

Consolidated Financial Statements

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Group Financial Review

CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

In 2020, the Datwyler Group generated net revenue of CHF 1'069.2 million (previous year CHF 1'360.8 million), representing a decrease of 21.4%. The effect of subsidiaries disposed of amounted to CHF 247.4 million or 18.2%. The negative impact from foreign currency translation to Swiss francs on consolidation was 3.9%. Adjusted for these factors, an organic increase of 0.7% resulted. In the previous year, Datwyler Group signed an agreement on 23 December 2019 for the sale of all Distrelec and Nedis subsidiaries including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong. Accordingly, these entities are presented as discontinued operations in the income statement, see also note 31 of the consolidated financial statements. The closing of this transaction occurred in the first half of March 2020. In addition, Dätwyler Sealing Technologies Deutschland GmbH was sold at the beginning of May 2020 which is also included among the discontinued operations in the income statement.

Change in net revenue

<u>in CHF millions</u>	2020	%	2019	%
Acquisition/disposal of subsidiaries	-247.4	-18.2%	59.1	4.3%
Foreign currency translation to CHF	-53.6	-3.9%	-35.0	-2.6%
Organic change	9.4	0.7%	-24.9	-1.8%
Total change in net revenue	-291.6	-21.4%	-0.8	-0.1%

The gross profit margin decreased to 24.0% (previous year 24.1%). Gross profit was impacted by negative foreign currency translation effects of 4.0% and by raw material prices down 0.9%. Other organic change of gross profit amounted to -5.0%.

Change in gross profit

<u>in CHF millions</u>	2020	%	2019	%
Acquisition/disposal of subsidiaries	-44.9	-13.7%	20.4	6.0%
Foreign currency translation to CHF	-13.0	-4.0%	-7.5	-2.2%
Impact raw material purchases	3.0	0.9%	0.5	0.1%
Other organic change	-16.6	-5.0%	-28.5	-8.3%
Total change in gross profit	-71.5	-21.8%	-15.1	-4.4%

In 2020, the Group's operating result (EBIT) was CHF -315.9 million (previous year CHF -40.3 million) and the EBIT margin was -29.5% (previous year -3.0%) with the following factors contributing to this change:

Change in operating result

<u>in CHF millions</u>	2020	%	2019	%
Acquisition/disposal of subsidiaries	-289.9	-719.4%	13.2	7.7%
Foreign currency translation to CHF	-6.5	-16.1%	-3.9	-2.3%
Impairment and provision charges	-	-	-178.9	-105.2%
Other organic change	20.8	51.6%	-40.7	-23.9%
Total change in operating result	-275.6	-683.9%	-210.3	-123.7%

Acquisition/disposal of subsidiaries includes in 2020 the loss on sale of subsidiaries, where as in the previous year the operating result was impacted by impairment charges of CHF 169.0 million resulting from the agreement for the sale of Distrelec and Nedis, see also notes 31 and 32 of the consolidated financial statements. Additionally, the operating result in 2019 was affected by charges in the amount of CHF 9.9 million relating to onerous contracts which were recorded as provisions. The operating result includes a gain of CHF 0.3 million (previous year CHF 0.3 million) on sale of property, plant and equipment.

Net finance costs increased to CHF 9.5 million (previous year CHF 7.5 million), with lower interest expense of CHF 1.5 million (previous year CHF 1.9 million). Income tax expense decreased to CHF 20.9 million (previous year CHF 38.8 million). Accordingly, the tax ratio before loss on sale of subsidiaries decreased to 15.0% (previous year before impairment charges 32.0%). The Group's weighted average income tax rate was 21.8% (previous year 22.6%) and the net result amounts to CHF -346.3 million (previous year CHF -86.6 million).

CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets decreased by CHF 54.8 million during the year to CHF 1'106.9 million (previous year CHF 1'161.7 million). Trade accounts receivable increased to CHF 167.8 million (previous year CHF 163.1 million) and inventories decreased to CHF 123.5 million (previous year CHF 141.3 million). With trade accounts payable of CHF 59.8 million (previous year CHF 68.8 million), net working capital decreased by 1.7% to CHF 231.5 million (previous year CHF 235.6 million). Cash and cash equivalents decreased by CHF 22.4 million.

Compared to the previous year, equity increased by CHF 60.0 million to CHF 735.1 million (previous year CHF 675.1 million), maintaining a solid equity ratio of 66.4% (previous year 58.1%). The significant changes in equity include the net result of CHF -346.3 million (previous year CHF -86.6 million), the dividend payment of CHF -51.0 million (previous year CHF -51.0 million), goodwill of CHF 425.3 million (previous year offset of goodwill from acquisitions of CHF -0.1 million) plus cumulative translation adjustments of CHF 55.3 million charged to income on sale of subsidiaries and negative currency translation differences of CHF -24.7 million (previous year CHF -15.7 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debt decreased by CHF 45.9 million during the year to CHF 0.2 million (previous year CHF 46.1 million). The Group's liquidity situation remains good, with cash and cash equivalents amounting to CHF 169.5 million (previous year CHF 191.9 million) at year-end. Including the bond of CHF 150.0 million and the loan of CHF 55.0 million (previous year CHF 88.5 million) granted by Pema Holding AG, net debt amounts to CHF 35.7 million (previous year CHF 92.8 million).

Current assets decreased by 6.4% to CHF 497.7 million (previous year CHF 531.9 million). Non-current assets decreased by 3.3% to CHF 609.2 million (previous year CHF 629.8 million).

CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF -346.3 million (previous year CHF -86.6 million), net cash from operating activities amounted to CHF 185.3 million (previous year CHF 174.8 million). These cash flows were used to pay for investments in property, plant and equipment totalling CHF 79.7 million (previous year CHF 91.6 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 7.5% versus 6.7% a year earlier. Repayment of bank debt amounted to CHF 45.9 million net (previous year CHF 24.2 million). In addition, loans in the amount of CHF 33.5 million (previous year proceeds of CHF 28.5 million) were repaid to Pema Holding AG. Overall cash inflows and outflows led to a net change in cash and cash equivalents of CHF -17.0 million (previous year CHF 24.0 million), resulting in a cash and cash equivalents balance of CHF 169.5 million (previous year CHF 191.9 million) at year-end.

ADDITIONAL INFORMATION

The commentary of the significant events during the year under review is presented on pages 2 to 25 of this annual report.

Full-time equivalents

The annual average of full-time equivalents was 6'798 (previous year 7'979).

Risk assessment

As part of its duties to oversee the management of the Group, the Board of Directors of Dätwyler Holding Inc. conducts a systematic risk assessment at least once a year. At its meeting held on 24 September 2020, the Board of Directors acknowledged management's report on group-wide risk management and approved the proposed actions included therein.

Financial risk management

The Datwyler Group's global operations expose it to a variety of financial risks, including currency risk, interest rate risk, credit risk, liquidity risk and market price risk. The nature of these risks has not changed significantly from the previous year. The Group's financial risk management measures, implemented without change from the previous year, seek to minimise potential adverse effects of the unpredictability of financial markets on the Group's financial performance. For this purpose, derivative financial instruments are used to hedge risks and exposures.

Liquidity reserves

<u>in CHF millions</u>	2020	2019
Cash and cash equivalents	169.5	191.9
Available credit lines	381.8	335.0
Total liquidity reserves	551.3	526.9

Net cash surplus

<u>in CHF millions</u>	2020	2019
Cash and cash equivalents	169.5	191.9
Less short-term bank debt	-0.0	-45.7
Net cash surplus	169.5	146.2

Order intake and backlog

For the Healthcare Solutions and Industrial Solutions business areas order intake amounted to CHF 979.7 million (previous year CHF 937.9 million) and order backlog was CHF 419.6 million (previous year CHF 306.6 million) at year-end. At Reichelt, no significant order intake and backlog exist, because its business consisting of the resale of goods is mostly executed on a daily basis.

Research and development expenses

Research and development expenses are disclosed in the consolidated income statement. Research and development activities relate to various projects for customers or products in the Healthcare Solutions and Industrial Solutions business areas.

Exceptional events

Acquisition and sale of subsidiaries are disclosed in note 32, other business transactions are presented in note 2 of the notes to the consolidated financial statements.

Future outlook

The estimates relating to the future outlook are presented on pages 6 to 25 of this annual report.

Consolidated Income Statement

in CHF millions							
	Note	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
		2020	2020	2020	2019	2019	2019
Net revenue	3	1'012.1	57.1	1'069.2	1'050.5	310.3	1'360.8
Cost of goods sold		-766.2	-46.5	-812.7	-781.2	-251.6	-1'032.8
Gross profit		245.9	10.6	256.5	269.3	58.7	328.0
Research and development expenses		-22.8	-0.9	-23.7	-26.3	-2.6	-28.9
Marketing and selling expenses		-48.1	-6.5	-54.6	-50.5	-42.7	-93.2
General and administrative expenses	4	-52.1	-2.8	-54.9	-78.1	-19.2	-97.3
Other operating income	4	26.0	0.2	26.2	19.2	1.2	20.4
Other operating expenses		-0.9	-0.0	-0.9	-0.1	-0.2	-0.3
Impairment charges	31	-	-	-	-	-169.0	-169.0
Loss on sale of subsidiaries	32	-	-464.5	-464.5	-	-	-
Operating result	3	148.0	-463.9	-315.9	133.5	-173.8	-40.3
Net finance result	8	-9.2	-0.3	-9.5	-6.8	-0.7	-7.5
Earnings before tax (EBT)		138.8	-464.2	-325.4	126.7	-174.5	-47.8
Income tax expenses	9	-19.9	-1.0	-20.9	-28.2	-10.6	-38.8
Net result		118.9	-465.2	-346.3	98.5	-185.1	-86.6
Net result per bearer share (in CHF)	24	6.99	-27.36	-20.37	5.79	-10.88	-5.09

For both years, there were no dilutive effects affecting the net result per share.

The accompanying notes on pages 68 to 96 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	31.12.2020	31.12.2019
Cash and cash equivalents	10	169.5	191.9
Trade accounts receivable	11	167.8	163.1
Inventories	12	123.5	141.3
Other receivables	13	27.5	24.0
Prepayments made and accrued income		9.4	11.6
Current assets		497.7	531.9
Property, plant and equipment	14	525.4	543.5
Intangible assets	15	25.3	23.4
Deferred income tax assets	22	57.5	61.9
Miscellaneous financial assets	16	1.0	1.0
Non-current assets		609.2	629.8
Total assets		1'106.9	1'161.7

Liabilities and equity

in CHF millions	Note	31.12.2020	31.12.2019
Trade accounts payable	19	59.8	68.8
Short-term bank debt	17	0.0	45.7
Current interest-bearing liabilities due to Pema Holding AG	33	55.0	88.5
Current provisions	21	14.6	14.9
Other current liabilities	20	33.0	33.6
Accrued expenses and deferred income		37.2	51.5
Current liabilities		199.6	303.0
Long-term bank debt	17	0.2	0.4
0.625% bond 2018–2024	18	150.0	150.1
Long-term provisions	21	9.5	17.0
Deferred income tax liabilities	22	9.4	11.0
Pension liabilities	6	3.0	3.8
Other long-term liabilities	20	0.1	1.3
Long-term liabilities		172.2	183.6
Total liabilities		371.8	486.6
Share capital	23	0.9	0.9
Treasury shares	25	–	–
Additional paid-in capital		205.1	205.1
Goodwill offset against equity		–355.4	–780.7
Retained earnings		978.7	1'374.6
Cumulative translation adjustments		–94.2	–124.8
Equity		735.1	675.1
Total liabilities and equity		1'106.9	1'161.7

The accompanying notes on pages 68 to 96 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF millions	Note	2020	2019
Net result		-346.3	-86.6
Income tax expenses	9	20.9	38.8
Depreciation and amortisation	7	62.4	68.4
Loss on sale of subsidiaries / (previous year) impairment charges	32, 31	464.5	169.0
Share award and long-term incentive plan		3.0	2.4
Exchange differences		19.4	6.3
Loss on sale of property, plant and equipment, net		0.5	0.1
Change in long-term provisions and pension liabilities		-0.3	10.7
Interest income	8	-0.5	-0.8
Interest expense	8	1.5	1.9
Operating cash flow before changes in working capital		225.1	210.2
Change in trade accounts receivable		-24.5	5.2
Change in other receivables, prepayments made and accrued income		5.1	-1.6
Change in inventories		-5.7	-3.4
Change in trade accounts payable		6.3	-6.0
Change in other current liabilities, accrued expenses and deferred income		10.4	8.7
Change in current provisions		-4.5	-2.6
Interest received		0.5	0.7
Interest paid		-1.5	-1.8
Income tax paid		-25.9	-34.6
Net cash from operating activities		185.3	174.8
Disbursements relating to purchases of / investments in:			
Property, plant and equipment		-79.7	-91.6
Intangible assets		-9.5	-14.3
Earn-out payments		-0.0	-0.1
Financial assets		-0.3	-0.0
Proceeds from sale of:			
Property, plant and equipment		0.5	2.3
Subsidiaries (net of cash and cash equivalents acquired)	32	19.3	-
Financial assets		0.1	2.1
Net cash used in investing activities		-69.6	-101.6
Proceeds from short-term bank debt		1.5	40.1
Repayment of short-term bank debt		-47.4	-64.3
(Repayment of)/proceeds from loan payable to Pema Holding AG	33	-33.5	28.5
Decrease in finance lease and other long-term liabilities		-0.7	-1.2
Purchase of treasury shares		-1.6	-1.3
Dividend paid to shareholders		-51.0	-51.0
Net cash used in by financing activities		-132.7	-49.2
Net change in cash and cash equivalents		-17.0	24.0
Cash and cash equivalents at 1 January	10	191.9	170.8
Effect of exchange rate changes on cash and cash equivalents		-5.4	-2.9
Cash and cash equivalents at 31 December	10	169.5	191.9

The accompanying notes on pages 68 to 96 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in CHF millions							
	Share capital ¹	Treasury shares	Additional paid-in capital	Goodwill offset against equity	Retained earnings	Cumulative translation adjustments ²	Total equity ³
At 1 January 2019	0.9	–	205.1	–780.6	1'511.1	–109.1	827.4
Net result	–	–	–	–	–86.6	–	–86.6
Dividends	–	–	–	–	–51.0	–	–51.0
Purchase of treasury shares (see note 25)	–	–1.3	–	–	–	–	–1.3
Share award plan (see note 26)	–	1.3	–	–	–	–	1.3
Long-term incentive plan (see note 26)	–	–	–	–	1.1	–	1.1
Offset of goodwill from acquisitions (see note 15)	–	–	–	–0.1	–	–	–0.1
Currency translation differences	–	–	–	–	–	–15.7	–15.7
At 31 December 2019	0.9	–	205.1	–780.7	1'374.6	–124.8	675.1
Net result	–	–	–	–	–346.3	–	–346.3
Dividends	–	–	–	–	–51.0	–	–51.0
Purchase of treasury shares (see note 25)	–	–1.6	–	–	–	–	–1.6
Share award plan (see note 26)	–	1.6	–	–	–	–	1.6
Long-term incentive plan (see note 26)	–	–	–	–	1.4	–	1.4
Offset of goodwill from acquisitions (see note 15)	–	–	–	–0.0	–	–	–0.0
Goodwill charged to income on sale of subsidiaries (see note 32)	–	–	–	425.3	–	–	425.3
Cumulative translation adjustments charged to income on sale of foreign subsidiaries (see note 32)	–	–	–	–	–	55.3	55.3
Currency translation differences	–	–	–	–	–	–24.7	–24.7
At 31 December 2020	0.9	–	205.1	–355.4	978.7	–94.2	735.1

¹ Holding company's share capital: CHF 850'000 (previous year CHF 850'000).

² Arising on translation of subsidiaries' equity and income statements denominated in foreign currencies.

³ At 31 December 2020 shareholders' equity includes legal reserves of CHF 195.1 million (previous year CHF 209.1 million), of which CHF 31.3 million (previous year CHF 38.3 million) are not distributable.

The accompanying notes on pages 68 to 96 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

I / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Datwyler Group. They have been prepared in accordance with the complete set of Swiss GAAP Accounting and Reporting Recommendations (Swiss GAAP ARR) and are based on the subsidiaries' annual financial statements at 31 December which are prepared using uniform classification and accounting policies. The consolidated financial statements are prepared under the going concern assumption, based on the historical cost principle, and also comply with the Listing Rules of the SIX Swiss Exchange and the provisions of Swiss Corporation Law. The Board of Directors of Dätwyler Holding Inc. approved the consolidated financial statements at its meeting on 5 February 2021 for submission to the Annual General Meeting on 9 March 2021.

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on management's best judgment at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

Basis of consolidation

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

A list of the subsidiaries included in the consolidation is presented in note 35.

Consolidation method

The reporting date for Dätwyler Holding Inc., all subsidiaries and the consolidated financial statements is 31 December.

The full consolidation method is applied to all subsidiaries included in the consolidation. Their assets, liabilities, income and expenses are incorporated in full. Minority interests are presented as a separate component of the Group's equity and net result. The purchase method of accounting is used to account for the acquisition of subsidiaries. Under this method, the carrying amount of the investment in a subsidiary is offset against the Group's share of the fair value of the subsidiary's net assets.

Intercompany transactions and balances are eliminated. Unrealised intercompany profits on goods and services supplied within the Group but not yet sold to third parties are eliminated on consolidation.

Companies over which the Group has the power to exercise significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, are classified as associates and accounted for using the equity method. At year-end of the current reporting year, the Group had no investments classified as associates.

Companies acquired or established or those in which the Group increases its interest and thereby obtains control during the year are consolidated from the date of formation or date on which control commences. Companies are deconsolidated from the date that control effectively ceases upon disposal or a reduction in ownership interest.

Foreign currency translation

TRANSLATION FOR CONSOLIDATION PURPOSES

The financial statements of foreign subsidiaries are prepared in local currencies. For the purpose of consolidation, the local financial statements are translated into Swiss francs (CHF), which is the Group's presentation currency. The principal exchange rates used to translate foreign currencies in the Datwyler Group were as follows:

	2020		2019	
	Closing rate at 31.12.	Average rate for the year	Closing rate at 31.12.	Average rate for the year
100 CNY	13.46	13.57	13.88	14.41
1 EUR	1.08	1.07	1.09	1.11
1 USD	0.88	0.94	0.97	0.99

For the purpose of presenting consolidated financial statements, assets and liabilities for each balance sheet are translated at the closing rate at the balance sheet date, while income statements, cash flow statements and other movements are translated at average exchange rates for the year.

Exchange differences arising from the translation of balance sheets and income statements of foreign subsidiaries are taken directly to reserves (currency translation reserve in equity) and not recognised in the income statement.

TRANSLATION OF BALANCES AND TRANSACTIONS IN THE ACCOUNTS OF SUBSIDIARIES

In preparing the financial statements of the individual subsidiaries, assets and liabilities denominated in foreign currencies are translated at the closing rates used in the consolidation. Exchange differences resulting from the settlement of foreign currency transactions and from the translation of assets and liabilities denominated in foreign currencies are recognised as foreign exchange gains or losses in the income statement. Exchange differences from the valuation of equity-like loans denominated in foreign currencies or in CHF at foreign subsidiaries are directly charged to equity.

Income statement and balance sheet

REVENUE RECOGNITION

In the Healthcare Solutions and Industrial Solutions business areas revenues are mainly generated from the sale of products from own production and at Reichelt from distribution of goods for resale. Revenue arising from the sale of manufactured products and goods for resale is recognised when the significant risks and rewards of ownership have passed to the buyer, which generally coincides with their delivery, depending on the terms agreed for instance ex works or on arrival at the customer's destination. Revenue under long-term multiple supply contracts is recorded when each instalment is delivered, according to the quantity delivered. Revenue from services rendered is recognised by reference to the stage of completion in the period in which the services were rendered.

GROSS PROFIT

The income statement is presented using the functional format where gross profit represents net revenue less cost of goods sold.

RESEARCH AND DEVELOPMENT

Research expenditure is recognised as an expense in the period in which it is incurred. Development costs are capitalised only if it can be demonstrated that future economic benefits will be generated. Otherwise they are charged to the income statement.

INCOME TAX EXPENSE

Current income tax is calculated on taxable profits for the year and recognised on an accrual basis.

Deferred income tax is provided, using the liability method, on all temporary differences and recognised as tax liabilities or assets. Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The same method is also used to provide for differences arising on acquisitions between the fair value and tax base of the assets acquired. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right and intends to settle its current tax assets and liabilities on a net basis. Deferred tax is calculated using local tax rates that have been enacted by the balance sheet date.

Tax losses carried forward and other temporary valuation differences are recognised as deferred tax assets to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Provision is made for tax that will arise on the distribution of profits retained by subsidiaries, mainly comprising non-refundable withholding tax and income tax in the parent company, if it is intended to remit such profits in the form of dividends.

CASH AND CASH EQUIVALENTS AND MONEY MARKET INVESTMENTS

Cash and cash equivalents comprise cash in hand, deposits in postal and bank accounts, and money market investments with original maturities of three months or less. They are stated at nominal value. Money market investments with a maturity of 91 to 360 days are also stated at nominal value and classified separately in the balance sheet.

TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

Trade accounts receivable and other current receivables are recognised at nominal value less provision for any impairment.

Doubtful debts are provided for by way of specific provisions and taking into account the actual losses expected based on past experience. Delinquency in payment by customers, or the probability that the debtor will enter bankruptcy or financial reorganisation are considered indicators of impairment. The provision for impairment of receivables is presented separately. The amount of the provision is the difference between the receivable's carrying amount and its current estimated recoverable amount. When receivables are no longer collectible, they are written off against the provision for impairment. Changes in the carrying amount of the provision for impairment and income from recoveries of receivables previously written off are recognised in the income statement.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Purchasing discounts received are offset against the production cost of inventories. Production cost comprises all direct material and manufacturing costs as well as those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method. Appropriate provisions are made for slow-moving inventories and obsolete inventories are fully written off. If the net realisable value of inventories is lower than their purchase price or production cost, then their carrying amount is written down as necessary.

PROPERTY, PLANT AND EQUIPMENT

Land is stated at cost. Buildings, plant and equipment are stated at cost less depreciation, calculated on a straight-line basis to write off the assets over their estimated useful lives, and less any impairment losses. Cost comprises the purchase price and any costs directly attributable to bringing the assets into working condition for their intended use.

The estimated useful lives and depreciation periods are as follows:

	Years
Buildings:	
Building structures	20–40
Interiors	20
Installations, storage equipment, tanks, silos, etc.	10–20
Production equipment	10–15
Production equipment: electrical/electronic equipment	5–8
Machinery	8–10
Moulds and tools	3

Land is generally not depreciated, but any impairment loss is recognised.

Costs of maintenance and renovations, other than improvements, are charged to the income statement. Borrowing costs of long-term projects actually incurred during construction in progress are capitalised, all other financing costs are expensed as incurred.

The residual values and useful lives of property, plant and equipment are reviewed annually and adjusted, if appropriate.

LEASES

The Datwyler Group leases certain assets. Finance leasing and operating leasing agreements are treated differently. In a finance lease, the lessor transfers substantially all the risks and rewards relating to ownership of the leased asset to the Datwyler Group. The fair value of such assets or, if lower, the net present value of the future minimum lease payments is therefore recognised as a non-current asset and as a finance lease liability in the balance sheet. Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease term. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

INTANGIBLE ASSETS

Intangible assets mainly include software as well as licences, patents and other intangible assets which are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of software are between 3 and 5 years. Only the blueprints for the implementation of the new enterprise resource planning system are amortised over a 10 year period.

GOODWILL

Goodwill arising on business combinations represents the excess of the cost of acquisition over the Group's interest in the fair value of the acquired assets and liabilities at the date of acquisition. Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalisation and amortisation of goodwill is disclosed in the notes to the consolidated financial statements. On sale of an acquired subsidiary, goodwill from acquisitions formerly directly offset against equity is charged to income at original cost when calculating the gain or loss on sale. For the determination of goodwill from acquisitions, parts of the purchase price contingent on future performance are estimated best possible at the date of acquisition. Accordingly, goodwill offset against equity is modified for adjustments resulting later from the final purchase price determination. Goodwill may also arise upon investments in associates, being the excess of the cost of investment over the Group's share of the fair value of the net assets recognised.

IMPAIRMENT OF NON-CURRENT ASSETS AND GOODWILL

At every balance sheet date an assessment is made for non-current assets (in particular property, plant, equipment, intangible assets, financial assets as well as goodwill offset against equity) whether indicators for an impairment exist. If indicators for a continuous impairment exist, the recoverable amount of the asset is determined. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset belongs.

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the income statement. As goodwill is fully offset against equity at the date of acquisition, an impairment of goodwill will not affect income, but only be disclosed in the notes to the consolidated financial statements.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments used for hedging balance sheet items are recognised at fair value on the date a derivative contract is entered into and are recorded as other receivables or other current liabilities. Derivatives are subsequently remeasured to their current fair value at each balance sheet date, with unrealised gains and losses recognised in the income statement. Fair values of derivative financial instruments are determined by reference to current market prices on the balance sheet date. Changes in the fair value of derivative financial instruments used to hedge future cash flows are directly recognised in equity until realised.

The Group uses forward exchange contracts and currency options to hedge its exposure to foreign currency risk.

MISCELLANEOUS FINANCIAL ASSETS

Miscellaneous financial assets include loans to third parties and minority shareholdings. Loans receivable and minority shareholdings are stated at cost less appropriate impairment losses.

TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at nominal value.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. A provision for the expected costs associated with restructuring is recognised when a detailed restructuring plan has been developed and the measures have been approved before the balance sheet date. For long-term provisions material discounting effects are considered.

BANK DEBT

Bank debt is recognised at nominal value. Discounts are netted with bank debt and recognised on a straight-line basis in the financial result of the income statement over the period of the respective bank loan. Bank debt is classified as current liabilities unless the Group has the right to defer settlement of the liability for at least 12 months after the balance sheet date.

BONDS

Bonds are initially recorded at issue price net of issue costs. Issue costs and any discount or premium are recognised in the financial result of the income statement over the period of the respective bond.

DIVIDENDS

Dividend payments to shareholders are recognised as a liability in the balance sheet in the period in which the dividends are approved by shareholders.

PENSION BENEFITS

Pension benefit obligations of subsidiaries are recognised in the consolidated financial statements according to legal regulations and local rules of the respective countries. The actual economic impact of pension schemes for a Group company is calculated as at balance sheet date. An economic benefit is recorded, if it will be used for future pension contributions made by the company. An economic obligation is recognised if the requirements to record a provision are met. Unrestricted employer contribution reserves are capitalised as an asset.

The Swiss subsidiaries of the Group have their own legally independent pension schemes financed by employer and employee contributions. The economic impact of a funding surplus or deficit of pension schemes for the Group, the change in employer contribution reserves and the contributions accrued for the period are charged to income as personnel expenses. The calculation of a funding surplus or deficit is made based on the annual financial statements of the respective pension schemes prepared in accordance with Swiss GAAP ARR 26.

There are no significant pension schemes in foreign countries. Certain foreign subsidiaries have unfunded pension schemes and recognise the respective benefit obligation as a provision directly in the balance sheet. Such pension liabilities are calculated using methods accepted in the respective countries with changes charged to income as personnel expenses. In addition, in certain countries there are comprehensive coverages with insurance companies where the paid insurance premiums are recorded as an expense.

SHARE AWARD PLAN AND LONG-TERM INCENTIVE PLAN

The share award plan was introduced in 2007 and from 2019 only directors will participate in this plan, see note 26. The awarding of shares is based on a fixed monetary amount. The number of shares to be awarded, representing the fixed monetary amount, is determined based on 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.

Since 2018, there has been a long-term incentive plan 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.

CAPITAL MANAGEMENT

The Group has a solid equity base. It consequently focuses the management of its capital structure on the equity of the Group as a whole, the following objectives and policies being relevant:

- Where possible and economically viable, the Group finances its operations through equity, the objective being to maintain an equity ratio of at least 40%.
- A portion of profits generated is paid out to owners as dividends, taking into account current financing needs and compliance with legal requirements. The current dividend policy is generally to maintain a payout ratio of about 40% of the Group's net result for the year.

2 / BUSINESS ACQUISITIONS AND DISPOSALS

Acquisitions and disposals during 2020 and 2019 are shown below, see also note 32. The voting rights held in each company mentioned below were 100%.

Transactions 2020

MERGERS

In 2020 Dätwyler Sealing Solutions International AG was merged with Dätwyler Schweiz AG and Distrelec AG was merged with Dätwyler Holding AG. After the sale of its net assets, Distrelec GmbH, Bremen, was merged with Dätwyler Teco Holding (Deutschland) GmbH. Furthermore, Dätwyler Teco Holding AG and Datwyler Technical Components AG were merged with Dätwyler Schweiz AG.

SALES

Belgium: Nedis NV, Geel

China: TeCo Asia Technology (Shenzhen) Co. Ltd, Shenzhen

Denmark: Elfa Distrelec A/S, Aarhus

Germany: Nedis GmbH, Willich, and Dätwyler Sealing Technologies Deutschland GmbH, Waltershausen

England: Distrelec Ltd., Manchester and Nedis (UK) Limited, Leicester

Estonia: Elfa Distrelec OÜ, Tallinn

Finland: Elfa Distrelec Oy, Helsinki and Nedis Oy, Savonlinna

France: Nedis SAS, Nantes

Hong Kong: Teco Asia Limited

Italy: Distrelec Italia srl and Nedis Italia srl, both in Milan

Latvia: Elfa Distrelec SIA, Riga

Lithuania: Elfa Distrelec UAB, Vilnius

Netherlands: Datwyler TeCo Holding B.V. and TeCo CDC B.V., both in Amsterdam, and the companies Distrelec B.V., Nedis B.V. and Nedis Group B.V., domiciled in 's-Hertogenbosch

Norway: Elfa Distrelec AS, Trollåsen

Austria: Distrelec Gesellschaft m.b.H. and Nedis Elfogro GmbH, both in Vienna

Poland: Elfa Distrelec Spz oo, Warsaw

Sweden: Elfa Distrelec AB and Nedis AB, both in Kista

Spain: Nedis Iberia SL, Barcelona

Czech Republic: Nedis Kerr s.r.o., Modřice

Hungary: Nedis Kft., Budapest

Transactions 2019

COMPANIES ESTABLISHED

Datwyler IT Services SIA, domiciled in Riga, Latvia

MERGERS

At the end of 2019, Datwyler Pharma Packaging International NV was merged with Datwyler Pharma Packaging Belgium NV.

3 / SEGMENT INFORMATION

in CHF millions	Healthcare Solutions	Industrial Solutions	Technical Components	Eliminations	Total Group
2020					
Revenue from external customers	403.4	430.7	235.1	–	1'069.2
Inter-segment revenue	–	7.1	0.0	–7.1	–
Total net revenue	403.4	437.8	235.1	–7.1	1'069.2
Operating result	79.2	42.6	–437.7	–	–315.9
Operating result as % of net revenue	19.6%	9.7%	–186.2%	–	–29.5%

in CHF millions	Healthcare Solutions	Industrial Solutions	Technical Components	Eliminations	Total Group
2019					
Revenue from external customers	380.6	535.0	445.2	–	1'360.8
Inter-segment revenue	–	6.5	0.0	–6.5	–
Total net revenue	380.6	541.5	445.2	–6.5	1'360.8
Operating result	63.8	60.4	–164.5	–	–40.3
Operating result as % of net revenue	16.8%	11.2%	–36.9%	–	–3.0%

The Datwyler Group is a focused industrial supplier organised into two business areas with leading positions in global and regional market segments. In addition, Datwyler Group owns in the Technical Components division the electronic distributor Reichelt in Germany.

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

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

The Business Area Industrial Solutions manufactures customised system-critical components for applications in the Mobility, Food & Beverage, Oil & Gas and General Industry markets. The significant manufacturing and distribution companies are located in Switzerland, Germany, Italy, the Czech Republic, Ukraine, China, South Korea, the USA, Brazil and Mexico.

Until the closing of the sale of all Distrelec and Nedis subsidiaries in March 2020, see note 32, the Technical Components division was a high-service distributor of maintenance, automation, electronic and ICT components and accessories with about 30 distribution and service companies across Europe. The agreement for the sale of all Distrelec and Nedis subsidiaries, including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong, had been signed by Datwyler Group on 23 December 2019, see also note 31. Currently, the division Technical Components consists of the electronic distributor Reichelt located in Germany.

Net revenue by geographical region

<u>in CHF millions</u>	2020	2019
Switzerland	161.3	201.8
Rest of Europe	558.1	758.9
North and South America	198.4	245.3
Asia	146.2	148.8
Other markets	5.2	6.0
Total Group	1'069.2	1'360.8

Net revenue by geographical region corresponds to revenue from external customers by destination.

4 / ADDITIONAL INCOME STATEMENT DISCLOSURES

Material expense of CHF 427.7 million (previous year CHF 587.8 million) is included in the income statement.

Other operating income includes gain on sale of property, plant and equipment of CHF 0.3 million (previous year CHF 0.3 million) as well as ancillary revenues and rental income. In 2019, general and administrative expenses included charges in the amount of CHF 9.9 million relating to onerous contracts which were recorded as provisions.

5 / PERSONNEL EXPENSES

<u>in CHF millions</u>	2020	2019
Wages and salaries	239.6	296.3
Benefit costs	53.7	65.5
State social security contributions	31.9	39.6
Pension costs (see note 6)	9.7	12.0
Other benefit costs	12.1	13.9
Other employee costs	7.5	14.1
Total personnel expenses	300.8	375.9

Since 2007, Directors and senior executives receive a portion of their remuneration in the form of bearer shares of Dätwyler Holding Inc., see note 26.

6 / EMPLOYEE BENEFIT SCHEMES

Economic benefit / obligation and pension costs

in CHF millions	Funding surplus/deficit according to Swiss GAAP ARR 26	Economic impact Group	Economic impact Group	Changes not affecting income ¹	Change to prior year or charge to income current year	Contributions for the period	Pension costs in personnel expenses	Pension costs in personnel expenses
	31.12.2020	31.12.2020	31.12.2019				2020	2019
Welfare funds Switzerland	0.4	–	–	–	–	–	–	–
Pension schemes without funding surplus/deficit Switzerland	–	–	–	–	–	–	–	–
Pension schemes with funding surplus Switzerland	–	–	–	–	–	5.7	5.7	6.9
Pension schemes without funding surplus/deficit abroad	–	–	–	–	–	2.9	2.9	3.9
Unfunded pension schemes abroad	–	–3.0	–3.8	–0.1	–0.7	1.8	1.1	1.2
Total	–	–3.0	–3.8	–0.1	–0.7	10.4	9.7	12.0

¹ Translation differences.

At year-end 2020, as at the end of the previous year, no employer contribution reserves (ECR) existed. The Swiss pension schemes calculate their pension benefit obligations using the statistical assumptions of the VZ 2015 mortality tables and a discount rate of 1.5% (previous year 1.5%). The pension conversion rate was 5.2% in the current year.

Summary of pension costs

in CHF millions	Switzerland	Abroad	Total
	2020	2020	2020
Contributions to pension schemes expensed at Group companies	5.7	4.7	10.4
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	5.7	4.7	10.4
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	5.7	4.7	10.4
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	–0.7	–0.7
Total change in economic impact from excess/insufficient coverage	–	–0.7	–0.7
= Pension costs included in personnel expenses for the period	5.7	4.0	9.7

in CHF millions	Switzerland	Abroad	Total
	2019	2019	2019
Contributions to pension schemes expensed at Group companies	6.9	5.2	12.1
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	6.9	5.2	12.1
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	6.9	5.2	12.1
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	–0.1	–0.1
Total change in economic impact from excess/insufficient coverage	–	–0.1	–0.1
= Pension costs included in personnel expenses for the period	6.9	5.1	12.0

7 / DEPRECIATION AND AMORTISATION

in CHF millions	2020	2019
Depreciation of property, plant and equipment (see note 14)	56.9	59.8
Amortisation of intangible assets (see note 15)	5.5	8.6
Impairment charges (see notes 14 and 15)	–	46.2
Total depreciation and amortisation	62.4	114.6

8 / NET FINANCE RESULT

in CHF millions	2020	2019
Interest expense on bond, bank and other loans	1.5	1.9
Interest expense on finance leases	0.0	0.0
Fair value loss on forward exchange contracts	–	0.1
Net foreign exchange loss on financing activities	8.1	5.2
Finance charges	0.7	1.1
Total interest and finance expenses	10.3	8.3
Interest income on bank deposits and loans receivable	–0.5	–0.8
Fair value gain on forward exchange contracts	–0.3	–
Total interest and finance income	–0.8	–0.8
Net finance result (expenses, net)	9.5	7.5

9 / INCOME TAX EXPENSES

<u>in CHF millions</u>	2020	2019
Current income tax expense	21.9	26.3
Deferred income tax expense	-1.0	12.5
Total income tax expenses	20.9	38.8

The effective tax charge on earnings before tax, using the weighted average income tax rate of 21.8% (previous year 22.6%) of the Group, can be analysed as follows:

<u>in CHF millions</u>	2020	2019
Earnings before tax	-325.4	-47.8
Income tax expense calculated at the weighted average tax rate	-70.9	-10.8
Effect of current year tax losses not recognised and reassessment of tax loss carryforwards	-5.2	46.5
Non-taxable effects on sale of subsidiaries	101.3	4.1
Effect of previously unrecognised tax loss carryforwards used against taxable profits	-0.1	-0.8
Change in tax rates for deferred income taxes	-0.5	1.7
Expense and income items treated differently for tax purposes	-3.4	-2.6
Non-refundable taxes on intra-group charges and dividends	1.4	0.7
Prior year tax adjustments	0.9	-0.0
Other effects	-2.6	0.0
Total (current and deferred) income tax expenses	20.9	38.8

Taxable results differing by region are responsible for changes in the weighted average tax rate.

10 / CASH AND CASH EQUIVALENTS

<u>in CHF millions</u>	2020	2019
Cash in hand and at bank	154.1	190.5
Money market investments (original maturities up to 90 days)	15.4	1.4
Total cash and cash equivalents	169.5	191.9

11 / TRADE ACCOUNTS RECEIVABLE

<u>in CHF millions</u>	2020	2019
Trade accounts receivable from third parties, gross	168.0	190.3
Provision for impairment of trade accounts receivable	-0.6	-27.5
Total trade accounts receivable from third parties, net	167.4	162.8
Trade accounts receivable from related parties	0.4	0.3
Total trade accounts receivable, net	167.8	163.1

Aging analysis of gross trade accounts receivable from third parties

<u>in CHF millions</u>	2020	2019
Not yet due	144.2	157.8
Past due 1–30 days	16.5	20.4
Past due 31–60 days	4.3	4.1
Past due 61–90 days	1.2	2.1
Past due 91–180 days	1.2	2.7
Past due more than 180 days	0.6	3.2
Total trade accounts receivable from third parties, gross	168.0	190.3

Movements in provision for impairment of trade accounts receivable

<u>in CHF millions</u>	2020	2019
At 1 January	27.5	2.6
Charge for the year	0.3	26.8
Unused amounts reversed	-0.3	-1.1
Receivables written off as uncollectible	-0.2	-0.7
Acquisition/disposal of subsidiaries	-26.6	-
Exchange differences	-0.1	-0.1
At 31 December	0.6	27.5
Of which specific provisions for impairment	0.4	2.3

12 / INVENTORIES

<u>in CHF millions</u>	2020	2019
Raw material, gross	31.7	29.7
Consumables, gross	21.6	19.6
Work in progress, gross	16.8	17.5
Finished goods, gross	42.9	49.1
Goods for resale, gross	27.6	143.3
Provision for impairment of inventories	-17.1	-117.9
Total inventories	123.5	141.3

13 / OTHER RECEIVABLES

in CHF millions	2020	2019
Withholding, capital and value added tax receivables	6.3	9.7
Current income tax assets	12.2	4.6
Prepayments made, advances given and deposits made	2.1	4.7
Derivative assets: forward exchange contracts (see note 28)	3.4	3.2
Miscellaneous receivables	3.5	6.3
Provision for impairment of other receivables	–	–4.5
Total other receivables	27.5	24.0

14 / PROPERTY, PLANT AND EQUIPMENT

in CHF millions	Real estate	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total property, plant and equipment
PROPERTY, PLANT AND EQUIPMENT 2020					
At cost					
At 1 January 2020	314.2	703.5	50.5	168.5	1'236.7
Additions	1.1	11.2	3.7	65.3	81.3
Disposals	–0.3	–10.1	–1.1	–	–11.5
Transfers	84.1	62.0	2.3	–148.4	–
Acquisition/disposal of subsidiaries	–51.3	–61.0	–10.3	–0.7	–123.3
Exchange differences	–12.1	–20.6	–1.1	–7.3	–41.1
At 31 December 2020	335.7	685.0	44.0	77.4	1'142.1
Accumulated depreciation					
At 1 January 2020	–158.4	–495.5	–39.3	–	–693.2
Depreciation expense	–11.9	–41.2	–3.8	–	–56.9
Disposals	0.2	9.1	1.1	–	10.4
Acquisition/disposal of subsidiaries	41.7	55.8	10.1	–	107.6
Exchange differences	2.8	11.9	0.7	–	15.4
At 31 December 2020	–125.6	–459.9	–31.2	–	–616.7
Net book values					
At 1 January 2020	155.8	208.0	11.2	168.5	543.5
At 31 December 2020	210.1	225.1	12.8	77.4	525.4

in CHF millions	Real estate	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total property, plant and equipment
PROPERTY, PLANT AND EQUIPMENT 2019					
At cost					
At 1 January 2019	305.0	654.3	48.4	174.7	1'182.4
Additions	3.8	25.9	3.8	56.8	90.3
Disposals	-3.1	-6.9	-1.5	-	-11.5
Transfers	14.4	44.5	0.9	-59.8	-
Exchange differences	-5.9	-14.3	-1.1	-3.2	-24.5
At 31 December 2019	314.2	703.5	50.5	168.5	1'236.7
Accumulated depreciation					
At 1 January 2019	-129.6	-452.7	-33.9	-	-616.2
Depreciation expense	-10.3	-45.0	-4.5	-	-59.8
Impairment charges (see note 31)	-22.1	-13.2	-2.9	-	-38.2
Disposals	1.5	6.5	1.1	-	9.1
Exchange differences	2.1	8.9	0.9	-	11.9
At 31 December 2019	-158.4	-495.5	-39.3	-	-693.2
Net book values					
At 1 January 2019	175.4	201.6	14.5	174.7	566.2
At 31 December 2019	155.8	208.0	11.2	168.5	543.5

Acquisition/disposal of subsidiaries include the additions from acquisitions and the disposals on sale of subsidiaries, see also notes 2 and 32.

Other details of property, plant and equipment

in CHF millions	2020	2019
Leased property, plant and equipment, at cost	3.2	3.2
Accumulated depreciation	-2.7	-2.3
Net book value of property, plant and equipment under finance leases	0.5	0.9

At year-end, property, plant and equipment in the amount of CHF 0.0 million (previous year CHF 0.4 million) were pledged or assigned to secure own liabilities. Assets under construction include prepayments made in the amount of CHF 24.6 million (previous year CHF 8.2 million). Additions to property, plant and equipment include no capitalised borrowing costs (previous year none). At balance sheet date, commitments for capital expenditure on property, plant and equipment amounted to CHF 54.6 million (previous year CHF 33.9 million).

15 / INTANGIBLE ASSETS

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2020			
At cost			
At 1 January 2020	68.7	3.3	72.0
Additions	9.5	–	9.5
Disposals	–2.8	–	–2.8
Acquisition/disposal of subsidiaries	–33.9	–2.1	–36.0
Exchange differences	–1.3	–0.0	–1.3
At 31 December 2020	40.2	1.2	41.4
Accumulated amortisation			
At 1 January 2020	–45.8	–2.8	–48.6
Amortisation expense	–5.3	–0.2	–5.5
Disposals	2.8	–	2.8
Acquisition/disposal of subsidiaries	33.0	2.0	35.0
Exchange differences	0.2	0.0	0.2
At 31 December 2020	–15.1	–1.0	–16.1
Net book values			
At 1 January 2020	22.9	0.5	23.4
At 31 December 2020	25.1	0.2	25.3

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2019			
At cost			
At 1 January 2019	57.6	3.3	60.9
Additions	14.2	0.1	14.3
Disposals	–2.7	–	–2.7
Exchange differences	–0.4	–0.1	–0.5
At 31 December 2019	68.7	3.3	72.0
Accumulated amortisation			
At 1 January 2019	–32.6	–2.3	–34.9
Amortisation expense	–7.2	–0.5	–7.7
Impairment charges (see note 31)	–8.9	–	–8.9
Disposals	2.6	–	2.6
Exchange differences	0.3	0.0	0.3
At 31 December 2019	–45.8	–2.8	–48.6
Net book values			
At 1 January 2019	25.0	1.0	26.0
At 31 December 2019	22.9	0.5	23.4

Intangible assets include no assets under finance leases (previous year none). Additions to software include capitalised cost in the amount of CHF 1.9 million (previous year CHF 3.6 million).

Goodwill from acquisitions

Goodwill from acquisitions is fully offset against equity at the date of acquisition. The impact of the theoretical capitalisation and amortisation of goodwill is disclosed below:

Theoretical movement schedule for goodwill

in CHF millions	2020	2019
At cost		
At 1 January	780.7	780.6
Disposal from sale of subsidiaries (see note 32)	-425.3	-
Adjustments from earn-out agreements	0.0	0.1
At 31 December	355.4	780.7
Accumulated amortisation		
At 1 January	-680.5	-646.9
Disposal from sale of subsidiaries (see note 32)	425.3	-
Amortisation expense	-30.0	-33.6
Impairment charges	-	-
At 31 December	-285.2	-680.5
Theoretical net book values		
At 1 January	100.2	133.7
At 31 December	70.2	100.2

Goodwill is theoretically amortised on a straight-line basis usually over 5 years. The carrying amounts of goodwill existing on conversion from IFRS to Swiss GAAP ARR at 1 January 2009 have been included in the theoretical movement schedule above using the closing rates prevailing at 1 January 2009. Goodwill from new acquisitions is converted once to Swiss francs using the closing rate as at acquisition date. With this procedure no exchange differences result in the movement schedule.

Impact on income statement

in CHF millions	2020	2019
Operating result according to income statement	-315.9	-40.3
Amortisation of goodwill	-30.0	-33.6
Theoretical operating result incl. amortisation of goodwill	-345.9	-73.9
Net result according to income statement	-346.3	-86.6
Amortisation of goodwill	-30.0	-33.6
Theoretical net result incl. amortisation of goodwill	-376.3	-120.2

Impact on balance sheet

<u>in CHF millions</u>	2020	2019
Equity according to balance sheet	735.1	675.1
Theoretical capitalisation of goodwill (net book value)	70.2	100.2
Theoretical equity incl. net book value of goodwill	805.3	775.3
Equity according to balance sheet	735.1	675.1
Equity as % of total assets	66.4%	58.1%
Theoretical equity incl. net book value of goodwill	805.3	775.3
Theoretical equity incl. net book value of goodwill as % of total assets	68.4%	61.4%

16 / MISCELLANEOUS FINANCIAL ASSETS

<u>in CHF millions</u>	2020	2019
Long-term loans to third parties	0.4	0.4
Other financial investments	0.6	0.6
Total miscellaneous financial assets	1.0	1.0

17 / BANK DEBT

<u>in CHF millions</u>	2020	2019
Bank overdrafts	–	–
Current portion of long-term bank loans	0.0	45.7
Total short-term bank debt	0.0	45.7
Long-term bank loans	0.2	0.4
Total bank debt	0.2	46.1
Secured portion of short-term and long-term bank debt	–	0.0

The average interest rate was 0.5% for the short-term bank debt in euros and 1.6% for the long-term bank loans in euros.

Maturity of long-term bank debt

<u>in CHF millions</u>	2020	2019
Within 2 years	–	0.1
Within 3 years	–	–
Within 4 years	0.2	–
Within 5 years	–	0.3
Beyond 5 years	–	–
Total long-term bank debt	0.2	0.4

18 / BOND

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.

19 / TRADE ACCOUNTS PAYABLE

Trade accounts payable include accounts payable to related parties of CHF 0.1 million (previous year CHF 0.1 million).

20 / OTHER LIABILITIES

Other current liabilities

<u>in CHF millions</u>	2020	2019
Customer advances received	3.8	6.5
Social security liabilities	2.4	3.9
Current income tax liabilities	5.2	2.1
Capital and value added tax liabilities	2.1	6.8
Current finance lease liabilities (see notes 14)	0.2	0.3
Deferred earn-out obligations	0.4	0.6
Derivative liabilities: forward exchange contracts (see note 28)	0.2	0.1
Miscellaneous current liabilities	18.7	13.3
Total other current liabilities	33.0	33.6

Other long-term liabilities

Other long-term liabilities include long-term finance lease liabilities of CHF 0.1 million (previous year CHF 0.3 million) and deferred earn-out obligations of CHF 0.0 million (previous year CHF 0.6 million).

21 / PROVISIONS

in CHF millions	Employees and social security	Warranty and liability claims	Other	Total
PROVISIONS 2020				
At 1 January 2020	19.9	0.3	11.7	31.9
Charges	20.7	0.5	1.5	22.7
Uses	-21.3	-0.2	-1.6	-23.1
Unused amounts reversed	-0.3	-	-3.3	-3.6
Acquisition/disposal of subsidiaries	-3.3	-	-0.0	-3.3
Exchange differences	-0.4	0.0	-0.1	-0.5
At 31 December 2020	15.3	0.6	8.2	24.1
Thereof current provisions	10.1	0.6	3.9	14.6
Thereof long-term provisions	5.2	-	4.3	9.5

in CHF millions	Employees and social security	Warranty and liability claims	Other	Total
PROVISIONS 2019				
At 1 January 2019	21.8	0.7	1.9	24.4
Charges	20.4	0.1	11.6	32.1
Uses	-21.8	-0.1	-1.6	-23.5
Unused amounts reversed	-0.0	-0.3	-0.1	-0.4
Exchange differences	-0.5	-0.1	-0.1	-0.7
At 31 December 2019	19.9	0.3	11.7	31.9
Thereof current provisions	12.8	0.3	1.8	14.9
Thereof long-term provisions	7.1	-	9.9	17.0

Discounting

Long-term provisions amounting to CHF 0.6 million were discounted using discount rates between 0.9% and 6.5%.

Employees and social security

This provision covers holiday pay, overtime, statutory termination benefits, long-term employee retention plans and similar liabilities. The provisions are calculated based on actual data.

Warranty and liability claims

The Datwyler Group gives warranties in connection with the products and services it provides. These are based on local legislation or contractual arrangements as well as on past experience. The provision for liability claims is based on actual claims reported, which are generally settled within one year.

Other provisions

Other provisions among others include provisions relating to onerous contracts that were recorded in 2019 in the amount of CHF 9.9 million.

22 / DEFERRED INCOME TAX ASSETS/LIABILITIES

in CHF millions	2020	2019
At 1 January:		
Deferred income tax assets	61.9	80.0
Deferred income tax liabilities	11.0	13.0
Deferred income tax (assets)/liabilities, net	-50.9	-67.0
Deferred income tax expense/(credit)	-1.0	12.5
Impairment charges relating to deferred income tax assets (see note 31)	-	2.9
Acquisition/disposal of subsidiaries (see note 32)	0.4	-
Exchange differences	3.4	0.7
At 31 December:		
Deferred income tax assets	57.5	61.9
Deferred income tax liabilities	9.4	11.0
Deferred income tax (assets)/liabilities, net	-48.1	-50.9

Deferred income taxes are calculated at every subsidiary using the local effective income tax rates (weighted average around 21%, previous year around 22%) applicable.

Tax loss carryforwards

Total available tax loss carryforwards result in deferred income tax assets, gross, of CHF 23.7 million (previous year CHF 70.8 million), of which an amount of CHF 21.9 million (previous year CHF 11.2 million) was capitalised. Deferred income tax assets were impacted by valuation allowances for and non-capitalisation of tax loss carryforwards in the amount of CHF 1.8 million (previous year CHF 59.6 million).

23 / SHARE CAPITAL

Composition

in CHF	2020	2019
22 million registered shares of CHF 0.01 each	220'000	220'000
12.6 million bearer shares of CHF 0.05 each	630'000	630'000
Total share capital	850'000	850'000

Per share data

	2020	2019
Bearer shares		
Par value (CHF)	0.05	0.05
Number issued	12'600'000	12'600'000
Number with voting rights and ranking for dividend	12'600'000	12'600'000
Proposed/approved dividend per bearer share (CHF)	3.20 ¹	3.00
Registered shares		
Par value (CHF)	0.01	0.01
Number issued	22'000'000	22'000'000
Number ranking for dividend	22'000'000	22'000'000
Proposed/approved dividend per registered share (CHF)	0.64 ¹	0.60
Total par value of shares ranking for dividend (CHF)	850'000	850'000
Authorised additional share capital	none	none
Authorised contingent share capital	none	none
Registration/voting restrictions	none	none
Opting-out and opting-up provisions	none	none

¹ See Board of Directors' proposed appropriation of retained earnings.

24 / NET RESULT PER SHARE

Net result per share is calculated by dividing net result by the weighted average number of shares in issue and ranking for dividend, excluding the weighted average number of treasury shares. The weighted value of the 22'000'000 registered shares represents 4'400'000 bearer shares. As in the previous year, the weighted average number of bearer and registered shares outstanding was 17 million shares in total. The short-time purchase and subsequent award of treasury shares, see notes 25 and 26, had no noticeable impact on the calculation of earnings per share. The net result per share of CHF -20.37 (previous year CHF -5.09) thus arises from the simple division of the net result of CHF -346.3 million (previous year CHF -86.6 million) by the weighted average number of 17 million shares.

25 / TREASURY SHARES

8'924 (previous year 9'595) shares were purchased in 2020 from the related party Pema Holding AG at the current market price of CHF 180.00 (previous year CHF 137.80) and subsequently awarded within the scope of the share award plan, see note 26. At the end of 2020 as at the end of the previous year, the Group held no treasury shares.

26 / SHARE AWARD PLAN AND LONG-TERM INCENTIVE PLAN

Since 2007, Directors and senior executives have received a portion of their remuneration in the form of bearer shares of Dätwyler Holding Inc.

The share award plan was introduced in 2007 and since 2019 only directors are participating in this plan. The awarding of shares is based on a fixed monetary amount. The number of shares to be awarded, representing the fixed monetary amount, is determined based on current market value. Share-based payments under the share award plan are 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 2020, Directors were awarded a total of 8'924 (previous year 9'595) bearer shares of Dätwyler Holding Inc., see also note 25. Personnel expenses relating to the share award plan amount to CHF 1.6 million (previous year CHF 1.3 million), without impact on additional paid-in capital (previous year no impact on additional paid-in capital).

Since 2018, a long-term incentive plan exists 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 2020 amount to CHF 1.4 million (previous year CHF 1.1 million). Shares will be awarded for the first time in 2021 under this plan.

27 / SHAREHOLDERS

At year-end 2020, Pema Holding AG holds as in the previous year all 22'000'000 registered shares, plus 5'094'172 (previous year 5'103'096) of the total of 12'600'000 bearer shares of Dätwyler Holding Inc. This represents 78.31% (previous year 78.33%) of the voting rights and 55.85% (previous year 55.90%) of the share capital. The entire share capital of Pema Holding AG is held by Dätwyler Führungs AG, thereby indirectly possessing the majority of the voting rights in Dätwyler Holding Inc.

The Board of Dätwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold 3% or more of the total voting rights.

28 / DERIVATIVE FINANCIAL INSTRUMENTS

The Group economically hedges part of its exposure to foreign currency risk on trade accounts receivable and payable as well as intercompany loans. Forward exchange contracts and currency options, which generally have maturities of less than 12 months, are used as hedging instruments.

Unsettled forward exchange contracts

<u>in CHF millions</u>	31.12.2020	31.12.2019
Positive fair value	3.4	3.2
Notional amounts	197.1	273.7
Negative fair value	0.2	0.1
Notional amounts	48.1	23.4

These forward exchange contracts have maturities until June 2021. Positive fair values are recorded as other receivables (see note 13), while negative fair values have been recognised in other current liabilities (see note 20).

29 / CONTINGENT LIABILITIES

In the ordinary course of business, the Group is exposed to a number of risks among others in connection with litigation cases and outstanding or disputed tax assessments which can lead to possible obligations (contingent liabilities). For most actual cases the amounts involved are insignificant. No provisions have been made where the outcome of such matters is uncertain or the risk is not quantifiable or an outflow of resources is not probable. Provisions have been recognised to the extent that the outcome can be reliably estimated and an outflow of resources is probable.

At year-end 2020, guarantees amounting to CHF 5.2 million in favour of third parties existed. The Datwyler Group has not given any other guarantees in respect of its business relationships with third parties. Performance bonds and guarantees within the Group have been eliminated on consolidation. There are no subordination agreements with third parties.

With the agreement to sell Distrelec and Nedis at the end of 2019, the Group granted usual contractual guarantees to the purchasers. These guarantees are in general limited to a maximum of CHF 5.0 million and apply for certain cases for a maximum period of 5 years or until barred by statute. At present, no claims from the purchasers are known.

30 / COMMITMENTS

Maturities of commitments under operating leases, long-term rental and outsourcing agreements

<u>in CHF millions</u>	2020	2019
Less than 1 year	11.8	15.3
Between 2 and 5 years	21.5	38.7
Over 5 years	1.7	4.1
Total commitments	35.0	58.1

Total commitments include CHF 20.7 million (previous year CHF 33.1 million) relating to IT outsourcing contracts for the years 2021 to 2025. Operating lease payments recognised as an expense in the income statement amounted to CHF 3.6 million (previous year CHF 6.8 million). There are no individually significant operating leases.

31 / DISCONTINUED OPERATIONS

On 23 December 2019, Datwyler Group signed an agreement for the sale of all Distrelec and Nedis subsidiaries including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong. Accordingly, these entities are presented as discontinued operations in the income statement. As distributors of electronic components, Distrelec and Nedis as part of the Technical Components division in 2019 generated net revenue of CHF 272.3 million in various European countries, employing some 840 employees. As a result of the sales agreement, the income statement in 2019 was impacted by impairment charges of CHF 169.0 million in total, which were allocated proportionally to the assets of the discontinued operations excluding cash and cash equivalents, see the following table.

<u>in CHF millions</u>	31.12.2019
Cash and cash equivalents	16.1
Trade accounts receivable	29.3
Inventories	103.9
Other current assets	7.0
Property, plant and equipment	44.7
Intangible assets	9.3
Other non-current assets	3.5
Total assets before impairment charges	213.8
Impairment charges	-169.0
Total assets after impairment charges	44.8

In addition, the liabilities of discontinued operations include long-term liabilities of CHF 2.6 million at 31 December 2019.

32 / ACQUISITION AND SALE OF SUBSIDIARIES

Sales of subsidiaries had the following effect on the Group's assets and liabilities:

In the Technical Components division Datwyler Group signed an agreement on 23 December 2019 for the sale of all Distrelec and Nedis subsidiaries including TeCo CDC B.V. in the Netherlands as well as the two TeCo Asia sourcing companies in China and Hong Kong. Accordingly, these entities are presented as discontinued operations in the income statement. The closing of the transaction occurred in the first half of March 2020. In note 2, the subsidiaries sold are disclosed country by country.

The following table shows the carrying amount of assets and liabilities disposed of at the date of sale and the result generated from the transaction.

<u>in CHF millions</u>	Carrying amount on sale
Cash and cash equivalents	6.6
Trade accounts receivable	9.7
Inventories	13.6
Other current assets	0.1
Property, plant and equipment	4.8
Other non-current assets	1.3
Current liabilities	-33.3
Long-term liabilities	-8.7
Net assets disposed of	-5.9
Cumulative translation adjustments charged to income on sale of foreign subsidiaries	55.1
Goodwill charged to income on sale of subsidiaries	415.3
Subtotal	464.5
Loss on sale of subsidiaries	-456.5
Selling price, net of transaction costs	8.0
Less cash and cash equivalents disposed of	-6.6
Net cash inflow on disposal	1.4

In the Industrial Solutions business area, the subsidiary Dätwyler Sealing Technologies Deutschland GmbH including its operational real estate was sold at the beginning of May 2020 and is therefore presented as discontinued operations in the income statement. The following table shows the carrying amount of assets and liabilities disposed of at the date of sale and the result generated from the transaction.

<u>in CHF millions</u>	Carrying amount on sale
Cash and cash equivalents	0.6
Trade accounts receivable	3.9
Inventories	4.0
Other current assets	0.4
Property, plant and equipment	10.9
Other non-current assets	1.7
Current liabilities	-5.0
Long-term liabilities	-0.2
Net assets disposed of	16.3
Cumulative translation adjustments charged to income on sale of foreign subsidiaries	0.2
Goodwill charged to income on sale of subsidiaries	10.0
Subtotal	26.5
Loss on sale of subsidiary	-8.0
Selling price, net of transaction costs	18.5
Less cash and cash equivalents disposed of	-0.6
Net cash inflow on disposal	17.9

33 / RELATED PARTY TRANSACTIONS

Pema Holding AG

Transactions with related parties include the dividend payments to Pema Holding AG of CHF 28.5 million (previous year CHF 28.5 million) and administrative costs of CHF 27'500 (previous year CHF 20'000) for administration and accounting services provided by Alvest AG. In addition, the following transactions with Pema Holding AG and its subsidiaries occurred in 2020: Net revenue of CHF 0.0 million (previous year CHF 0.0 million), material expense of CHF 0.4 million (previous year CHF 0.8 million), IT and trademark service revenues and other service revenue of CHF 8.8 million in total (previous year CHF 7.8 million) and service expenses of CHF 0.7 million (previous year CHF 0.9 million). Pema Holding AG grants a loan to Dätwyler Holding Inc. in the amount of CHF 55.0 million (previous year CHF 88.5 million) with interest charges of CHF 0.4 million (previous year CHF 0.4 million). 8'924 shares (previous year 9'595 shares) of Dätwyler Holding AG were purchased from Pema Holding AG at the current market price of CHF 180.00 (previous year CHF 137.80), see notes 25 and 26. Accounts receivable and payable with Pema Holding AG and its subsidiaries are disclosed as items with related parties in notes 11 and 19.

Pension schemes

Alvest AG charged administrative costs of CHF 0.2 million (previous year CHF 0.2 million) to the pension schemes.

Remuneration of Directors and Executive Board members

Except for the remuneration as disclosed in the remuneration report on pages 46 to 58 of this annual report, no further relations or transactions existed in 2020 and 2019 with the members of the Board of Directors and the Executive Board.

34 / EVENTS AFTER BALANCE SHEET DATE

The Board of Directors and the Executive Board are not aware of any other significant events occurring up to the date of approval of the consolidated financial statements on 5 February 2021 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

35 / SUBSIDIARIES

Dätwyler Holding Inc. directly or indirectly owned the following fully consolidated subsidiaries at 31 December 2020, all with a capital and voting interest of 100%. There are no minority interests.

		Registered office	Original currency	Capital in original currency (in millions)	Healthcare Solutions	Industrial Solutions	Technical Components	Service and financial companies
SWITZERLAND	Alvest AG *	Altdorf	CHF	15.000				●
	Dätwyler AG *	Altdorf	CHF	0.100				●
	Dätwyler IT Services AG *	Altdorf	CHF	0.100				●
	Dätwyler Schweiz AG *	Schattdorf	CHF	32.000		○		
	Pohl Immobilien AG	Schattdorf	CHF	1.600	●			
	Teco Immobilien AG *	Altdorf	CHF	0.500			●	
BELGIUM	Datwyler Pharma Packaging Belgium NV *	Alken	EUR	17.688	○			
BRAZIL	Bins Indústria de Artefatos de Borracha Ltda.	São Leopoldo	BRL	36.694		○		
CHINA	Datwyler Sealing Technologies (Anhui) Co., Ltd.	Ningguo	USD	5.000		○		
	Datwyler Sealing Technologies (Wuxi) Co., Ltd.	Wuxi	USD	5.000		○		
GERMANY	Dätwyler Pharma Packaging Deutschland GmbH	Karlsbad	EUR	2.600	○			
	Dätwyler Teco Holding (Deutschland) GmbH *	Sande	EUR	3.100			●	
	Dätwyler Sealing Solutions Deutschland GmbH & Co. KG	Cleebronn	EUR	2.800		○		
	Reichelt Elektronik GmbH & Co. KG	Sande	EUR	3.000			□	
INDIA	Datwyler IT Services India LLP	Magarpatta, Pune	INR	0.100				●
	Datwyler Pharma Packaging India Private Limited	Kesurdi, Satara	INR	656.233	○			
LATVIA	Datwyler IT Services SIA	Riga	EUR	0.003				●
ITALY	Datwyler Pharma Packaging Italy srl	Milano	EUR	2.000	○			
	Datwyler Sealing Solutions Italy S.p.A.	Viadanica	EUR	1.300		○		
MEXICO	Datwyler Sealing Technologies Mexico S DE RL DE CV	Silao	MXN	82.000		○		
SOUTH KOREA	Datwyler Korea Inc.	Daegu	KRW	1'131.000		○		
CZECH REPUBLIC	Datwyler Sealing Technologies CZ s.r.o.	Novy Bydzov	CZK	20.000		○		
UKRAINE	Datwyler Sealing Technologies Ukraine JSC	Malyn	UAH	12.500		○		
USA	Datwyler Parco Holdings Inc.	Wilmington	USD	0.000		●		
	Datwyler Pharma Packaging USA Inc.	Pennsauken	USD	9.130	○			
	Datwyler Sealing Solutions USA Inc.	Dayton	USD	0.153		○		
	Double-E LLC	Dallas	USD	0.000		○		
	Parco LLC	Ontario	USD	0.000		○		

- Manufacturing and sales
- Distribution
- Services/finance/real estate

* = Held directly by Dätwyler Holding Inc.

Report of the Statutory Auditor on the Consolidated Financial Statements



Statutory Auditor's Report

To the General Meeting of Dätwyler Holding AG, Altdorf

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dätwyler Holding AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 64 to 96) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Revenue Recognition



Discontinued Operations

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Revenue Recognition

Key Audit Matter

Consolidated net revenue recognized for the year ended 31 December 2020 amounted to CHF 1,069.2 million. Revenues are an important metric to evaluate the Group's business performance and are therefore considered by external and internal stakeholders.

In the Business Areas Industrial Solutions und Healthcare Solutions revenues are mainly generated from the sale of products from own production and in the Technical Components Division from distribution of goods for resale. Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer in accordance with the agreed terms and conditions.

Risk and rewards of ownership generally transfer with their delivery. Revenues under long-term multiple supply contracts are recorded at delivery of each instalment, according to the quantity delivered. These circumstances have to be considered when determining the appropriate time of revenue recognition. This results in a significant risk from an audit perspective.

There is an additional risk that Revenues may be deliberately over- or understated in order for management to achieve planned results. This could for example occur by manipulating inputs in the Group's accounting system.

Based on this rationale, we consider revenue recognition as a key audit matter.

Our response

We obtained an understanding of the revenue recognition process from initiating sales orders to payment receipts. Based on this we critically assessed whether transactions are completely and accurately recorded in the consolidated financial statements.

We considered the existence (design and implementation) of the relevant controls within the Group and we tested the operating effectiveness of key controls relating to revenue recognition on a sample basis.

We assessed the appropriateness of accounting policies for revenue recognition and, specifically, for the appropriate time of revenue recognition.

In addition and among others, our procedures included the following:

- On a sample basis, we performed detailed cut-off testing of revenue transactions to either side of the balance sheet date with reference to shipping documentation and contracts. Based on that we assessed the appropriate revenue recognition based on the transfer of risks and rewards of ownership to the buyer in accordance with the agreed terms and conditions.
- On a sample basis, we obtained trade debtors confirmations and agreed the confirmations to the trade debtors balances.
- On a sample basis, we assessed the appropriateness of credit notes issued as well as the payments received after year end.
- In addition we performed analytical procedures including gross margin trend analysis on a Division level as well as on the level of various entities.
- In addition to the procedures described above, we further addressed the risk of management override of controls by analysing manual journal entries related to revenue accounts.

For further information on Revenue Recognition refer to the following:

- Summary of Significant Accounting Policies on page 69
- Segment Information on page 75



Discontinued Operations

Key Audit Matter

On 23 December 2019 the Dätwyler Group announced the sale of Nedis and Distrelec out of the Technical Components Division. The sale of these components has been closed in the first half of March 2020.

Furthermore, on 28 April 2020 the Dätwyler Group announced the sale of the Civil Engineering business. The sale has been closed beginning of Mai 2020.

In the consolidated financial statements, the sales are presented separately as discontinued operations in the consolidated income statement and disclosed in the notes to the consolidated financial statements.

The management analysed the accounting for these divestments based on the sales contracts and the «Closing Minutes». The assessment requires management to exercise judgement in the following areas:

- Identification and Valuation of assets and liabilities of the discontinued operations, including the disclosure of potential contingent liabilities
- Determination of the result of the sales

Based on this rationale, we consider discontinued operations as a key audit matter.

For further information on discontinued operations refer to the following:

- Summary of Significant Accounting Policies on page 68
- Acquisition and Sale of Subsidiaries on page 93

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Our response

Among others, our audit procedures included the following:

- Review of the sale contracts and «Closing Minutes» as well as inquiry with management
- Reconciliation of the sales price payments with corresponding bank statements
- Evaluation of the calculation of the sales result prepared by management at the date of the deconsolidation through a reconciliation with relevant evidences, especially with the sales contracts and the «Closing Minutes»
- Recalculation of the sales result and evaluation of proper recognition in the consolidated financial statements
- Examination of the complete and accurate allocation of the consolidated income statement in continuing and discontinued operation through a reconciliation with the underlying accounting data
- Evaluation of proper disclosure in the consolidated financial statements



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG

A handwritten signature in blue ink, appearing to read 'Toni Wattenhofer'.

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'Manuel Odoni'.

Manuel Odoni
Licensed Audit Expert

Zurich, 5 February 2021

Dätwyler Holding Inc.

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Income Statement

in CHF	Notes	2020	2019
Dividend income from subsidiaries	2.1	9'500'000	12'004'350
Trademark income	2.2	11'807'713	–
Other income		13'718	4'031
Personnel expenses		–2'485'038	–2'195'315
Other operating expenses	2.3	–117'648	–12'376'200
Income before interest and taxes		18'718'745	–2'563'134
Financial expenses	2.4	–1'467'222	–1'436'007
Financial income	2.5	10'733'512	10'459'953
Impairment charges relating to financial assets and investments in subsidiaries	2.6	–	–365'721'772
Reversal of impairment charges relating to financial assets and investments in subsidiaries	2.7	290'998'476	–
Gain resulting from merger of subsidiary		189'640	–
Earnings before taxes		319'173'151	–359'260'960
Direct taxes		–1'960'711	1'504
Net result		317'212'440	–359'259'456

The accompanying notes are an integral part of these financial statements.

Balance Sheet

Assets

in CHF	Notes	31.12.2020	31.12.2019
Cash and cash equivalents		511'542	191'437
Other current receivables		4'892'955	6'014'142
Due from third parties		10'155	9'792
Due from subsidiaries		4'882'800	6'004'350
Total current assets		5'404'497	6'205'579
Financial assets: Long-term receivables from subsidiaries	2.8	597'111'476	739'377'967
Investments in subsidiaries	2.9	450'078'918	115'954'582
Intangible assets: Trademarks		1	1
Total non-current assets		1'047'190'395	855'332'550
Total assets		1'052'594'892	861'538'129

Liabilities and shareholders' equity

in CHF	Notes	31.12.2020	31.12.2019
Current liabilities third parties		72'938	302'194
Current interest-bearing liabilities		55'000'000	128'500'000
Due to banks		–	40'000'000
Due to Pema Holding AG		55'000'000	88'500'000
Current provisions	2.10	2'300'000	–
Accrued expenses and deferred income		2'504'890	578'899
Total current liabilities		59'877'828	129'381'093
Long-term provisions	2.10	4'204'588	9'857'000
Long-term interest-bearing liabilities		150'000'000	150'000'000
Bond 2018–2024	2.11	150'000'000	150'000'000
Total long-term liabilities		154'204'588	159'857'000
Total liabilities		214'082'416	289'238'093
Share capital	2.12	850'000	850'000
Statutory capital reserves		83'000'000	83'000'000
Statutory retained earnings		4'000'000	4'000'000
Voluntary retained earnings	2.14	305'263'318	305'263'318
Retained earnings available for distribution		445'399'158	179'186'718
Profit carried forward		128'186'718	538'446'174
Net result		317'212'440	–359'259'456
Total shareholders' equity		838'512'476	572'300'036
Total liabilities and shareholders' equity		1'052'594'892	861'538'129

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 / VALUATION PRINCIPLES

These Financial Statements were prepared in accordance with the provisions of the Swiss Code of Obligations concerning commercial accounting and financial reporting standards (SCO 957 ff.). Significant balance sheet items are reported as follows.

Financial assets and investments in subsidiaries

Financial assets are measured at nominal value less necessary impairment charges. Investments in subsidiaries are measured individually at purchase price less necessary impairment charges.

Measurement of liabilities/bonds

Liabilities including bonds are carried at nominal value.

2 / EXPLANATIONS CONCERNING THE FINANCIAL STATEMENTS

Dätwyler Holding Inc. is domiciled in Altdorf.

The average number of full-time equivalents in the course of a year does not exceed ten employees.

2.1 / DIVIDEND INCOME FROM SUBSIDIARIES

Dividend income from subsidiaries comprises profit distributions from subsidiaries.

2.2 / TRADEMARK INCOME

The right to use the trademark Dätwyler is invoiced to subsidiaries and related companies. Until 2019, these revenues were assigned to the management company Alvest AG. From 2020, trademark income is directly recorded by Dätwyler Holding again.

2.3 / OTHER OPERATING EXPENSES

This item comprises Dätwyler Holding Inc.'s general costs of doing business. Dätwyler Holding Inc. has no operating costs, as these are charged in full to Alvest AG and then in turn to the subsidiaries. "Stewardship costs" (Dätwyler Holding Inc. administrative expenses) are charged to Dätwyler Holding Inc. In 2019, other operating expenses included charges for provisions of CHF 9.9 million relating to onerous contracts. In 2020, CHF 2.2 million of these provisions could be reversed to income.

2.4 / FINANCIAL EXPENSES

Financial expenses comprise interest expenses for bond coupon payments, interest paid to Pema Holding AG and to banks together with commissions and bank fees.

2.5 / FINANCIAL INCOME

Financial income is derived primarily from interest-bearing assets of subsidiaries.

2.6 / IMPAIRMENT CHARGES RELATING TO FINANCIAL ASSETS AND INVESTMENTS IN SUBSIDIARIES

As a result of the sales agreement for Distrelec and Nedis impairment charges and debt waivers relating to financial assets and investments in subsidiaries in the amount of CHF 365.7 million were recorded in 2019.

2.7 / REVERSAL OF IMPAIRMENT CHARGES RELATING TO FINANCIAL ASSETS AND INVESTMENTS IN SUBSIDIARIES

As a result of an intragroup restructuring and a streamlining of the structure, impairment charges for loans receivable and investments in subsidiaries in the amount of CHF 291 million could be reversed, see note 2.9.

2.8 / LONG-TERM RECEIVABLES FROM SUBSIDIARIES

These are Swiss franc and Euro denominated long-term loans receivable from subsidiaries. Loans receivable decreased as a result of the intragroup restructuring with loans receivable being repaid or converted to equity. The subordination agreement from the previous year in the amount of CHF 270 million and the existing impairment charges could be fully reversed as the subsidiary concerned was reorganised, see also note 2.9.

2.9 / INVESTMENTS IN SUBSIDIARIES

Dätwyler Holding Inc.'s direct and indirect subsidiaries are disclosed in note 35 to the consolidated financial statements. Investments in subsidiaries have increased in the current year, as Dätwyler Holding Inc. has acquired Datwyler Pharma Packaging Belgium NV, Dätwyler Teco Holding Deutschland GmbH and Teco Immobilien AG from its own subsidiaries. Dätwyler Teco Holding AG was reorganised and then horizontally merged into Dätwyler Schweiz AG. Also Datwyler Technical Components AG was merged into Dätwyler Schweiz AG. As a consequence of the restructuring and the reorganisation, the impairment charges recorded in the previous year for loans receivable and investments in subsidiaries could be fully reversed.

2.10 / PROVISIONS

In 2020, the provisions for onerous contracts recorded in 2019 could be reduced by CHF 3.4 million. They are classified as current provisions in the amount of CHF 2.3 million and as long-term provisions amounting to CHF 4.2 million.

2.11 / BONDS

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.

2.12 / SHARE CAPITAL

in CHF	31 Dec. 2020	31 Dec. 2019
22'000'000 registered shares at CHF 0.01 par	220'000	220'000
12'600'000 bearer shares at CHF 0.05 par	630'000	630'000
Share capital	850'000	850'000

Shares in Dätwyler Holding Inc. are listed on the SIX Swiss Exchange. Each registered share and each bearer share, regardless of nominal value, carries one vote at the General Meeting of Shareholders, with the exception of bearer treasury shares.

All 22'000'000 registered shares along with 5'094'172 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 55.85% and its percentage of voting shares is 78.31%.

The Board of Directors is unaware of any further shareholders or of shareholder voting pools whose interest amounts to 3% of all votes.

2.13 / SHARE OWNERSHIP PLAN / TREASURY SHARES

In the current year, 8'924 (previous year 9'595) bearer shares were acquired by Alvest AG at the current stock exchange price of CHF 180.00 and then used under the Share Ownership Plan. 8'924 (previous year 9'595) bearer shares with a total value of CHF 1'606'320 (previous year CHF 1'322'191) were allocated to members of the Board of Directors, see Remuneration Report. At the end of 2020 and 2019, no treasury shares were held.

2.14 / VOLUNTARY RETAINED EARNINGS

The voluntary retained earnings represent a free reserve at the disposal of the General Meeting of Shareholders.

2.15 / SURETIES, GUARANTEES AND PLEDGE COMMITMENTS IN FAVOUR OF THIRD PARTIES

On a basis of joint and several liability, lines of credit were granted to various subsidiaries in the amount of CHF 78.1 million (previous year CHF 122.8 million), of which CHF 1.0 million (previous year CHF 7.9 million) was used to secure bank debt and unsettled forward exchange contracts. In addition, Dätwyler Holding Inc. has issued a guarantee in the amount of CHF 4.9 million (previous year CHF 5.7 million) until the end of 2027 for future rental commitments.

2.16 / JOINT AND SEVERAL LIABILITY

Since 1 January 2009 the company has been a member of the value-added tax group under the number CHE-116.346.605 MWST. The principal member of the group is Alvest AG, Altdorf. For the term of its membership in this group, the company bears joint and several liability pursuant to Art. 15 para. 1 lit c of the VAT Act.

2.17 / CONTINGENT LIABILITIES

In the normal course of business, risks arise in connection with such matters as legal disputes and pending or disputed tax assessments that could potentially lead to liabilities (contingent liabilities). The amount involved in most current cases is immaterial. Where the outcome of such cases is unclear or the risk is unquantifiable or the likelihood of an outflow of funds is unlikely, no provisions are being made. Provisions are being made where the outcome can be estimated or an outflow of funds is probable.

The sales agreement for Distrelec and Nedis from December 2019 includes usual contractual guarantees to the purchasers incurred by Dätwyler Holding Inc. as the ultimate parent company. These guarantees are in general limited to a maximum of CHF 5.0 million and apply for certain cases for a maximum period of 5 years or until barred by statute. At present, no claims from the purchasers are known.

2.18 / LOANS AND CREDITS

No loans and/or credits were granted to individual current or former members of the Board of Directors or Executive Management (including persons connected with them) in the year under review.

2.19 / BOARD OF DIRECTORS AND EXECUTIVE BOARD SHAREHOLDINGS

As at 31 December 2020, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the company's equity securities:

Board of Directors shareholdings 2020

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2021	2022	2023	2024	2025
Hälg, Paul J.	Chairman	33'835	0.097789	3'300	2'400	1'736	2'168	2'016
Fässler, Hanspeter	Vice-Chairman	14'167	0.040945	1'100	1'700	1'210	1'511	1'406
Breu, Jens	Member	1'903	0.005500	0	0	0	986	917
Cornaz, Claude R.	Member	2'692	0.007780	0	0	789	986	917
Fedier, Jürg	Member	5'992	0.017318	1'100	1'100	789	986	917
Huber, Gabi	Member	8'361	0.024165	1'100	1'100	789	986	917
Ulmer, Hanno	Member	4'892	0.014139	1'100	1'100	789	986	917
Zhang, Zhiqiang	Member	4'892	0.014139	1'100	1'100	789	986	917

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2020

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2021	2022	2023	2024	2025
Lambrecht, Dirk	CEO	8'500	0.024566	1'500	4'000	0	0	0
Scherz, Walter	CFO	530	0.001532	0	250	250	0	0
Borghs, Dirk	COO	0	–	0	0	0	0	0
Maschke, Torsten	COO	1'500	0.004335	0	1'500	0	0	0
Schön, Frank	CTO	0	–	0	0	0	0	0

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Board of Directors shareholdings 2019

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2020	2021	2022	2023	2024
Hälg, Paul J.	Chairman	31'819	0.091962	3'300	3'300	2'400	1'736	2'168
Fässler, Hanspeter	Vice-Chairman	15'685	0.045332	1'100	1'100	1'700	1'210	1'511
Breu, Jens	Member	986	0.002850	0	0	0	0	986
Cornaz, Claude R.	Member	1'775	0.005130	0	0	0	789	986
Fedier, Jürg	Member	5'075	0.014668	1'100	1'100	1'100	789	986
Huber, Gabi	Member	7'444	0.021514	1'100	1'100	1'100	789	986
Ulmer, Hanno	Member	5'075	0.014668	1'100	1'100	1'100	789	986
Zhang, Zhiqiang	Member	3'975	0.011488	0	1'100	1'100	789	986

Share type: Bearer share, nom. CHF 0.05
Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2019

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2020	2021	2022	2023	2024
Lambrecht, Dirk	CEO	10'000	0.028902	1'500	1'500	4'000	0	0
Welte, Reto	CFO	6'000	0.017341	1'500	1'500	1'500	0	0
Harrison, Neil	Division CEO	4'500	0.013006	1'500	1'500	1'500	0	0
Maschke, Torsten	Division CEO	1'500	0.004335	0	0	1'500	0	0

Share type: Bearer share, nom. CHF 0.05
Voting rights per bearer share: 0.00000289%

2.20 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

Proposed Appropriation of Retained Earnings

Retained earnings carried forward

<u>in CHF</u>	2020	2019
Profit carried forward	128'186'718	538'446'174
Net result	317'212'440	-359'259'456
Retained earnings at disposal of General Meeting of Shareholders	445'399'158	179'186'718

Proposal of the Board of Directors on the appropriation of retained earnings

<u>in CHF</u>	2020	2019
	Proposal of the Board of Directors	Resolution of the General Meeting of Shareholders
Retained earnings at disposal of General Meeting of Shareholders	445'399'158	179'186'718
Distribution of cash dividend	-54'400'000	-51'000'000
Registered shares: CHF 0.64 (previous year CHF 0.60)	-14'080'000	-13'200'000
Bearer shares: CHF 3.20 (previous year CHF 3.00)	-40'320'000	-37'800'000
To be carried forward	390'999'158	128'186'718

Report of the Statutory Auditor on the Financial Statements



Statutory Auditor's Report

To the General Meeting of Dätwyler Holding AG, Aitdorf

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dätwyler Holding AG (the Company), which comprise the balance sheet as at 31 December 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 104 to 110) for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of retained earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

A handwritten signature in blue ink, appearing to read 'Toni Wattenhofer'.

Toni Wattenhofer
Licensed Audit Expert
Auditor in Charge

A handwritten signature in blue ink, appearing to read 'Manuel Odoni'.

Manuel Odoni
Licensed Audit Expert

Zurich, 5 February 2021

Shareholder Information

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Five Year Summary

Datwyler Group

in CHF millions	2020	2019	2018	2017	2016
Net revenue	1'069.2	1'360.8	1'361.6	1'291.4	1'215.8
Year-on-year change (%)	-21.4	-0.1	5.4	6.2	4.3
EBITDA^{1,3}	211.0	197.1	231.5	219.8	204.3
Depreciation and amortisation	62.4	68.4	61.5	57.2	58.2
As % of net revenue	5.8	5.0	4.5	4.4	4.8
Year-on-year change (%)	-8.8	11.2	7.5	-1.7	9.2
Operating result (EBIT)	-315.9	-40.3	170.0	162.6	146.1
As % of net revenue	-29.5	-3.0	12.5	12.6	12.0
Year-on-year change (%)	683.9	-123.7	4.6	11.3	15.9
Net result	-346.3	-86.6	121.0	123.7	57.6
As % of net revenue	-32.4	-6.4	8.9	9.6	4.7
Year-on-year change (%)	299.9	-171.6	-2.2	114.8	-29.9
Net cash from operating activities	185.3	174.8	162.9	112.7	90.7
As % of net revenue	17.3	12.8	12.0	8.7	7.5
Year-on-year change (%)	6.0	7.3	44.5	24.3	-47.4
Free cash flow¹	115.7	73.2	-172.0	2.7	39.4
Non-current assets	609.2	629.8	675.2	565.9	496.3
Year-on-year change (%)	-3.3	-6.7	19.3	14.0	9.5
Current assets	497.7	531.9	639.6	733.7	720.8
Year-on-year change (%)	-6.4	-16.8	-12.8	1.8	6.7
Total assets	1'106.9	1'161.7	1'314.8	1'299.6	1'217.1
Equity	735.1	675.1	827.4	898.5	805.5
Year-on-year change (%)	8.9	-18.4	-7.9	11.5	10.9
As % of total assets	66.4	58.1	62.9	69.1	66.2
Total liabilities	371.8	486.6	487.4	401.1	411.6
Year-on-year change (%)	-23.6	-0.2	21.5	-2.6	2.1
Thereof current liabilities	199.6	303.0	303.5	362.2	208.5
Thereof long-term liabilities	172.2	183.6	183.9	38.9	203.1
Capital expenditures¹	90.8	104.6	138.0	117.9	87.4
Year-on-year change (%)	-13.2	-24.2	17.0	34.9	35.5
Personnel expenses	300.8	375.9	354.4	335.1	311.9
Year-on-year change (%)	-20.0	6.1	5.8	7.4	5.2
Number of employees (at year-end)	6'748	7'995	8'305	7'614	7'312
Year-on-year change (%)	-15.6	-3.7	9.1	4.1	4.3

Dätwyler Holding Inc.

in CHF millions	2020	2019	2018	2017	2016
Finance and investment income	20.2	22.5	21.0	61.5	207.8
Net result	317.2	-359.3	15.0	54.3	146.4
Equity	838.5	572.3	982.6	1'018.5	1'001.6
Equity as % of total assets	79.7	66.4	81.3	87.1	86.7
Share capital	0.9	0.9	0.9	0.9	0.9
Distribution	54.4 ²	51.0	51.0	51.0	37.4

¹ Datwyler Group uses certain financial performance measures that are not defined by Swiss GAAP. The definition of these alternative performance measures are published under: datwyler.com/investors/publications

² Board of Directors' proposal to the Annual General Meeting.

³ In 2020 before loss on sale of subsidiaries, in 2019 before impairment charges.

Share Information

	Currency	2020	2019	2018	2017	2016
Share capital						
	in CHF mio.	0.85	0.85	0.85	0.85	0.85
Eligible for a dividend	in CHF mio.	0.85	0.85	0.85	0.85	0.85
Number of shares						
Bearer shares of CHF 0.05 each		12'600'000	12'600'000	12'600'000	12'600'000	12'600'000
Bearer shares in issue		12'600'000	12'600'000	12'600'000	12'600'000	12'600'000
Registered shares of CHF 0.01 each		22'000'000	22'000'000	22'000'000	22'000'000	22'000'000
Market price SIX (high/low)						
Bearer share – high	CHF	263.50	189.60	211.50	189.60	153.00
Bearer share – low	CHF	125.60	123.00	122.60	138.80	111.00
Trading volume						
Number of shares		6'079'477	4'831'200	4'296'019	4'009'272	3'385'022
Value	in CHF mio.	1'107	741	755	634	463
Gross dividend						
Bearer share	CHF	3.20 ¹	3.00	3.00	3.00	2.20
Registered share	CHF	0.64 ¹	0.60	0.60	0.60	0.44
Net result per share						
Bearer share	CHF	-20.37	-5.09	7.12	7.28	3.47
Registered share	CHF	-4.07	-1.02	1.42	1.46	0.69
Net cash from operating activities per share						
Bearer share	CHF	10.90	10.28	9.58	6.63	5.46
Registered share	CHF	2.18	2.06	1.92	1.33	1.09
Price/earnings ratio (average)		n/a	n/a	24.7	21.7	39.4
Equity per share						
Bearer share	CHF	43	40	49	53	47
Registered share	CHF	9	8	10	11	9
Market capitalisation						
Average for the year	in CHF mio.	3'096	2'607	2'988	2'688	2'273
As % of equity		421	386	361	299	282
At 31 December	in CHF mio.	4'369	3'169	2'122	3'203	2'353
As % of equity		594	469	256	356	292

The Articles of Association of Dätwyler Holding Inc. do not contain any opting-out or opting-up provisions pursuant to the Swiss Stock Exchange Act.

¹ Board of Directors' proposal to the Annual General Meeting.

Share Price Performance

in CHF

— Datwyler bearer share
— SPI



Dividend History

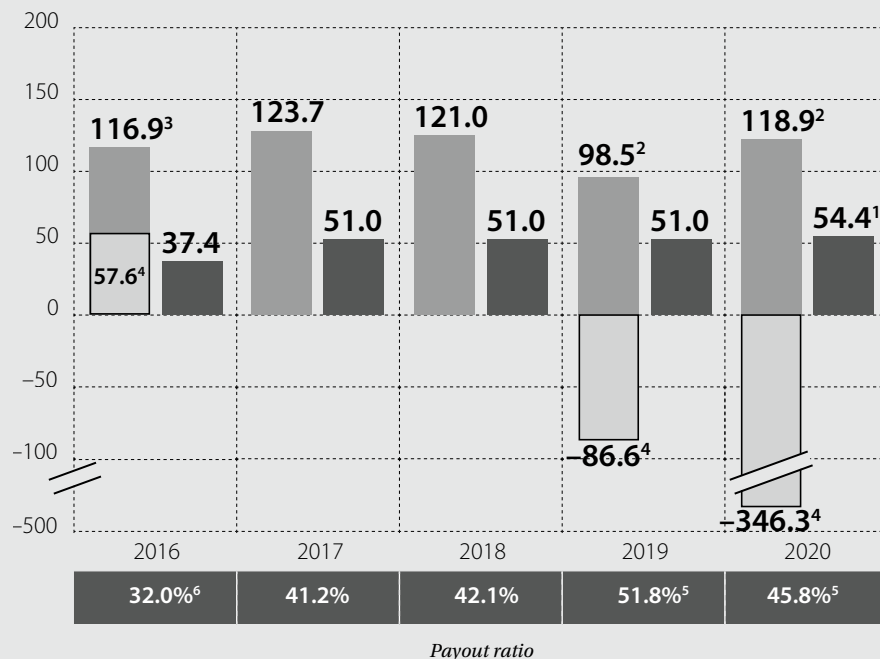
Dividend per bearer share in CHF

— Dividend per bearer share in CHF
1 Proposal to the Annual General Meeting



Dividend in CHF millions

□ Net result in CHF millions
■ Dividend in CHF millions
1 Proposal to the Annual General Meeting
2 Net result continuing operations
3 Adjusted net result
4 Reported net result
5 Pay-out ratio in relation to the net result continuing operations
6 Pay-out ratio in relation to the adjusted net result



Datwyler Group uses certain financial performance measures that are not defined by Swiss GAAP. The definition of these alternative performance measures are published under: datwyler.com/investors/publications

General Information

Financial year

Datwyler Group: 1 January to 31 December

Dätwyler Holding Inc.: 1 January to 31 December

Incorporated

Dätwyler Inc.: 1915

Dätwyler Holding Inc.: 1958

Publicly listed since 1986

Share trading

Bearer shares traded on the SIX Swiss Exchange

Ticker symbols

Security	Security No.	Investdata	ISIN	Common Code	Reuters
Datwyler bearer share	3 048 677	DAE	CH003 048677 0	XS030821700	DAE
Datwyler bond	40 993 815	DAE18	CH0409938153	182003140	DAE

Taxable value set by the Swiss Federal Tax Administration at 31 December 2020

Bearer share: CHF 257.00

0.625% Bond 2018–2024: 101.60%

Important dates

2021

Annual General Meeting: 9 March 2021

Interim Report: 11 August 2021

2022

Annual Press Conference and Analyst Conference: 8 February 2022

Annual General Meeting: 15 March 2022

Interim Report: 26 July 2022

Annual General Meetings are held at 5.00 p.m. at the Theater Uri (Tellspielhaus) Altdorf

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This Annual Report is also available in German and can be downloaded from our website at www.datwyler.com.

In the event of any inconsistency, the German version will prevail.