Dätwyler

# Interim Report 2010

# Highlights

## Key figures

| In CHF millions | Six months ended 30.06.2010 unaudited | 30.06.2009 unaudited |
|---|---|---|
| **Net revenue** | **677.0** | **566.4** |
| Change compared to prior period in % | 19.5 | –12.8 |
| **Operating result before depreciation and amortisation (EBITDA)** | **98.0** | **59.7** |
| EBITDA as % of net revenue | 14.5 | 10.5 |
| **Operating result before interest and taxes (EBIT)** | **70.7** | **33.1** |
| EBIT as % of net revenue | 10.4 | 5.8 |
| **Net result** | **51.0** | **26.3** |
| Net result as % of net revenue | 7.5 | 4.6 |
| **Net cash from operating activities** | **63.2** | **55.2** |
| **Net cash (used in) from investing activities** | **–95.7** | **1.2** |
| **Free cash flow** | **–32.5** | **56.4** |
| **Net cash used in financing activities** | **–28.3** | **–58.5** |
| **Net change in cash and cash equivalents** | **–60.8** | **–2.1** |
| **Cash, cash equivalents and money market investments** | **107.8** | **202.7** |
| **Net debt with banks** | **28.3** | **32.1** |
| **Capital expenditure on property, plant and equipment, gross** | **10.4** | **22.3** |
| **Total assets** | **890.3** | **1 012.9** |
| **Equity** | **545.2** | **566.5** |
| Equity as % of total assets | 61.2 | 55.9 |
| **Number of employees** | **4 680** | **4 574** |
| **Full-time equivalents** | **4 678** | **4 388** |
| **Price (high/low) per bearer share** (in CHF) | **72/57** | **46/36** |

Since the beginning of 2010 the consolidated financial statements are prepared in accordance with Swiss GAAP. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability.

# Chairman's and CEO's statement

## Daetwyler Group regains profitability

The markets relevant for Daetwyler stabilised in the first half of 2010. The manufacturing and construction industries experienced a slow and uneven recovery, while the automotive industry developed more dynamically than generally expected. Demand from the pharmaceutical industry remained stable. Overall, the Daetwyler Group's net revenue in the first six months grew 19.5% year-on-year to CHF 677.0 million (previous year CHF 566.4 million). Reichelt Elektronik, which has been consolidated since the start of 2010, contributed CHF 74.8 million or 13.2% to the Group's revenue growth. Exchange rate movements had a negative impact of –2.0%. Organic growth adjusted for these two factors came to 8.3%.

***Profitability doubled***

Better capacity utilisation and streamlined cost structures enabled the Group to achieve profitability almost on a level with previous years. A systematic focus on attractive niche markets once again paid dividends in all four divisions in the first half of 2010. Both operating profit (EBIT) and the net result doubled compared with the year before to CHF 70.7 million (previous year CHF 33.1 million) and CHF 51.0 million (previous year CHF 26.3 million) respectively. The EBIT includes a foreign exchange loss of CHF 1.9 million (previous year a gain of CHF 0.1 million). The EBIT margin was 10.4% (previous year 5.8%) and thus above the middle of the target range of 8% to 12%. The consolidation of Reichelt Elektronik had a positive effect on the EBIT margin. The result also includes pro rata one-off costs, prepayments and accrued income totalling CHF 3.5 million for the transfer of the existing ICT infrastructure to the announced outsourcing arrangement and impairment charges on hardware and networks of CHF 1.4 million.

***Conversion from IFRS to Swiss GAAP***

As announced in April 2010, Daetwyler changed its financial reporting from the International Financial Reporting Standards (IFRS) to Swiss GAAP retroactively with effect from the start of 2010. The associated changeover from the Main Standard to the Domestic Standard was approved by SIX and implemented with effect from 1 July 2010. The conversion from IFRS to Swiss GAAP has resulted in adjustments to the Daetwyler Group's accounting principles which mainly affect the way goodwill, acquired intangible assets and pension liabilities are reported. Daetwyler offsets goodwill and acquired intangible assets against equity. Where pension liabilities are concerned, the Group's financial liabilities for existing Swiss pension plans shown in the financial statements as at 1 January 2009 and 31 December 2009 were considerably lower according to Swiss GAAP standard 16 than according to IAS 19. All the comparatives mentioned in this report for the period under review and for the corresponding period in the previous year have been adjusted to reflect these changes. The equity ratio midway through 2010 remains a healthy 61.2%. The detailed reconciliation account can be found on pages 12 and 13 of this interim report.

***Substantially improved profitability in the Technical Components Division***

The markets served by the Technical Components Division developed differently. The catalogue distribution business with the Distrelec, ELFA and Reichelt Elektronik brands recovered in all the regions in which these companies operate, with business more dynamic in Eastern Europe than in Central and Northern Europe. The Maagtechnic specialist distribution business continued to suffer from the persistent weakness of the export-oriented mechanical engineering industry in Switzerland. The first positive signs came from Southern Germany and France, where demand from the manufacturing industry grew slightly in the first six months. Overall, net revenue from existing business increased slightly. The 30.0% increase in net revenue to CHF 328.7 million (previous year CHF 252.9 million) was largely due to the first-time consolidation of Reichelt Elektronik from the start of 2010. The restructuring programmes carried out in 2009 had an impact on costs. A more than CHF 20 million slimmer cost structure and the contribution made by the wide margins generated by Reichelt Elektronik resulted in an operating profit (EBIT) of CHF 33.1 million (previous year CHF 3.1 million). The EBIT margin was 10.1% (previous year 1.2%). The impact of currencies was negligible at Group level.

### *Strategic surge in growth with Reichelt Elektronik*

The acquisition of Reichelt Elektronik at the start of 2010 marked Daetwyler's second strategic surge in growth within two years in catalogue distribution for industrial electronics, automation and computer accessories. The systematic further development of Daetwyler's strategy to expand its distribution activities increased the value of previous takeovers and existing core business in the Technical Components Division. The integration of Reichelt Elektronik is on schedule. Major synergy projects have already been implemented successfully through collaboration between Distrelec and ELFA. These companies have combined their product management and catalogue production activities and have gradually optimised procurement. Targeted expansion of the product range and a greater emphasis on internet platforms are the central elements of the company's organic growth strategy. The focus here is on expanding the market position in Eastern Europe. In addition, Daetwyler will grasp future opportunities to make acquisitions in keeping with its strategy for catalogue distribution.

### *Turnaround at Maagtechnic making good progress*

The specialist distribution company Maagtechnic completed the restructuring measures started in 2009. The centralisation of warehousing at the modern logistics centre in Dübendorf streamlined the cost structure. The company generated an acceptable operating profit in the first half of the year in view of the persistently challenging industrial landscape. The realigned customer and product range strategy was introduced successively. At the same time, Maagtechnic initiated projects to expand the product range and market with a view to boosting demand. Various procurement-related measures enabled the company to maintain its gross margin in the first six months.

### *Technical Components Division with strong market positions*

We are cautiously optimistic about the prospects for the rest of the year in the Technical Components Division. Strong market positions and competitive cost structures will enable the Daetwyler distribution companies to profit from the emerging recovery. The Technical Components Division has been headed by Markus Heusser since the start of August. He succeeds CEO Paul J. Haelg, who has given up this dual responsibility, which he took on in 2004, to focus more intensively on managing the Daetwyler Group as a whole.

### *Pharmaceutical Packaging Division on a stable growth course*

The Pharmaceutical Packaging Division, operating as Helvoet Pharma, consolidated its growth course in the first half of 2010. Net revenue grew 4.8% to CHF 153.9 million (previous year CHF 146.9 million). Organic growth was 9.6% in currency-adjusted terms. Operating profit (EBIT) rose 7.7% to CHF 22.3 million (previous year CHF 20.7 million). As a result the EBIT margin increased to 14.5% (previous year 14.1%). The impact of currencies was negligible. The markets for high-quality pharmaceutical packaging components continue to develop very positively. Helvoet Pharma's new clean room production facility "FirstLine" in Alken, Belgium, places it in an ideal position to take advantage of this trend. In the USA the company has implemented and validated a comparable modern clean room production concept and has put it into operation. Helvoet Pharma has thus created the basis for further boosting its competitiveness in the important American pharmaceutical market. At the same time, the project work for the construction of a production facility in India was started. Raw material costs must be expected to increase in the second half of the year as the economy recovers. However, our well-filled order books and the many new projects in high-value biopharmaceutical markets make us confident that Helvoet Pharma can build on both revenue and results in the second half of the year.

### *Cables Division reports slight growth and lower gross margins*

The Cables Division, operating as Daetwyler Cables, managed to increase revenue in most markets in the first half of 2010. It even experienced above-average growth in Germany and the Chinese domestic market. Sales in Central and Eastern Europe and in the Middle East remained weak, however. Overall, net revenue recovered year-on-year by 10.8% to CHF 119.0 million (previous year CHF 107.4 million). Currency-adjusted growth was 13.4%. Taking copper prices in the previous year as a basis, net revenue increased 4.0%. Gross margins were under great pressure in the first half of 2010. This was a result of the massive decline of the euro against the Swiss franc and the rapid increase in copper prices. This resulted in a decline in operating profit (EBIT) by 11.6% to CHF 6.1 million (previous year CHF 6.9 million). This represents an EBIT margin of 5.1% (previous year 6.4%). There was a foreign exchange loss of CHF 1.2 million (previous year a gain of CHF 0.3 million). The EBIT includes the profit from the disposal of properties not required for operations, which amounted to CHF 1.1 million (previous year CHF 2.4 million). As part of its new overall strategy, Daetwyler Cables was able to acquire its first turnkey projects in glass fibre networks as a general contractor. The associated upfront investments in human resources meant that these projects did not make any noteworthy contribution to results in the period under review, but they have potential for the future. As a result of the presumably longer-term weakness of the euro, Daetwyler Cables is in the process of making a detailed analysis of structures and processes in production and sales with the aim of adapting to the more difficult operating environment as quickly as possible. We expect the markets served by Daetwyler Cables to grow slightly in the second half of the year, although its performance is likely to remain impaired by currency effects and volatile copper prices.

### *Rubber Division with strong recovery*

The Rubber Division, operating as Daetwyler Rubber, increased revenue and results substantially in the first six months of 2010. The marked recovery of the automotive industry and the development of the major contract from the consumer goods industry, which is continuing as planned, led to a 25.0% increase in net revenue to CHF 77.1 million (previous year CHF 61.7 million). Currency effects were negligible. Greatly increased capacity utilisation combined with an optimised cost base resulted in considerably increased profitability. The transfer of production for the NAFTA region from the USA to Mexico was completed successfully with the closure of the American site in Marion. This created a one-off positive effect of CHF 1.7 million. Compared with the previous year, which was weak as a result of the crisis, operating profit (EBIT) increased roughly four-fold overall to CHF 9.2 million (previous year CHF 2.4 million). There was a foreign exchange loss at EBIT level of CHF 1.1 million (previous year a gain of CHF 0.1 million). The EBIT margin improved from 3.9% to 11.9%. We expect capacity utilisation to remain high in the second half of the year at the production sites in the Rubber Division. The development of results will be affected increasingly by volatile currency markets, by the strong Swiss franc in particular, and by rising raw material prices.

### *Outlook*

Daetwyler is optimistic about the full year and expects the stable development of demand to continue. Including Reichelt Elektronik, which was consolidated for the first time this year, we should achieve net revenue of at least CHF 1300 million despite the second six months being traditionally weaker. The trend towards rising raw material prices and the persistently weak euro will have a negative impact on our gross margin in the second half of the year. Yet management is confident that the strong market positions and competitive cost structures of the Daetwyler Group will produce an EBIT margin for the full year within the previously defined target range of 8% to 12%.

Altdorf, 20 August 2010

On behalf of the Board of Directors

Ulrich Graf, Chairman

On behalf of the Executive Management

Dr. Paul J. Haelg, CEO

# Consolidated income statement

| In CHF millions | Note | Six months ended 30.06.2010 unaudited | 30.06.2009 unaudited | % change |
|---|---|---|---|---|
| **Net revenue** | 1 | **677.0** | **566.4** | **19.5** |
| Increase (decrease) in inventories | | 3.4 | –2.6 | n/a |
| Material costs | | –334.2 | –263.5 | 26.8 |
| **Gross profit** | | **346.2** | **300.3** | **15.3** |
| Other operating income | 5 | 21.4 | 18.0 | 18.9 |
| Personnel expenses | 5 | –170.3 | –168.7 | 0.9 |
| Operating expenses | | –99.3 | –89.9 | 10.5 |
| **EBITDA** | | **98.0** | **59.7** | **64.2** |
| Depreciation of property, plant and equipment | | –24.9 | –24.5 | 1.6 |
| Amortisation of intangible assets | | –1.0 | –1.1 | –9.1 |
| Impairment charges | 5 | –1.4 | –1.0 | 40.0 |
| **Operating result before interest and taxes (EBIT)** | 1 | **70.7** | **33.1** | **113.6** |
| Net finance result | 5 | –4.9 | –4.0 | 22.5 |
| **Earnings before tax (EBT)** | | **65.8** | **29.1** | **126.1** |
| Income tax expenses | | –14.8 | –2.8 | 428.6 |
| **Net result** | | **51.0** | **26.3** | **93.9** |
| | | | | |
| In CHF | | | | |
| **Net result per bearer share entitled to dividend (1)** | | **3.31** | **1.71** | **93.6** |

(1) There were no dilutive effects in the first half-year 2010 and 2009.

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The accompanying notes on pages 10 to 16 are an integral part of these interim consolidated financial statements.

# Consolidated balance sheet

| In CHF millions | Note | 30.06.2010 unaudited | 31.12.2009 unaudited | 30.06.2009 unaudited |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 4 | 107.8 | 172.3 | 114.7 |
| Money market investments | 4 | – | 23.0 | 88.0 |
| Securities | | 3.7 | 4.1 | 10.4 |
| Trade accounts receivable | | 167.5 | 137.0 | 158.2 |
| Inventories | | 190.8 | 183.6 | 209.3 |
| Other receivables | | 24.2 | 17.7 | 26.5 |
| Prepayments made and accrued income | | 8.1 | 8.7 | 5.3 |
| **Current assets** | | **502.1** | **546.4** | **612.4** |
| | | | | |
| Property, plant and equipment | | 341.5 | 365.6 | 373.5 |
| Intangible assets | | 4.8 | 5.4 | 7.3 |
| Financial assets | | 41.9 | 22.3 | 19.7 |
| **Non-current assets** | | **388.2** | **393.3** | **400.5** |
| **Total assets** | | **890.3** | **939.7** | **1 012.9** |
| | | | | |
| **Liabilities and equity** | | | | |
| Trade accounts payable | | 66.3 | 53.8 | 57.6 |
| Short-term bank debt | | 135.7 | 155.2 | 183.7 |
| Current provisions | | 35.2 | 33.4 | 34.6 |
| Other current liabilities | | 37.0 | 24.6 | 33.0 |
| Accrued expenses and deferred income | | 23.1 | 18.3 | 27.7 |
| **Current liabilities** | | **297.3** | **285.3** | **336.6** |
| | | | | |
| Long-term bank debt | | 0.4 | 0.5 | 51.1 |
| Long-term provisions | | 16.3 | 17.3 | 20.3 |
| Deferred income tax liabilities | | 20.9 | 27.2 | 25.3 |
| Pension liabilities | | 8.5 | 11.4 | 10.9 |
| Other long-term liabilities | | 1.7 | 1.7 | 2.2 |
| **Long-term liabilities** | | **47.8** | **58.1** | **109.8** |
| **Total liabilities** | | **345.1** | **343.4** | **446.4** |
| | | | | |
| Share capital | | 0.9 | 0.9 | 0.9 |
| Treasury shares | | –0.1 | –0.1 | –0.1 |
| Additional paid-in capital | | 85.7 | 84.6 | 84.6 |
| Retained earnings | | 545.4 | 582.8 | 545.4 |
| Cumulative translation adjustments | | –86.7 | –71.9 | –64.3 |
| **Equity** | 4 | **545.2** | **596.3** | **566.5** |
| **Total liabilities and equity** | | **890.3** | **939.7** | **1 012.9** |

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The accompanying notes on pages 10 to 16 are an integral part of these interim consolidated financial statements.

# Condensed consolidated cash flow statement

| In CHF millions | Note | Six months ended 30.06.2010 unaudited | 30.06.2009 unaudited |
|---|---|---|---|
| **Net result** | | **51.0** | **26.3** |
| Non-cash items and changes in working capital | | 12.2 | 28.9 |
| **Net cash from operating activities** | | **63.2** | **55.2** |
| Net purchases of property, plant and equipment | | –5.4 | –24.7 |
| Acquisition of subsidiaries (net of cash acquired) | 3 | –112.8 | –3.9 |
| Net purchases of other non-current assets | | –0.5 | 0.0 |
| Net proceeds from repayment of money market investments | | 23.0 | 29.8 |
| **Net cash (used in) from investing activities** | | **–95.7** | **1.2** |
| Net repayment of bank debt | | –9.7 | –30.7 |
| Net decrease in other long-term liabilities | | –0.1 | –0.1 |
| Dividends paid to shareholders | | –18.5 | –27.7 |
| **Net cash used in financing activities** | | **–28.3** | **–58.5** |
| **Net change in cash and cash equivalents** | | **–60.8** | **–2.1** |
| Cash and cash equivalents at 1 January | | 172.3 | 115.2 |
| Effect of exchange rate changes on cash and cash equivalents | | –3.7 | 1.6 |
| **Cash and cash equivalents at 30 June** | | **107.8** | **114.7** |

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The accompanying notes on pages 10 to 16 are an integral part of these interim consolidated financial statements.

# Consolidated statement of changes in equity

| In CHF millions, unaudited | Share capital [1] | Treasury shares [2] | Additional paid-in capital | Retained earnings | Cumulative translation adjustments | **Total equity** |
|---|---|---|---|---|---|---|
| **At 1 January 2009 according to IFRS** | **0.9** | **–0.1** | **–** | **894.2** | **–65.9** | **829.1** |
| Adjustments (see note 2) | – | – | 83.8 | –342.8 | –0.4 | –259.4 |
| **At 1 January 2009 according to Swiss GAAP** | **0.9** | **–0.1** | **83.8** | **551.4** | **–66.3** | **569.7** |
| Net result | – | – | – | 26.3 | – | 26.3 |
| Share award plan (see note 6) | – | 0.0 | 0.8 | – | – | 0.8 |
| Dividends | – | – | – | –27.7 | – | –27.7 |
| Offset of goodwill from acquisitions (see note 3) | – | – | – | –4.6 | – | –4.6 |
| Currency translation differences | – | – | – | – | 2.0 | 2.0 |
| **At 30 June 2009** | **0.9** | **–0.1** | **84.6** | **545.4** | **–64.3** | **566.5** |
| Net result | – | – | – | 37.4 | – | 37.4 |
| Currency translation differences | – | – | – | – | –7.6 | –7.6 |
| **At 1 January 2010** | **0.9** | **–0.1** | **84.6** | **582.8** | **–71.9** | **596.3** |
| Net result | – | – | – | 51.0 | – | 51.0 |
| Share award plan (see note 6) | – | 0.0 | 1.1 | – | – | 1.1 |
| Dividends | – | – | – | –18.5 | – | –18.5 |
| Offset of goodwill from acquisitions (see note 3) | – | – | – | –69.9 | – | –69.9 |
| Currency translation differences | – | – | – | – | –14.8 | –14.8 |
| **At 30 June 2010** | **0.9** | **–0.1** | **85.7** | **545.4** | **–86.7** | **545.2** |

[1] At 30 June 2010, the holding company's share capital was CHF 850 000 (30 June 2009: CHF 850 000).

[2] At 30 June 2010, the par value of treasury shares amounted to CHF 77 715 (30 June 2009: CHF 78 545).

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The accompanying notes on pages 10 to 16 are an integral part of these interim consolidated financial statements.

# Notes to the consolidated financial statements

## 1 Segment information

| | Technical Components | Pharma-ceutical Packaging | Cables | Rubber | Eliminations | **Total Group** |
|---|---|---|---|---|---|---|
| Amounts in CHF millions | | | | | | |
| **Six months ended 30 June 2010** | | | | | | |
| Revenue from external customers | 327.9 | 153.9 | 118.7 | 76.5 | – | 677.0 |
| Inter-segment revenue | 0.8 | – | 0.3 | 0.6 | –1.7 | – |
| **Total net revenue** | **328.7** | **153.9** | **119.0** | **77.1** | **–1.7** | **677.0** |
| **EBIT** | **33.1** | **22.3** | **6.1** | **9.2** | **–** | **70.7** |
| EBIT as % of net revenue | 10.1% | 14.5% | 5.1% | 11.9% | – | 10.4% |
| | | | | | | |
| **Six months ended 30 June 2009** | | | | | | |
| Revenue from external customers | 251.5 | 146.9 | 107.2 | 60.8 | – | 566.4 |
| Inter-segment revenue | 1.4 | – | 0.2 | 0.9 | –2.5 | – |
| **Total net revenue** | **252.9** | **146.9** | **107.4** | **61.7** | **–2.5** | **566.4** |
| **EBIT** | **3.1** | **20.7** | **6.9** | **2.4** | **–** | **33.1** |
| EBIT as % of net revenue | 1.2% | 14.1% | 6.4% | 3.9% | – | 5.8% |

Since the beginning of 2010 the consolidated financial statements have been prepared in accordance with Swiss GAAP. Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability.

The Daetwyler Group is an international multi-niche player organised into four divisions. The costs of the Group management functions are allocated to the divisions using a revenue-based key. The divisions are managed independently and their business performance is measured separately.

The Technical Components Division engages in specialist and catalogue distribution. Its distribution and service companies are located in Switzerland, Germany, Austria, Italy, France, Scandinavia, Poland, the Czech Republic, the Baltic States and the Ukraine.

The Pharmaceutical Packaging Division focuses on manufacturing rubber and aluminium/plastic components for pharmaceutical packaging as well as rubber components for diagnostics and drug delivery systems. Products are manufactured and distributed by Group companies in Belgium, Italy, Germany, the Netherlands and the USA.

The Cables Division is a provider of end-to-end solutions in the areas data networks, safety cabling systems, building automation, elevator cabling systems and in-house energy provision. There are manufacturing and distribution facilities in Switzerland, Germany, Austria, the UK and Asia.

The Rubber Division develops and produces moulded components and extruded products and distributes them primarily in the automotive, construction and industrial sectors. Its manufacturing and distribution companies are located in Switzerland, Germany, the Czech Republic, the Ukraine 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 2010 (hereinafter referred to as "first half of 2010"). Since the beginning of 2010 the consolidated financial statements are prepared in accordance with Swiss GAAP. The interim consolidated financial statements, which have been prepared in accordance with Swiss GAAP standard 12 "Interim reporting", 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 2009 which have been prepared in accordance with International Financial Reporting Standards (IFRS). Unless explained below, the accounting policies applied according to Swiss GAAP correspond to those previously applied under IFRS.

The interim consolidated financial statements were authorised for issue by the Board of Directors on 17 August 2010.

The interim consolidated financial statements include all companies which belonged to the Group during the reporting period and over which Daetwyler Holding Inc. had the power to govern the financial and operating policies so as to obtain benefits from their activities. In the Daetwyler 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 Daetwyler 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 judgement 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 Daetwyler Group are not subject to any significant seasonal or cyclical variations, although the second half of the year tends to be weaker than the first.

Income tax expense is calculated based on the best estimate of the average annual income tax rate expected for the full financial year.

### *Conversion from IFRS to Swiss GAAP*

The main reason for changing from IFRS to Swiss GAAP is due to the growing complexity and intricacy of the detailed rules and disclosure requirements of IFRS. It is expected that this development will continue to intensify and thus the cost-benefit ratio will become increasingly unfavourable. The Daetwyler Group is convinced that Swiss GAAP represents a comprehensive and solid alternative to IFRS. By focusing on the essentials, Swiss GAAP is less complex and more practicable in use.

The accounting policies and presentation according to Swiss GAAP applied to the interim consolidated financial statements 2010 deviate from the consolidated financial statements for the year ended 31 December 2009, prepared in accordance with IFRS, with the significant changes summarised below:

At the date of acquisition, goodwill from acquisitions as well as acquired customer lists and trademarks are fully offset with retained earnings in equity according to the allowed treatment of Swiss GAAP standard 30 "Consolidated financial statements". According to IFRS, goodwill from acquisitions was capitalised and tested annually for impairment. Similarly, acquired customer lists and trademarks were capitalised and amortised on a straight-line basis over their estimated useful lives.

According to Swiss GAAP standard 16 "Pension benefit obligations" the existing economic obligations and respective benefits relating to Swiss pension schemes are measured based on the Swiss pension plan financial statements prepared in accordance with Swiss GAAP standard 26 "Accounting of pension plans". The expected economic impacts of pension schemes of foreign subsidiaries are measured according to the valuation methods applied locally. Employer contribution reserves and comparable items are recognised in the balance sheet if the respective requirements according to Swiss GAAP standard 16 are met. According to IFRS, defined benefit plans were measured using the projected unit credit method and recognised in accordance with IAS 19.

Securities are classified as current assets, measured unchanged at current market values with unrealised gains and losses recognised in the income statement. According to IFRS, unrealised gains and losses of available-for-sale securities were recognised in equity.

Treasury shares used in share award plans are measured at market value at the respective issue dates and recognised as personnel expenses. The difference between market and nominal value of the unissued bearer shares is credited to additional paid-in capital. According to IFRS, share-based payments were measured at fair value at the grant date and recorded as personnel expenses over the term of the agreement.

The above-mentioned changes in valuation and recognition of assets and liabilities result in corresponding deferred income tax effects in the balance sheet and income statement.

Under IFRS, some customer specific assets with certain leasing characteristics were recognised as lease receivables based on the interpretation of IFRIC 4. According to Swiss GAAP, these assets are classified as property, plant and equipment. In the income statement there is no impact on the net result from the reclassifications increasing revenues and depreciation of property, plant and equipment and decreasing interest income on lease receivables.

Investment property and assets held for sale are included in property, plant and equipment and not classified separately.

Prior period figures have been restated to conform to the presentation for the current financial period to ensure comparability.

The following schedules illustrate the effects of the conversion from IFRS to Swiss GAAP on equity and net result:

| In CHF millions | 01.01.2010 | 30.06.2009 | 01.01.2009 |
|---|---:|---:|---:|
| **Equity according to IFRS** | **899.0** | **836.6** | **829.1** |
| Adjustments on conversion to Swiss GAAP: | | | |
| Charge of goodwill from acquisitions | –216.5 | –213.4 | –205.0 |
| Charge of acquired customer lists and trademarks | –168.5 | –169.0 | –168.2 |
| Pension assets | –1.7 | 0.1 | 0.3 |
| Pension liabilities | 35.4 | 68.9 | 71.4 |
| Deferred income tax assets/liabilities | 48.6 | 43.3 | 42.1 |
| **Total adjustments to equity** | **–302.7** | **–270.1** | **–259.4** |
| **Equity according to Swiss GAAP** | **596.3** | **566.5** | **569.7** |

| In CHF millions | Twelve months ended 31.12.2009 | Six months ended 30.06.2009 |
|---|---|---|
| **Net result according to IFRS** | **57.2** | **23.0** |
| Adjustments on conversion to Swiss GAAP: | | |
| Elimination lease receivables: increase in net revenue | 8.8 | 4.3 |
| Elimination lease receivables: increase in depreciation of property, plant and equipment | –7.4 | –3.5 |
| Elimination amortisation of acquired customer lists and trademarks | 9.4 | 4.6 |
| Personnel expenses: pension costs | –0.7 | –0.5 |
| Personnel expenses: share award plan | –0.5 | –0.5 |
| Finance income: market valuation of securities | 0.4 | 0.4 |
| Finance income: elimination of interest income on lease receivables | –1.4 | –0.8 |
| Deferred income tax expense | –2.1 | –0.7 |
| **Total adjustments to net result** | **6.5** | **3.3** |
| **Net result according to Swiss GAAP** | **63.7** | **26.3** |

## 3 Effect of acquisitions and disposals

Acquisitions had the following effect on the Group's assets and liabilities at 30 June 2010 and 30 June 2009:

***Acquisitions in the first half of 2010***

At the beginning of January 2010, Reichelt Elektronik GmbH & Co. KG and Reichelt Elektronik Verwaltungs-gesellschaft mbH, both domiciled in Sande, Germany, were fully acquired by the Technical Components Division. Reichelt Elektronik is a leading catalogue distributor for industrial electronics, automation and computer accessories in Germany generating annual revenue of about CHF 150 million. In the first half of 2010, the acquired businesses employing 198 people generated net revenue of CHF 74.8 million.

The following table shows the fair value of assets and liabilities acquired at acquisition date and the good-will arising from the transaction. As the purchase price allocation has not been finalised at the report-ing date, the amounts are subject to adjustment.

| In CHF millions | Carrying amount | Fair value adjustments | Fair value on acquisition |
|---|---|---|---|
| Cash and cash equivalents | 6.5 | – | 6.5 |
| Trade accounts receivable | 3.0 | – | 3.0 |
| Inventories | 8.0 | –0.5 | 7.5 |
| Other current assets | 0.6 | – | 0.6 |
| Property, plant and equipment | 7.3 | 2.7 | 10.0 |
| Deferred income tax assets | – | 29.4 | 29.4 |
| Current liabilities | 7.5 | 0.1 | 7.6 |
| **Net assets acquired at fair value** | | | **49.4** |
| Goodwill including directly attributable transaction costs | | | 69.9 |
| Total | | | 119.3 |
| Less cash and cash equivalents acquired | | | –6.5 |
| **Net cash outflow on acquisition** | | | **112.8** |

***Acquisitions in the first half of 2009***

At the beginning of April 2009, in the Cables division, Daetwyler Cables, a unit of Daetwyler Switzerland Inc., acquired the engineering business of SymbioTec Inc., Niederurnen, Switzerland, a start-up enterprise in the area of data networks.

At the beginning of March 2009, in the Technical Components division, ELFA AB acquired all the shares of the Nordic Power Group with head office in Stroemstad, Sweden. The three acquired companies in Sweden and Norway specialise in the product segment power and energy supply and reinforce the catalogue distribution business of the ELFA Group.

In the period from 1 March to 30 June 2009, the acquired businesses employing 13 people generated net revenue of CHF 2.5 million.

The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from the transactions:

| In CHF millions | Carrying amount | Fair value adjustments | Fair value on acquisition |
|---|---|---|---|
| Cash and cash equivalents | 0.3 | – | 0.3 |
| Trade accounts receivable | 1.3 | – | 1.3 |
| Inventories | 2.1 | 0.1 | 2.2 |
| Other current assets | 0.1 | – | 0.1 |
| Property, plant and equipment | 0.0 | – | 0.0 |
| Current liabilities | 1.7 | – | 1.7 |
| Long-term liabilities | 0.2 | 0.1 | 0.3 |
| **Net assets acquired at fair value** | | | **1.9** |
| Goodwill including directly attributable transaction costs | | | 4.6 |
| Total | | | 6.5 |
| Less cash and cash equivalents acquired | | | –0.3 |
| Less estimated deferred purchase consideration | | | –2.3 |
| **Net cash outflow on acquisition** | | | **3.9** |

## 4 Financial position

Total assets decreased by CHF 49.4 million or 5.3 % compared to year-end 2009. The reduction of CHF 87.5 million in cash, cash equivalents and money market investments is mainly due to the acquisition of Reichelt Elektronik. As a result, the Group had liquid assets of CHF 107.8 million at the end of June 2010. Trade accounts receivable have temporarily increased due to seasonal factors like at the end of June 2009. Consolidated equity decreased with the offset of goodwill from the Reichelt Elektronik acquisition in the amount of CHF 69.9 million and in total by CHF 51.1 million to CHF 545.2 million, representing an equity ratio of 61.2 %.

## 5 Results of operations

Compared with the first half of 2009, personnel expenses increased by CHF 1.6 million to CHF 170.3 million with newly acquired companies contributing personnel expenses of CHF 5.1 million. Compared to 30 June 2009 the number of employees rose by 106 employees to 4 680 employees at 30 June 2010. Newly acquired companies contributed an additional 198 employees. Adjusted for the effect of acquisitions, personnel expenses decreased by CHF 3.5 million and the number of employees was 92 lower.

Impairment charges of CHF 1.4 million (first half of 2009: CHF 1.0 million) mainly relate to IT equipment in the Pharmaceutical Packaging division (CHF 0.7 million), the Technical Components division (CHF 0.6 million) and the Rubber division (CHF 0.1 million) which was written off due to the Group-wide outsourcing project. In the first half of 2009 impairment charges related to buildings of the Technical Components Division in Germany.

Other operating income includes gains on sale of property, plant and equipment and investment property of CHF 2.3 million (first half of 2009: CHF 2.6 million).

Net finance expenses of CHF 4.9 million (first half of 2009: CHF 4.0 million) include net foreign exchange losses of CHF 4.1 million (first half of 2009: net foreign exchange gains of CHF 2.6 million), partly offset by unrealised net marked-to-market gains of interest rate swap and forward exchange contracts of CHF 2.4 million (first half of 2009: unrealised net losses of CHF 3.1 million). Net interest expense decreased to CHF 2.5 million in the first half of 2010 (first half of 2009: CHF 3.7 million). The market valuation of securities resulted in unrealised losses of CHF 0.4 million (first half of 2009: unrealised gains of CHF 0.4 million).

## 6 Share award plan

Since 2007, Directors and senior executives receive a portion of their remuneration in the form of bearer shares of Daetwyler Holding Inc. Share-based payments to Directors and senior executives are measured at market value and recognised as personnel expenses at the issue date. The shares awarded have a vesting period of 5 years. In June 2010, Directors were awarded 9 400 bearer shares (June 2009: 10 500 bearer shares) in Daetwyler Holding Inc., and senior executives were awarded 7 200 bearer shares (June 2009: 8 300 bearer shares). Personnel expenses relating to the share award plan amount to CHF 1.1 million (first half 2009: CHF 0.8 million).

## 7 Events after balance sheet date

The Board of Directors and the Executive Board are not aware of any significant events occurring up to the date of approval of the interim consolidated financial statements on 17 August 2010 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 2010** | | Six months ended 30 June 2009 | |
|---|---|---|---|---|
| | Closing rate at 30 June | Average rate first half year | Closing rate at 30 June | Average rate first half year |
| 1 EUR | 1.32 | 1.44 | 1.53 | 1.51 |
| 1 USD | 1.09 | 1.08 | 1.09 | 1.13 |
| 100 SEK | 14.15 | 14.67 | 13.94 | 13.86 |

## Daetwyler Group: an international multi-niche player

The Daetwyler Group is an international multi-niche player dedicated to industrial supply and distribution of engineering and electronic components. Our activities concentrate on attractive niches that offer opportunities to increase value added and sustain profitable growth. The Group's four divisions – Technical Components, Pharmaceutical Packaging, Cables and Rubber – are focused on the manufacturing, pharmaceutical and datacom industries. Our strategy is built on delivering innovative solutions and positioning ourselves as a competent development partner for our customers. With more than 40 operating companies, sales in over 80 countries and some 4 600 employees, the Daetwyler Group generates approximately CHF 1 300 million in revenue. Daetwyler has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).
www.daetwyler.ch

## Important dates

| | |
|---|---|
| Announcement of net revenue 2010 | 28 January 2011 |
| Annual Press Conference and Analyst Conference | 22 March 2011 |
| Annual General Meeting | 19 April 2011 |
| Interim Report | 19 August 2011 |

This Interim Report contains forward-looking statements that reflect the Group's current expectations regarding market conditions and future events and are therefore subject to a number of risks, uncertainties and assumptions. Unanticipated events could cause actual results to differ from those predicted and from the information published in this report. All forward-looking statements contained in this report are qualified in their entirety by the foregoing.

This Interim Report is available in English and German and can be downloaded from our website at www.daetwyler.ch.
The German version is binding.

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