INTERIM REPORT
2017

DATWYLER

HIGHLIGHTS

Key figures

in CHF millions	Six months ended 30.06.2017 unaudited	30.06.2016 unaudited
Net revenue	644.5	621.1
Change compared to prior period (%)	3.8%	7.3%
Operating result before interest, taxes, depreciation and amortisation (EBITDA)	108.1	110.4
EBITDA in % of net revenue	16.8%	17.8%
Operating result before interest and taxes (EBIT)	80.1	81.7
EBIT in % of net revenue	12.4%	13.2%
Net result	53.3	56.6
Net result in % of net revenue	8.3%	9.1%
Net cash from operating activities	52.1	–122.8
Net cash (used in)/provided by investing activities	–42.2	28.5
Free cash flow	9.9	–94.3
Net cash used in financing activities	–42.7	–35.9
Net change in cash and cash equivalents	–32.8	–130.2
Cash, cash equivalents and money market investments	284.0	111.0
Net cash surplus	280.7	107.3
Capital expenditure on property, plant and equipment, gross	35.2	29.2
Total assets	1'220.7	1'146.7
Equity	816.9	725.2
Equity as % of total assets	66.9%	63.2%
Number of employees (half-year average)	7'397	7'050
Full time equivalents (half-year average)	7'233	6'849
Price (high/low) per bearer share (in CHF)	170/139	153/111

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

LETTER TO THE SHAREHOLDERS

Increased revenue and operating profit for Datwyler

At a Group level, Datwyler maintained its profitable growth path in the first half of 2017, with the Sealing Solutions division taking advantage of its leading positions in attractive global market segments to accelerate profitable growth. Demand for sealing components within the automotive industry in China and for prefilled syringes in the Health Care market segment proved to be particularly dynamic. However, the Europe-focused Technical Components division suffered a drop in revenue due to persistently weak demand in the business-to-consumer segment. The continuous revenue growth in the second quarter in the core business-to-business segment of the Datwyler distributors Distrelec and Reichelt is an encouraging sign.

Adjusted EBIT margin slightly above the previous year's level

Overall, the Datwyler Group increased its unaudited net revenue year-on-year in the first half of 2017 by 3.8% to CHF 644.5 million (previous year: CHF 621.1 million). Adjusted for positive acquisition effects and negative currency effects, this equates to organic growth of 2.2%. The reported operating result (EBIT) stood at CHF 80.1 million (previous year: CHF 81.7 million). Before CHF 6.6 million in one-off costs recorded to date (mainly related to the development of Distrelec's new enterprise hub in Manchester), adjusted EBIT climbed to CHF 86.7 million. The adjusted EBIT margin consequently ended on 13.5%, slightly above the previous year's level (13.4%). The net result amounted to CHF 53.3 million (previous year: CHF 56.6 million).

Increased focus on attractive new market segments

We are continuing to dedicate more of our attention to long-term growth markets and have reached different stages of progress within the two divisions in this regard. Thanks to leading positions in attractive market segments, the Sealing Solutions division can increase organic growth by investing in expanded capacity and higher-quality production processes. We are tapping into further potential growth through the acquisition of companies that contribute new manufacturing technologies or open up new market segments. As far as the Technical Components division is concerned, we remain focused on strengthening our market positions. We are still looking to segment our markets and customers further, align our value proposition and offering strategy even more effectively with current and future customer needs and significantly increase our share of online business. Therefore, we want to offer our target customers added value in future with the most appealing packages and the shortest response times. Distrelec's new enterprise hub in Manchester is pursuing this very objective by managing products, suppliers, procurement, e-commerce and marketing efficiently from one location.

Accelerated growth in the Sealing Solutions division

The Sealing Solutions division managed to accelerate profitable growth in the first half of 2017. Thanks to our leading positions as well as new components going into serial production, net revenue rose year-on-year by 9.7% to CHF 420.2 million (previous year: CHF 383.1 million). Adjusted for positive acquisition effects and slightly negative currency effects, the division achieved organic growth of 6.2%.

For the fifth consecutive time since the merger of the two former divisions, the sealing business raised the operating result (EBIT) – which increased to CHF 78.6 million (previous year: CHF 72.5 million). This equates to an EBIT margin of 18.7% (previous year: 18.9%). Higher raw material prices as well as spending to stimulate growth prevented profits from growing further at this juncture. Our growth projects include the expansion of sales activities and technical services, the intensification of marketing efforts, start-up expenditure on the new Health Care plant in the USA and initial investments in the new mixing plants in the Czech Republic and Belgium. The construction of the new US plant is on schedule, while certifications by customers in relation to the two new mixing plants are likely to be completed by the end of 2017. Additional capacity expansion measures are in the pipeline to encourage growth.

The Health Care market segment has launched a new offering strategy to which customers have responded positively. Sales of high-quality sealing components for prefilled syringes have grown faster than the market average. The upgrading of part of our Indian plant to FirstLine standards will soon be completed.

The Automotive market segment posted very strong revenue growth in China in particular. Europe developed on a par with the previous year, while the US growth rate fell slightly. Market penetration of diesel vehicles with SCR (selective catalytic reduction) technology for treating exhaust gases is continually increasing, and this is leading to a sharp rise in sales of sophisticated sealing components. The change in name to Datwyler marked the completion of the integration of Origom, the Italian company acquired in 2015. We are actively using synergies in the customer portfolio for Ott, the firm that we acquired in 2016. Implementation of the first new product applications is currently ongoing.

Revenue in the Civil Engineering market segment was again up considerably year-on-year, while the Nespresso order in the Consumer Goods market segment continues to be a source of satisfaction.

Mixed results in the Technical Components division

In the first half of 2017, the Europe-focused Technical Components division managed to increase revenue in the core business-to-business segment of distributors Distrelec and Reichelt. However, demand was down in the business-to-consumer segment. Overall, net revenue fell to CHF 224.3 million (previous year: CHF 238.0 million). Taking negative currency effects into account, this equates to an organic decline of 4.1 %. Weak demand affecting home and consumer electronics wholesaler Nedis prevented a better revenue performance. RND, the new house brand for standard products, made a positive contribution to revenue and is becoming increasingly popular in all distribution channels. Given the shortfall in revenue, particularly at Nedis and in the Swiss market, the reported operating result (EBIT) at divisional level dropped to CHF 1.5 million (previous year: CHF 9.2 million) despite good cost control and an improved gross margin. Provisions for impairment of stock due to weak business-to-consumer sales nullified the higher gross margin. Before one-off costs of CHF 6.6 million (mainly related to the development of Distrelec's new enterprise hub in Manchester) adjusted EBIT amounted to CHF 8.1 million, giving an adjusted EBIT margin of 3.6 % (previous year: 4.5 %).

In terms of Distrelec, our focus this year is on developing the new enterprise hub announced for Manchester, which will manage products, suppliers, procurement, e-commerce and marketing centrally for all markets covered from the end of 2017. Around 90 jobs across four sites in Sweden, Germany, Switzerland and Italy will consequently be moved to Manchester. Overall, Datwyler expects one-off costs of around CHF 8 million, which will bring annual recurring cost savings of CHF 3 million. The project is on track in every respect. Distrelec will serve and supply its customers in all its markets without interruption and with its usual reliability. The central distribution centre in the Netherlands has performed steadily, helping to increase product availability and ensure punctual delivery. With the exception of Switzerland and Norway (where there is a considerable business-to-consumer focus), this has already translated into a slight increase in revenue.

Reichelt grew profitably in the first half of 2017 but still offers significant optimisation potential for the future. Growth in the business-to-business segment in Switzerland and abroad more than offset the weak demand in the business-to-consumer segment. The international expansion is advancing well and making a major contribution to growth.

Nedis suffered a serious drop in revenue in the first half of the year, not least because of the deliberate reduction in unprofitable business. The home and consumer electronics wholesaler operates in a very challenging market segment where demand is falling and competition is high. The growing trend of online shopping in the consumer segment has hastened the closure of small and medium-sized retail businesses. Nedis has lost many of its traditional customers as a consequence. Establishing the business as a profitable supplier to the major online retailers is challenging as well. The problem is identified and the strategy is being reviewed. Firstly, Nedis will consolidate its own product brands. This will result in efficiency enhancements and cost savings along the entire supply chain. Nedis will also implement further savings with regard to operating costs and concentrate more on market trends such as smart home technology, while its customer-specific packages will provide a unique selling proposition.

Confident outlook

For the second half of 2017, we are confident that the Datwyler Group can maintain the growth rate of the first half of the year. We expect the economic climate to remain favourable during this time. The Sealing Solutions division should manage to build on its performance in the first half of 2017 and exceed average market growth levels again across the four market segments in the second half of the year. We anticipate the revenue and margin performance of the Technical Components division in the second half of the year to be better than it was in the first half – supported by rising trading volumes in the business-to-business segment during the second quarter. Due to ongoing restructuring projects, we expect the Technical Components division to incur one-off costs of around CHF 10 million for the year as a whole (with CHF 6.6 million having already been entered into the accounts). We expect the Group's net revenue to be between CHF 1.270 million and CHF 1.310 million for the full year. As in the first half of 2017, the adjusted EBIT margin should end up within the upper half of the 11%-to–14% target range.

Altdorf, 11 August 2017

On behalf of the Board of Directors

Dr. Paul J. Hälg, Chairman

On behalf of the Executive Management

Dirk Lambrecht, CEO

Consolidated Income Statement

in CHF millions	Note	Six months ended 30.06.2017 unaudited	30.06.2016 unaudited
Net revenue	1	644.5	621.1
Cost of goods sold		–477.9	–455.0
Gross profit		166.6	166.1
Research and development expenses		–13.1	–11.9
Marketing and selling expenses		–44.2	–46.9
General and administrative expenses		–37.2	–32.4
Other operating income	4	8.0	6.9
Other operating expenses		–0.0	–0.1
Operating result before interest and taxes (EBIT)	1	80.1	81.7
Net finance result	4	–4.0	–5.2
Earnings before tax (EBT)		76.1	76.5
Income tax expenses		–22.8	–19.9
Net result		53.3	56.6
Net result per bearer share entitled to dividend (in CHF) [1]		**3.14**	**3.44**

[1] There were no dilutive effects in the first half-year of 2017 and 2016.

The accompanying notes on pages 10 to 13 are an integral part of these interim consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	30.06.2017 unaudited	31.12.2016	30.06.2016 unaudited
Cash and cash equivalents	3	284.0	317.5	111.0
Trade accounts receivable		207.0	191.0	200.9
Inventories		191.4	178.7	174.5
Other receivables		23.2	25.3	187.3
Property, plant and equipment and intangible assets held for sale		–	–	0.7
Prepayments made and accrued income		9.7	8.3	19.9
Current assets		715.3	720.8	694.3
Property, plant and equipment		423.6	412.8	373.0
Intangible assets		18.9	19.5	16.6
Deferred income tax assets		59.8	60.8	60.2
Miscellaneous financial assets		3.1	3.2	2.6
Non-current assets		505.4	496.3	452.4
Total assets		**1'220.7**	**1'217.1**	**1'146.7**

Liabilities and equity

in CHF millions	Note	30.06.2017 unaudited	31.12.2016	30.06.2016 unaudited
Trade accounts payable		73.1	63.7	61.1
Short-term bank debt		3.3	4.0	3.7
1.125% bond 2012–2018		149.9	–	–
Current provisions		24.9	24.6	32.4
Other current liabilities		65.5	69.3	86.8
Accrued expenses and deferred income		35.2	46.9	33.8
Current liabilities		351.9	208.5	217.8
Long-term bank debt		6.3	7.5	5.4
1.125% bond 2012–2018		–	149.9	149.8
Long-term provisions		10.8	12.1	15.0
Deferred income tax liabilities		29.0	27.9	28.8
Pension liabilities		4.1	3.9	3.7
Other long-term liabilities		1.7	1.8	1.0
Long-term liabilities		51.9	203.1	203.7
Total liabilities		403.8	411.6	421.5
Share capital		0.9	0.9	0.9
Treasury shares		–	–	–0.0
Additional paid-in capital		205.1	205.0	137.0
Goodwill offset against equity		–656.2	–655.8	–644.6
Retained earnings		1'370.3	1'354.4	1'353.4
Market valuation of cash flow hedges		–	–	–21.7
Cumulative translation adjustments		–103.2	–99.0	–99.8
Equity	3	816.9	805.5	725.2
Total liabilities and equity		**1'220.7**	**1'217.1**	**1'146.7**

The accompanying notes on pages 10 to 13 are an integral part of these interim consolidated financial statements.

Condensed Consolidated Cash Flow Statement

in CHF millions	Note	Six months ended 30.06.2017 unaudited	30.06.2016 unaudited
Net result		53.3	56.6
Non-cash item of income and expenses		49.9	68.1
Operating cash flow before changes in working capital		103.2	124.7
Changes in net working capital		–51.1	–247.5
Net cash flow from operating activities		52.1	–122.8
Net purchases of property, plant and equipment		–39.3	–26.2
Earn-out payments		–0.4	–2.0
Net proceeds from sale of money market investments		–	60.0
Net purchases of other non-current assets		–2.5	–3.3
Net cash (used in)/provided by investing activities		–42.2	28.5
(Repayment of)/net proceeds from bank debt		–2.0	0.5
Net decrease in other long-term liabilities		–0.1	–0.2
Purchase of treasury shares		–3.2	–
Dividend paid to shareholders		–37.4	–36.2
Net cash used in financing activities		–42.7	–35.9
Net change in cash and cash equivalents		–32.8	–130.2
Cash and cash equivalents at 1 January		317.5	242.0
Effect of exchange rate changes on cash and cash equivalents		–0.7	–0.8
Cash and cash equivalents at 30 June		**284.0**	**111.0**

The accompanying notes on pages 10 to 13 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	Market valuation of cash flow hedges	Cumulative translation adjustments	Total equity
At 1 January 2016	**0.9**	**–0.0**	**134.0**	**–644.6**	**1'333.0**	**–0.3**	**–96.9**	**726.1**
Net result	–	–	–	–	56.6	–	–	56.6
Share award plan (see note 5)	–	0.0	3.0	–	–	–	–	3.0
Dividends	–	–	–	–	–36.2	–	–	–36.2
Offset of goodwill from acquisitions	–	–	–	–0.0	–	–	–	–0.0
Changes in market valuation of cash flow hedges	–	–	–	–	–	–21.4	–	–21.4
Currency translation differences	–	–	–	–	–	–	–2.9	–2.9
At 30 June 2016	**0.9**	**–0.0**	**137.0**	**–644.6**	**1'353.4**	**–21.7**	**–99.8**	**725.2**
Net result	–	–	–	–	1.0	–	–	1.0
Offset of goodwill from acquisitions	–	–	–	–11.2	–	–	–	–11.2
Proceeds from sale of treasury shares	–	0.0	68.0	–	–	–	–	68.0
Changes in market valuation of cash flow hedges	–	–	–	–	–	21.7	–	21.7
Currency translation differences	–	–	–	–	–	–	0.8	0.8
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**

[1] At 30 June 2017, the holding company's share capital was CHF 850'000 (30 June 2016 CHF 850'000).
[2] At 30 June 2017, the par value of treasury shares amounted to CHF 0 (30 June 2016 CHF 26'417).

The accompanying notes on pages 10 to 13 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 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%

in CHF millions	Sealing Solutions	Technical Components	Elimi-nations	**Total Group**
Six months ended 30 June 2016:				
Revenue from external customers	383.1	238.0	–	621.1
Inter-segment revenue	0.0	0.0	–0.0	–
Total net revenue	383.1	238.0	–0.0	621.1
EBIT	72.5	9.2	–	81.7
EBIT in % of net revenue	18.9%	3.9%	–	13.2%

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, health care, civil engineering and consumer goods. The significant manufacturing and distribution companies are located in Switzerland, Germany, Belgium, the Netherlands, Italy, the Czech Republic, Ukraine, China, South Korea, India, the USA, Brazil and Mexico.

The Technical Components division is a high-service distributor of maintenance, automation, electronic and ICT components and accessories with about 30 distribution and service companies across Europe. Significant operations are located in Switzerland, Germany, the Netherlands and 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 2017 (hereinafter referred to as “first half of 2017”). 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 2016. 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 9 August 2017.

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 increased by CHF 3.6 million or 0.3 % compared to year-end 2016. Cash and cash equivalents of the Group amounted to CHF 284.0 million at the end of June 2017. The decrease of CHF 33.5 million compared to year-end 2016 resulted among others from the dividend payment of CHF 37.4 million. Trade accounts receivable have temporarily increased due to seasonal factors as at the end of June 2016. Consolidated equity increased by CHF 11.4 million to CHF 816.9 million, representing an equity ratio of 66.9 %.

4 / INCOME STATEMENT

Compared with the first half of 2016, personnel expenses increased by CHF 8.1 million to CHF 168.0 million, including restructuring provisions of CHF 5.0 million arising from obligations related to headcount relocations in the Technical Components division. Compared to 30 June 2016, the average number of employees including temporary staff rose by 347 to 7'397 at 30 June 2017, including an increase of 260 employees from subsidiaries acquired.

In the first half of 2017, no impairment charges were recognised (first half of 2016 none). Other operating income includes gains on sale of fixed assets of CHF 0.0 million (first half of 2016 CHF 0.5 million).

Net finance expenses of CHF 4.0 million (first half of 2016 CHF 5.2 million) include net foreign exchange gains of CHF 4.7 million (first half of 2016 losses of CHF 5.8 million), offset by net losses on derivative financial instruments of CHF 7.0 million (first half of 2016 gains of CHF 2.1 million). Net interest expense increased slightly to CHF 1.1 million in the first half of 2017 (first half of 2016 CHF 1.0 million).

5 / SHARE AWARD PLAN

Since 2007, Directors and senior executives have received a portion of their remuneration in the form of bearer shares of Dätwyler Holding Inc. Share-based payments to Directors and senior executives are measured at market value and recognised as personnel expenses at issue date. The shares awarded may not be sold for a period of five years after issue date. Voting and dividend rights of shares awarded are transferred to the beneficiaries at issue date. In June 2017, Directors were awarded a total of 9’600 (June 2016 11’800) bearer shares and senior executives were awarded a total of 10’150 (June 2016 9’900) bearer shares of Dätwyler Holding Inc. In the first half of 2017, 19’750 shares were purchased on the stock exchange as well as from the related party Pema Holding AG at market prices (first half of 2016 none). Personnel expenses relating to the share award plan amount to CHF 3.3 million (first half of 2016 CHF 3.2 million) and the net increase in additional paid-in capital was CHF 0.1 million (first half of 2016 CHF 3.0 million), net of applicable income taxes.

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 9 August 2017 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 2017		Six months ended 30 June 2016	
	Closing rate at 30.06.	Average rate first half-year	Closing rate at 30.06.	Average rate first half-year
100 CNY	14.12	14.47	14.76	15.06
1 EUR	1.09	1.08	1.09	1.10
1 USD	0.96	1.00	0.98	0.98

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 7'000 employees, the Datwyler Group generates annual revenue of more than CHF 1'200 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	6 February 2018
Annual General Meeting	6 March 2018
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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.

This Datwyler Group Interim Report is available in English and German as a downloadable PDF on www.datwyler.com > Investors > Publications > Interim Report. The German version is binding.

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