

INTERIM REPORT
2019



HIGHLIGHTS

706.3 mn

Revenue in CHF

12.9 %

EBIT margin

66.2 mn

Net result in CHF

KEY FIGURES DATWYLER GROUP

in CHF millions

Six months ended

	30.06.2019 unaudited	30.06.2018 unaudited
Net revenue	706.3	694.1
Change compared to prior period (%)	1.8%	7.7%
Operating result before interest, taxes, depreciation and amortisation (EBITDA)	124.9	120.7
EBITDA in % of net revenue	17.7%	17.4%
Operating result before interest and taxes (EBIT)	91.2	90.7
EBIT in % of net revenue	12.9%	13.1%
Net result	66.2	62.5
Net result in % of net revenue	9.4%	9.0%
ROCE (LTM)¹ in %	21.4%	24.1%
Average capital employed	762.0	718.6
Net cash from operating activities	88.3	77.6
Net cash used in investing activities	-48.9	-81.8
Free cash flow	39.4	-4.2
Net cash used in financing activities	-28.9	-54.9
Net change in cash and cash equivalents	10.5	-59.1
Cash and cash equivalents	180.3	222.0
Capital expenditures	53.0	71.7
Total assets	1'345.6	1'298.6
Equity	839.5	907.6
Equity as % of total assets	62.4%	69.9%
Number of employees	8'181	7'649
Full time equivalents	7'966	7'511

PER SHARE DATA

in CHF

Six months ended

	30.06.2019 unaudited	30.06.2018 unaudited
Earnings per bearer share	3.89	3.68
Market price (high / low) per bearer share	164 / 123	211 / 175

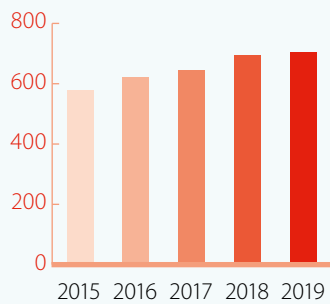


53 mn

Capital expenditure in CHF

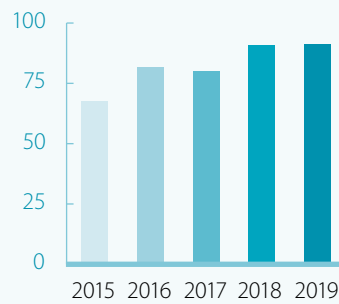
NET REVENUE

in CHF million



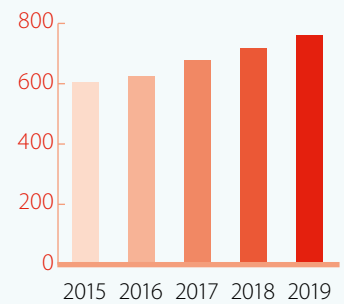
EBIT

in CHF million



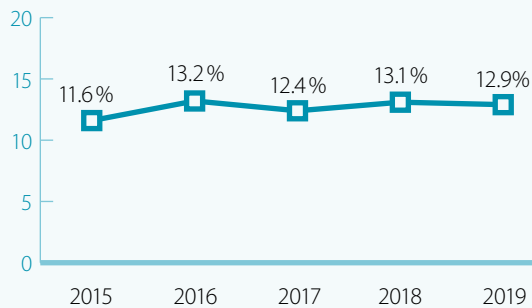
CAPITAL EMPLOYED

in CHF million



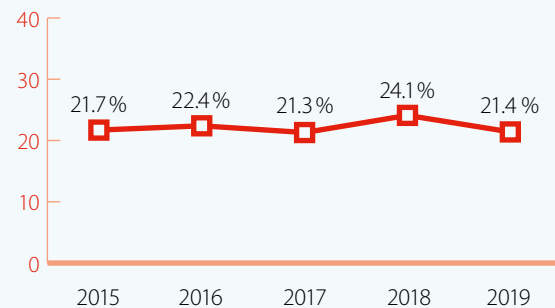
EBIT MARGIN

in %



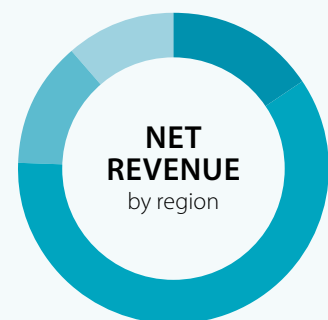
ROCE (LTM)¹

in %



8'181

Employees



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

¹ROCE 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 achieves a good result in a difficult environment

- Revenue rises by 1.8% to CHF 706.3 million.
- Higher absolute EBIT with EBIT margin nearly unchanged despite start-up costs for growth projects.
- Net result up 5.9% to CHF 66.2 million.
- The strategic focus pursued by the Sealing Solutions division has proved its worth in a difficult environment.
- Strategic options for the Technical Components division are being reviewed.

During the first half of 2019, the Datwyler Group was faced with a slowdown in the economy as a whole. This resulted in more challenging market conditions. The trade dispute between the USA and China led to a reduction in inventories, particularly in the automotive sector and a decline in demand, whereby this decline varied from region to region. The Datwyler Group was able to increase its net revenue by 1.8% versus the strong previous year period to CHF 706.3 million (previous year: CHF 694.1 million). This is thanks to the sound strategic position of the Sealing Solutions division and measures taken to step up market activities. The integration of the 2018 acquisitions Parco and Bins into the Sealing Solutions division is proceeding as planned and has already generated added value. Adjusted for positive acquisition effects and the negative currency effects caused by a stronger Swiss franc, the organic Group revenue declined slightly by 1.6%.

Operating result up again

Datwyler was able to increase its operating result to a record high of CHF 91.2 million (previous year: CHF 90.7 million) due to its focus on high-value, system-critical components, as well as its early adoption of efficiency improvement programmes. In spite of start-up costs for growth projects amounting to CHF 4.5 million, the Group achieved an EBIT margin of 12.9%. This is only slightly below the previous year's figure (13.1%). The net result improved by 5.9% to CHF 66.2 million (previous year: CHF 62.5 million) on the back of a better financial result and lower income taxes. Following completion of the new health care plant in the USA, investment levels declined as planned to CHF 53.0 million (previous year: CHF 71.7 million).

Profitable growth for the Sealing Solutions division

The Sealing Solutions division continued to develop positively despite a challenging environment in the Automotive market. Revenue increased from the strong previous year period by 5.8% to CHF 479.3 million (previous year: CHF 453.2 million). Adjusted for negative currency effects and positive acquisition effects, this translated into a slight organic decline of 1.2%. This is largely due to negative developments in the Automotive market. Demand for high-quality health care components from Datwyler's First Line production once again showed double-digit growth. Datwyler has invested for some time now in the expansion of both, its market activities and its production capacities to capitalize on this attractive growth potential even more in the future. The division's operating result (EBIT) of CHF 83.7 million was on roughly the same level as in the previous year (CHF 83.8 million) despite significant start-up costs for growth projects. The EBIT margin was 17.5% (previous year: 18.5%). Prices for raw materials remained largely unchanged compared to the previous year.

Customers in the Health Care market are showing a strong interest in the new state-of-the-art First Line plant in the USA. Expansion of the site in India is proceeding as scheduled. In the Automotive market, Datwyler had to contend with a significant decline in revenue due to a difficult market environment, particularly in China and the USA. Nevertheless, Datwyler nearly succeeded in offsetting the revenue decline by recording a double-digit revenue increase for the high-quality components used in SCR (selective catalytic reduction) systems for diesel vehicles, as well as through the inclusion of Bins (acquired in 2018) for the first time. In the General Industries market, the US company Parco (acquired in 2018) managed to exceed its revenue and earnings expectations, thanks to its strong position in the oil and gas market. The Nespresso business developed positively during the first half of the year.

Technical Components division records an increase in its B2B revenue

In the Technical Components division, general economic conditions in the European market that the division serves continued to deteriorate during the first half of the year. This is reflected in the sharp decline in purchasing managers' indices. Overall, the Datwyler distribution companies achieved a revenue of CHF 227.0 million (previous year: CHF 240.9 million) in this difficult environment. Adjusted for negative currency effects, this translated into an organic decline of 2.4%. While the Datwyler distribution companies are still deliberately giving up business-to-consumer revenue with low margins, revenue from more attractive business-to-business customers is growing. The acquisition of new customers, the increase of the active customer base and the growth of the RND house brand will continue to have a positive impact. Despite the start-up costs for the international expansion of Reichelt, the operating result (EBIT) increased to CHF 7.5 million (previous year: CHF 6.9 million) due to a strict cost discipline. The EBIT margin improved to 3.3% (previous year: 2.9%).

By offering the fastest web searches in the industry and improving service quality, Distrelec was able to increase its customer satisfaction, as measured by the Net Promoter Score – although this has not translated yet into improved revenue and margins. Reichelt continues to pursue its successful international expansion. The Italian market is now also served by a local online shop and a customer support service in Italian. Nedis is working hard on the implementation of its new one-brand strategy. Feedback from retail and end customers continues to be positive.

Measures implemented in recent years have improved the operating performance and competitiveness of the Technical Components division. Although there is room for further development, the Board of Directors has decided to review the strategic options for the division, including a potential sale. The review is at an early stage, and the Group will provide more information in due course.

Well positioned to tackle future challenges

The situation has become more challenging in some of the markets that Datwyler serves. In the Automotive market, for example, there is no real prospect of things picking up over the next few months. The purchasing managers' indices in the main European markets also point to a significant decline in demand with regard to the online distribution of electronic components. Thanks to its strong market positions, targeted use of resources, ongoing efficiency-improvement programmes and the strategic priorities it pursues, Datwyler is well positioned to cope with the challenges the future will bring. Within the Sealing Solutions division, Datwyler generates over one-third of the Group's revenue with its Health Care and Consumer Goods business in low cyclical markets which show stable growth. Demand for SCR components is growing on the back of stricter emission regulations, regardless of how well the automotive sector is doing as a whole. In terms of the distribution business, the Reichelt brand is generating profitable growth in a contracting market by offering good value for money and keeping its cost base low. Datwyler should achieve revenue growth for the full year, provided that the market and currency environments don't continue to weaken. We expect the EBIT margin to be within the lower half of the target range, which is still 12% to 15%.

Altdorf, 13. August 2019

On behalf of the Board of Directors



Dr. Paul Hälg, Chairman

On behalf of the Executive Management



Dirk Lambrecht, CEO

Consolidated Income Statement

in CHF millions

	Note	Six months ended	
		30.06.2019 unaudited	30.06.2018 unaudited
Net revenue	1	706.3	694.1
Cost of goods sold		-524.9	-513.7
Gross profit		181.4	180.4
Research and development expenses		-14.8	-14.5
Marketing and selling expenses		-48.5	-48.8
General and administrative expenses		-36.9	-36.0
Other operating income		10.1	9.7
Other operating expenses		-0.1	-0.1
Operating result before interest and taxes (EBIT)	1	91.2	90.7
Net finance result	4	-3.2	-5.2
Earnings before tax (EBT)		88.0	85.5
Income tax expenses		-21.8	-23.0
Net result		66.2	62.5
Net result per bearer share entitled to dividend (in CHF) ¹		3.89	3.68

¹ There were no dilutive effects in the first half-year of 2019 and 2018.

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

Consolidated Balance Sheet

Assets

<u>in CHF millions</u>	Note	30.06.2019 unaudited	31.12.2018	30.06.2018 unaudited
Cash and cash equivalents		180.3	170.8	222.0
Trade accounts receivable		210.3	198.0	215.0
Inventories		229.5	230.9	218.7
Other receivables		29.1	27.3	33.1
Prepayments made and accrued income		12.6	12.6	11.4
Current assets		661.8	639.6	700.2
Property, plant and equipment		577.5	566.2	528.0
Intangible assets		29.7	26.0	22.3
Deferred income tax assets		75.4	80.0	44.9
Miscellaneous financial assets		1.2	3.0	3.2
Non-current assets		683.8	675.2	598.4
Total assets	3	1'345.6	1'314.8	1'298.6

Liabilities and equity

<u>in CHF millions</u>	Note	30.06.2019 unaudited	31.12.2018	30.06.2018 unaudited
Trade accounts payable		75.0	76.3	74.6
Short-term bank debt		60.1	63.6	2.3
Current interest-bearing liabilities due to Pema Holding AG		88.5	60.0	–
Current provisions		15.8	17.0	16.2
Other current liabilities		44.4	42.9	60.7
Accrued expenses and deferred income		39.2	43.7	49.2
Current liabilities		323.0	303.5	203.0
Long-term bank debt		6.1	6.9	6.8
0.625 % bond 2018–2024		150.1	150.1	150.1
Long-term provisions		7.8	7.4	10.1
Deferred income tax liabilities		13.2	13.0	14.7
Pension liabilities		4.2	4.1	4.7
Other long-term liabilities		1.7	2.4	1.6
Long-term liabilities		183.1	183.9	188.0
Total liabilities		506.1	487.4	391.0
Share capital		0.9	0.9	0.9
Treasury shares		–	–	–
Additional paid-in capital		205.1	205.1	205.1
Goodwill offset against equity		–780.7	–780.6	–656.2
Retained earnings		1'526.9	1'511.1	1'452.4
Cumulative translation adjustments		–112.7	–109.1	–94.6
Equity		839.5	827.4	907.6
Total liabilities and equity	3	1'345.6	1'314.8	1'298.6

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	
		30.06.2019 unaudited	30.06.2018 unaudited
Net result		66.2	62.5
Non-cash items of income and expenses		58.5	58.6
Operating cash flow before changes in working capital		124.7	121.1
Changes in net working capital		-36.4	-43.5
Net cash flow from operating activities		88.3	77.6
Net purchases of property, plant and equipment		-44.6	-80.0
Earn-out payments		-0.1	-
Net purchases of other non-current assets		-4.2	-1.8
Net cash used in investing activities		-48.9	-81.8
Net repayment of bank debt		-4.2	-2.3
Proceeds from loan payable to Pema Holding AG		28.5	-
Net decrease in other long-term liabilities		-0.9	-0.0
Net proceeds from issue of bond		-	150.1
Repayment of bond		-	-150.0
Purchase of treasury shares		-1.3	-1.7
Dividend paid to shareholders		-51.0	-51.0
Net cash used in financing activities		-28.9	-54.9
Net change in cash and cash equivalents		10.5	-59.1
Cash and cash equivalents at 1 January		170.8	281.8
Effect of exchange rate changes on cash and cash equivalents		-1.0	-0.7
Cash and cash equivalents at 30 June		180.3	222.0

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	Cumulative translation adjustments	Total equity
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
Net result	–	–	–	–	58.5	–	58.5
Share award plan	–	–	–	–	0.2	–	0.2
Offset of goodwill from acquisitions	–	–	–	–124.4	–	–	–124.4
Currency translation differences	–	–	–	–	–	–14.5	–14.5
At 1 January 2019	0.9	–	205.1	–780.6	1'511.1	–109.1	827.4
Net result	–	–	–	–	66.2	–	66.2
Dividends	–	–	–	–	–51.0	–	–51.0
Purchase of treasury shares	–	–1.3	–	–	–	–	–1.3
Share award plan (see note 5)	–	1.3	–	–	–	–	1.3
Long-term incentive plan (see note 5)	–	–	–	–	0.6	–	0.6
Offset of goodwill from acquisitions	–	–	–	–0.1	–	–	–0.1
Currency translation differences	–	–	–	–	–	–3.6	–3.6
At 30 June 2019	0.9	–	205.1	–780.7	1'526.9	–112.7	839.5

¹ At 30 June 2019, the holding company's share capital was CHF 850'000 (30 June 2018 CHF 850'000).

² At 30 June 2019, the par value of treasury shares amounted to CHF 0 (30 June 2018 CHF 0).

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

Notes to the Consolidated Financial Statements

I / SEGMENT INFORMATION

in CHF millions				
	Sealing Solutions	Technical Components	Elimi- nations	Total Group
Six months ended 30 June 2019:				
Revenue from external customers	479.3	227.0	–	706.3
Inter-segment revenue	–	0.0	–0.0	–
Total net revenue	479.3	227.0	–0.0	706.3
EBIT	83.7	7.5	–	91.2
EBIT in % of net revenue	17.5%	3.3%	–	12.9%

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%

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 the markets health care, automotive, and general industries. 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 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 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 2019 (hereinafter referred to as “first half of 2019”). 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 2018.

The interim consolidated financial statements were authorised for issue by the Board of Directors on 9 August 2019.

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 30.8 million or 2.3 % compared to year-end 2018. Cash and cash equivalents of the Group amounted to CHF 180.3 million at the end of June 2019. The increase of CHF 9.5 million compared to year-end 2018 resulted mainly from lower purchases of property, plant and equipment. In the previous year, on 30 May 2018, a 0.625 % CHF 150.0 million bond had been 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 had been repaid on 7 June 2018 at nominal value. Consolidated equity increased by CHF 12.1 million to CHF 839.5 million, representing an equity ratio of 62.4 %.

4 / INCOME STATEMENT

Compared with the first half of 2018, personnel expenses increased by CHF 8.7 million to CHF 188.9 million. Compared to 30 June 2018, the number of employees including temporary staff rose by 532 to 8'181 at 30 June 2019, including an increase of 640 employees from subsidiaries acquired.

Net finance expenses of CHF 3.2 million (first half of 2018 CHF 5.2 million) include net foreign exchange losses of CHF 3.0 million (first half of 2018 losses of CHF 7.0 million), offset by net gains on derivative financial instruments of CHF 1.0 million (first half of 2018 gains of CHF 3.4 million). Net interest expense decreased to CHF 0.5 million in the first half of 2019 (first half of 2018 CHF 0.9 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 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 now is 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 2019, Directors were awarded a total of 9'595 (June 2018 6'891) bearer shares and senior executives were awarded no (June 2018 1'650) bearer shares of Dätwyler Holding Inc. In the first half of 2019, 9'595 shares were purchased from the related party Pema Holding AG at market prices (first half of 2018 8'541 shares). Personnel expenses relating to the share award plan amounted to CHF 1.3 million (first half of 2018 CHF 1.7 million), without impact on additional paid-in capital (first half of 2018 no impact on additional paid-in capital).

Since 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 for the long-term incentive plan attributable to the first half of 2019 amounted to CHF 0.6 million (first half of 2018 CHF 0.2 million). 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 9 August 2019 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 2019		Six months ended 30 June 2018	
	Closing rate at 30.06.	Average rate first half-year	Closing rate at 30.06.	Average rate first half-year
100 CNY	14.22	14.74	15.06	15.15
1 EUR	1.11	1.13	1.15	1.17
1 USD	0.98	1.00	1.00	0.97

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 health care, automotive and general industries. 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 8'000 employees, the Datwyler Group generates annual revenue of more than 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	6 February 2020
Annual General Meeting	11 March 2020
Interim Report	11 August 2020

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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.

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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