HALF-YEAR REPORT
2023

DATWYLER

HALF-YEAR REPORT 2023

Solid organic revenue growth – loss of Covid business pressures margins

The almost complete loss of the high-margin Covid business and destocking by customers led to underutilization at the recently expanded plants. However, the growth trends in the markets are intact, as is shown by the large number of promising new projects with existing and new customers in all the markets served.

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602.7 million
Net revenue

10.0 %
EBIT margin

60.5 million
Operating result (EBIT)

915.8 million
Average capital employed

15.0 %
ROCE

29.2 million
Capital expenditures

8'234
Full-time equivalents

All key figures

Review

Negative external one-time effects – large number of new projects

After a favorable start to the year, Datwyler was confronted with a weakening economy and negative external one-time effects in the first half of 2023. The almost complete loss of the Covid business and our customers' reduction of their high safety stocks in nearly all sectors slowed our revenue growth and led to under-utilization at our recently expanded plants.

In addition, the higher energy costs in 2023 and the temporary unfavorable development of the product mix had a negative impact on the margin. Thanks to our strong market positions and our recognized core competencies, we succeeded in winning a large number of promising new projects with existing and new customers in all the markets we serve.

Organic revenue growth thanks to sustained price increases

Overall, Datwyler increased its revenue year-on-year in the first half of 2023 by 11.3% to CHF 602.7 million (previous year: CHF 541.6 million). The two companies acquired in the previous year, QSR and Xinhui, were taken into account for a six-month period for the first time. This resulted in a positive acquisition effect of CHF 55.0 million or 10.2%. The strong Swiss franc caused substantial negative currency effects of CHF 24.5 million or -4.5%. As a result, organic revenue growth stood at solid 5.6%, including a sustained positive price effect of 4.7%.

At the level of EBIT, the higher employee and energy costs and the insufficient capacity utilization led to a decline to CHF 60.5 million (previous year: CHF 72.5 million). The EBIT margin fell to an unsatisfactory 10.0% (previous year: 13.4%), although the figures for May and June were above the average for the first few months. Due to the lower EBIT and the significantly higher financial expenses, the net result declined to CHF 32.1 million (previous year: CHF 57.4 million). The net result per share came to CHF 1.89 (previous year: CHF 3.38). The strong Swiss franc also had a significant negative impact on the profit figures.

Where appropriate, we took proactive measures to combat the margin pressure in the form of changes to cost structures and further price increases on the customer side. At the same time, however, we maintained and selectively expanded our capacities and competencies for acquiring and implementing new customer projects and further developing our growth and innovation projects. Examples include the expansion of the healthcare product portfolio, new materials and products for electric vehicles, electroactive polymers and soft dry electrodes.

Our sustainability measures are a further competitive advantage which we are continuously advancing. In the reporting period, the internationally recognized rating agency EcoVadis awarded us a Gold medal for our sustainability performance for the first time. This places Datwyler in the top 5% of more than 100'000 companies from 175 countries that are rated by EcoVadis each year. Furthermore, our ICT security management system is now certified to ISO/IEC 27001:2013.

More about the EcoVadis Gold Award

HEALTHCARE SOLUTIONS

Healthcare Solutions suffers overproportionally from the loss of the Covid business

The Healthcare Solutions business area was able to compensate the almost total loss of the Covid business through growth in its regular business (4.7%) and by implementing price increases (5.9%). It achieved this result despite the fact that healthcare customers also significantly reduced their safety stocks. Although reported revenue fell in comparison with the very strong first half of 2022 to CHF 253.8 million (previous year: CHF 265.7 million), when adjusted for currency and acquisition effects, this equates to slight organic growth of 0.6%. The loss of the high-margin Covid components led to underutilization of our recently expanded plants and a temporary unfavorable development of the product mix. As a result, EBIT declined to CHF 39.8 million (previous year: CHF 58.0 million) and the EBIT margin to 15.7% (previous year: 21.8%).

However, the pandemic has also had a lasting positive effect on our business. Supply chain pressure and our pioneering investments have secured us access to all important pharmaceutical companies. We are currently working on a large number of new projects with considerable future revenue potential.

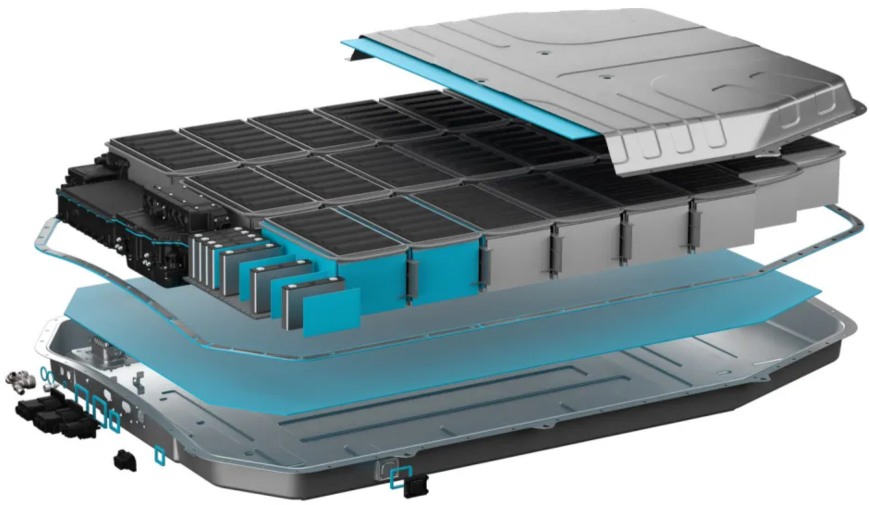
Thanks to its newly launched UltraShield™ film coating, Datwyler is also the only provider with two coating technologies and can therefore offer its customers the optimal solution according to their needs. Following its acquisition in 2022, the integration of Xinhui is going to plan and has strengthened our position in the rapidly growing healthcare market in China. Overall, with our advanced investments, we are ideally positioned to take advantage of the market growth forecast for the medium term. We will benefit from scaling effects as soon as the environment normalizes.

INDUSTRIAL SOLUTIONS

Significant increase in EBIT at Industrial Solutions

Thanks to the first-time inclusion of QSR for six months, the Industrial Solutions business area increased its revenue by 25.9% to CHF 351.8 million (previous year: CHF 279.5 million). Adjusted for acquisitions and currency effects, organic growth amounted to 10.1%. The positive effect of the price increases implemented was 3.8%.

At CHF 20.7 million, absolute EBIT was significantly higher than in the previous year (CHF 14.5 million). As a result, the EBIT margin improved accordingly to 5.9% (previous year: 5.2%). Despite the economic recovery in China being slower than expected, the Mobility business unit was able to increase its revenue substantially.



New materials from Datwyler improve thermal management of batteries in electric vehicles.

By strengthening our presence in China with local development engineers, we were able to acquire leading electric vehicle manufacturers as new customers. Our product pipeline is developing encouragingly and the share of electric vehicle projects is increasing continuously. To ensure optimal production of the future Mobility product portfolio, Datwyler is working to optimize and consolidate the plants.

In the current year, the integration of QSR is going to plan so far. The optimization measures implemented are having an impact and enabling continuous improvement of the margin. The cross-selling projects between the new Connectors business unit and the Mobility business unit are developing encouragingly. The General Industry business unit also acquired promising new projects with existing and new customers in the first half of 2023. Furthermore, our longstanding customer Stihl named us Supplier of the Year for 2022. Due to the inflationary environment and destocking by customers, current General Industry revenues are down year-on-year, especially in Europe.

The Food & Beverage business unit once again grew much faster than the market average in the first six months of the year. However, changes in the product mix and contract-based increases in electricity costs at the Swiss plant limited the margin potential in 2023. Part of the additional costs was compensated through continuous optimization of the plants and processes.

Outlook

Challenging 2023

The negative external one-time effects mentioned at the start of this letter will also impact the second half of 2023. Personnel cost inflation, for example, remains high. The risk of a further weakening of the economy and currency trends continue to call for caution. Despite the positive impact of the price increases and optimization measures implemented, Datwyler's short-term revenue and margin potential is therefore limited in the seasonally weaker second half of the year. For the full year 2023, we are aiming for revenue of around CHF 1'175 million and an EBIT margin of around 11%.

≈ **11** %
EBIT margin
2023 target

Intact growth trends and strong strategic positions

We remain convinced of Datwyler's profitable growth potential over the medium term and therefore confirm our medium-term objectives. The large number of promising new projects with existing and new customers in all the markets we serve shows that growth trends are intact in our markets. With a clear focus on system-critical elastomer components, we make a key contribution to the functionality and quality of our customers' systems while at the same time accounting for a very low proportion of these systems' overall costs. Moreover, we also enjoy strong strategic positions in attractive markets with long-term growth trends and high entry barriers.

Datwyler generates more than two-thirds of its revenue as a principal strategic supplier of global market and innovation leaders in low cyclical markets and technologies that are enjoying long-term growth, such as healthcare, food & beverage, automation and electrification. The Datwyler business model enables the creation of strong synergies and, consequently, competitive advantages through interdisciplinary research and development, materials expertise and solution design, through uniform production and IT systems, and through central procurement of similar raw materials and production equipment.

Due to the advanced expansion of our production capacities, particularly in the areas of Healthcare Solutions and Food & Beverage, we have put ourselves in a very good position to seize future growth opportunities once destocking by our customers is completed and the environment has normalized. This growth will be achievable with hardly any further investment. In addition, the negative effect of electricity costs at the Swiss plant will disappear again from 2024, which will have a significant positive impact on margins in the Food & Beverage business unit. The companies QSR and Xinhui, which we acquired in 2022, open up additional potential in the new Connectors product segment and the attractive Chinese healthcare market.

We would like to thank our employees at all sites and in all functions for their great commitment to Datwyler's prosperity. It is they who generate added value for our customers with their skills and experience and it is they who take our company forwards.

We also thank our customers for the trust they place in us, which they express with the many new and challenging orders they place. And we thank you, our shareholders, for the loyalty you show towards our business.

On behalf of the Board of Directors and the Executive Management

Dr. Paul Hälg, Chairman *Dirk Lambrecht, CEO*

Further information

More about Datwyler | Investor Relations | Financial Calendar

Imprint

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Disclaimer

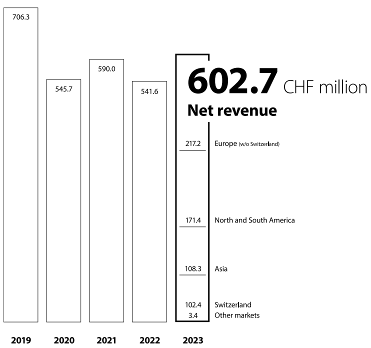
2 Financial Report

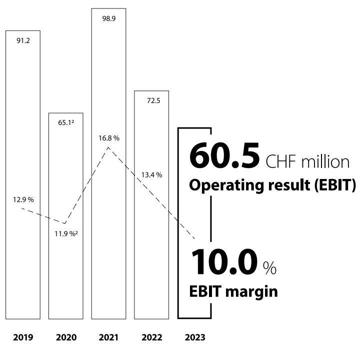
In the first half of 2023, Datwyler increased revenue to CHF 602.7 million in a challenging environment. Adjusted for currency and acquisition effects, this equates to solid organic growth of 5.6%. EBIT and the EBIT margin declined to CHF 60.5 million and 10.0%, respectively.

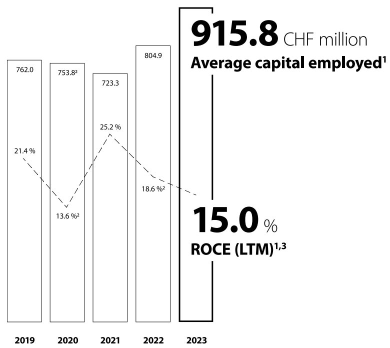
Subchapters

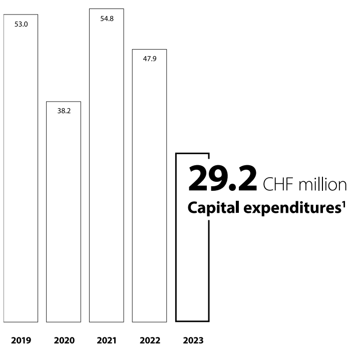
2.1 Key figures

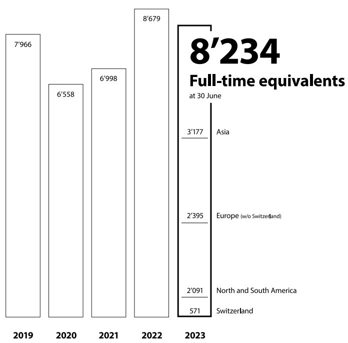
6 months (unaudited) ended at **30 June**, in CHF millions











	2023	2022	Change
Net revenue	602.7	541.6	+11.3 %
EBITDA[1]	100.4	109.9	–8.6 %

	2023	2022	Change
└ as % of net revenue	16.7 %	20.3 %	n/a
Operating result (EBIT)	60.5	72.5	–16.6 %
└ as % of net revenue (EBIT margin)	10.0 %	13.4 %	n/a
Net result	32.1	57.4	–44.1 %
└ as % of net revenue	5.3 %	10.6 %	n/a
ROCE (LTM)[1,3]	15.0 %	18.6 %[2]	n/a
Average capital employed[1]	915.8	804.9	+13.8 %
Net cash from operating activities	95.9	36.0	+166.4 %
Net cash used in investing activities	–34.7	–649.1	–94.7 %
Free cash flow[1]	61.2	–613.1	n/a
Net cash used in financing activities	–70.5	485.9	n/a
Net change in cash and cash equivalents[1]	–9.3	–127.2	–92.7 %
Cash and cash equivalents	90.2	93.0	–3.0 %
Capital expenditures[1]	29.2	47.9	–39.0 %
Total assets	1'251.8	1'309.6	–4.4 %
Equity	370.3	369.8	+0.1 %
└ as % of total assets	29.6 %	28.2 %	n/a
Number of employees at 30 June	8'384	8'802	–4.7 %
Full-time equivalents at 30 June	8'234	8'679	–5.1 %

1. The definition of alternative performance measures and adjustments, not defined by Swiss GAAP, are provided in the Half-Year Financial Report 2023 under Alternative Performance Measures.
2. Adjusted
3. ROCE is calculated by dividing the operating result (EBIT) of the last twelve months (= LTM) by the average capital employed of the same period.

Key figures Healthcare Solutions

	2023	2022	Change
Net revenue	253.8	265.7	–4.5 %
Operating result (EBIT)	39.8	58.0	–31.4 %
└ as % of net revenue (EBIT margin)	15.7 %	21.8 %	n/a

Key figures Industrial Solutions

	2023	2022	Change
Net revenue[1]	351.8	279.5	25.9 %
Operating result (EBIT)	20.7	14.5	42.8 %

	2023	2022	Change
└ as % of net revenue (EBIT margin)	5.9 %	5.2 %	n/a

1. Including intercompany revenue of CHF 2.9 million in 2023 and CHF 3.6 million in 2022.

2.2 Per share data

6 months (unaudited) ended at **June 30th**, in CHF

	2023	2022
Earnings per bearer share	1.89	3.38
Market price (high/low) per bearer share	251 / 171	410 / 193

2.3 Consolidated Financial Statements

- Consolidated Income Statement
- Consolidated Balance Sheet
- Condensed Consolidated Cash Flow Statement
- Consolidated Statement of Changes in Equity
- Notes to the Consolidated Financial Statements
- Alternative Performance Measures (APM)

Consolidated Income Statement

in CHF millions	Note	Six months ended 30.06.2023 unaudited	30.06.2022 unaudited
Net revenue	1	602.7	541.6
Cost of goods sold		–479.6	–415.7
Gross profit		123.1	125.9
Research and development expenses		–21.8	–18.2
Marketing and selling expenses		–17.1	–16.6
General and administrative expenses		–34.7	–29.8
Other operating income		11.2	11.3
Other operating expenses		–0.2	–0.1
Operating result	1	60.5	72.5
Net finance result	5	–12.9	2.6
Earnings before tax (EBT)		47.6	75.1
Income tax expenses		–15.5	–17.7
Net result		32.1	57.4
Net result per bearer share (in CHF)		**1.89**	**3.38**

There were no dilutive effects for the net result per bearer share in the first half of 2023 and 2022.

The accompanying notes on pages F05 to F08 are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	30.06.2023 unaudited	31.12.2022	30.06.2022 unaudited
Cash and cash equivalents		90.2	101.3	93.0
Trade accounts receivable		249.9	250.3	250.0
Inventories		199.4	209.0	214.6
Other receivables		22.9	29.4	34.2
Prepayments made and accrued income		14.7	13.9	17.1
Current assets		577.1	603.9	608.9
Property, plant and equipment		584.3	607.5	614.9
Intangible assets		33.1	31.8	29.1
Deferred income tax assets		55.5	53.8	55.3
Miscellaneous financial assets		1.8	2.0	1.4
Non-current assets		674.7	695.1	700.7
Total assets	4	**1'251.8**	**1'299.0**	**1'309.6**

Liabilities and equity

in CHF millions	Note	30.06.2023 unaudited	31.12.2022	30.06.2022 unaudited
Trade accounts payable		89.7	95.6	95.5
Short-term bank debt		9.9	10.7	426.4
Current interest-bearing liabilities due to Pema Holding AG		–	–	145.0
0.625% bond, repayable on 30 May 2024		150.0	–	–
Current provisions		14.0	13.1	15.0
Other current liabilities		40.0	40.2	45.8
Accrued expenses and deferred income		38.0	30.6	41.4
Current liabilities		341.6	190.2	769.1
Long-term bank debt		103.3	143.2	0.1
Long-term interest-bearing liabilities due to Pema Holding AG		180.0	154.0	–
Bonds, repayable on 13 July 2027		239.5	389.5	150.0
Long-term provisions		5.6	5.5	6.5
Deferred income tax liabilities		8.6	8.6	9.8
Pension liabilities		2.8	2.9	2.9
Other long-term liabilities		0.1	1.5	1.4
Long-term liabilities		539.9	705.2	170.7
Total liabilities		881.5	895.4	939.8
Share capital		0.9	0.9	0.9
Treasury shares		–	–	–
Additional paid-in capital		205.1	205.1	205.1
Goodwill offset against equity		–838.5	–838.2	–838.5
Retained earnings		1'122.4	1'147.0	1'098.7
Cumulative translation adjustments		–119.6	–111.2	–96.4
Equity		370.3	403.6	369.8
Total liabilities and equity	4	**1'251.8**	**1'299.0**	**1'309.6**

The accompanying notes on pages F05 to F08 are an integral part of these interim consolidated financial statements.

Condensed Consolidated Cash Flow Statement

in CHF millions	Note	Six months ended 30.06.2023 unaudited	30.06.2022 unaudited
Net result		32.1	57.4
Non-cash items of income and expenses		72.0	53.1
Operating cash flow before changes in working capital		104.1	110.5
Changes in net working capital		-8.2	–74.5
Net cash flow from operating activities		95.9	36.0
Net purchases of property, plant and equipment and intangible assets		–34.4	–48.6
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	3	–	–661.3
Earn-out payments		–0.3	–
Net proceeds from sale of money market investments		–	60.0
Net purchases of other non-current assets		0.0	0.8
Net cash used in investing activities		–34.7	–649.1
Net (repayment of)/proceeds from bank debt	4	–36.5	416.4
Net proceeds from loan with Pema Holding AG	4	26.0	145.0
Net (decrease)/increase in other long-term liabilities		–1.4	1.4
Purchase of treasury shares		-4.2	–5.5
Dividend paid to shareholders		–54.4	–71.4
Net cash (used in)/provided by financing activities		–70.5	485.9
Net change in cash and cash equivalents		–9.3	–127.2
Cash and cash equivalents at 1 January		101.3	219.6
Effect of exchange rate changes on cash and cash equivalents		–1.8	0.6
Cash and cash equivalents at 30 June		**90.2**	**93.0**

The accompanying notes on pages F05 to F08 are an integral part of these interim consolidated financial statements.

Consolidated Statement of Changes in Equity

in CHF millions	Share capital [1]	Treasury shares [2]	Additional paid-in capital	Goodwill offset against equity	Retained earnings	Cumulative translation adjustments	**Total equity**
At 1 January 2022	**0.9**	**–**	**205.1**	**–285.6**	**1'116.8**	**–88.9**	**948.3**
Net result	–	–	–	–	57.4	–	57.4
Dividends	–	–	–	–	–71.4	–	–71.4
Purchase of treasury shares	–	–5.5	–	–	–	–	–5.5
Share award plan (see note 6)	–	1.1	–	–	–	–	1.1
Long-term incentive plan (see note 6)	–	4.4	–	–	–4.1	–	0.3
Offset of goodwill from acquisitions (see note 3)	–	–	–	–552.9	–	–	–552.9
Currency translation differences	–	–	–	–	–	–7.5	–7.5
At 30 June 2022	**0.9**	**–**	**205.1**	**–838.5**	**1'098.7**	**–96.4**	**369.8**
Net result	–	–	–	–	47.4	–	47.4
Long-term incentive plan	–	–	–	–	0.9	–	0.9
Offset of goodwill from acquisitions	–	–	–	0.3	–	–	0.3
Currency translation differences	–	–	–	–	–	–14.8	–14.8
At 1 January 2023	**0.9**	**–**	**205.1**	**–838.2**	**1'147.0**	**–111.2**	**403.6**
Net result	–	–	–	–	32.1	–	32.1
Dividends	–	–	–	–	–54.4	–	-54.4
Purchase of treasury shares	–	–4.2	–	–	–	–	–4.2
Share award plan (see note 6)	–	1.4	–	–	–	–	1.4
Long-term incentive plan (see note 6)	–	2.8	–	–	–2.3	–	0.5
Offset of goodwill from acquisitions	–	–	–	–0.3	–	–	–0.3
Currency translation differences	–	–	–	–	–	–8.4	–8.4
At 30 June 2023	**0.9**	**–**	**205.1**	**–838.5**	**1'122.4**	**–119.6**	**370.3**

[1] At 30 June 2023, the holding company's share capital was CHF 850'000 (30 June 2022: CHF 850'000).
2 At 30 June 2023, the par value of treasury shares amounted to CHF 0 (30 June 2022: CHF 0).

The accompanying notes on pages F05 to F08 are an integral part of these interim consolidated financial statements.

Notes to the Consolidated Financial Statements

1 / SEGMENT INFORMATION

in CHF millions	Healthcare Solutions	Industrial Solutions	Elimi-nations	**Total Group**
Six months ended 30 June 2023:				
Revenue from external customers	253.8	348.9	–	602.7
Inter-segment revenue	–	2.9	–2.9	–
Total net revenue	253.8	351.8	–2.9	602.7
Operating result	39.8	20.7	–	60.5
Operating result as % of net revenue	15.7%	5.9%	–	10.0%

in CHF millions	Healthcare Solutions	Industrial Solutions	Elimi-nations	**Total Group**
Six months ended 30 June 2022:				
Revenue from external customers	265.7	275.9	–	541.6
Inter-segment revenue	–	3.6	–3.6	–
Total net revenue	265.7	279.5	–3.6	541.6
Operating result	58.0	14.5	–	72.5
Operating result as % of net revenue	21.8%	5.2%	–	13.4%

The Datwyler Group is a focused industrial supplier organized into the two business areas Healthcare Solutions and Industrial Solutions, both with leading positions in global and regional market segments.

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

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

The business area Industrial Solutions manufactures customized system-critical components for applications in the Mobility, Connectors, General Industry and Food & Beverage markets. The significant manufacturing and distribution companies are located in Switzerland, Germany, Italy, the Czech Republic, China, South Korea, the USA, Brazil and Mexico.

2 / BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements (hereinafter referred to as the "interim consolidated financial statements") comprise the unaudited interim financial statements for the six months ended 30 June 2023 (hereinafter referred to as "first half of 2023"). The consolidated financial statements are prepared in accordance with Swiss GAAP. The consolidated interim financial statements have been prepared in accordance with the rules of Swiss GAAP Standard 31 relating to interim financial reporting. The interim consolidated financial statements do not include all the information and disclosures presented in the annual consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

The interim consolidated financial statements were authorized for issue by the Board of Directors on 20 July 2023.

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

The preparation of the interim 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 operations of the Datwyler Group are not subject to significant seasonal variations.

3 / ACQUISITION OF SUBSIDIARIES

At the beginning of March 2022, Yantai Xinhui Packing Co. Ltd. in Yantai (Shandong), China, was fully acquired by the Healthcare Solutions business area. Between March and the end of June 2022, the acquired companies employed an average of 200 people and generated net revenue of CHF 5.4 million. The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from this transaction.

in CHF millions	Fair value on acquisition
Cash and cash equivalents	0.5
Trade accounts receivable	3.1
Inventories	2.6
Other current assets	0.7
Property, plant and equipment	20.1
Other non-current assets	0.1
Current liabilities	–14.5
Net assets acquired at fair value	**12.6**
Goodwill including directly attributable transaction costs	46.3
Total	58.9
Less cash and cash equivalents acquired	–0.5
Net cash outflow on acquisition	**58.4**

In May 2022, QSR - headquartered in Twinsburg (OH), USA - was fully acquired by the Industrial Solutions business area. Between May and the end of June 2022, the acquired companies employed an average of 1'680 people and generated net revenue of CHF 28.7 million. The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from this transaction.

in CHF millions	Fair value on acquisition
Cash and cash equivalents	5.5
Trade accounts receivable	41.6
Inventories	37.3
Other current assets	5.6
Property, plant and equipment	37.5
Other non-current assets	3.0
Current liabilities	–27.4
Long-term liabilities	–0.6
Net assets acquired at fair value	**102.5**
Goodwill including directly attributable transaction costs	505.2
Total	607.7
Less cash and cash equivalents acquired	–5.5
Net cash outflow on acquisition	**602.2**

4 / BALANCE SHEET

Total assets decreased by CHF 47.2 million or 3.6% to CHF 1'251.8 million compared to year-end 2022. The Group's cash and cash equivalents amounted to CHF 90.2 million at the end of June 2023, a decrease of CHF 11.1 million compared to the end of 2022. This is mainly due to the dividend payment and debt amortization. Interest-bearing liabilities were reduced by a net CHF 10.5 million, with bank debt being reduced by CHF 36.5 million and the loan with Pema Holding AG being increased by CHF 26.0 million. Consolidated equity decreased by CHF 33.3 million to CHF 370.3 million. The main factors were the lower net result of CHF 32.1 million and the dividend of CHF 54.4 million.

5 / INCOME STATEMENT

Compared to the previous year, revenue increased by CHF 61.1 million or 11.3% to CHF 602.7 million, personnel expenses by CHF 21.1 million or 11.8% to CHF 199.8 million. The acquired companies were included in the Group as of 1 March and 1 May 2022, respectively (see note 3). The headcount including temporary employees decreased by 418 compared to 30 June 2022, to 8'384 employees as of 30 June 2023. Depreciation and amortization amounted to CHF 39.9 million (first half of 2022: CHF 37.4 million).

The financial result of CHF -12.9 million (first half of 2022: CHF 2.6 million) includes net foreign exchange gains of CHF 1.6 million (first half of 2022 gains of CHF 1.6 million) and losses from derivative financial instruments of CHF 6.7 million net (first half of 2022: gains of CHF 2.8 million net). Net interest expense amounted to CHF 7.6 million in the first half of 2023 (first half of 2022: CHF 1.2 million).

6 / 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 have participated in this plan. The award 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 recognized 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 the issue date. In June 2023, directors were awarded a total of 6’444 (June 2022: 4’736) bearer shares of Dätwyler Holding Inc., which were purchased for this purpose from the related party Pema Holding AG at market prices. Personnel expenses relating to the share award plan amounted to CHF 1.4 million (first half of 2022: CHF 1.1 million), without an impact on additional paid-in capital (first half of 2022: no impact on additional paid-in capital).

Since 2018, a long-term incentive plan has been in place 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 the first half of 2023 amounted to CHF 0.6 million (first half of 2022: CHF 0.7 million). Under this plan, shares were awarded in April 2023, when 13’876 (April 2022: 14’416) 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.

7 / EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors and the Executive Management are not aware of any other significant events occurring up to the date of approval of the interim consolidated financial statements on 20 July 2023 that would cause an adjustment of the carrying amounts of the Group’s assets and liabilities.

8 / CURRENCY TRANSLATION RATES

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Closing rate at 30.06.	Average rate first half-year	Closing rate at 30.06.	Average rate first half-year
100 CNY	12.39	13.17	14.24	14.57
1 EUR	0.98	0.99	1.00	1.03
1 USD	0.90	0.91	0.95	0.94

Alternative Performance Measures (APM)

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

in CHF millions	Six months ended 30.06.2023 unaudited	Six months ended 30.06.2022 unaudited
Net revenue	602.7	541.6
Operating result (EBIT)	60.5	72.5
EBIT margin	10.0%	13.4%
Depreciation and amortization	39.9	37.4
EBITDA	**100.4**	**109.9**
EBITDA margin	16.7%	20.3%

RETURN ON CAPITAL EMPLOYED (ROCE)

ROCE is calculated by dividing the operating result (EBIT) of the last twelve months (= LTM) by the average capital employed over the same period. The following table illustrates the ROCE calculation:

in CHF millions	Six months ended 30.06.2023 unaudited	Six months ended 30.06.2022 unaudited
EBIT (LTM = last twelve months) before gain on sale subsidiaries	137.2	149.4
Average capital employed	915.8	804.9
Return on capital employed (ROCE)	**15.0%**	**18.6%**

AVERAGE CAPITAL EMPLOYED (CE)

Average capital employed according to Datwyler's definition is calculated using the average of trade accounts receivable, inventories, property, plant and equipment excluding assets under construction and intangible assets less trade accounts payable. Averages are calculated using the balance sheet amounts per 30 June and 31 December of the prior year and 30 June of the prior year divided by 3, as illustrated for Datwyler Group in the following table:

in CHF millions	30.06.2023 unaudited	31.12.2022	30.06.2022 unaudited	31.12.2021	30.06.2021 unaudited
Trade accounts receivable	249.9	250.3	250.0	169.7	203.0
Inventories	199.4	209.0	214.6	143.4	157.3
Property, plant and equipment excluding assets under construction	542.8	510.9	507.3	461.1	463.0
Intangible assets	33.1	31.8	29.1	27.4	27.3
Trade accounts payable	–89.7	–95.6	–95.5	–68.3	–74.8
Capital employed (CE)	935.5	906.4	905.5	733.3	775.8
Average capital employed	**915.8**		**804.9**		

CAPITAL EXPENDITURES

Capital expenditures represent the additions made to property, plant and equipment and intangible assets. Please note that net purchases of property, plant and equipment as reported in the cash flow statement equal capital expenditures based on cash payments, less cash received on disposal of fixed and intangible assets.

in CHF millions	Six months ended 30.06.2023 unaudited	Six months ended 30.06.2022 unaudited
Capital expenditures in property, plant and equipment	24.7	43.9
Capital expenditures in intangible assets	4.5	4.0
Total capital expenditures	**29.2**	**47.9**

FREE CASH FLOW AND NET CHANGE IN CASH AND CASH EQUIVALENTS

Free cash flow equals net cash from operating activities reduced by net cash used in investing activities as presented in the cash flow statement.

in CHF millions	Six months ended 30.06.2023 unaudited	Six months ended 30.06.2022 unaudited
Net cash from operating activities	95.9	36.0
Net cash used in investing activities	–34.7	–649.1
Free cash flow	61.2	–613.1
Net cash (used in)/provided by financing activities	–70.5	485.9
Net change in cash and cash equivalents	**–9.3**	**–127.2**

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