DATWYLER

DATWYLER FINANCIAL REPORT 2021

Consolidated Financial Statements

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

in CHF millions	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

in CHF millions	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

in CHF millions	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 2021	Discontinued operations 2021	Total 2021	Continuing operations 2020	Discontinued operations 2020	Total 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

1 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

in CHF millions	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

in CHF millions	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	31.12.2021	31.12.2020				2021	2020
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

in CHF millions	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:

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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

in CHF millions	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)	850'000	850'000
Authorised additional share capital	none	none
Authorised contingent share capital	none	none
Registration/voting restrictions	none	none
Opting-out and opting-up provisions	none	none

[1] *See Board of Directors' proposed appropriation of retained earnings.*

24 / NET RESULT PER SHARE

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

in CHF millions	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

in CHF millions	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.

in CHF millions	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 occured in the first half of March 2020. In note 2, the subsidiaries sold are disclosed country by country.

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

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

In the Industrial Solutions business area, the subsidiary Dätwyler Sealing Technologies Deutschland GmbH including its operational real estate was sold at the beginning of May 2020 and 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.

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

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

KPMG

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.

KPMG AG
Zurich, 16 February 2022

KPMG

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

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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.

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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