

LETTER TO THE SHAREHOLDERS

Datwyler performs strongly in extraordinary times

- **Currency-adjusted revenue increase of 1.2% and EBIT margin of 14.6% from continuing operations.**
- **Healthcare Solutions reports accelerated growth over the course of the year and additional revenue for COVID-19 vaccines.**
- **Recovery in demand in the automotive and general industry markets.**
- **Significant revenue growth expected in the Food & Beverage business unit.**
- **Over 70% of revenue in low cyclical markets that are growing steadily.**
- **Proposal for increased cash dividend of CHF 3.20 per bearer share.**

Due to the COVID-19 pandemic, Datwyler had to contend with some extremely challenging developments in some of the markets it serves in 2020. With measures being taken at an early stage, however, it was possible to protect employees' health at all times and guarantee delivery capacity.

Switch of focus to system-critical elastomer components

Notwithstanding the challenges associated with COVID-19, Datwyler switched its focus, as announced, to high-quality, system-critical elastomer components during the reporting year. This meant selling the Distrelec and Nedis distribution companies in March and the Civil Engineering business in May. Taking into account the companies sold, net revenue amounted to CHF 1'069.2 million. The sale of the subsidiaries resulted, as announced, in a non-cash book loss of CHF 464.5 million. As a consequence, the reported operating result (EBIT) came to CHF –315.9 million and the reported net result to CHF –346.3 million. Further reporting will relate to the operating performance of continuing operations for the two business areas Healthcare Solutions and Industrial Solutions as well as the online distributor Reichelt.

Healthcare reports substantial acceleration in growth for high-quality components

At an operational level, Datwyler performed strongly despite the negative impact of the COVID-19 pandemic. Thanks to its leading market positions and close customer relationships, the company generated net revenue of CHF 1'012.1 million (previous year: CHF 1'050.5 million) from continuing operations. Adjusted for the negative impact of the strong Swiss franc, this equates to a currency-adjusted increase of 1.2%. The Healthcare Solutions business area, the Food & Beverage business unit and the online distributor Reichelt in particular reported additional revenues for 2020 and strong incoming order figures for 2021 as a result of the pandemic. In the healthcare business, the combination of additional demand for the provision of COVID-19 vaccines and the ongoing rise in demand for high-quality FirstLine components accelerated revenue growth in the second half of the year. We are proud to be able to make an important contribution to the global fight against the pandemic and the wellbeing of humanity with our system-critical elastomer components. Datwyler is supporting the leading pharmaceutical companies in the provision of COVID-19 vaccines. In the Food & Beverage business unit and at the online distributor Reichelt, it was the widespread changeover to working from home that led to an increase in demand for capsule coffee and electronic appliances and accessories. The situation was different in the Mobility, General Industry and Oil & Gas business units. In these units, Datwyler had to contend with significant revenue declines over several months due to the coronavirus pandemic.

Improved profitability despite expenses for managing the impact of the pandemic

By taking action early, the company was able to adapt cost structures at the sites negatively impacted by the pandemic to the lower demand quickly and effectively. At the same time, the healthcare business and the online distributor Reichelt significantly improved their profitability. As a result, Datwyler was able to increase the operating result (EBIT) by 10.9% to CHF 148.0 million (previous year: CHF 133.5 million) and the EBIT margin to 14.6% (previous year: 12.7%). This was despite expenses incurred in managing the impact of the pandemic and start-up costs for new production capacities. The net result for continuing operations rose by 20.7% to CHF 118.9 million (previous year: CHF 98.5 million). Diversification across several market segments has proven its worth in tough times such as the COVID-19 pandemic. With the Healthcare Solutions and Food & Beverage areas and the online distributor Reichelt, Datwyler earns over 70% of its revenue in low cyclical markets that are growing steadily. In view of the higher

¹ Datwyler Group uses certain financial performance measures, including adjusted key figures, that are not defined by Swiss GAAP. The definition of these alternative performance measures and adjustments are published under: [datwyler.com/investors/publications](https://www.datwyler.com/investors/publications)

profitability levels and given that prospects look promising, the Board of Directors is asking the Annual General Meeting to pay an increased cash dividend of CHF 3.20 per bearer share and CHF 0.64 per registered share. This equates to a payout ratio of 45.8% of the net result for continuing operations.

New organisation and strategic priorities prove their worth

The new organisational structure introduced at the start of February 2020 with the two business areas Healthcare Solutions and Industrial Solutions and the two Group functions Technology & Innovation and Finance & Shared Services already proved its worth during the COVID-19 pandemic. The increased focus on the respective markets helped Datwyler respond to changing market conditions and customer needs with speed and agility. At the same time, the core competencies and the innovation process are being further developed and significantly strengthened by the new Group function Technology & Innovation. Our strategic priorities of driving profitable growth, accelerating digitalisation and increasing agility, which have already been in place for some time, mean we are well equipped to deal with any unexpected developments. As a socially and environmentally responsible company, we established the advancing of sustainability as a fourth strategic priority in the reporting year. An interdisciplinary project group is working on a new sustainability and climate strategy with the goal of achieving carbon neutrality for our own activities (scope 1 and 2) at all our sites by 2030 based on the Science Based Targets concept. We already obtain 35% of our global electricity needs from renewable energy sources.

Growth opportunities thanks to global megatrends

A series of global megatrends is providing opportunities in existing and new markets. These are demographic change and the ageing society in western countries and an up-and-coming middle class in the emerging countries, lifestyle changes, an increase in safety regulations and requirements, more efficient use of resources and the digitalisation of all areas of life. As a result, the demand for increasingly powerful and complex technological products is rising. In many cases, our system-critical components are one of the things that make technological progress possible in the first place. Examples include high-precision micro-components for wearable injection devices and smart rubber components with integrated sensors for new active assistance and safety systems in vehicles. To drive organic growth, we constantly assess potential acquisition targets as a way of gaining access to new markets and technologies.

Recognised core competencies provide a strong foundation

Our recognised core competencies provide the basis for utilising growth opportunities in existing and future markets. Through the combination of solution design, materials expertise and operational excellence, we are able to support existing and new customers from the design study and the prototype phase through to global serial production. We have summarised this potential in our new mission statement: "We materialise ideas for a safer, smarter, and more sustainable world." Via the new Technology & Innovation Group function, we are working to intensify our development and innovation activities with the aim of offering more new products to existing and new customers in the future. We are investing in additional resources in order to search for new applications, materials and technologies in a more targeted manner and make them usable for us. To this end, we are intensifying the dialogue with our existing customers and our collaboration with technology partners, research institutions and innovative start-ups. One example is the investment in a new center of competence for surface technology at the Swiss site, with which we are reinforcing our leading position in the market for multi-component parts in combination with elastomers. These products play a particularly important role in systems for electric vehicles.

Emerging from the pandemic even stronger than before

With the help of our mission statement, strategic priorities, core competencies and new organisational structure, we will adopt focused measures that have an impact on both the market and our customers. To this end, Datwyler introduced the concept of Objectives and Key Results (OKRs) in the reporting year

and harmonised the bonus system for all eligible employees with measurable performance indicators at company level. We foster collaboration across departments and down the various levels of the hierarchy with specific and inspiring corporate objectives. By doing so, we ensure that employees are involved in decision-making processes to a much greater extent and encourage them to think entrepreneurially. We are confident that Datwyler has the necessary strategic, organisational, financial and cultural prerequisites to emerge from the pandemic even stronger than before and take advantage of growth opportunities in existing and future markets.

Confident despite uncertainty due to the pandemic

In specific terms, Datwyler expects significant double-digit revenue growth in the healthcare business in 2021. Strong demand for high-quality coated components manufactured according to FirstLine production standards is bringing about a positive change in the product mix and the average margin. To enable us to handle the volumes forecast, we are investing in the expansion of our production facilities. The additional healthcare production capacities at the new US site and the Indian site will enable us to increase our market share and participate in market growth to a disproportionately high extent. For the Industrial Solutions business area we are confident – despite the uncertainty caused by the pandemic – that the recovery of the markets in the fourth quarter and good order backlogs will lead to high single-digit revenue growth in 2021. In the Food & Beverage business unit, we expect to achieve strong growth over the next few years thanks to the new multi-year contract with Nespresso that runs until 2030 and the acquisition of additional customers. Investments in additional production facilities are underway. Margins will weaken as a result of the altered customer and product mix. The demand situation in the Oil & Gas business unit will only improve with a significantly higher oil price. Due to the excellent value for money it offers, the online distributor Reichelt is likely to achieve low single-digit growth in 2021 following the strong reporting year. Subject to additional unpredictable effects of the pandemic, we expect an increase in revenue to over CHF 1'100 million and an EBIT margin to be around 15% in 2021.

Changes to the Board of Directors

Zhiqiang Zhang is not standing for re-election to the Board of Directors at the 2021 Annual General Meeting. We thank him for his dedicated service to Datwyler. Martin Hirzel will be nominated for election as a new Director and a further representative of the public shareholders. Martin Hirzel is the President of Swissmem, the industry association for the Swiss mechanical, electrical engineering and metals industries, Director of Bucher Industries and was CEO of Autoneum from 2011 to 2019.

A special thank you to our employees

We also feel we owe a special thank you to all our employees around the world this year. It makes us proud to see how they are navigating the major challenges presented by the COVID-19 pandemic, with great commitment, creativity, solidarity and optimism. It says a lot about Datwyler that we pull together during hard times – even more than usual – and are willing to use our initiative. These good results would not have been possible without the commitment of our employees. We also thank our customers for their loyalty and understanding. Our top priorities in these extraordinary times are clear: to protect our employees' health and ensure supplies are maintained. We would also like to take this opportunity to thank you, our shareholders, for the solidarity you show towards our business.

On behalf of the Board of Directors



Dr Paul J. Hälg, Chairman

On behalf of the Executive Management



Dirk Lambrecht, CEO

IN MEMORY OF MAX DÄTWYLER

29 January 1929 – 29 November 2020



As the son of the company founder, Max Dätwyler played a crucial role in the Datwyler Group's development from 1958 to 1999. The holder of a PhD in chemistry and a graduate in economics, he was an active member of the Board of Directors for 41 years, before being appointed an honorary member when he stood down due to his age. He and his brother Peter Dätwyler laid a strong foundation for the Group's global expansion.

Thanks to the unique succession arrangement involving Pema Holding AG and Datwyler Führungs AG, the two brothers secured Datwyler's continued existence as an independent company in 1990. This was only possible because Peter and Max Dätwyler relinquished key assets they were entitled to – a decision that was by no means a matter of course and one that deserves the highest respect and gratitude.

Max Dätwyler was an extraordinary person who stood out on account of his entrepreneurial foresight and socially responsible attitude towards his employees and society as a whole. After stepping down from the company, he initiated and financed a House of Music and a House of Art in Altdorf in the Swiss canton of Uri, where Datwyler is headquartered. In recognition of his passionate commitment, Max Dätwyler was granted honorary citizenship of Uri and received the Altdorf medal of honour as well as the "Goldener Urstier" award.

An astute thinker and analyst, there was always something "beyond supply and demand" for Max Dätwyler. He always argued with passion and incisive statements and was able to win over his listeners with his abundant humour and charm. It therefore comes as no surprise that he asked for the following words to be included in his obituary: "Do not be sad. I am doing fine. Just keep on regardless!"

On behalf of the Board of Directors

Dr. Paul J. Hälg, Chairman

On behalf of the Executive Management

Dirk Lambrecht, CEO