

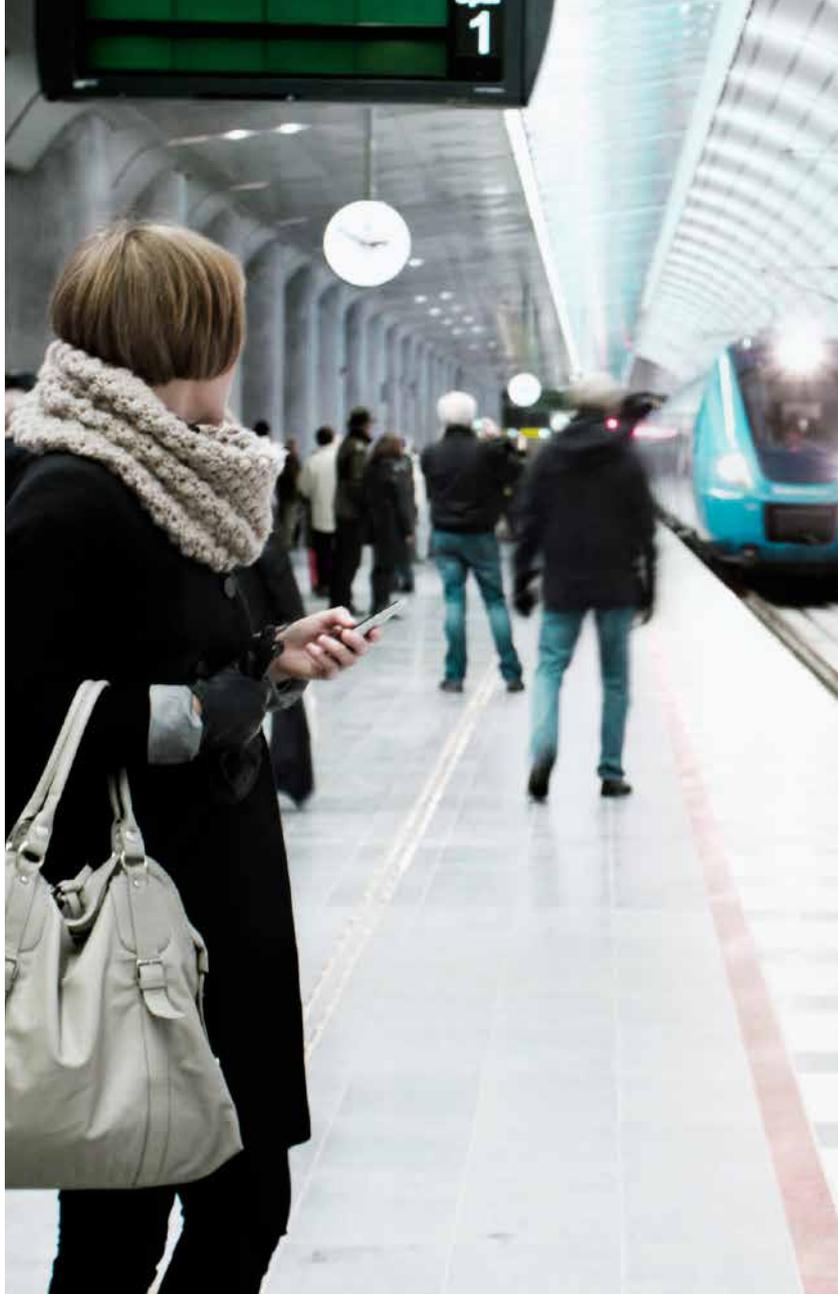
# DIVISIONS

Sealing Solutions

11

Technical Components

15



## SEALING SOLUTIONS

The Datwyler Sealing Solutions division is a leading supplier of customer specific sealing, closure and packaging solutions to global market segments, such as the Automotive, Health Care, Civil Engineering and Consumer Goods industries. This is thanks to its leading material, engineering and process expertise and worldwide presence with its own production locations. As an acknowledged development partner, Datwyler maintains close working relationships with global customers, and has in-depth knowledge of the business models and technologies used in the markets in which it operates.



### Target groups

- Automotive system suppliers
- Manufacturers and contract fillers of injectable drugs
- Manufacturers of diagnostic products
- Manufacturers of parenteral drug delivery systems
- Construction industry
- Packaging industry

### Geographical markets

- Europe
- North and South America
- Asia
- Australia

### Products and services

#### Automotive

- Brake systems
- Fuel and engine management
- Exhaust gas aftertreatment (Selective Catalytic Reduction)
- Comfort and safety equipment

### Health Care

- Rubber, aluminium and plastic components and closures for injectable drugs
- Rubber components for blood collection systems, IV administration sets, disposable syringes, etc.
- High-quality rubber components for prefilled syringes, pen systems, etc.

### Civil Engineering

- Tunnel construction (gaskets for single shell tunnelling)
- Civil engineering (hydrophilic seals, injection hoses, joint seals)
- Track superstructure (sub-ballast mats, sleeper boots)
- Industrial profiles (absorber profiles, solar profiles)
- Building construction (curtain wall, window, and door seals)

### Consumer Goods

- Innovative sealing solutions for portioned food and drinks



With the construction of a new Health Care plant in the USA, Datwyler is strengthening its market position in the world's largest pharmaceuticals market.

## Accelerated profitable growth

### Revenue and earnings

- The Sealing Solutions division managed to accelerate profitable growth during 2017. Thanks to leading positions in the market segments and the introduction of new products, net revenue rose year-on-year by 10.6% to CHF 832.8 million (previous year: CHF 753.3 million).
- Adjusted for positive currency and acquisition effects, the resulting organic revenue growth was 6.1%.
- Demand for high-quality health care components remained strong, while dynamic growth associated with automotive components for the Chinese market also continued. The Nespresso business continued to develop well.
- For the fifth consecutive time since the merger of the two former divisions, the sealing business has increased the operating result (EBIT), this time by 10.9% to CHF 151.6 million (previous year: CHF 136.7 million).
- The EBIT margin improved slightly to 18.2% (previous year: 18.1%). Further efficiency enhancements made it possible to compensate for slightly higher raw material prices and one-off costs for growth-related projects.

### Important developments in 2017

- The new Health Care offering strategy involving the Bio Care, Pharma Care and Med Care categories met with a positive response from the market.
- The integration of Ott, which was acquired in 2016, is proceeding according to schedule. The potential products and applications associated with thermoplastics and liquid silicones offer interesting opportunities for growth for new applications in the Health Care and Automotive segments.
- The new mixing plants at existing sites in Belgium and the Czech Republic have successfully started production.
- A new multi-year contract with Nespresso offers further potential for growth.

### Current priorities

- Construction of the new Health Care plant in the USA remains on schedule. The approval process for our customers is scheduled to begin in the second half of 2018.
- With a view to intensify development of the US health care market, Datwyler is expanding its sales capacity in the USA in a targeted manner.
- The Automotive market segment is introducing a new production concept at the Swiss site in the form of "Lean-and-Clean". For the first time, Datwyler will produce high-quality automotive components in clean rooms. The new production concept is suitable, among other things, for components used in SCR (selective catalytic reduction) technology – an area experiencing strong growth – which makes diesel vehicles more environmentally friendly.
- Electromobility is opening up opportunities for Datwyler in the form of new products for both existing and new customers. With the sector-leading "Lean-and-Clean" production concept and the opportunities arising from recently acquired production skills, Datwyler is well positioned to support future requirements in the automotive industry.
- By introducing a uniform production system at all plants, Datwyler is becoming more agile and creating a framework for operational excellence.

### Outlook

- Based on the positive environment in the markets served, the leading positions occupied, the healthy order book, the new Nespresso contract and the capacity levels available, Datwyler is expecting the Sealing Solutions division to enjoy dynamic profitable growth in 2018 too.
- Additional capacity expansion measures are in the pipeline to encourage organic growth. For example, Datwyler will be investing CHF 70 million in expanding the existing Health Care plant in India over the next two years. This will expand production capacity there by around 50% and provide additional buildings reserves.
- The business is always on the lookout for potential acquisitions.

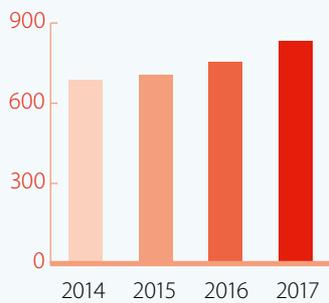
## KEY FIGURES OF SEALING SOLUTIONS

in CHF millions	2017	2016
Net revenue	832.8	753.3
EBIT	151.6	136.7
EBIT as % of net revenue	18.2%	18.1%
ROCE in %	30.1%	29.2%
Capital employed	503.3	468.2
Capital expenditures	109.4	71.6
Number of full-time equivalents (at year-end)	6'321	5'917

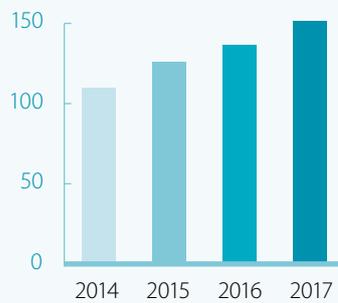


**833 mn**  
Net revenue in CHF

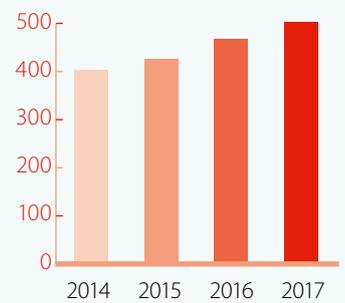
### NET REVENUE in CHF million



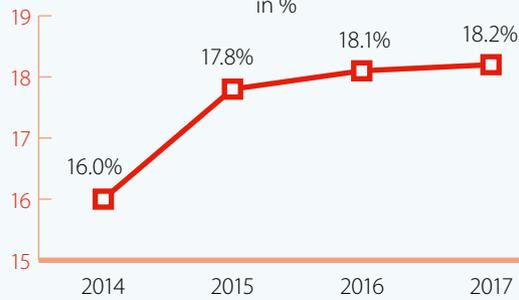
### EBIT in CHF million



### CAPITAL EMPLOYED in CHF million



### EBIT MARGIN in %

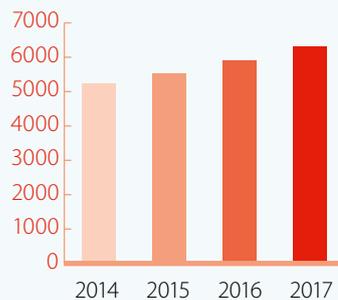


### ROCE in %

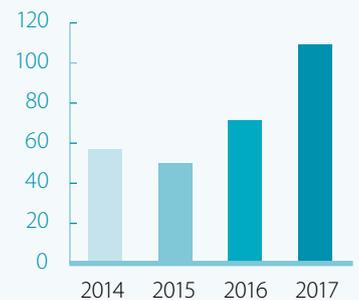


**16 bn**  
Components for the  
Health Care industry

### FULL-TIME EQUIVALENTS at year-end



### CAPITAL EXPENDITURE in CHF million



**6'300**  
Employees



## TECHNICAL COMPONENTS

The Datwyler Technical Components division is one of Europe's leading high-service distributors with local representation, a modern omni-channel offering and an attractive product range. It comprises three specialised brands – Distrelec, Reichelt and Nedis. Altogether, the Technical Components division offers an extended range of up to 500'000 products for maintenance, automation, electronics and ICT, with excellent availability and fast delivery times.



### **Target groups**

- Maintenance, Repair, Operations (MRO)
- Automation
- Electronic Design Engineers (EDE)
- Online and retail distributors of home and consumer electronics

### **Geographical markets**

- Europe

### **Products and services**

- Maintenance and safety
- Electronic components and accessories
- Automation
- Connectors
- Electrical engineering
- T&M equipment
- Network technologies
- ICT components and accessories
- Building technology and building automation
- Alarm and security technology



With the new enterprise hub in Manchester, Distrelec becomes more agile and improves the service offering for its customers.

## Revenue growth in online distribution

### Revenue and earnings

- The Technical Components division managed to achieve encouraging revenue growth in the core business-to-business activity of online distribution brands Distrelec and Reichelt during the second half of the year (despite there being fewer trading days) with an upward trend during the fourth quarter.
- Nedis, a wholesaler for home/consumer electronics, did manage to reduce the decline in demand during the second half of the year, but still had to contend with a noticeable decline in revenue for the year as a whole.
- In total, net revenue for the year as a whole fell slightly to CHF 458.6 million (previous year: CHF 462.6 million). Adjusted for positive currency effects, this equates to an organic decline of 2.3%.
- Thanks to consistent cost control and an improved gross margin, the adjusted operating result (EBIT) before one-off costs of CHF 9.7 million (mainly related to the development of the new Distrelec enterprise hub in Manchester) increased to CHF 20.7 million (previous year: 18.9 million), which gives an adjusted EBIT margin of 4.5% (previous year: 4.1%). Reported EBIT amounted to CHF 11.0 million (previous year: CHF 9.4 million).

### Important developments in 2017

- Distrelec has successfully developed a new enterprise hub in Manchester. As of the fourth quarter of 2017, products, suppliers, procurement, e-commerce and marketing have been managed centrally for all markets covered. This will improve the service offered and support annual recurring cost savings of CHF 3 million.
- Reichelt achieved significant growth with local webshop expansions in France, Poland and the Netherlands.
- The division has centralised additional administrative functions involving no direct customer contact at the shared service centre in Latvia.
- The central distribution centre in the Netherlands is performing steadily and is continuously improving supply quality and cost efficiency per order.

### Current priorities

- Given the significant increase in storage capacities, Reichelt is working on accelerating international expansion with the focus on business-to-business customers right across Europe. Thanks to the centralised support functions within one location, it is possible to sustain cost leadership despite offering online shops and telephone support in local languages.
- Distrelec is increasingly focusing on maintenance, repair and operations (MRO) and both automation and robotics. By specifically appealing to target customers, Distrelec is able to offer added value and tap into potential for growth.
- As a wholesaler for home/consumer electronics, Nedis is operating in a very challenging market segment with lots of competition and changing customer needs. With a view to halting the decline in revenue, the business is in the process of implementing a comprehensive optimization program. Among other things, Nedis is reducing the various product brands to create a common brand as well as improving product quality, optimising product management and enhancing sales efficiency. These combined measures are delivering efficiency enhancements and cost savings along the entire supply chain as well as improving customer acceptance levels and creating a stronger presence in sales terms.
- By expanding shared procurement for the three distribution brands, Datwyler strives to become more attractive to manufacturers and improve competitiveness still further.

### Outlook

- With the measures already implemented and given their current priorities, the Datwyler distributors are continuously looking to improve how they tailor their offer to customers' current needs.
- Datwyler is confident therefore that – with the economic climate looking favourable – the Technical Components division (which is focused on Europe) will manage in the new year to accelerate the revenue growth achieved in the fourth quarter of 2017 and continue to improve the EBIT margin.

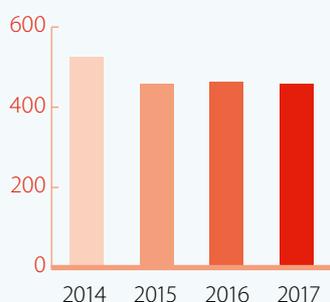
## KEY FIGURES OF TECHNICAL COMPONENTS

in CHF millions	2017	2016
Net revenue	458.6	462.6
EBIT	11.0	9.4
EBIT as % of net revenue	2.4%	2.0%
ROCE in %	5.0%	4.5%
Capital employed	218.9	209.5
Capital expenditures	7.1	15.8
Number of full-time equivalents (at year-end)	1'112	1'116

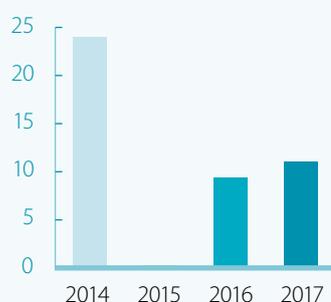


**459 mn**  
Net revenue in CHF

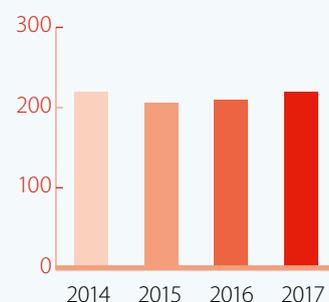
### NET REVENUE in CHF million



### EBIT in CHF million



### CAPITAL EMPLOYED in CHF million



### EBIT MARGIN in %

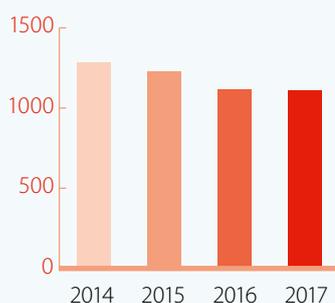


### ROCE in %

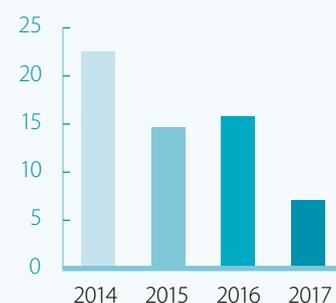


**250'000**  
Products in stock

### FULL-TIME EQUIVALENTS at year-end



### CAPITAL EXPENDITURE in CHF million



**1'100**  
Employees

2014 continuing operations (without Maagtechnic)