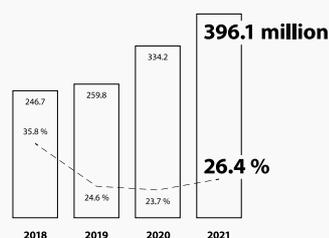
Operating result (EBIT)

□ EBIT (CHF million)
-- EBIT margin



Capital employed and ROCE

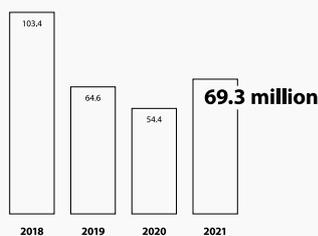
□ Average capital employed¹ (CHF million)
-- ROCE



¹ The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document "Alternative Performance Measures".

Capital expenditures

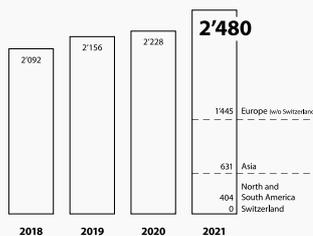
□ Capital expenditures¹ (CHF million)



¹ The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document "Alternative Performance Measures".

Full-time equivalents

□ Full-time equivalents at 31 December
-- Full-time equivalents by region at 31 December



Key figures Healthcare Solutions

	2021	2020	Change
Net revenue (CHF millions)	466.8	403.4	+15.7 %
Operating result (EBIT) (CHF millions)	104.6	79.2	+32.1 %
└ as % of net revenue (EBIT margin)	22.4 %	19.6 %	n/a
ROCE ¹	26.4 %	23.7 %	n/a
Average capital employed ¹ (CHF millions)	396.1	334.2	+18.5 %
Capital expenditures ¹ (CHF millions)	69.3	54.4	+27.4 %
Full-time equivalents at 31 December	2'480	2'228	+11.3 %

(1) The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document Alternative Performance Measures.

Healthcare Solutions reports significant growth in revenue and margins

16.0%
Revenue growth
currency-adjusted

Revenue and earnings

As a partner to the leading vaccine manufacturers, the Healthcare Solutions business area experienced additional demand for components for COVID-19 vaccines in the year under review.

In comparison with 2020, revenue was up by 16.0% in currency-adjusted terms to CHF 466.8 million (previous year: CHF 403.4 million). The currency effect was negligible.

Thanks to the good utilization of capacities and a positive change in the product mix, Datwyler increased the operating result (EBIT) by 32.1% to CHF 104.6 million (previous year: CHF 79.2 million). This equates to a significantly higher EBIT margin of 22.4% (previous year: 19.6%).

22.4%
EBIT margin

Important developments in 2021

Datwyler generated strong organic growth in its core business for system-critical components for injectable medicines.

The increasing share of high-margin, high-quality components from FirstLine manufacturing had a positive effect on the product mix.

To cope with the increased demand, Datwyler invested in the earlier expansion of production capacities at all locations. The new capacities can be used for all product categories.



As a founding member of the Alliance to Zero, Datwyler campaigns for healthcare products with net-zero CO₂ emissions. The Alliance to Zero consists of eight companies that cover a large proportion of the value chain.

[!\[\]\(1e785a35c87067562e5eed96a1b6021d_img.jpg\) More about Alliance to Zero membership](#)



System-critical components for injectable medicines.

Current priorities

As a result of the bottlenecks caused by the pandemic, Datwyler has come into contact with many new potential customers. The

company aims to further tap into these potential revenue sources with targeted measures.

After the planned completion of the acquisition of Yantai Xinhui Packing in the first quarter of 2022, the focus is on integrating the Chinese firm. The modern production facility with reserve capacity offers a perfect platform for local manufacturing of the Datwyler product range (excluding FirstLine) for the Chinese healthcare market.

The company is continually expanding its product portfolio through new NeoFlex products and needle shield designs and new developments for coating components.



Yantai Xinhui Packing has modern production facilities.

Thanks to an optimized organization, Datwyler will be able to serve its existing customers even more effectively in the future and drive the acquisition of new customers.

 [More about the acquisition of Yantai Xinhui Packing](#)

Outlook

Alongside the US and EMEA, the market development activities are currently focusing on China and other emerging countries with high growth rates for modern injectable medicines.

For 2022, Datwyler continues to expect strong demand in the healthcare market. Structural trends will also support this growth in the medium term.

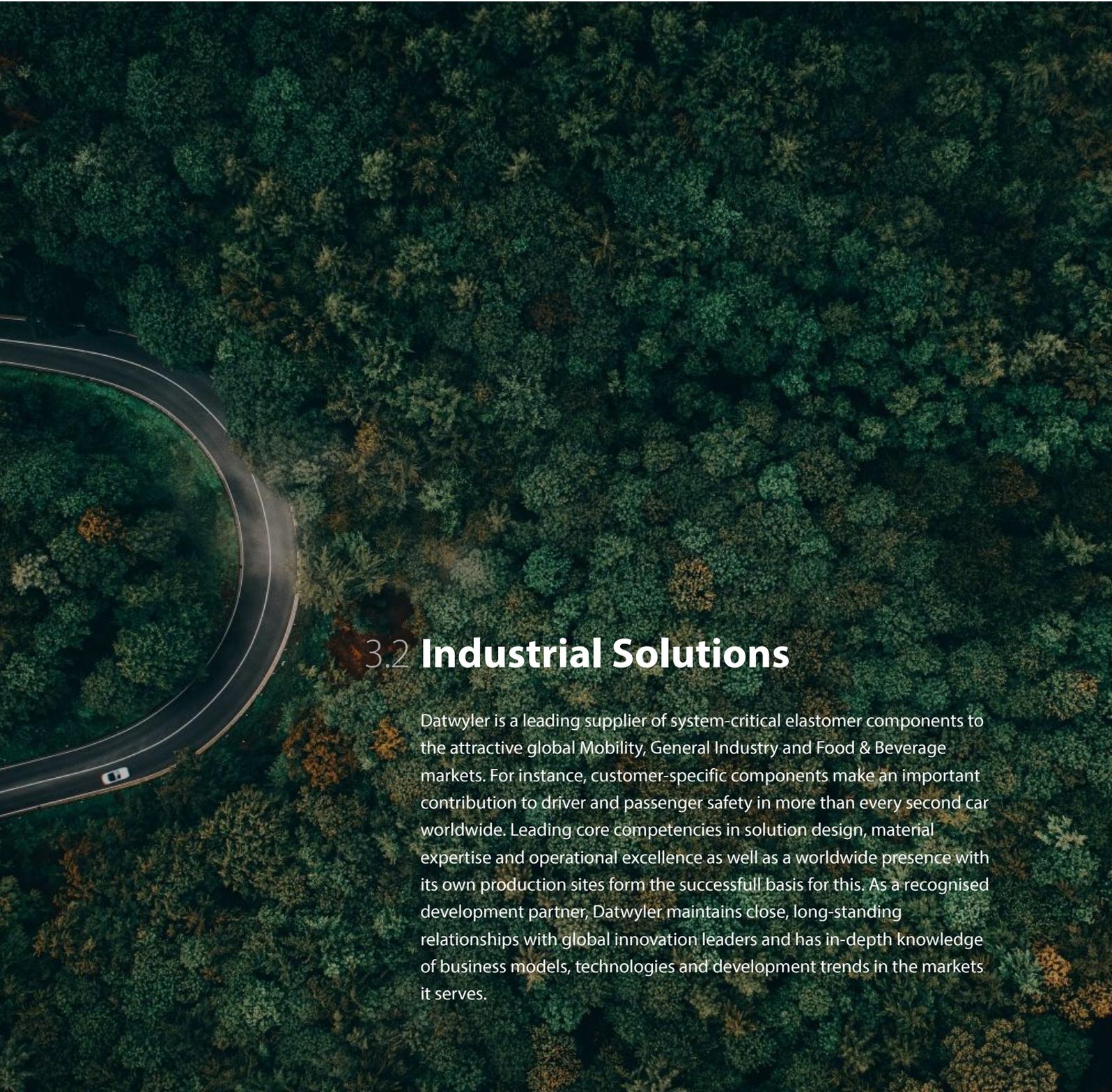
With the new production capacities in the US, India and now also in China, Datwyler is well-positioned to participate in market growth over-proportionately.



Doubling of the Indian site.

In order to meet customer expectations, Datwyler also intends to invest in the expansion and automation of production capacities in 2022. Production will get under way in the second plant at the existing Indian site in mid-2022.

The scarcity and rise in the prices of raw materials, energy and logistics services require additional attention.



3.2 Industrial Solutions

Datwyler is a leading supplier of system-critical elastomer components to the attractive global Mobility, General Industry and Food & Beverage markets. For instance, customer-specific components make an important contribution to driver and passenger safety in more than 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 successful basis for this. As a recognised development partner, Datwyler maintains close, long-standing relationships with global innovation leaders and has in-depth knowledge of business models, technologies and development trends in the markets it serves.

Development partner for innovation leaders

Target groups

- Automotive system suppliers
- Oil and gas service companies
- Aerospace and heavy machinery
- Manufacturers of power tools
- Process and water treatment industries

Products and services

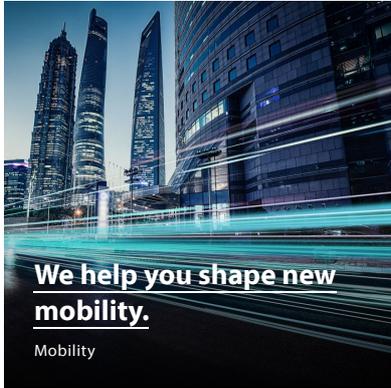
- System-critical components for brake systems, fuel and engine management, exhaust gas aftertreatment (Selective Catalytic Reduction), active assistance and safety systems, electromobility of the future

Geographical markets

- Europe
- North and South America
- Asia

- Manufacturers of portioned food products

- Sealing components for upstream systems in the oil and gas industry, aerospace and heavy machinery, power tools, process and water treatment industries
- Sealing solutions for portioned food and beverages



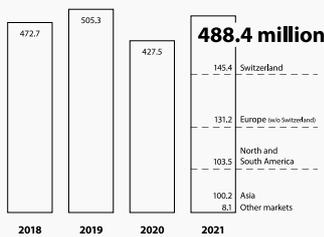
488.4 million
Revenue (CHF)

55.8 million
Operating result (EBIT)
(CHF)

11.4%
EBIT margin

Net revenue

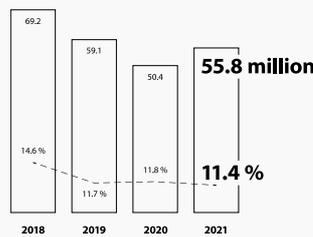
□ Net revenue¹ (CHF million)
--- Net revenue by region² (CHF million)



¹ Continuing operations

Operating result (EBIT)

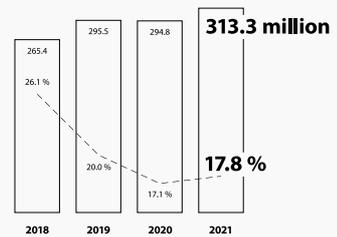
□ EBIT¹ (CHF million)
--- EBIT margin²



¹ Continuing operations

Capital employed and ROCE

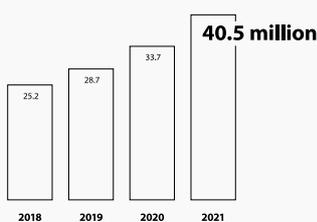
□ Average capital employed¹ (CHF million)
--- ROCE²



¹ Continuing operations
² The Return on Capital Employed performance measure and adjustments, not defined by Swiss GAAP, are provided in the document "Non-Financial Performance Measures".

Capital expenditures

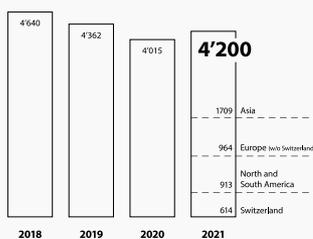
Capital expenditures¹ (CHF million)



¹ Continuing operations
The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document "Alternative Performance Measures".

Full-time equivalents

Full-time equivalents¹ at 31 December
Full-time equivalents by region¹ at 31 December



¹ Continuing operations

Key figures Industrial Solutions

	2021 ²	2020 ²	Change
Net revenue (CHF millions)	488.4	427.5	+14.2 %
Operating result (EBIT) (CHF millions)	55.8	50.4	+10.7 %
↳ as % of net revenue (EBIT margin)	11.4 %	11.8 %	n/a
ROCE ¹	17.8 %	17.1 %	n/a
Average capital employed ¹ (CHF millions)	313.3	294.8	+6.3 %
Capital expenditures ¹ (CHF millions)	40.5	33.7	+20.2 %
Full-time equivalents at 31 December	4'200	4'015	+4.6 %

(1) The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the document Alternative Performance Measures. (2) Continuing operations

Strong growth in Industrial Solutions

Revenue and earnings

> **13 %**
Revenue growth
currency-adjusted

In comparison with pandemic-hit 2020, the Industrial Solutions business area was able to increase revenue for continuing operations (excluding Civil Engineering) by over 13% to CHF 488.4 million in currency-adjusted terms (previous year: CHF 427.5 million) in the year under review. The currency effect was negligible.

Thanks to the higher utilization of capacity and consistent cost management, the operating result (EBIT) rose by 10.7% to CHF 55.8 million (previous year: CHF 50.4

11.4 %
EBIT margin

million). This equates to a slightly lower EBIT margin of 11.4% (previous year: 11.8%). The slowdown in the automobile industry in the second half of the year prevented an improvement in the margin.

Important developments in 2021

To streamline its organization and increase agility and speed in the market, Datwyler reduced the management levels in the Industrial Solutions business area. The integration of the former Oil & Gas business unit into the General Industry business unit makes it possible to exploit further synergies.

Despite a high prior-year basis, the Food & Beverage business unit recorded strong revenue growth for all customers in this area as planned. The expansion of production capacities went to plan and will be continued in 2022.



Successful customer event in China.

The forecasts for global vehicle production were constantly adjusted downwards during the course of the year due to the general shortage of IT components. This led to a significant fall in demand in the Mobility business unit in the second half of the year. Thanks to its proactive market development activities with webinars and a large customer event in China, the Mobility business unit acquired record numbers of new projects and customers and thus exceeded growth in global vehicle production.



Liquid silicon production technology now in Mexico and China, too.

With the transfer of the liquid silicone production technology to the sites in Mexico and China, Datwyler established a global production base for complex multi-component parts, which are used in electric vehicles in particular.

The General Industry business unit enjoyed strong demand, particularly in the final quarter of 2021 and from the American market. It was also able to acquire many promising development projects for smart elastomer components.

[!\[\]\(8c57b89803f96ec6a85c7bf6d7f021a5_img.jpg\) More about the expansion of materials competencies in China](#)

Current priorities

In the Food & Beverage business unit, the focus is on the further expansion of production capacities on the basis of the global customers' specific growth plans for portioned coffee. Through the switch to recycled aluminum, Datwyler is supporting its main customer Nespresso on its journey to achieving climate neutrality.



Expansion of production capacities in the Food & Beverage business unit.

Using its longstanding core competencies as a foundation, the Mobility business unit is further expanding its material and technology portfolio. A key basis for this is provided by electroactive polymers and the electrically and thermally conductive ETEMI materials. In this way, Datwyler is opening up new applications in the vehicle of the future in parallel to the current brake and exhaust gas treatment business. The focus is on electrified powertrain, battery systems, vehicle interiors and fuel cells.

The new center of competence for surface technology at the Swiss site will begin operations in the first half of 2022. By launching this center, Datwyler is significantly expanding its expertise in the development and production of multi-material components.

To promote growth, Datwyler is placing additional emphasis on the sales and engineering resources in the General Industry business unit in the three key global regions of Europe, the US and Asia.

 [More about the expansion of materials capabilities](#)

Outlook

The ongoing shortage of electronic components in the automobile industry will continue to dominate revenue performance in the Mobility business unit in 2022. We expect revenues to remain generally flat in the first two quarters before undergoing a stronger recovery in the second half of 2022.

However, due to the high order backlog in the Food & Beverage business unit and the very high number of new projects in the Mobility and General Industry business units, we are confident that we will achieve our medium-term growth target.

Economies of scale and the continuous improvement in production processes offer potential for further margin increases in the medium term.



Continuous improvement of production processes.

4 Sustainability

For Datwyler, sustainability means operating successfully in the present, while also being oriented toward the long term and delivering more value for all stakeholders.

- 4.1 Sustainable approach to management
- 4.2 Sustainability strategy
- 4.3 Sustainability Report



4.1 Sustainable approach to management

At the Datwyler Group, we strive for sustainable profitable growth for the benefit of our stakeholders. In line with our unique values, we maintain a sustainable management approach.

«Datwyler stands for a sustainable approach to management»

At the Datwyler Group, we strive for sustainable profitable growth for the benefit of our stakeholders. In line with our unique values, we maintain a sustainable management approach. As a reliable partner, we fulfill our social and environmental responsibilities and contribute to the achievement of the UN Sustainable Development Goals.

Sustainability is an important strategic goal to us and we live by it – from product development to customer service, employee management and production all the way to social commitment. This is how we make our business and our products future-proof.

→ [Discover more](#)



United Nations Global Compact



Global Reporting Initiative



Carbon Disclosure Project



Ecovadis

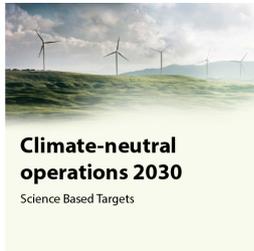
4.2 Sustainability strategy

Our twelve Environmental, Social, and Governance (ESG) focus topics for further development

In 2021, Datwyler established a landscape with 12 focus topics that embody the company's commitment to reducing its environmental footprint and delivering more value for all stakeholders.

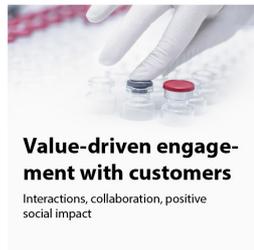
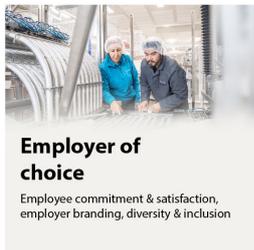
The focus topics are structured according to Environmental, Social, and Governance (ESG) priorities and are intended to close gaps and build on existing strengths. Each topic bundles activities relating to current and future projects, and contain clear responsibilities with measurable objectives, derived measures, and quantifiable key figures for effective monitoring.

Environmental



Reduce footprint

Social



Deliver more value

Governance



Be responsible

Environmental

Reduce footprint

Reducing its ecological footprint is an important aspect of sustainability, supported by many of Datwyler's stakeholders. To achieve this, one of the company's environmental initiatives is to attain climate neutrality by 2030 following the Science Based Targets [SBTi](#) approach. Other environmental initiatives focus on: embedding ecodesign principles into its product and manufacturing development processes, increasing sustainability awareness and lifecycle thinking in the company; reinforcing initiatives to reduce water, heating, and electricity consumption; reducing waste generation; and finding sustainable procurement solutions through the supplier base that align with internal and external benchmarks.

Learn more about:
Climate-neutral operations 2030
Eco-design
Resource-friendly production
Sustainable procurement

Social

Deliver more value

By focusing on social activities Datwyler aims to deliver more value and meaningful purpose to its customers and employees. Employee satisfaction and commitment are crucial for continued success and employer branding. Having a dynamic, diverse, and multicultural workforce brings several advantages such as increased productivity and creativity, improved cultural awareness, a positive reputation, and expanded marketing opportunities. Other social initiatives include: engaging with customers to co-create sustainable products; safeguarding the safety and health of the workforce; initiating volunteer communities for employees to contribute to sustainability-related activities; and contribute to society initiatives.

Learn more about:
Employer of choice
Value-driven engagement with customers
Safe and healthy workforce
Engagement for sustainability

Governance

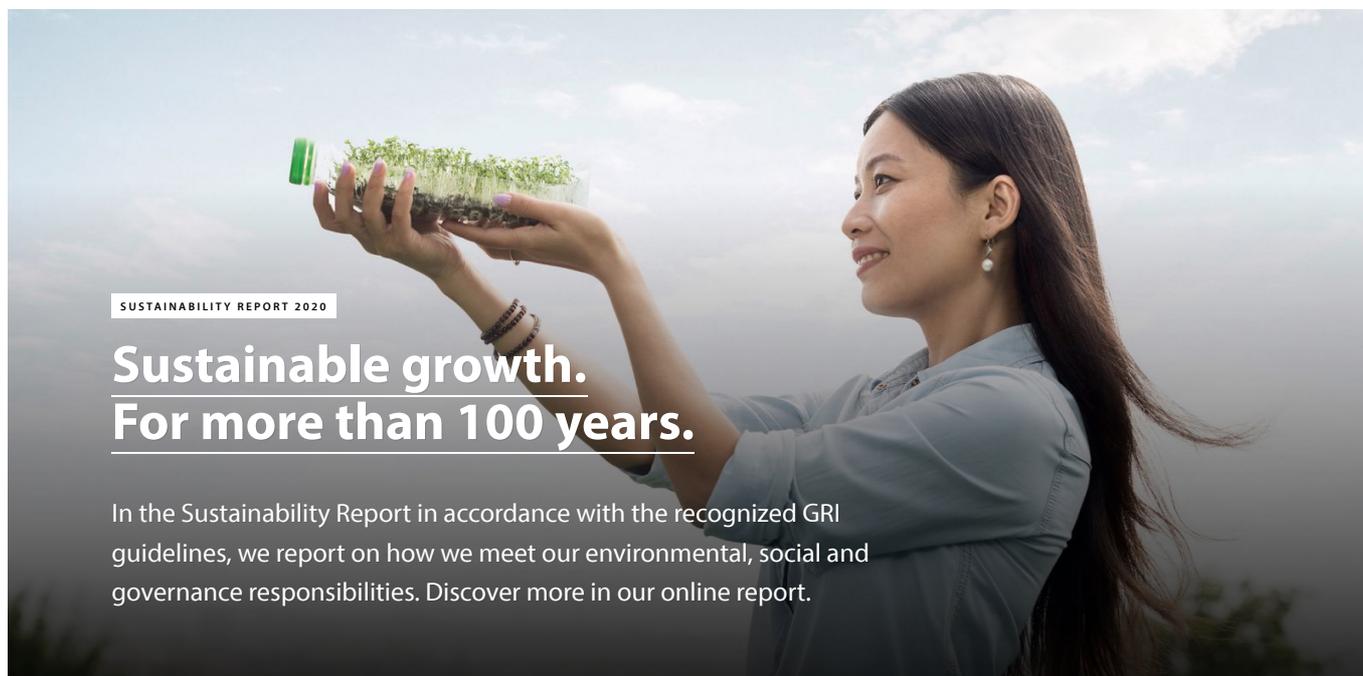
Be responsible

In the area of governance, Datwyler focuses on continuous development of transparency, compliance and ethics, diversity of the Board of Directors and Executive Management, and commitments such as integrating a sustainability component into variable pay for all bonus eligible employees.

Learn more about:
Transparency
Compliance and ethics
Diversity of the BoD and Executive Management
Commitment

4.3 Sustainability Report

The online Sustainability Report 2021 will be available at the end of May 2022.



SUSTAINABILITY REPORT 2020

Sustainable growth. For more than 100 years.

In the Sustainability Report in accordance with the recognized GRI guidelines, we report on how we meet our environmental, social and governance responsibilities. Discover more in our online report.

5 Corporate Governance

at 31 December 2021

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.

- 5.1 Group structure and shareholders
- 5.2 Capital structure
- 5.3 Internal organization
- 5.4 Board of Directors
- 5.5 Executive Management
- 5.6 Remuneration, shareholdings and loans
- 5.7 Shareholders' participation rights
- 5.8 Statutory auditors
- 5.9 Information policy

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.

5.1 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, food & beverage and general industry.

With its recognised core competencies and technological leadership, the company delivers added value to its 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

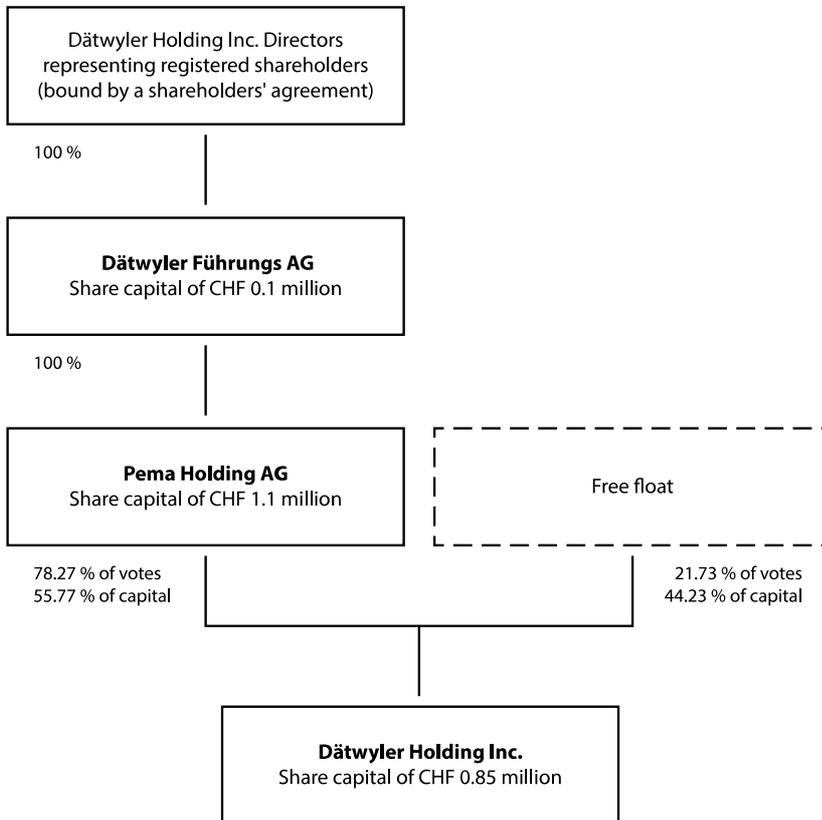
The ownership structure of Datwyler is the result of the Dätwyler family succession arrangements of 1990. The family's primary objective was to ensure the long-term independence of the company.

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.

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. 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.

Under the shareholders' agreement, Pema Holding AG may invest only in Datwyler 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.



Shareholder structure

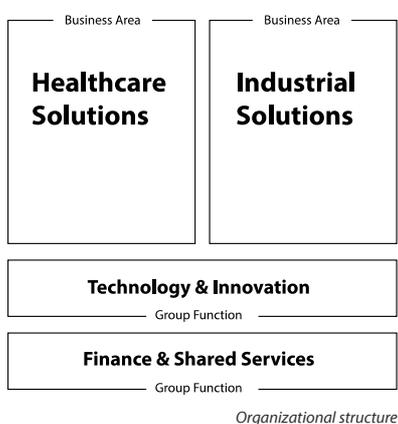
Pema Holding AG may be compared to a family of entrepreneurs who hold the majority of the capital and voting rights in a listed company. The restriction relating to Dätwyler Holding Inc., as set out in the shareholders' agreement, allows Pema Holding AG a management mandate with an obligation to create 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 5'080'937 of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 78.27% of the voting rights and 55.77% 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

Datwyler has combined its market and production activities 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. This organisational structure strengthens Datwyler's market focus, core competencies and agility.



Additional information on the company's structure can be found in the following sections of the Annual Report and on our website:

- Segment reporting (Financial Report, page F17)
- List of subsidiaries and investments (Financial Report, page F38)
- Worldwide locations

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

5.2 Capital structure

Composition of share capital:

in CHF, at 31 December 2021

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 2021 and 2020 is presented in the statement of changes in equity (Financial Report, page F09).

Changes in equity for 2020 and 2019 are shown in the statement of changes in equity in the Annual Report 2020 (page 67).

Convertible bonds and share options

As at 31 December 2021, Datwyler did not have any outstanding convertible bonds or options. On 30 May 2018, a 0.625% CHF 150 million bond (Financial Report, page F28, Note 18, Bond) was placed. The bond is repayable on 30 May 2024.

5.3 Internal organisation

Role of the Board of Directors

The Board of Directors is the ultimate decision-making, management and governing body of Datwyler. The Board consists of no fewer than five and no more than eleven members. At 31 December 2021, 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 Halg, 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 Datwyler with regard to the various industries, technologies and markets are suitably represented.

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. Directors retire at the Annual General Meeting following their 70th birthday. 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 6.6 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 Datwyler 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 2021, the Board held six meetings. In addition, there were two conference calls and two decisions by circular letter. Two Directors were absent for one conference call. Some of the Directors participated in some meetings by telephone due to the restrictions of the 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 2021, the Audit Committee held four meetings with all members present, each of which was attended by the CEO and CFO. The reporting of the internal audit is a standard agenda item at the meetings of the Audit Committee. The representatives of the external auditors attended all the meetings for the discussion of selected items. In 2021, 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 Dätwyler 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.

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 pandemic, some of the audits had to be conducted remotely 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

Datwyler 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 to ensure business continuity, 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 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 Executive 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.

Dätwyler 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. Dätwyler also regularly assesses and minimises the risks of criminal cyber attacks as part of its strategic risks. 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. This includes existing and new regulations on sustainability issues. Global risks such as climate change and other environmental, social and governance sustainability risks are assigned to the appropriate risk category based on their strategic, operational, financial or compliance impact.

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.

5.4 Board of Directors

The Directors of Dätwyler Holding Inc. are – 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 substantial shareholders and shareholder structure.

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.



Dr. Paul J. Hälg
1954, Swiss



Dr. Hanspeter Fässler
1956, Swiss



Jens Breu
1972, Swiss



Claude R. Cornaz
1961, Swiss

Chairman
term expires in 2022



Jürg Fedier
1955, Swiss

Director / Public shareholders'
representative
Chairman of the Audit Committee
term expires in 2022

Vice Chairman
Chairman of the Nomination and
Compensation Committee
term expires in 2022



Martin Hirzel
1970, Swiss

Director / Public shareholders'
representative
term expires in 2022

Director / Public shareholders'
representative
Member of the Nomination and
Compensation Committee
term expires in 2022



Dr. Gabi Huber
1956, Swiss

Director
Member of the Audit Committee
term expires in 2022

Director
Member of the Nomination and
Compensation Committee
term expires in 2022



Hanno Ulmer
1957, Austrian

Director
Member of the Audit Committee
term expires in 2022

 Detailed portraits of the
current Board of Directors

Changes in the composition of the Board of Directors

At the Annual General Meeting 2021, Zhiqiang Zhang stepped down from the Board of Directors. Swissmem President Martin Hirzel was elected as a new Director and representative of the public shareholders.

At the Annual General Meeting 2022, Hanno Ulmer will step down from the Board of Directors. Judith van Walsum will be proposed for election as a new Director and representative of the public shareholders. Judith van Walsum is Chief Financial Officer and Head of IT of Roche Diabetes Care, a global division of the Roche Group.

5.5 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/Swiss

Chief Executive Officer (CEO)
Head of Business Area Industrial
Solutions / Chief Operating Officer (COO)



Walter Scherz
1977, Swiss

Chief Financial Officer (CFO)
Head of Group Function Finance &
Shared Services



Dirk Borghs
1963, Belgium

Head of Business Area Healthcare
Solutions /
Chief Operating Officer (COO)



Dr. Frank Schön
1975, German/Swiss

Chief Technology Officer (CTO)
Head of Group Function Technology &
Innovation

 Detailed portraits of the
current Executive Management

Changes in the Executive Management in the reporting year

Torsten Maschke, Head of the Industrial Solutions Business Area, stepped down from the Executive Board at the end of March 2021 and left Datwyler. The Industrial Solutions Business Area has been led directly by CEO Dirk Lambrecht since 1 April 2021.

Significant events after balance sheet date

There have been no changes in the Group Management since 31 December 2021.

Management contracts

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

5.6 Remuneration, shareholdings and loans

The information on remuneration and loans is recorded in the Remuneration Report. Information on the shareholdings of the members of the Board and the Executive Management is provided in the notes to the financial statements of Dätwyler Holding Inc. (Financial Report, page F48).

5.7 Shareholders' participation rights

The shareholders' participation rights comply with the provisions of Swiss Corporation Law, subject to the one-share-per-vote principle presented below. The Articles of Association contain no quorum

requirements that differ from those prescribed by law.

Voting restrictions and proxy voting

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

Calling of general meetings and additions to the agenda

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

Share registration

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

Change of control and defensive measures

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

5.8 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 2021 to the statutory and other auditors:

in CHF

	Statutory auditors	Other auditors
Auditing services, total	580'000	212'000

	Statutory auditors	Other auditors
Additional services, total	6'000	161'000
└ Tax consulting	6'000	159'000
└ Legal consulting	–	2'000
└ Transaction services	–	–
└ Other advisory services	–	–

Representatives of the statutory auditors attend all meetings of the Audit Committee for the discussion of certain items. Four meetings were held in 2021. 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 in the chapter Internal organization.

5.9 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 [datwyler.com](https://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 ad hoc press releases are available in the archive on the website. On the website, interested persons can also register for the distribution list for the ad hoc announcements. Contact details as well as a financial calendar with the important dates are also available on the website. Official notices concerning Datwyler are published in the Swiss Official Gazette of Commerce. Notices and invitations to registered shareholders are made in writing.

Further information



Datwyler website



Datwyler events



Newsletter subscription



Ad hoc announcements

6 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 2021 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*.

- 6.1 Remuneration governance framework
- 6.2 Remuneration structure of the Board of Directors
- 6.3 Remuneration structure of the Executive Management
- 6.4 Remuneration in the reporting year
- 6.5 Remuneration outlook
- 6.6 Report of the statutory auditor on the Remuneration Report

6.1 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 2021, the members of the Nomination and Compensation Committee were: Hanspeter Fässler (Chairman), Jens Breu and Claude R. Cornaz. In 2021 the Nomination and Compensation Committee met for four meetings and one conference call. All members were present at all appointments.

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.
- Employment terms 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 and 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 Management 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.

6.2 Remuneration structure of the Board of Directors

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 their beneficiaries so choose. They remain blocked in all other instances.

Remuneration model for members of the Board of Directors

	Cash (CHF)	Blocked shares (CHF)
Base fee		
For Board membership	30'000	150'000
Additional fee		
For special functions		
Board chairmanship	100'000	180'000
Board vice-chairmanship		50'000
Committee chairmanship	40'000	
Committee membership	20'000	

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 and 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.

6.3 Remuneration structure of the Executive Management

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.

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 and perquisites	To protect against risks and reimburse business expenses

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 the 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.

The peer group corresponds to that of the former Sealing Solutions division and is identical for all members of the Executive Management. 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.

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 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.

Overview of calculation and payout of the variable incentive

Target values in % of annual fixed base salary	CEO	COO, 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 group of companies to measure the collective performance

Companies:

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

- Continental – Vehicle Networking and Information
- Continental – ContiTech

The Board of Directors may decide to adjust both performance indicators to reflect currency effects, extraordinary effects such as one-time costs or sale of real estate and structural changes such as acquisitions or divestments affecting 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 the 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 Management with a long-term incentive plan. This measures performance 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 is compared annually 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, the peer group was reduced to that of the former Sealing Solutions

The peer group consists of the following companies:

- Delphi Technologies
- Gerresheimer
- Hexpol AB

division as of 2020. The peer group is confirmed by the Board prior to the annual grant of PSUs and may be adjusted if required.

- Aluflexpack
- Amgen
- Aptargroup
- Aptiv
- Atrion Corp.
- Becton Dickinson & Company
- Bridgestone Corporation
- Continental
- Johnson Control
- Parker-Hannifin
- Sanok Rubber
- Semperit AG Holding
- Trelleborg
- Valeo
- West Pharmaceutical
- ZF Friedrichshafen

Reward for long-term performance

With the long-term incentive plan, a significant portion of Executive Management compensation is linked to the company's long-term 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 (clawback 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.

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

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

Transition rules

In order to facilitate the transition from the former long-term incentive plan (fixed number of restricted shares) to the new

Secondly, the vesting schedule for the awards granted in the transition years 2018,

long-term incentive plan that is fully performance-based, specific transition 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 were 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).

2019 and 2020 were 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 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 pension 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.

Employment contracts

Employment contracts with members of the 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.

Perquisites

Members of the 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.

6.4 Remuneration in the reporting year 2021

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 available after the tables. Tables 1 to 4 have been audited by the statutory auditors.

Remuneration Executive Management in 2021

Table 1, in CHF

Surname and first name	Function	Fixed base salary, gross	Variable incentive, gross ³	Performance Share Units ⁴ Number	Performance Share Units ⁴ Grant value	Employer social insurance contributions	Perquisites	Total remuneration
Lambrecht, Dirk ¹	CEO	655'000	924'750	2'636	650'169	395'837	10'012	2'635'768
Total for Executive Management ²		1'799'000	1'609'301	5'537	1'365'701	1'054'458	62'842	5'891'302

(1) Highest remuneration (2) One member of the Executive Management resigned on 30 September 2021 and was not replaced. As of 31 December 2021, the Executive Management comprised four members. (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 2021 based on the Datwyler bearer share price of CHF 246.65 (average closing price 20 trading days prior to the grant date).

Remuneration Executive Management in 2020

Table 2, in CHF

Surname and first name	Function	Fixed base salary, gross	Variable incentive, gross ³	Performance Share Units ⁴ Number	Performance Share Units ⁴ Fair value	Employer social insurance contributions ³	Perquisites	Total remuneration
Lambrecht, Dirk ¹	CEO	655'000	837'207	3'633	650'016	319'602	9'532	2'471'357
Total for Executive Management ²		2'377'583	2'103'230	8'655	1'548'508	1'264'400	142'157	7'435'878

(1) Highest remuneration (2) Due to the new organisation, three new members had joined the Executive Management in 2020 and two members had left, which led to one-time effects in the remuneration. (3) The variable incentives paid to the Executive Management in 2021 reporting year and relating to the 2020 fiscal year were in total CHF 181'547 higher than the estimate published in the 2020 Annual Report. The social insurance contributions have also been adjusted accordingly. (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).

Remuneration Board of Directors in 2021

Table 3, in CHF

Surname and first name	Function	Fixed base salary, gross	Share participation ² Number	Share participation ² Fair value	Employer social insurance contributions	Total remuneration
Hälg, Paul ¹	Chairman	130'000	1'125	330'075	27'804	487'879
Fässler, Hanspeter	Vice Chairman	70'000	682	200'099	17'712	287'811
Breu, Jens	Director	50'000	512	150'221	14'134	214'355
Cornaz, Claude R.	Director	50'000	512	150'221	14'134	214'355
Fedier, Jürg	Director	70'000	512	150'221	12'643	232'864
Hirzel, Martin	Director	30'000	512	150'221	12'386	192'607
Huber, Gabi	Director	50'000	512	150'221	11'163	211'384
Ulmer, Hanno	Director	50'000	512	150'221	11'963	212'184
Total for Directors		500'000	4'879	1'431'500	121'940	2'053'440

(1) Highest remuneration (2) The shares were granted on 1 June 2021. The reported market value corresponds to the average share price of CHF 293.40 during the 20 trading days prior to the grant date.

Remuneration Board of Directors in 2020

Table 4, in CHF

Surname and first name	Function	Fixed base salary, gross	Share participation ² Number	Share participation ² Fair value	Employer social insurance contributions	Total remuneration
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 price of CHF 163.70 for the 20 trading days prior to the allocation date.

Remuneration of the Board of Directors

As announced in the outlook to the Remuneration Report for 2020, the Board of Directors reduced its own remuneration from the 2021 Annual General Meeting. The cash component of the base fee was reduced for all members from CHF 50'000 to CHF 30'000. Furthermore, the additional compensation for the representatives of the public shareholders will be omitted. As a result, the total

remuneration of the Board of Directors fell by 12.4% from the previous year's figure to CHF 2'053'440, with the number of members remaining the same.

The fixed base salary for members of the Board of Directors depends on membership of the various committees (see also Structure of remuneration of the Board of Directors).

The share participation for the members of the Board of Directors for the year 2021 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 Datwyler bearer shares as of 1 June 2021 was based on a fixed amount and the average share price of the 20 trading days prior to the grant date (CHF 293.40). Due to the significantly higher share price compared to the previous year, the number of granted shares decreased by 45.3% in the year under review. The granted shares are blocked for a period of five years.

Remuneration of the Executive Management

A member of the Executive Management left without being replaced on 30 September 2021. The fixed base salary of the Executive Management amounted to CHF 1'799'000 in the year under review. This was 24.3% less than in the previous year, which was characterised by one-time effects of the new organisation. The Executive Management's variable incentive for the 2021 reporting year was calculated according to the model described in detail under Variable incentive. This involved comparing net revenue growth and EBIT improvement with a peer group of similar companies. On the basis of the available revenue and profit figures for the first nine months of the reporting year, Datwyler had outperformed 72.6% of its peer companies in terms of net revenue growth and 62.6% in terms of EBIT improvement at the end of September.

This corresponds to an aggregated percentage of 67.6%. On the basis of these figures and experience from previous years, Datwyler made best estimates for the calculation of the variable incentive at the time of publication of the Annual Report. The provisional figure calculated in this way for the Executive Management's variable incentive amounts to CHF 1'609'301, which constitutes a decline of 23.5% due to the one-time effects of the previous year.

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 2022 before the date on which the variable incentive is paid out. The actual variable incentive paid out will be published in next year's Remuneration Report.

Under the long-term incentive plan, performance share units (PSUs) were granted to the members of the Executive Management on 1 January 2021, based on the Datwyler bearer share price of CHF 246.65 (average closing price of the 20 trading days prior to the grant date). Due to the smaller group of participants and the higher share price compared to the previous year, the number of PSUs granted was 36% lower 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 2.1 million and CHF 8.65 million respectively, which the shareholders approved for the 2021 fiscal year at the 2020 and 2021 Annual General Meetings.

Allocation of shares from the long-term incentive plan

In the spring of 2021, shares were allocated to members of the Executive Management from the long-term incentive plan for the first time. The number of shares for the 2018-2020 incentive plan was calculated according to the model described in detail under Long-term incentive plan. On account of Datwyler's good performance, the payout factor amounted to 120% in comparison to the peer group and in accordance with the transition rules for the first three incentive plans. On 1 January 2018, the then members of the Executive Management were allocated a total of 7'821 performance share units (PSUs).

At the time, 1'397 PSUs went to a member who was no longer part of the Executive Management in spring 2021. These 1'397 PSUs were compensated with a pro-rata payment of CHF 228'689. The original total of 6'424 PSUs with a value of CHF 1'150'409.92 from 2018 of the other three members of the Executive Management increased due to the payout factor of 120% to 7'710 shares worth CHF 2'228'190 in spring 2021. In the case of the CEO, the 3'630 PSUs originally allocated in 2018 with a value of CHF 650'060.40 increased to 4'356 shares with a value of CHF 1'258'884 in 2021. The PSUs from the long-term incentive plan are recognised as remuneration and reported in the year in which they were originally allocated.

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

In the year under review, one former member of the Executive Management who is now retired received 1'677 shares worth CHF 484'653 from the long-term incentive plan 2018-2020. No further remuneration was paid to former members of the Board of Directors or the 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.

6.5 Remuneration outlook

The Board of Directors will propose the following maximum total sums to the 2022 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2023 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2023 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 7'000'000, of which CHF 4'500'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 2'500'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

On the basis of the sustainability strategy, which was enhanced in 2021, the Board of Directors has decided to add a third performance indicator with sustainability measurement parameters to the two previous performance indicators used to calculate the variable incentive. The new sustainability performance indicator determines 20% of the variable incentive and will be applied for members of the Executive Management and for all eligible employees from 2022 onwards. The two previous performance indicators will be taken into account at a rate of 40% each. These are net revenue growth and EBIT improvement versus the previous year, relative to a peer group of similar companies. The model for calculating the variable incentive is described under Variable incentive.

The measurement parameters for the sustainability performance indicator are derived from the 12 focus topics of the enhanced sustainability strategy.

They can be redefined by the Board of Directors annually. The Board of Directors has defined the following three measurement parameters for 2022: reduction of CO₂ emissions (scope 1 and 2) in relation to revenue, reduction in accident severity and employee satisfaction.

The reduction in CO₂ emissions is weighted at 50% and the other two measurement parameters at 25% each. For all three parameters, there is a minimum threshold that has to be achieved in order to be taken into consideration and a maximum limit above which the contribution to target achievement no longer increases. The three measurement parameters for the sustainability performance indicator are not compared with the companies from the peer group.

By taking sustainability measurement parameters into account in the variable incentive for all eligible employees, Datwyler is promoting awareness of the sustainability focus areas. As a responsible company, Datwyler wants to do its part to help the global community to achieve the UN Sustainable Development Goals.

6.6 Report of the statutory auditor on the Remuneration Report



Report of the Statutory Auditor

To the General Meeting of Dätwyler Holding AG, Altdorf

We have audited the accompanying remuneration report of Dätwyler Holding AG for the year ended 31 December 2021. 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 in section «Remuneration in 2021» and section «Loans and credits» and section «Remuneration of former members of the Board of Directors and Executive Management» of the compensation 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 2021 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, 16 February 2022

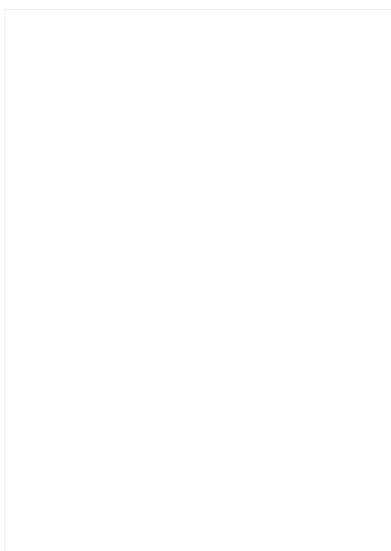
KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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7 Financial Report

This section contains the complete financial report, including the consolidated financial statements and the financial statements of Dätwyler Holding Inc., the alternative performance measures and key financial figures for the company and the share over the past five years.



DATWYLER FINANCIAL REPORT 2021

Consolidated Financial Statements

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Group Financial Review

CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

In 2021, the Datwyler Group generated net revenue of CHF 1'101.7 million (previous year CHF 1'069.2 million), representing an increase of 3.0%. The effect of subsidiaries disposed of amounted to CHF 112.1 million or 10.5%. The positive impact from foreign currency translation to Swiss francs on consolidation was 0.4%. Adjusted for these factors, an organic increase of 13.1% resulted. The entities disposed of, which include all Reichelt subsidiaries sold at the end of September 2021 and in the previous year all Distrelec and Nedis subsidiaries, TeCo CDC B.V., the two TeCo Asia sourcing companies and also Dätwyler Sealing Technologies Deutschland GmbH, are presented as discontinued operations in the income statement, see also note 31 of the consolidated financial statements.

Change in net revenue

<u>in CHF millions</u>	2021	%	2020	%
Acquisition/disposal of subsidiaries	-112.1	-10.5%	-247.4	-18.2%
Foreign currency translation to CHF	4.0	0.4%	-53.6	-3.9%
Organic change	140.6	13.1%	9.4	0.7%
Total change in net revenue	32.5	3.0%	-291.6	-21.4%

The gross profit margin increased to 25.3% (previous year 24.0%). Gross profit was impacted by positive foreign currency translation effects of 0.4% and by higher raw material prices of 1.7%. Other organic change of gross profit amounted to 18.6%.

Change in gross profit

<u>in CHF millions</u>	2021	%	2020	%
Acquisition/disposal of subsidiaries	-21.7	-8.5%	-44.9	-13.7%
Foreign currency translation to CHF	1.1	0.4%	-13.0	-4.0%
Impact raw material purchases	-4.3	-1.7%	3.0	0.9%
Other organic change	47.6	18.6%	-16.6	-5.0%
Total change in gross profit	22.7	8.8%	-71.5	-21.8%

In 2021, the Group's operating result (EBIT) was CHF 234.2 million (previous year CHF -315.9 million) and the EBIT margin was 21.3% (previous year -29.5%) with the following factors contributing to this change:

Change in operating result

<u>in CHF millions</u>	2021	%	2020	%
Acquisition/disposal of subsidiaries	517.0	n/a	-289.9	-719.4%
Foreign currency translation to CHF	0.6	n/a	-6.5	-16.1%
Other organic change	32.5	n/a	20.8	51.6%
Total change in operating result	550.1	n/a	-275.6	-683.9%

Acquisition/disposal of subsidiaries include the gain and in the previous year the loss on sale of subsidiaries, see also note 31 of the consolidated financial statements. The operating result includes a gain of CHF 1.3 million (previous year CHF 0.3 million) on sale of property, plant and equipment.

Net finance costs decreased to CHF 2.4 million (previous year CHF 9.5 million), with lower interest expense of CHF 1.4 million (previous year CHF 1.5 million). Income tax expense increased to CHF 37.8 million (previous year CHF 20.9 million). Accordingly, the tax ratio before gain on sale of subsidiaries increased to 21.8% (previous year before loss on sale of subsidiaries 15.0%). The Group's weighted average income tax rate was 21.7% (previous year 21.8%) and the net result amounts to CHF 194.0 million (previous year CHF -346.3 million).

CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets increased by CHF 154.1 million during the year to CHF 1'261.0 million (previous year CHF 1'106.9 million). Trade accounts receivable increased to CHF 169.7 million (previous year CHF 167.8 million) and inventories increased to CHF 143.4 million (previous year CHF 123.5 million). With trade accounts payable of CHF 68.3 million (previous year CHF 59.8 million), net working capital increased by 5.7% to CHF 244.8 million (previous year CHF 231.5 million). Cash and cash equivalents increased by CHF 50.1 million. In addition, after the sale of Reichelt, money market investments of CHF 60.0 million existed at year-end.

Compared to the previous year, equity increased by CHF 213.2 million to CHF 948.3 million (previous year CHF 735.1 million), maintaining a solid equity ratio of 75.2% (previous year 66.4%). The significant changes in equity include the net result of CHF 194.0 million (previous year CHF -346.3 million), the dividend payment of CHF -54.4 million (previous year CHF -51.0 million), offset of goodwill from acquisitions of CHF -0.1 million, goodwill from acquisitions of CHF 69.9 million (previous year CHF 425.3 million) plus cumulative translation adjustments of CHF 5.4 million (previous year CHF 55.3 million) charged to income on sale of subsidiaries and negative currency translation differences of CHF -0.1 million (previous year CHF -24.7 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debt slightly increased by CHF 0.3 million during the year to CHF 0.5 million (previous year CHF 0.2 million). The Group's liquidity situation remains sound, with cash, cash equivalents and money market investments amounting to CHF 279.6 million (previous year CHF 169.5 million) at year-end. Including the bond of CHF 150.0 million and in the previous year the loan of CHF 55.0 million granted by Pema Holding AG, net cash amounts to CHF 129.1 million (previous year net debt of CHF 35.7 million).

Current assets increased by 26.7% to CHF 630.5 million (previous year CHF 497.7 million). Non-current assets increased by 3.5% to CHF 630.5 million (previous year CHF 609.2 million).

CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF 194.0 million (previous year CHF -346.3 million), net cash from operating activities amounted to CHF 183.5 million (previous year CHF 185.3 million). These cash flows were used to pay for investments in property, plant and equipment totalling CHF 103.7 million (previous year CHF 79.7 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 9.4% versus 7.5% a year earlier. Proceeds from bank debt amounted to CHF 0.4 million net (previous year repayment of CHF 45.9 million). The loans in the amount of CHF 55.0 million (previous year repayments of CHF 33.5 million) were repaid to Pema Holding AG. Overall cash inflows and outflows led to a net change in cash and cash equivalents of CHF 47.4 million (previous year CHF -17.0 million), resulting in a cash and cash equivalents balance of CHF 219.6 million (previous year CHF 169.5 million) at year-end.

ADDITIONAL INFORMATION

The commentary of the significant events during the year under review is presented in the letter to the shareholders and in the chapter Business Areas of the annual report.

Full-time equivalents

The annual average of full-time equivalents was 6'921 (previous year 6'798).

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 2021, 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	2021	2020
Cash and cash equivalents	219.6	169.5
Money market investments	60.0	–
Available credit lines	356.6	381.8
Total liquidity reserves	636.2	551.3

Net cash surplus

in CHF millions	2021	2020
Cash and cash equivalents	219.6	169.5
Money market investments	60.0	–
Less short-term bank debt	–0.4	–0.0
Net cash surplus	279.2	169.5

Order intake and backlog

For the Healthcare Solutions and Industrial Solutions business areas order intake amounted to CHF 1'035.8 million (previous year CHF 979.7 million) and order backlog was CHF 494.5 million (previous year CHF 419.6 million) at year-end.

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 31, other business transactions are presented in note 2 of the notes to the consolidated financial statements.

Future outlook

The estimates relating to the future outlook are presented in the letter to the shareholders and in the chapter Business Areas of the annual report.

Consolidated Income Statement

in CHF millions							
	Note	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		2021	2021	2021	2020	2020	2020
Net revenue	3	947.6	154.1	1'101.7	823.3	245.9	1'069.2
Cost of goods sold		-700.0	-122.5	-822.5	-615.3	-197.4	-812.7
Gross profit		247.6	31.6	279.2	208.0	48.5	256.5
Research and development expenses		-27.2	-	-27.2	-22.8	-0.9	-23.7
Marketing and selling expenses		-31.1	-13.6	-44.7	-30.6	-24.0	-54.6
General and administrative expenses		-49.7	-2.8	-52.5	-49.0	-5.9	-54.9
Other operating income	4	21.4	0.2	21.6	25.5	0.7	26.2
Other operating expenses		-0.6	-	-0.6	-0.9	-0.0	-0.9
Gain/loss on sale of subsidiaries	31	-	58.4	58.4	-	-464.5	-464.5
Operating result	3	160.4	73.8	234.2	130.2	-446.1	-315.9
Net finance result	8	-2.3	-0.1	-2.4	-8.9	-0.6	-9.5
Earnings before tax (EBT)		158.1	73.7	231.8	121.3	-446.7	-325.4
Income tax expenses	9	-34.4	-3.4	-37.8	-16.1	-4.8	-20.9
Net result		123.7	70.3	194.0	105.2	-451.5	-346.3
Net result per bearer share (in CHF)	24	7.28	4.13	11.41	6.19	-26.56	-20.37

For both years, there were no dilutive effects affecting the net result per share.
The accompanying notes on pages F10 to F38 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	31.12.2021	31.12.2020
Cash and cash equivalents	10	219.6	169.5
Money market investments	10	60.0	–
Trade accounts receivable	11	169.7	167.8
Inventories	12	143.4	123.5
Other receivables	13	26.0	27.5
Prepayments made and accrued income		11.8	9.4
Current assets		630.5	497.7
Property, plant and equipment	14	550.6	525.4
Intangible assets	15	27.4	25.3
Deferred income tax assets	22	51.0	57.5
Miscellaneous financial assets	16	1.5	1.0
Non-current assets		630.5	609.2
Total assets		1'261.0	1'106.9

Liabilities and equity

in CHF millions	Note	31.12.2021	31.12.2020
Trade accounts payable	19	68.3	59.8
Short-term bank debt	17	0.4	0.0
Current interest-bearing liabilities due to Pema Holding AG	32	–	55.0
Current provisions	21	12.4	14.6
Other current liabilities	20	26.4	33.0
Accrued expenses and deferred income		36.2	37.2
Current liabilities		143.7	199.6
Long-term bank debt	17	0.1	0.2
0.625% bond 2018–2024	18	150.0	150.0
Long-term provisions	21	6.5	9.5
Deferred income tax liabilities	22	9.5	9.4
Pension liabilities	6	2.8	3.0
Other long-term liabilities	20	0.1	0.1
Long-term liabilities		169.0	172.2
Total liabilities		312.7	371.8
Share capital	23	0.9	0.9
Treasury shares	25	–	–
Additional paid-in capital		205.1	205.1
Goodwill offset against equity	15	–285.6	–355.4
Retained earnings		1'116.8	978.7
Cumulative translation adjustments		–88.9	–94.2
Equity		948.3	735.1
Total liabilities and equity		1'261.0	1'106.9

The accompanying notes on pages F10 to F38 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF millions	Note	2021	2020
Net result		194.0	-346.3
Income tax expenses	9	37.8	20.9
Depreciation and amortisation	7	66.0	62.4
Gain/loss on sale of subsidiaries	31	-58.4	464.5
Share award and long-term incentive plan		2.4	3.0
Exchange differences		-5.7	19.4
Gain/loss on sale of property, plant and equipment, net		-0.7	0.5
Change in long-term provisions and pension liabilities		1.8	-0.3
Interest income	8	-0.3	-0.5
Interest expense	8	1.4	1.5
Operating cash flow before changes in working capital		238.3	225.1
Change in trade accounts receivable		-10.5	-24.5
Change in other receivables, prepayments made and accrued income		-2.6	5.1
Change in inventories		-40.6	-5.7
Change in trade accounts payable		16.0	6.3
Change in other current liabilities, accrued expenses and deferred income		23.6	10.4
Change in current provisions		-6.2	-4.5
Interest received		0.3	0.5
Interest paid		-1.4	-1.5
Income tax paid		-33.4	-25.9
Net cash from operating activities		183.5	185.3
Disbursements relating to purchases of / investments in:			
Property, plant and equipment		-103.7	-79.7
Intangible assets		-7.6	-9.5
Earn-out payments		-0.4	-0.0
Financial assets		-0.7	-0.3
Money market investments		-60.0	-
Proceeds from sale of:			
Property, plant and equipment		3.4	0.5
Subsidiaries (net of cash and cash equivalents disposed of)	31	145.9	19.3
Financial assets		-	0.1
Net cash used in investing activities		-23.1	-69.6
Proceeds from short-term bank debt		1.4	1.5
Repayment of short-term bank debt		-1.0	-47.4
Repayment of loan payable to Pema Holding AG	32	-55.0	-33.5
Decrease in finance lease and other long-term liabilities		-0.1	-0.7
Purchase of treasury shares		-3.9	-1.6
Dividend paid to shareholders		-54.4	-51.0
Net cash used in financing activities		-113.0	-132.7
Net change in cash and cash equivalents		47.4	-17.0
Cash and cash equivalents at 1 January	10	169.5	191.9
Effect of exchange rate changes on cash and cash equivalents		2.7	-5.4
Cash and cash equivalents at 31 December	10	219.6	169.5

The accompanying notes on pages F10 to F38 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 2020	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 31)	–	–	–	425.3	–	–	425.3
Cumulative translation adjustments charged to income on sale of foreign subsidiaries (see note 31)	–	–	–	–	–	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
Net result	–	–	–	–	194.0	–	194.0
Dividends	–	–	–	–	–54.4	–	–54.4
Purchase of treasury shares (see note 25)	–	–3.9	–	–	–	–	–3.9
Share award plan (see note 26)	–	1.5	–	–	–	–	1.5
Long-term incentive plan (see note 26)	–	2.4	–	–	–1.5	–	0.9
Offset of goodwill from acquisitions (see note 15)	–	–	–	–0.1	–	–	–0.1
Goodwill charged to income on sale of subsidiaries (see note 31)	–	–	–	69.9	–	–	69.9
Cumulative translation adjustments charged to income on sale of foreign subsidiaries (see note 31)	–	–	–	–	–	5.4	5.4
Currency translation differences	–	–	–	–	–	–0.1	–0.1
At 31 December 2021	0.9	–	205.1	–285.6	1'116.8	–88.9	948.3

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 2021 shareholders' equity includes legal reserves of CHF 270.6 million (previous year CHF 195.1 million), of which CHF 31.2 million (previous year CHF 31.3 million) are not distributable.

The accompanying notes on pages F10 to F38 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

I / 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 16 February 2022 for submission to the Annual General Meeting on 16 March 2022.

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. The valuation of inventories and estimates relating to provisions involve significant exercise of judgment.

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 34.

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:

	2021		2020	
	Closing rate at 31.12.	Average rate for the year	Closing rate at 31.12.	Average rate for the year
100 CNY	14.36	14.15	13.46	13.57
1 EUR	1.03	1.08	1.08	1.07
1 USD	0.91	0.91	0.88	0.94

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 an original 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 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 a possible 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 have been participating 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, a long-term incentive plan for senior executives has existed, granting the participants a conditional right to receive bearer shares of Dätwyler Holding Inc. subject to fulfillment 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 2021 and 2020 are shown below, see also note 31.

Transactions 2021

SALES

Dätwyler Teco Holding (Deutschland) GmbH, Sande, Germany (100%)
Reichelt Elektronik GmbH & Co. KG, Sande, Germany (100%)
Reichelt Elektronik Verwaltungsgesellschaft mbH, Sande, Germany (100%)
Teco Immobilien AG, Altdorf, Switzerland (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

The voting rights held in each company mentioned below were 100%.

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

3 / SEGMENT INFORMATION

in CHF millions	Healthcare Solutions	Industrial Solutions	Technical Components	Eliminations	Total Group
2021					
Revenue from external customers	466.8	480.8	154.1	–	1'101.7
Inter-segment revenue	–	7.6	0.0	–7.6	–
Total net revenue	466.8	488.4	154.1	–7.6	1'101.7
Operating result	104.6	55.8	73.8	–	234.2
Operating result as % of net revenue	22.4%	11.4%	47.9%	–	21.3%

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%

The Datwyler Group is a focused industrial supplier organised into two business areas with leading positions in global and regional market segments. In addition, Datwyler Group owned, in the Technical Components division, the electronic distributor Reichelt in Germany until September 2021.

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 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 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.

The Technical Components division consisted of the German electronic distributor Reichelt until it was sold at the end of September 2021, see note 31. Until the sale of the Distrelec and Nedis subsidiaries in March 2020, see note 31, 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.

Net revenue by geographical region

<u>in CHF millions</u>	2021	2020
Switzerland	169.3	161.3
Rest of Europe	545.7	558.1
North and South America	216.4	198.4
Asia	166.4	146.2
Other markets	3.9	5.2
Total Group	1'101.7	1'069.2

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

4 / ADDITIONAL INCOME STATEMENT DISCLOSURES

Material expense of CHF 412.7 million (previous year CHF 427.7 million) is included in the income statement.

Other operating income includes gain on sale of property, plant and equipment of CHF 1.3 million (previous year CHF 0.3 million) as well as ancillary revenues and rental income.

5 / PERSONNEL EXPENSES

<u>in CHF millions</u>	2021	2020
Wages and salaries	257.9	239.6
Benefit costs	55.2	53.7
State social security contributions	33.7	31.9
Pension costs (see note 6)	9.3	9.7
Other benefit costs	12.2	12.1
Other employee costs	8.0	7.5
Total personnel expenses	321.1	300.8

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
	31.12.2021							
Welfare funds Switzerland	0.4	–	–	–	–	–	–	–
Pension schemes without funding surplus/deficit Switzerland	–	–	–	–	–	–	–	–
Pension schemes with funding surplus Switzerland	–	–	–	–	–	5.7	5.7	5.7
Pension schemes without funding surplus/deficit abroad	–	–	–	–	–	2.7	2.7	2.9
Unfunded pension schemes abroad	–	–2.8	–3.0	–0.2	0.0	0.9	0.9	1.1
Total	–	–2.8	–3.0	–0.2	0.0	9.3	9.3	9.7

¹ Translation differences.

At year-end 2021, 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 1.0% and 1.25, respectively (previous year 1.5%). The pension conversion rates in the current year were 4.8% and 5.2%, respectively.

Summary of pension costs

in CHF millions	Switzerland	Abroad	Total
	2021	2021	2021
Contributions to pension schemes expensed at Group companies	5.7	3.6	9.3
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	5.7	3.6	9.3
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	5.7	3.6	9.3
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	0.0	0.0
Total change in economic impact from excess/insufficient coverage	–	0.0	0.0
= Pension costs included in personnel expenses for the period	5.7	3.6	9.3

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

7 / DEPRECIATION AND AMORTISATION

in CHF millions	2021	2020
Depreciation of property, plant and equipment (see note 14)	60.7	56.9
Amortisation of intangible assets (see note 15)	5.3	5.5
Impairment charges (see notes 14 and 15)	–	–
Total depreciation and amortisation	66.0	62.4

8 / NET FINANCE RESULT

in CHF millions	2021	2020
Interest expense on bond, bank and other loans	1.4	1.5
Interest expense on finance leases	0.0	0.0
Fair value loss on forward exchange contracts	0.4	–
Net foreign exchange loss on financing activities	0.3	8.1
Finance charges	0.6	0.7
Total interest and finance expenses	2.7	10.3
Interest income on bank deposits and loans receivable	–0.3	–0.5
Fair value gain on forward exchange contracts	–	–0.3
Total interest and finance income	–0.3	–0.8
Net finance result (expenses, net)	2.4	9.5

9 / INCOME TAX EXPENSES

<u>in CHF millions</u>	2021	2020
Current income tax expense	35.7	21.9
Deferred income tax expense	2.1	-1.0
Total income tax expenses	37.8	20.9

The effective tax charge on earnings before tax, using the weighted average income tax rate of 21.7% (previous year 21.8%) of the Group, can be analysed as follows:

<u>in CHF millions</u>	2021	2020
Earnings before tax	231.8	-325.4
Income tax expense calculated at the weighted average tax rate	50.3	-70.9
Effect of current year tax losses not recognised and reassessment of tax loss carryforwards	-0.9	-5.2
Non-taxable effects on sale of subsidiaries	-12.7	101.3
Effect of previously unrecognised tax loss carryforwards used against taxable profits	-0.0	-0.1
Change in tax rates for deferred income taxes	0.1	-0.5
Expense and income items treated differently for tax purposes	-4.0	-3.4
Non-refundable taxes on intra-group charges and dividends	1.6	1.4
Prior year tax adjustments	0.4	0.9
Other effects	3.0	-2.6
Total (current and deferred) income tax expenses	37.8	20.9

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

10 / CASH, CASH EQUIVALENTS AND MONEY MARKET INVESTMENTS

<u>in CHF millions</u>	2021	2020
Cash in hand and at bank	213.8	154.1
Money market investments (original maturities up to 90 days)	5.8	15.4
Total cash and cash equivalents	219.6	169.5
Money market investments (original maturities 91 to 360 days)	60.0	-
Total cash, cash equivalents and money market investments	279.6	169.5

11 / TRADE ACCOUNTS RECEIVABLE

<u>in CHF millions</u>	2021	2020
Trade accounts receivable from third parties, gross	170.4	168.0
Provision for impairment of trade accounts receivable	-1.1	-0.6
Total trade accounts receivable from third parties, net	169.3	167.4
Trade accounts receivable from related parties	0.4	0.4
Total trade accounts receivable, net	169.7	167.8

Aging analysis of gross trade accounts receivable from third parties

<u>in CHF millions</u>	2021	2020
Not yet due	148.5	144.2
Past due 1–30 days	14.5	16.5
Past due 31–60 days	4.2	4.3
Past due 61–90 days	1.2	1.2
Past due 91–180 days	1.4	1.2
Past due more than 180 days	0.6	0.6
Total trade accounts receivable from third parties, gross	170.4	168.0

Movements in provision for impairment of trade accounts receivable

<u>in CHF millions</u>	2021	2020
At 1 January	0.6	27.5
Charge for the year	0.8	0.3
Unused amounts reversed	-0.2	-0.3
Receivables written off as uncollectible	-0.0	-0.2
Acquisition/disposal of subsidiaries	-0.1	-26.6
Exchange differences	0.0	-0.1
At 31 December	1.1	0.6
Of which specific provisions for impairment	0.9	0.4

12 / INVENTORIES

<u>in CHF millions</u>	2021	2020
Raw material, gross	48.7	31.7
Consumables, gross	26.0	21.6
Work in progress, gross	16.9	16.8
Finished goods, gross	56.1	42.9
Goods for resale, gross	12.1	27.6
Provision for impairment of inventories	-16.4	-17.1
Total inventories	143.4	123.5

13 / OTHER RECEIVABLES

in CHF millions	2021	2020
Withholding, capital and value added tax receivables	5.0	6.3
Current income tax assets	9.0	12.2
Prepayments made, advances given and deposits made	3.7	2.1
Derivative assets: forward exchange contracts (see note 28)	3.0	3.4
Miscellaneous receivables	5.3	3.5
Total other receivables	26.0	27.5

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 2021					
At cost					
At 1 January 2021	335.7	685.0	44.0	77.4	1'142.1
Additions	1.4	13.4	4.4	84.1	103.3
Disposals	-2.2	-22.1	-2.8	-	-27.1
Transfers	5.0	65.4	1.7	-72.1	-
Acquisition/disposal of subsidiaries	-15.0	-6.3	-2.5	-0.2	-24.0
Exchange differences	0.9	-5.4	-0.9	0.3	-5.1
At 31 December 2021	325.8	730.0	43.9	89.5	1'189.2
Accumulated depreciation					
At 1 January 2021	-125.6	-459.9	-31.2	-	-616.7
Depreciation expense	-11.6	-45.1	-4.0	-	-60.7
Disposals	0.4	21.4	2.6	-	24.4
Acquisition/disposal of subsidiaries	3.6	2.9	1.7	-	8.2
Exchange differences	1.0	4.5	0.7	-	6.2
At 31 December 2021	-132.2	-476.2	-30.2	-	-638.6
Net book values					
At 1 January 2021	210.1	225.1	12.8	77.4	525.4
At 31 December 2021	193.6	253.8	13.7	89.5	550.6

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

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

Other details of property, plant and equipment

in CHF millions	2021	2020
Leased property, plant and equipment, at cost	-	3.2
Accumulated depreciation	-	-2.7
Net book value of property, plant and equipment under finance leases	-	0.5

As in the previous year, no property, plant and equipment were pledged or assigned to secure own liabilities. Assets under construction include prepayments made in the amount of CHF 19.6 million (previous year CHF 24.6 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 55.3 million (previous year CHF 54.6 million).

15 / INTANGIBLE ASSETS

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2021			
At cost			
At 1 January 2021	40.2	1.2	41.4
Additions	7.6	–	7.6
Disposals	–	–	–
Acquisition/disposal of subsidiaries	–1.6	–1.1	–2.7
Exchange differences	0.1	–0.1	0.0
At 31 December 2021	46.3	0.0	46.3
Accumulated amortisation			
At 1 January 2021	–15.1	–1.0	–16.1
Amortisation expense	–5.3	–0.0	–5.3
Disposals	–	–	–
Acquisition/disposal of subsidiaries	1.5	1.0	2.5
Exchange differences	–0.0	–0.0	–0.0
At 31 December 2021	–18.9	0.0	–18.9
Net book values			
At 1 January 2021	25.1	0.2	25.3
At 31 December 2021	27.4	0.0	27.4

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
Acquisition/disposal of subsidiaries	2.8	–	2.8
Disposals	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

Intangible assets include no assets under finance leases (previous year none). Additions to software include capitalised cost in the amount of CHF 1.6 million (previous year CHF 1.9 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	2021	2020
At cost		
At 1 January	355.4	780.7
Disposal from sale of subsidiaries (see note 31)	-69.9	-425.3
Adjustments from earn-out agreements	0.1	0.0
At 31 December	285.6	355.4
Accumulated amortisation		
At 1 January	-285.2	-680.5
Disposal from sale of subsidiaries (see note 31)	69.9	425.3
Amortisation expense	-26.6	-30.0
Impairment charges	-	-
At 31 December	-241.9	-285.2
Theoretical net book values		
At 1 January	70.2	100.2
At 31 December	43.7	70.2

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. As a result this procedure no exchange differences occur in the movement schedule.

Impact on income statement

in CHF millions	2021	2020
Operating result according to income statement	234.2	-315.9
Amortisation of goodwill	-26.6	-30.0
Theoretical operating result incl. amortisation of goodwill	207.6	-345.9
Net result according to income statement	194.0	-346.3
Amortisation of goodwill	-26.6	-30.0
Theoretical net result incl. amortisation of goodwill	167.4	-376.3

Impact on balance sheet

<u>in CHF millions</u>	2021	2020
Equity according to balance sheet	948.3	735.1
Theoretical capitalisation of goodwill (net book value)	43.7	70.2
Theoretical equity incl. net book value of goodwill	992.0	805.3
Equity according to balance sheet	948.3	735.1
Equity as % of total assets	75.2%	66.4%
Theoretical equity incl. net book value of goodwill	992.0	805.3
Theoretical equity incl. net book value of goodwill as % of total assets	76.0%	68.4%

16 / MISCELLANEOUS FINANCIAL ASSETS

<u>in CHF millions</u>	2021	2020
Long-term loans to third parties	0.4	0.4
Other financial investments	1.1	0.6
Total miscellaneous financial assets	1.5	1.0

17 / BANK DEBT

<u>in CHF millions</u>	2021	2020
Bank overdrafts	–	–
Current portion of long-term bank loans	0.4	0.0
Total short-term bank debt	0.4	0.0
Long-term bank loans	0.1	0.2
Total bank debt	0.5	0.2
Secured portion of short-term and long-term bank debt	–	–

The average interest rate was 7.7% for the short-term bank debt in euros and Brazilian reals and 1.7% for the long-term bank loans in euros.

Maturity of long-term bank debt

<u>in CHF millions</u>	2021	2020
Within 2 years	–	–
Within 3 years	0.1	–
Within 4 years	–	0.2
Within 5 years	–	–
Beyond 5 years	–	–
Total long-term bank debt	0.1	0.2

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>	2021	2020
Customer advances received	2.4	3.8
Social security liabilities	2.5	2.4
Current income tax liabilities	3.6	5.2
Capital and value added tax liabilities	1.1	2.1
Current finance lease liabilities (see notes 14)	–	0.2
Deferred earn-out obligations	–	0.4
Derivative liabilities: forward exchange contracts (see note 28)	0.2	0.2
Miscellaneous current liabilities	16.6	18.7
Total other current liabilities	26.4	33.0

Other long-term liabilities

Other long-term liabilities include no long-term finance lease liabilities (previous year CHF 0.1 million) and no deferred earn-out obligations (previous year CHF 0.0 million).

21 / PROVISIONS

in CHF millions	Employees and social security	Warranty and liability claims	Other	Total
PROVISIONS 2021				
At 1 January 2021	15.3	0.6	8.2	24.1
Charges	21.9	0.4	2.4	24.7
Uses	-22.0	-0.3	-1.1	-23.4
Unused amounts reversed	-0.0	-0.1	-5.5	-5.6
Acquisition/disposal of subsidiaries	-0.3	-	-0.2	-0.5
Exchange differences	-0.4	-0.0	-0.0	-0.4
At 31 December 2021	14.5	0.6	3.8	18.9
Thereof current provisions	9.9	0.6	1.9	12.4
Thereof long-term provisions	4.6	-	1.9	6.5

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

Discounting

Long-term provisions amounting to CHF 0.7 million were discounted using discount rates between 0.3% and 7.0%.

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. The unused amounts reversed mainly relate to lower risks after the renegotiation of IT contracts.

22 / DEFERRED INCOME TAX ASSETS/LIABILITIES

in CHF millions	2021	2020
At 1 January:		
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 tax expense/(credit)	2.1	-1.0
Acquisition/disposal of subsidiaries (see note 31)	5.9	0.4
Exchange differences	-1.4	3.4
At 31 December:		
Deferred income tax assets	51.0	57.5
Deferred income tax liabilities	9.5	9.4
Deferred income tax (assets)/liabilities, net	-41.5	-48.1

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

Tax loss carryforwards

Total available tax loss carryforwards result in deferred income tax assets, gross, of CHF 26.5 million (previous year CHF 23.7 million), of which an amount of CHF 26.4 million (previous year CHF 21.9 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 0.1 million (previous year CHF 1.8 million).

23 / SHARE CAPITAL

Composition

in CHF	2021	2020
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

	2021	2020
Bearer shares		
Par value (CHF)	0.05	0.05
Number of shares issued, with voting rights and ranking for dividend	12'600'000	12'600'000
Proposed/approved dividend per bearer share (CHF)	4.20 ¹	3.20
Registered shares		
Par value (CHF)	0.01	0.01
Number of shares issued and ranking for dividend	22'000'000	22'000'000
Proposed/approved dividend per registered share (CHF)	0.84 ¹	0.64
Total par value of shares ranking for dividend (CHF)		
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 11.41 (previous year CHF -20.37) thus arises from the simple division of the net result of CHF 194.0 million (previous year CHF -346.3 million) by the weighted average number of 17 million shares.

25 / TREASURY SHARES

A total of 13'235 (previous year 8'924) shares were purchased in 2021 in two transactions from the related party Pema Holding AG. In April, 8'356 bearer shares were acquired at the current stock exchange price of CHF 289.00 and distributed to the participants of the long-term incentive plan of the Group. In June, another 4'879 (previous year 8'924) bearer shares were acquired at the current stock exchange price of CHF 307.50 (previous year CHF 180.00) and then allocated to the members of the Board of Directors within the scope of the share award plan, see note 26. At the end of 2021 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 2021, Directors were awarded a total of 4'879 (previous year 8'924) bearer shares of Dätwyler Holding Inc., see also note 25. Personnel expenses relating to the share award plan amount to CHF 1.5 million (previous year CHF 1.6 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 2021 amount to CHF 1.5 million (previous year CHF 1.4 million). Under this plan, shares were awarded for the first time in April 2021, when 8'356 bearer shares of Dätwyler Holding Inc. were purchased for this purpose from the related party Pema Holding AG at market prices and distributed to the participants of the long-term incentive plan.

27 / SHAREHOLDERS

At year-end 2021, Pema Holding AG holds as in the previous year all 22'000'000 registered shares, plus 5'080'937 (previous year 5'094'172) of the total of 12'600'000 bearer shares of Dätwyler Holding Inc. This represents 78.27% (previous year 78.31%) of the voting rights and 55.77% (previous year 55.85%) 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

<u>in CHF millions</u>	31.12.2021	31.12.2020
Positive fair value	3.0	3.4
Notional amounts	201.1	197.1
Negative fair value	0.2	0.2
Notional amounts	60.2	48.1

These forward exchange contracts have maturities until August 2022. 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 2021, guarantees amounting to CHF 4.2 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.

30 / COMMITMENTS

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

<u>in CHF millions</u>	2021	2020
Less than 1 year	12.1	11.8
Between 2 and 5 years	21.0	21.5
Over 5 years	1.5	1.7
Total commitments	34.6	35.0

Total commitments include CHF 20.0 million (previous year CHF 20.7 million) relating to IT outsourcing contracts for the years 2022 to 2026. Operating lease payments recognised as an expense in the income statement amounted to CHF 3.6 million (previous year CHF 3.6 million). There are no individually significant operating leases.

In December 2021, Datwyler signed a contract to acquire the Chinese company Yantai Xinhui Packing Co. Ltd. The closing of this contract is expected in the first quarter of 2022 subject to the fulfilment of the usual conditions for completion.

31 / ACQUISITION AND SALE OF SUBSIDIARIES

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

In the Technical Components division, the subsidiary Reichelt Elektronik GmbH & Co. KG, including the related subsidiaries Reichelt Verwaltungsgesellschaft mbH, Teco Immobilien AG and Dätwyler Teco Holding (Deutschland) GmbH, were sold at the end of September 2021 and are 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.

<u>in CHF millions</u>	Carrying amount on sale
Cash and cash equivalents	10.0
Trade accounts receivable	8.6
Inventories	19.8
Other current assets	2.0
Property, plant and equipment	15.8
Other non-current assets	6.1
Current liabilities	-12.5
Long-term liabilities	-26.4
Net assets disposed of	23.4
Cumulative translation adjustments charged to income on sale of foreign subsidiaries	5.4
Goodwill charged to income on sale of subsidiaries	69.9
Subtotal	98.7
Gain on sale of subsidiaries	58.4
Selling price, net of transaction costs	157.1
Less portion of selling price not yet due	-1.2
Less cash and cash equivalents disposed of	-10.0
Net cash inflow on disposal	145.9

In the Technical Components division Datwyler Group had 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 of the previous year. 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.

<u>in CHF millions</u>	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 therefore is presented as discontinued operations in the income statement of the previous year. 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.

<u>in CHF millions</u>	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

32 / RELATED PARTY TRANSACTIONS

Pema Holding AG

Transactions with related parties include the dividend payments to Pema Holding AG of CHF 30.4 million (previous year CHF 28.5 million) and administrative costs of CHF 30'000 (previous year CHF 27'500) for administration and accounting services provided by Alvest AG. In addition, the following transactions with Pema Holding AG and its subsidiaries occurred in 2021: Net revenue of CHF 0.0 million (previous year CHF 0.0 million), material expense of CHF 0.3 million (previous year CHF 0.4 million), IT and trademark service revenues and other service revenue of CHF 8.2 million in total (previous year CHF 8.8 million) and service expenses of CHF 0.6 million (previous year CHF 0.7 million). The loan granted by Pema Holding AG to Dätwyler Holding Inc. (previous year CHF 55.0 million) was repaid with interest charges of CHF 0.2 million (previous year CHF 0.4 million). A total of 13'235 shares (previous year 8'924 shares) of Dätwyler Holding AG were purchased from Pema Holding AG at current market prices, 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 of the annual report, no further relations or transactions existed in 2021 and 2020 with the members of the Board of Directors and the Executive Board.

33 / 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 16 February 2022 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

34 / SUBSIDIARIES

Dätwyler Holding Inc. directly or indirectly owned the following fully consolidated subsidiaries at 31 December 2021, 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	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	●		
BELGIUM	Datwyler Pharma Packaging Belgium NV *	Alken	EUR	17.688	○		
BRAZIL	Datwyler do Brasil 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 Sealing Solutions Deutschland GmbH & Co. KG	Cleebronn	EUR	2.800		○	
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.	Novy Bydzov	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	0.001	○		
	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

● 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 2021 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 F06 to F38) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 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 2021 amounted to CHF 1,101.7 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 F11
- Segment Information on page F17



Discontinued Operations

Key Audit Matter

In September 2021 the Dätwyler Group announced the sale of Reichelt. The sale has been closed end of September 2021 with a selling price, net of transaction costs of CHF 157.1 Mio.

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

The management analysed the accounting for this divestment based on the sales contract 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 sale

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

Our response

Among others, our audit procedures included the following:

- Review of the sale contract and «Closing Minutes» as well as inquiry with management
- Reconciliation of the sales price payment 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 contract 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 F10
- Acquisition and Sale of Subsidiaries on page F34

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 controls.
- 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

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Zurich, 16 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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 EXPERTsuisse Certified Company

Dätwyler Holding Inc.

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Income Statement

in CHF	Notes	2021	2020
Dividend income from subsidiaries	2.1	68'210'125	9'500'000
Trademark income	2.2	13'692'000	11'807'713
Other income		671	13'718
Reversal of provisions	2.3	3'507'138	–
Personnel expenses		–2'119'780	–2'485'038
Other operating expenses	2.4	–2'338'265	–117'648
Income before interest and taxes		80'951'889	18'718'745
Financial expenses	2.5	–1'220'554	–1'467'222
Financial income	2.6	8'848'692	10'733'512
Gain on sale of investments in subsidiaries	2.7	36'329'529	–
Reversal of impairment charges relating to financial assets and investments in subsidiaries	2.8	4'000'765	290'998'476
Gain resulting from merger of subsidiary		–	189'640
Earnings before taxes		128'910'321	319'173'151
Direct taxes		–2'280'991	–1'960'711
Net result		126'629'330	317'212'440

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

Balance Sheet

Assets

in CHF	Notes	31.12.2021	31.12.2020
Cash and cash equivalents		108'668'559	511'542
Other current receivables		33'713'296	4'892'955
Due from third parties		1'178'595	10'155
Due from subsidiaries		32'534'701	4'882'800
Prepayments made and accrued income		165'000	–
Total current assets		142'546'855	5'404'497
Financial assets: Long-term receivables from subsidiaries	2.9	594'000'000	597'111'476
Investments in subsidiaries	2.10	327'678'918	450'078'918
Intangible assets: Trademarks		1	1
Total non-current assets		921'678'919	1'047'190'395
Total assets		1'064'225'774	1'052'594'892

Liabilities and shareholders' equity

in CHF	Notes	31.12.2021	31.12.2020
Current liabilities third parties		265'478	72'938
Current interest-bearing liabilities due to Pema Holding AG		–	55'000'000
Current provisions		510'000	2'300'000
Accrued expenses and deferred income		815'440	2'504'890
Total current liabilities		1'590'918	59'877'828
Long-term provisions		1'893'050	4'204'588
Long-term interest-bearing liabilities: Bond 2018–2024	2.11	150'000'000	150'000'000
Total long-term liabilities		151'893'050	154'204'588
Total liabilities		153'483'968	214'082'416
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		517'628'488	445'399'158
Profit carried forward		390'999'158	128'186'718
Net result		126'629'330	317'212'440
Total shareholders' equity		910'741'806	838'512'476
Total liabilities and shareholders' equity		1'064'225'774	1'052'594'892

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.

2.3 / REVERSAL OF PROVISIONS

In 2019, a provision for onerous contracts was charged to income. In 2021, a part of this provision was reversed to income.

2.4 / 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.

2.5 / FINANCIAL EXPENSES

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

2.6 / FINANCIAL INCOME

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

2.7 / GAIN ON SALE OF INVESTMENTS IN SUBSIDIARIES

The subsidiaries Teco Immobilien AG and Dätwyler Teco Holding (Deutschland) GmbH, holding Reichelt Elektronik GmbH & Co. KG as an investment, were sold at the end of September 2021 resulting in a gain on sale of CHF 36.3 million in total.

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

In 2021, impairment charges for a loan receivable in the amount of CHF 4.0 million could be reversed. 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 291.0 million could be reversed in 2020, see note 2.10.

2.9 / LONG-TERM RECEIVABLES FROM SUBSIDIARIES

These are Swiss franc denominated long-term loans receivable from subsidiaries. Loans receivable decreased as a result of the sale of both Dätwyler Teco Holding (Deutschland) GmbH and Teco Immobilien AG.

2.10 / INVESTMENTS IN SUBSIDIARIES

Dätwyler Holding Inc.'s direct and indirect subsidiaries are disclosed in note 34 to the consolidated financial statements. In 2021, Dätwyler Holding AG has sold Dätwyler Teco Holding (Deutschland) GmbH and der Teco Immobilien AG, see also note 2.7. In the previous year, investments in subsidiaries had increased, as Dätwyler Holding Inc. had acquired Dätwyler Pharma Packaging Belgium NV, Dätwyler Teco Holding Deutschland GmbH and Teco Immobilien AG from its own subsidiaries. Dätwyler Teco Holding AG was reorganised in the previous year and then horizontally merged into Dätwyler Schweiz AG and also Dätwyler Technical Components AG was merged into Dätwyler Schweiz AG. As a consequence of the restructuring and the reorganisation, the impairment charges for loans receivable and investments in subsidiaries could be fully reversed in the previous year.

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. 2021	31 Dec. 2020
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 5'080'937 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 55.77% and its percentage of voting shares is 78.27%.

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 AND LONG-TERM INCENTIVE PLAN / TREASURY SHARES

In the current year, a total of 13'235 (previous year 8'924) bearer shares were acquired by Alvest AG in two transactions. In April, 8'356 bearer shares were acquired at the current stock exchange price of CHF 289.00 and distributed to the participants of the long-term incentive plan of the group. In June, another 4'879 (previous year 8'924) bearer shares were acquired at the current stock exchange price of CHF 307.50 and then allocated to the members of the Board of Director within the scope of the share award plan with a total value of CHF 1'500'293 (previous year CHF 1'606'320), see Remuneration Report. At the end of 2021 and 2020, 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 58.1 million (previous year CHF 78.1 million), of which CHF 1.0 million (previous year CHF 1.0 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 4.2 million (previous year CHF 4.9 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 2021, 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 2021

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2022	2023	2024	2025	2026
Hälg, Paul J.	Chairman	34'960	0.101040	2'400	1'736	2'168	2'016	1'406
Fässler, Hanspeter	Vice-Chairman	13'023	0.037639	1'700	1'210	1'511	1'406	682
Breu, Jens	Member	2'415	0.006980	0	0	986	917	512
Cornaz, Claude R.	Member	3'204	0.009260	0	789	986	917	512
Fedier, Jürg	Member	6'504	0.018798	1'100	789	986	917	512
Hirzel, Martin	Member	512	0.001480	0	0	0	0	512
Huber, Gabi	Member	8'873	0.025645	1'100	789	986	917	512
Ulmer, Hanno	Member	4'304	0.012439	1'100	789	986	917	512

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2021

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2022	2023	2024	2025	2026
Lambrecht, Dirk	CEO	7'356	0.021260	4'000	0	0	0	0
Scherz, Walter	CFO	530	0.001532	250	250	0	0	0
Borghs, Dirk	COO	0	–	0	0	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 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%

2.20 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

Proposed Appropriation of Retained Earnings

Retained earnings carried forward

<u>in CHF</u>	2021	2020
Profit carried forward	390'999'158	128'186'718
Net result	126'629'330	317'212'440
Retained earnings at disposal of General Meeting of Shareholders	517'628'488	445'399'158

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

<u>in CHF</u>	2021	2020
	Proposal of the Board of Directors	Resolution of the General Meeting of Shareholders
Retained earnings at disposal of General Meeting of Shareholders	517'628'488	445'399'158
Distribution of cash dividend	-71'400'000	-54'400'000
Registered shares: CHF 0.84 (previous year CHF 0.64)	-18'480'000	-14'080'000
Bearer shares: CHF 4.20 (previous year CHF 3.20)	-52'920'000	-40'320'000
To be carried forward	446'228'488	390'999'158

Report of the Statutory Auditor on the Financial Statements



Statutory Auditor's Report

To the General Meeting of Dätwyler Holding AG, Aitdorf

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 2021, 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 F46 to F52) for the year ended 31 December 2021 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.

KPMG AG
Zurich, 16 February 2022



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



Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

Manuel Odoni
Licensed Audit Expert

Zurich, 16 February 2022

KPMG AG, Badenerstrasse 172, CH-8036 Zurich

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EXPERTsuisse Certified Company

Shareholder Information

Five Year Summary F58

Share Information F59

Five Year Summary

Datwyler Group

in CHF millions	2021	2020	2019	2018	2017
Net revenue	1'101.7	1'069.2	1'360.8	1'361.6	1'291.4
Year-on-year change (%)	3.0	-21.4	-0.1	5.4	6.2
EBITDA^{1,3}	241.8	211.0	197.1	231.5	219.8
Depreciation and amortisation	66.0	62.4	68.4	61.5	57.2
As % of net revenue	6.0	5.8	5.0	4.5	4.4
Year-on-year change (%)	5.8	-8.8	11.2	7.5	-1.7
Operating result (EBIT)	234.2	-315.9	-40.3	170.0	162.6
As % of net revenue	21.3	-29.5	-3.0	12.5	12.6
Year-on-year change (%)	n/a	683.9	-123.7	4.6	11.3
Net result	194.0	-346.3	-86.6	121.0	123.7
As % of net revenue	17.6	-32.4	-6.4	8.9	9.6
Year-on-year change (%)	n/a	299.9	-171.6	-2.2	114.8
Net cash from operating activities	183.5	185.3	174.8	162.9	112.7
As % of net revenue	16.7	17.3	12.8	12.0	8.7
Year-on-year change (%)	-1.0	6.0	7.3	44.5	24.3
Free cash flow¹	160.4	115.7	73.2	-172.0	2.7
Non-current assets	630.5	609.2	629.8	675.2	565.9
Year-on-year change (%)	3.5	-3.3	-6.7	19.3	14.0
Current assets	630.5	497.7	531.9	639.6	733.7
Year-on-year change (%)	26.7	-6.4	-16.8	-12.8	1.8
Total assets	1'261.0	1'106.9	1'161.7	1'314.8	1'299.6
Equity	948.3	735.1	675.1	827.4	898.5
Year-on-year change (%)	29.0	8.9	-18.4	-7.9	11.5
As % of total assets	75.2	66.4	58.1	62.9	69.1
Total liabilities	312.7	371.8	486.6	487.4	401.1
Year-on-year change (%)	-15.9	-23.6	-0.2	21.5	-2.6
Thereof current liabilities	143.7	199.6	303.0	303.5	362.2
Thereof long-term liabilities	169.0	172.2	183.6	183.9	38.9
Capital expenditures¹	110.9	90.8	104.6	138.0	117.9
Year-on-year change (%)	22.1	-13.2	-24.2	17.0	34.9
Personnel expenses	321.1	300.8	375.9	354.4	335.1
Year-on-year change (%)	6.7	-20.0	6.1	5.8	7.4
Number of employees (at year-end)	6'909	6'748	7'995	8'305	7'614
Year-on-year change (%)	2.4	-15.6	-3.7	9.1	4.1

Dätwyler Holding Inc.

in CHF millions	2021	2020	2019	2018	2017
Finance and investment income	77.1	20.2	22.5	21.0	61.5
Net result	126.6	317.2	-359.3	15.0	54.3
Equity	910.7	838.5	572.3	982.6	1'018.5
Equity as % of total assets	85.6	79.7	66.4	81.3	87.1
Share capital	0.9	0.9	0.9	0.9	0.9
Distribution	71.4 ²	54.4	51.0	51.0	51.0

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

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

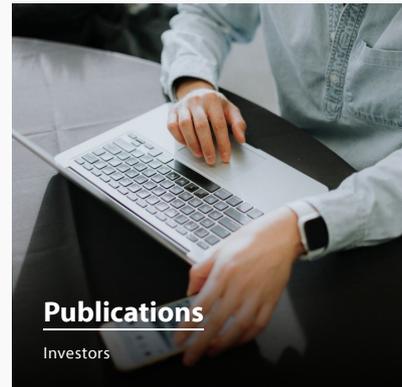
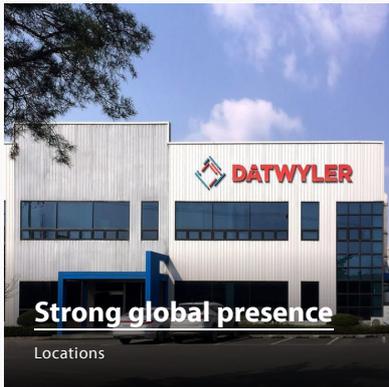
³ In 2021/2020 before gain/loss on sale of subsidiaries, in 2019 before impairment charges.

Share Information

	Currency	2021	2020	2019	2018	2017
Market price SIX (high/low)						
Bearer share – high	CHF	408.50	263.50	189.60	211.50	189.60
Bearer share – low	CHF	250.50	125.60	123.00	122.60	138.80
Trading volume						
Number of shares		2'586'728	6'079'477	4'831'200	4'296'019	4'009'272
Value	in CHF mio.	810	1'107	741	755	634
Gross dividend						
Bearer share	CHF	4.20 ¹	3.20	3.00	3.00	3.00
Registered share	CHF	0.84 ¹	0.64	0.60	0.60	0.60
Net result per share						
Bearer share	CHF	11.41	-20.37	-5.09	7.12	7.28
Registered share	CHF	2.28	-4.07	-1.02	1.42	1.46
Net cash from operating activities per share						
Bearer share	CHF	10.79	10.90	10.28	9.58	6.63
Registered share	CHF	2.16	2.18	2.06	1.92	1.33
Price/earnings ratio (average)						
		27.4	n/a	n/a	24.7	21.7
Equity per share						
Bearer share	CHF	56	43	40	49	53
Registered share	CHF	11	9	8	10	11
Market capitalisation						
Average for the year	in CHF mio.	5'323	3'096	2'607	2'988	2'688
As % of equity		561	421	386	361	299
At 31 December	in CHF mio.	6'834	4'369	3'169	2'122	3'203
As % of equity		721	594	469	256	356

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.



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