INTERIM REPORT
2018

DATWYLER

HIGHLIGHTS

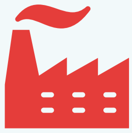
694.1 mn	13.1 %	62.5 mn
Revenue in CHF	EBIT margin	Net result in CHF

KEY FIGURES DATWYLER GROUP

in CHF millions	Six months ended 30.06.2018 unaudited	Six months ended 30.06.2017 unaudited
Net revenue	694.1	644.5
Change compared to prior period (%)	7.7%	3.8%
Operating result before interest, taxes, depreciation and amortisation (EBITDA)	120.7	108.1
EBITDA in % of net revenue	17.4%	16.8%
Operating result before interest and taxes (EBIT)	90.7	80.1
EBIT in % of net revenue	13.1%	12.4%
Net result	62.5	53.3
Net result in % of net revenue	9.0%	8.3%
ROCE (LTM)[1] in %	24.1%	21.3%
Average capital employed	718.6	677.3
Net cash from operating activities	77.6	52.1
Net cash used in investing activities	–81.8	–42.2
Free cash flow	–4.2	9.9
Net cash used in financing activities	–54.9	–42.7
Net change in cash and cash equivalents	–59.1	–32.8
Cash and cash equivalents	222.0	284.0
Net cash surplus	219.7	280.7
Capital expenditures	71.7	37.7
Total assets	1'298.6	1'220.7
Equity	907.6	816.9
Equity as % of total assets	69.9%	66.9%
Number of employees	7'649	7'438
Full time equivalents	7'511	7'278

PER SHARE DATA

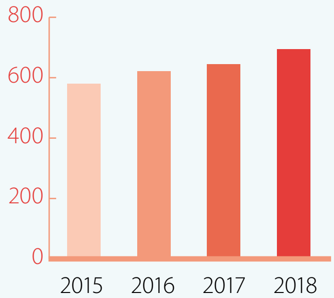
in CHF	Six months ended 30.06.2018 unaudited	30.06.2017 unaudited
Earnings per bearer share	3.68	3.14
Market price (high / low) per bearer share	211 / 175	170 / 139



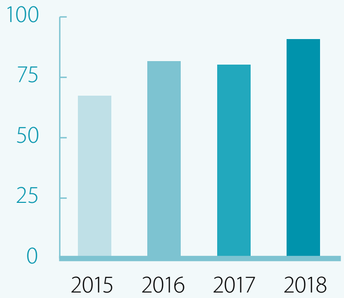
71.7 mn

Capital expenditure in CHF

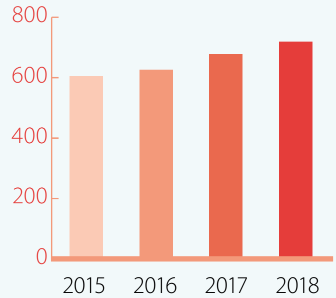
NET REVENUE
in CHF million



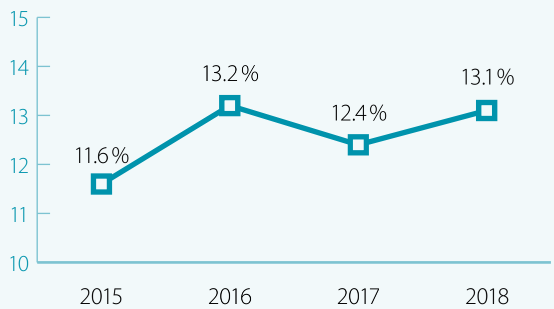
EBIT
in CHF million



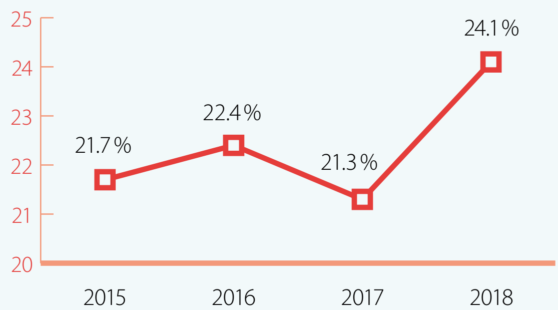
CAPITAL EMPLOYED
in CHF million



EBIT MARGIN
in %

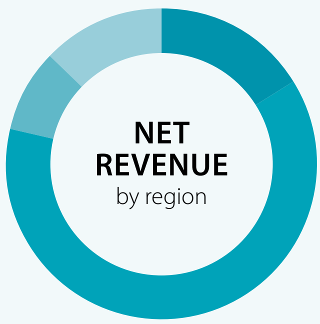


ROCE (LTM)[1]
in %



7'649

Employees



● Switzerland ● Rest of Europe ● North and South America ● Asia ● Other markets

[1] ROCE is calculated by dividing the operating result before interest and tax (EBIT) of the last twelve months (= LTM) by the average capital employed of the same period.

LETTER TO THE SHAREHOLDERS

Datwyler grows revenue and improves margins

– Revenue rises 7.7 % to CHF 694.1 million.
– EBIT margin improves further to 13.1 %.
– Net result up 17.3 % to CHF 62.5 million.
– On course to achieve the targets for the year of CHF 1'350 million to CHF 1'400 million in revenue and an EBIT margin of 12 % to 15 %.
– Promising acquisition projects should generate additional momentum in the second half of the year.

The Datwyler Group maintained its profitable growth path during the first half of 2018 in what was a moderate market in parts. Unaudited net revenue was up 7.7 % on the same period last year at CHF 694.1 million (previous year: CHF 644.5 million). Thanks to its leading market positions and operational strength, the Sealing Solutions division made a significant contribution to this growth. Demand for high-quality seal components for the health care industry outstripped market growth. However, the Technical Components division also succeeded in increasing revenue on the back of its core business-to-business (B2B) online distribution activities. Adjusted for positive currency effects, this resulted in 2.5 % organic growth for the Datwyler Group as a whole.

Further improvement in EBIT margin

Focusing on system- and time-critical components for long-term growth markets has allowed Datwyler to further improve its profitability. The operating result (EBIT) thus rose by 13.2 % to CHF 90.7 million (previous year: CHF 80.1 million). The EBIT margin improved further to reach 13.1 % (previous year: 12.4 %). Drawing on its operational strength, Datwyler was able to offset higher raw material prices and set-up costs associated with growth projects. The net result improved by 17.3 % to CHF 62.5 million (previous year: CHF 53.3 million). Construction work on the new Health Care plant in the USA saw investments increase to CHF 71.7 million during the first half of the year (previous year: CHF 37.7 million). When this new US plant opens in the second half of 2018, Datwyler will be well positioned to profit from the rapid rise in demand for high-quality components for prefilled syringes and other modern drug delivery systems.

Sealing Solutions division remains on course for profitable growth

The Sealing Solutions division maintained its profitable growth path during the first half of 2018. In spite of a rather moderate mood in some of its market segments, the division's leading positions helped to raise net revenue by 7.9 % year on year to CHF 453.2 million (previous year: CHF 420.2 million). Adjusted for positive currency effects, this resulted in 3.4 % organic growth for the division.

For the sixth consecutive time since the merger of the two former divisions, the sealing business increased the operating result (EBIT) by 6.6 % to CHF 83.8 million (previous year: CHF 78.6 million). The EBIT margin stood at 18.5 % (previous year: 18.7 %). Further efficiency savings nearly offset higher raw material prices and set-up costs associated with growth projects.

The Health Care market segment recorded demand above the market average for high-quality components for prefilled syringes and other modern drug delivery systems from First Line production. Improved efforts to cultivate the market began to bear fruit in this regard. The upcoming commissioning of the new First Line capacities in India and the new First Line plant in the USA in the second half of the year will further accelerate organic growth.

The Automotive market segment also continued to expand despite growth in China and the USA being slower than the strong performance that they enjoyed in the prior year period. Demand for high-quality components used in selective catalytic reduction (SCR) continued to develop very positively, with this technology gaining ground in the treatment of exhaust gases produced by diesel vehicles.

The Civil Engineering market segment had to contend with a slight decrease in revenue during the first six months of the year, although new tunnelling and track construction contracts will bring an improvement during the second half. In the Consumer Goods market segment, meanwhile, the multi-year contract with Nespresso that entered into force in early 2018 promises further potential.

Increase in revenue for the Technical Components division

The Technical Components division increased its revenue in the first half of 2018 by 7.4 % to CHF 240.9 million (previous year: CHF 224.3 million). While Reichelt made a disproportionately large contribution to revenue growth thanks to its international expansion, Nedis suffered another decline in demand in the wholesale supply of in-home/consumer electronics due to its range being streamlined. Adjusted for positive currency effects, organic growth at division level amounted to 0.8 %. Organic growth per trading day amounted to 1.4 %. Rigorous cost discipline increased the operating result (EBIT) to CHF 6.9 million (previous year: CHF 1.5 million after one-off costs). The EBIT margin improved to 2.9 % (previous year: 0.7 %). Adjustments to customer segmentation led to a restructuring of the project portfolio, triggering impairments that slowed down margin growth.

Distrelec is pressing ahead with its focus on the Maintenance, Automation and Robotics market segments, which bring in higher margins. The considerable improvement in customer satisfaction, as measured by the Net Promoter Score that is standard in the sector, shows that Distrelec is making progress on the operational front, even if this has yet to translate adequately into improved revenue and margins. The new enterprise hub in Manchester is continuously improving operating performance.

Reichelt succeeded in accelerating its profitable growth further. The strategy of international expansion, with new local online shops in France, the Netherlands and Poland, is generating pleasing levels of demand from new customers. The proportion of B2B business in its home market of Germany also increased. Reichelt stepped up its marketing activities in a targeted manner in order to raise its brand profile.

Nedis is working very hard to implement its comprehensive optimisation programme. Among other things, the company is replacing its various product brands with a single, common brand as well as enhancing product quality, fine-tuning product management and making sales more efficient. The positive feedback received from major customers provides grounds for optimism and suggests that the negative revenue trend can be reversed when the new product brand officially launches at the end of August. Nedis further streamlined its range during the first half of the year with a view to improving margins, accepting that this would lower revenue.

Bond to finance acquisition-based growth strategy

As previously communicated on a number of occasions, Datwyler intends to open up new geographical markets and tap into new technologies and market niches through targeted acquisitions. This strategy is geared towards accelerating organic growth in the Sealing Solutions division and examples include the acquisitions of Columbia Engineered Rubber in the USA in 2014, Origom in Italy in 2015, and Ott in Germany in 2016. With a view to securing future funding for its acquisition-based growth strategy, on 30 May 2018 Datwyler successfully issued a CHF 150 million bond paying a coupon of 0.625 % and with a term of six years. Its existing 1.125 % bond for 2012 – 2018 in the amount of CHF 150 million was repaid on 7 June 2018.

Confident outlook

Datwyler firmly believes that the Group can maintain the pace of growth from the first half of the year throughout the second half. The Sealing Solutions division should be able to outstrip market growth in the key Automotive and Health Care market segments on the back of its strong market positions and healthy order book. The Technical Components division will intensify its off- and online marketing measures across all three units – Distrelec, Reichelt and Nedis – during the second half of the year. We still expect the Group's net revenue to be between CHF 1'350 million and CHF 1'400 million for the year as a whole. In spite of a general rise in raw material prices and start-up costs for the new plants, the EBIT margin should continue to be within the 12%-to-15% target range. Some promising acquisition projects should generate additional momentum in the second half of the year.

Altdorf, 10. August 2018

On behalf of the Board of Directors	On behalf of the Executive Management
Dr. Paul J. Hälg, Präsident	Dirk Lambrecht, CEO

Consolidated Income Statement

in CHF millions	Note	Six months ended 30.06.2018 unaudited	30.06.2017 unaudited
Net revenue	1	694.1	644.5
Cost of goods sold		–513.7	–477.9
Gross profit		180.4	166.6
Research and development expenses		–14.5	–13.1
Marketing and selling expenses		–48.8	–44.2
General and administrative expenses		–36.0	–37.2
Other operating income		9.7	8.0
Other operating expenses		–0.1	–0.0
Operating result before interest and taxes (EBIT)	1	90.7	80.1
Net finance result	4	–5.2	–4.0
Earnings before tax (EBT)		85.5	76.1
Income tax expenses		–23.0	–22.8
Net result		62.5	53.3
Net result per bearer share entitled to dividend (in CHF) [1]		**3.68**	**3.14**

[1] *There were no dilutive effects in the first half-year of 2018 and 2017.*

The accompanying notes on pages 11 to 14 are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	30.06.2018 unaudited	31.12.2017	30.06.2017 unaudited
Cash and cash equivalents		222.0	281.8	284.0
Trade accounts receivable		215.0	201.9	207.0
Inventories		218.7	215.8	191.4
Other receivables		33.1	23.2	23.2
Prepayments made and accrued income		11.4	11.0	9.7
Current assets		700.2	733.7	715.3
Property, plant and equipment		528.0	491.9	423.6
Intangible assets		22.3	21.7	18.9
Deferred income tax assets		44.9	48.8	59.8
Miscellaneous financial assets		3.2	3.5	3.1
Non-current assets		598.4	565.9	505.4
Total assets	3	**1'298.6**	**1'299.6**	**1'220.7**

Liabilities and equity

in CHF millions	Note	30.06.2018 unaudited	31.12.2017	30.06.2017 unaudited
Trade accounts payable		74.6	78.5	73.1
Short-term bank debt		2.3	4.3	3.3
1.125% bond 2012–2018		–	150.0	149.9
Current provisions		16.2	18.0	24.9
Other current liabilities		60.7	66.3	65.5
Accrued expenses and deferred income		49.2	45.1	35.2
Current liabilities		203.0	362.2	351.9
Long-term bank debt		6.8	7.3	6.3
0.625% bond 2018–2024		150.1	–	–
Long-term provisions		10.1	10.3	10.8
Deferred income tax liabilities		14.7	14.9	29.0
Pension liabilities		4.7	4.6	4.1
Other long-term liabilities		1.6	1.8	1.7
Long-term liabilities		188.0	38.9	51.9
Total liabilities		391.0	401.1	403.8
Share capital		0.9	0.9	0.9
Treasury shares		–	–	–
Additional paid-in capital		205.1	205.1	205.1
Goodwill offset against equity		–656.2	–656.2	–656.2
Retained earnings		1'452.4	1'440.7	1'370.3
Cumulative translation adjustments		–94.6	–92.0	–103.2
Equity		907.6	898.5	816.9
Total liabilities and equity	3	**1'298.6**	**1'299.6**	**1'220.7**

The accompanying notes on pages 11 to 14 are an integral part of these interim consolidated financial statements.

Condensed Consolidated Cash Flow Statement

in CHF millions	Note	Six months ended 30.06.2018 unaudited	30.06.2017 unaudited
Net result		62.5	53.3
Non-cash items of income and expenses		58.6	49.9
Operating cash flow before changes in working capital		121.1	103.2
Changes in net working capital		–43.5	–51.1
Net cash flow from operating activities		77.6	52.1
Net purchases of property, plant and equipment		–80.0	– 39.3
Earn-out payments		–	– 0.4
Net purchases of other non-current assets		–1.8	– 2.5
Net cash used in investing activities		–81.8	– 42.2
Net repayment of bank debt		–2.3	– 2.0
Net decrease in other long-term liabilities		–0.0	– 0.1
Net proceeds from issue of bond		150.1	–
Repayment of bond		–150.0	–
Purchase of treasury shares		–1.7	–3.2
Dividend paid to shareholders		–51.0	– 37.4
Net cash used in financing activities		–54.9	– 42.7
Net change in cash and cash equivalents		–59.1	– 32.8
Cash and cash equivalents at 1 January		281.8	317.5
Effect of exchange rate changes on cash and cash equivalents		–0.7	– 0.7
Cash and cash equivalents at 30 June		**222.0**	**284.0**

The accompanying notes on pages 11 to 14 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 2017	**0.9**	**–**	**205.0**	**–655.8**	**1'354.4**	**–99.0**	**805.5**
Net result	–	–	–	–	53.3	–	53.3
Dividends	–	–	–	–	– 37.4	–	– 37.4
Offset of goodwill from acquisitions	–	–	–	– 0.4	–	–	–0.4
Purchase of treasury shares	–	– 3.2	–	–	–	–	– 3.2
Share award plan (see note 5)	–	3.2	0.1	–	–	–	3.3
Currency translation differences	–	–	–	–	–	– 4.2	– 4.2
At 30 June 2017	**0.9**	**–**	**205.1**	**–656.2**	**1'370.3**	**–103.2**	**816.9**
Net result	–	–	–	–	70.4	–	70.4
Currency translation differences	–	–	–	–	–	11.2	11.2
At 1 January 2018	**0.9**	**–**	**205.1**	**– 656.2**	**1'440.7**	**– 92.0**	**898.5**
Net result	–	–	–	–	62.5	–	62.5
Dividends	–	–	–	–	– 51.0	–	– 51.0
Purchase of treasury shares	–	– 1.7	–	–	–	–	– 1.7
Share award plan (see note 5)	–	1.7	–	–	–	–	1.7
Long-term incentive plan (see note 5)	–	–	–	–	0.2	–	0.2
Currency translation differences	–	–	–	–	–	–2.6	– 2.6
At 30 June 2018	**0.9**	–	**205.1**	**– 656.2**	**1'452.4**	**– 94.6**	**907.6**

[1] At 30 June 2018, the holding company's share capital was CHF 850'000 (30 June 2017 CHF 850'000).
[2] At 30 June 2018, the par value of treasury shares amounted to CHF 0 (30 June 2017 CHF 0).

The accompanying notes on pages 11 to 14 are an integral part of these interim consolidated financial statements.

Notes to the Consolidated Financial Statements

1 / SEGMENT INFORMATION

in CHF millions	Sealing Solutions	Technical Components	Elimi-nations	Total Group
Six months ended 30 June 2018:				
Revenue from external customers	453.2	240.9	–	694.1
Inter-segment revenue	–	0.0	–0.0	–
Total net revenue	453.2	240.9	–0.0	694.1
EBIT	83.8	6.9	–	90.7
EBIT in % of net revenue	18.5%	2.9%	–	13.1%

in CHF millions	Sealing Solutions	Technical Components	Elimi-nations	Total Group
Six months ended 30 June 2017:				
Revenue from external customers	420.2	224.3	–	644.5
Inter-segment revenue	0.0	0.0	–0.0	–
Total net revenue	420.2	224.3	–0.0	644.5
EBIT	78.6	1.5	–	80.1
EBIT in % of net revenue	18.7%	0.7%	–	12.4%

The Datwyler Group is a focused industrial supplier organised into two divisions with leading positions in global and regional market segments.

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

The Sealing Solutions division offers customised sealing solutions in global market segments including automotive, civil engineering, consumer goods and health care. The significant manufacturing and distribution companies are located in Switzerland, Germany, Belgium, Italy, the Czech Republic, Ukraine, China, South Korea, India, the USA, Brazil and Mexico.

The Technical Components division is a high-service distributor of electronic, automation and ICT components and accessories with about 30 distribution and service companies across Europe. Significant operations are located in Switzerland, Germany, the Netherlands as well as in Scandinavia.

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 2018 (hereinafter referred to as "first half of 2018"). 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 2017. In case of changes to the current year's presentation, the comparative figures of the previous year are reclassified accordingly to conform to the presentation of the current financial year in order to ensure comparability.

The interim consolidated financial statements were authorised for issue by the Board of Directors on 8 August 2018.

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 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 Datwyler Group are not subject to significant seasonal or cyclical variations.

3 / BALANCE SHEET

Total assets decreased by CHF 1.0 million or 0.1 % compared to year-end 2017. Cash and cash equivalents of the Group amounted to CHF 222.0 million at the end of June 2018. The decrease of CHF 59.8 million compared to year-end 2017 resulted mainly from the dividend payment of CHF 51.0 million. Trade accounts receivable have temporarily increased due to seasonal factors as at the end of June 2017. 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. The 1.125 % CHF 150.0 million bond was repaid on 7 June 2018 at nominal value. Consolidated equity increased by CHF 9.1 million to CHF 907.6 million, representing an equity ratio of 69.9 %.

4 / INCOME STATEMENT

Compared with the first half of 2017, personnel expenses increased by CHF 12.2 million to CHF 180.2 million. Compared to 30 June 2017, the number of employees including temporary staff rose by 211 to 7’649 at 30 June 2018.

Net finance expenses of CHF 5.2 million (first half of 2017 CHF 4.0 million) include net foreign exchange losses of CHF 7.0 million (first half of 2017 gains of CHF 4.7 million), offset by net gains on derivative financial instruments of CHF 3.4 million (first half of 2017 losses of CHF 7.0 million). Net interest expense decreased to CHF 0.9 million in the first half of 2018 (first half of 2017 CHF 1.1 million).

5 / 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, which was introduced in 2007, was adapted effective from 2018. From 2019 only directors will participate in this plan. In the transition year 2018 shares were awarded for the last time to senior executives excluding members of the executive management. The awarding of shares will now be based on a fixed monetary amount rather than on a fixed number of shares. 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 2018, Directors were awarded a total of 6’891 (June 2017 9’600) bearer shares and senior executives were awarded a total of 1’650 (June 2017 10’150) bearer shares of Dätwyler Holding Inc. In the first half of 2018, 8’541 shares were purchased from the related party Pema Holding AG at market prices (first half of 2017 19’750 shares). Personnel expenses relating to the share award plan amount to CHF 1.7 million (first half of 2017 CHF 3.3 million), without impact on additional paid-in capital (first half of 2017 net increase of CHF 0.1 million).

Starting in 2018, a new long-term incentive plan was implemented 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 attributable to the first half of 2018 amount to CHF 0.2 million for the new long-term incentive plan. Shares will be awarded for the first time in 2021 under this plan.

6 / EVENTS AFTER BALANCE SHEET DATE

The Board of Directors and the Executive Management are not aware of any significant events occurring up to the date of approval of the interim consolidated financial statements on 8 August 2018 that would cause an adjustment of the carrying amounts of the Group’s assets and liabilities.

7 / CURRENCY TRANSLATION RATES

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	Closing rate at 30.06.	Average rate first half-year	Closing rate at 30.06.	Average rate first half-year
100 CNY	15.06	15.15	14.12	14.47
1 EUR	1.15	1.17	1.09	1.08
1 USD	1.00	0.97	0.96	1.00

Datwyler Group – a focused industrial supplier

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. With its technological leadership and customised solutions, the Group delivers added value to customers in the markets served. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. The Sealing Solutions Division is a leading supplier of customised sealing solutions to global market segments including automotive, health care, civil engineering and consumer goods. The Technical Components Division is one of Europe's foremost high-service distributors of maintenance, automation, electronic and ICT components and accessories. With a total of more than 50 operating companies, sales in over 100 countries and more than 7'500 employees, the Datwyler Group generates annual revenue of some CHF 1'300 million. The Group has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).

www.datwyler.com

Important dates

Annual Press Conference and Analyst Conference	8 February 2019
Annual General Meeting	12 March 2019
Interim Report	13 August 2019

Published and edited by
Dätwyler Holding Inc., Altdorf, Switzerland

Design and realization
Hotz Brand Consultants,
Steinhausen, Switzerland
Tinto AG, Altdorf, Switzerland

This interim report can be downloaded at www.datwyler.com.

Disclaimer

This Interim Report contains forward–looking statements that reflect the Datwyler 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.

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