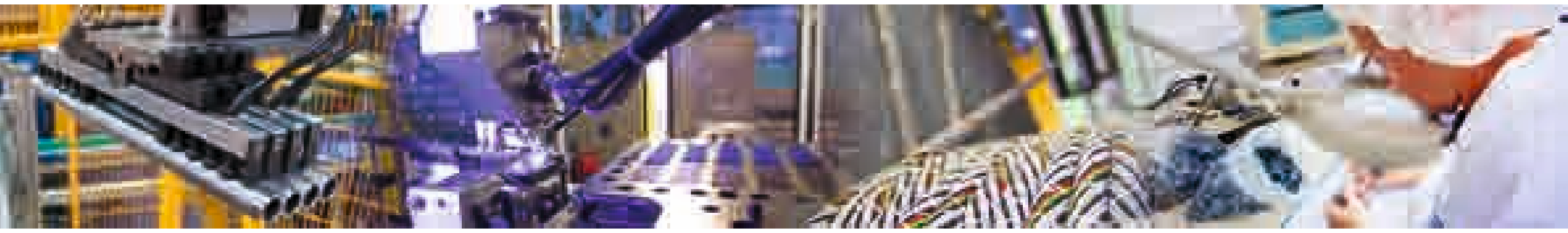
Annual Report 2005

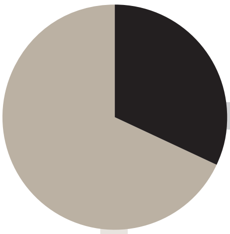


Highlights

Dätwyler Group: International Multi-Niche Player

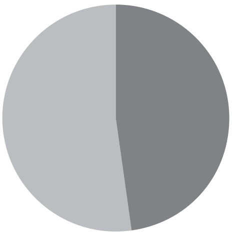
The Dätwyler Group is an internationally-oriented, multi-niche player, active as an industrial supplier and distributor of technical and electronic components. Within these activities, the group focuses on attractive markets and niches that offer increased value addition as well as profitable growth. Through its five divisions – Cables+Systems, Rubber+Plastics, Precision Tubes, Pharmaceutical Packaging and Technical Components – it serves its core markets for the automotive, telecom, pharmaceutical, machinery and construction industries. Innovative solutions and our competence in development, in partnership with our customers, constitute the pillars of our strategy. The Dätwyler Group, based in Altdorf (Switzerland), generates sales of over CHF 1 100 million and has approximately 4 600 employees; two thirds of its sales are abroad. Dätwyler has been listed on the main board of the SWX Swiss Exchange since 1986 (Securities Code No. 164991).
www.daetwyler.ch

Sales by Core Activity



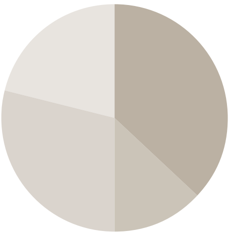
- Technical distribution 32 %
- Industrial supplier 68 %

Sales by Technical Distribution



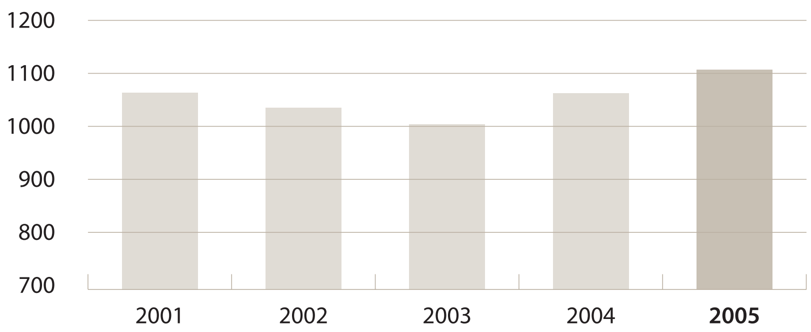
- Technical components 48 %
- Electronic components 52 %

Sales as Industrial Supplier

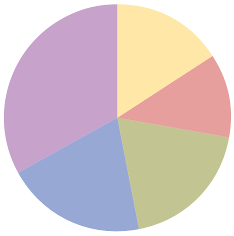


- Automotive 37 %
- Telecoms 13 %
- Pharmaceuticals 29 %
- Other 21 %

Gross Sales 2000 to 2005 (in CHF million)

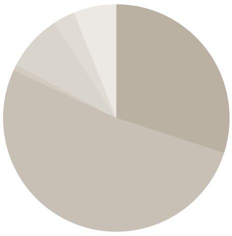


Sales by Division



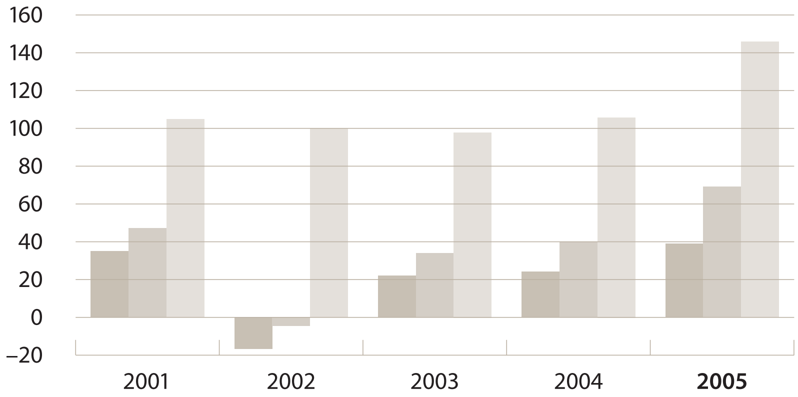
- Cables+Systems 16 %
- Rubber+Plastics 12 %
- Precision Tubes 19 %
- Pharmaceutical Packaging 20 %
- Technical Components 33 %

Sales by Region



- Switzerland 30 %
- EU 52 %
- Rest of Europe 1 %
- North America 8 %
- Far East 3 %
- Other markets 6 %

Earnings Statistics 2001 to 2005 (in CHF million)



- Net earnings
- Operating earnings EBIT
- EBITDA

Dätwyler Group (in CHF million)	**2005**	2004
Gross sales	**1 103.9**	**1063.0**
Changes vs. previous year in %	3.8 %	5.9 %
Earnings before depreciation and amortization (EBITDA)	**147.0**	**106.0**
Margin (in % of gross sales)	13.3 %	10.0 %
Earnings before interest and taxes (EBIT)	**69.3**	**39.9**
Margin (in % of gross sales)	6.3 %	3.8 %
Net earnings	**39.6**	**24.2**
Margin (in % of gross sales)	3.6 %	2.3 %
Cash Flow	**122.3**	**90.3**
Margin (in % of gross sales)	11.1 %	8.5 %
Free Cash Flow	**37.8**	**–6.5**
Capital expenditure in property, plant and equipment	**61.2**	**54.2**
Total assets	**1 014.5**	**995.3**
Stockholders' equity	**674.2**	**633.8**
Equity ratio in %	66.5 %	63.7 %
Cash and cash equivalents	**180.7**	**164.0**
Net cash and cash equivalents	**48.5**	**–6.6**
Number of employees	**4 626**	**4 480**

Dätwyler Holding Inc. (in CHF million)	**2005**	2004
Financial and investment income	45.3	42.7
Net earnings	43.3	40.8
Stockholders' equity	478.7	443.8
Equity ratio in %	99.7 %	97.3 %
Capital stock [1]	90.0	90.0
Dividends paid	13.9[2]	8.5

Data per dividend-bearing share (bearer) (in CHF)	**2005**	2004
Net earnings	257.8	159.4
Diluted net earnings	257.4	159.4
Dividend	90[2]	55
Dividend yield as of 12/31 in %	2.6 %	2.4 %

(1) *CHF 77.0 million eligible for dividend*

(2) *Proposed by the board of directors to the general meeting*

Contents

Editorial

Dear stockholders,

The Dätwyler Group has made significant improvements in 2005 and clearly increased its earning power, despite the fact that the economic recovery in the main markets, Germany and Switzerland, as well as in the telecom and construction industry lagged behind the worldwide average, especially in the first half year. Thanks to innovative solutions and intense efforts on the sales front, Dätwyler realized a solid sales growth of 3.8 %. In absolute terms, sales amounted to CHF 1103.9 million (CHF 1 063.0 million in the previous year). The positive impact of the changes in the scope of consolidation and the fluctuations in the foreign exchange rates amounts to CHF 7.5 million or 0.7 %.

Strengthening of Earning Power

On the earnings side, the Dätwyler Group registered an above-proportional increase in 2005 despite sustained high raw material prices: While EBIT rose by 73.7 % to CHF 69.3 million (CHF 39.9 million in the previous year), net earnings increased by 63.6 % to CHF 39.6 million (CHF 24.2 million in the previous year). The EBIT margin improved to 6.3 % (3.8 % in the previous year). This encouraging strengthening of our earning power was primarily based on various restructuring measures for the elimination of operational weaknesses in all group divisions. While these efforts caused some extraordinary costs in the past few years, they now bear fruit in the form of higher productivity. The discontinuation of regular goodwill amortizations according to the new IFRS valuation regulations (CHF 2.8 million) and the change in the scope of consolidation (CHF 1.1 million) contributed to the earnings increase as well. The impact of foreign exchange rate fluctuations is insignificant. Contained in the result are impairment charges from the revaluation of goodwill and tangible assets in the amount of CHF 28.1 million. One part (CHF 13.8 million) results from booking the insurance payments in connection with fire and flooding in the Rubber+Plastics Division in conformity with IFRS. With this, the presentation in the books from before the flooding is re-established to a large extent. The other part is from the Cables+Systems and the Technical Components Divisions. Due to changes in the IFRS regulations, such impairment charges may sporadically become necessary in the future. In view of the strengthened earning power and the existing potential, the board of directors proposes to the general meeting an increase of the dividend to 18 % (in the previous year 11.0 %).

Pharmaceutical packaging forms an attractive growth market.

Positive Contributions from All Divisions

All five divisions have contributed to the encouraging total result of the group with good performances. This positive development was driven by the Precision Tubes, Pharmaceutical Packaging and Technical Components Divisions. They were able to further expand their strong market positions and to increase sales and earnings. The Cables+Systems Division also substantially reduced its operating loss. This division's turnaround is on track after years in an economic trough. The Rubber+Plastics Division was confronted with special difficulties in 2005: It emerged from a turbulent year with fire and flood damage with a strengthened position.

Multi-Niche Player with Potential

The earnings values in 2005 show that the Dätwyler portfolio has attractive potential. The group is a multi-niche player with a clear strategic focus. Our companies are active as industrial suppliers and are leading in their respective markets in regard to innovation and quality. The review of our strategic position has shown that the Dätwyler Group generates more than 80 % of its sales in global or regional market niches, in which it is one of the three leading suppliers in terms of sales. And these niches are niches that grow and have a potential for diversification. In addition, the niches have high access barriers in regard to know-how, capital investment or regulations. In the markets cultivated by Dätwyler, the aim is an increase in the value added by means of a consistently decentralized structure with efficient units close to the market.

Bridge between Focusing and Diversification

With these clear strategic goals, the Dätwyler group is able to build a bridge between its focusing and diversification. With the focus on growing market niches with high access barriers and diversification potential in the industrial supplier industry, we create a common leadership and management frame for very diversified markets and products. A number of these niches have a market size of only a few hundred million francs. That's why integration into one group makes sense and also offers an added value to investors through the combination of management know-how, on the one hand, and through the spreading of the risk, on the other.

Pharmaceutical Packaging and Precision Tubes as Successful Examples

The rubber and aluminum/plastic closures for injectable drugs are a successful example of our niche strategy. Here, Dätwyler is the strong number two in a worldwide market with a volume of more than CHF 1 billion. Through the demographic development in the industrial countries and a catch-up potential in the newly-industrialized countries, this market has a natural growth potential. At the same time, the necessary know-how and the demanding admission conditions for drugs (including closures) lead to high access barriers. An attractive niche as well are precision tubes for pneumatic springs and vehicle components where we are number one worldwide. Through the substitution of solid material, precision tubes are a growth segment even in a stagnating automobile market. The long-term learning curve and the capital-intense production facilities are access barriers in this context.

Change in the Board of Directors

At the 2005 general meeting, Roland Zimmerli retired and passed the chairmanship on to Ulrich Graf. At the 2006 general meeting, Ulrich Dätwyler will withdraw from the board of directors after eight years due to new, time-intense responsibilities. Besides the reelection of three directors, a special meeting of the bearer share stockholders preceding the general meeting will be proposing the first-time election to the board of a representative. The holder of this mandate shall represent the interests of the bearer stockholders according to article 709 Swiss Code of Obligations and therefore not be part of the board of directors of Pema Holding AG and Dätwyler Führungs AG.

Profitable Growth as Goal

The strong increase in earning power in the year under review was mostly due to successfully implemented restructuring projects. This is the simpler part of management responsibility on the way to a profitably growing company. In the next phase, the goal will be to further strengthen the market position of Dätwyler companies through new and innovative products and services and thus to initiate steady sales and earnings growth. From experience, this is the more difficult part of management responsibility and requires, in addition to investments, much time. Although profitable growth is our declared goal, the earnings increases that can be realized in the industrial environment will be more moderate in the medium-term than in 2005.

Outlook for 2006

We are moderately optimistic for 2006. On the one hand, the world economy is in good shape. On the other, the growth rates in our main markets, Germany and Switzerland, continue, however, to lie below average, in an environment with probably unchanged high raw material prices. Dätwyler will do its utmost to continue to increase sales and earnings by its own efforts. In this, we rely on the confidence and loyalty of our clients, employees and stockholders and thank them in advance. A very special thank you goes this year to the employees and helpers who contributed to the management of the fire and flooding aftermath in the Rubber+Plastics Division.

On behalf of the board of directors,

Ulrich Graf, Chairman

On behalf of the executive board,

Dr. Paul Hälg, CEO

Directors and Officers as of December 31, 2005

Board of Directors

- ***Ulrich Graf,*** born 1945 (1,2)
  Chairman, term of office expires in 2008

- ***Hans R. Rüegg,*** born 1946 (1)
  Vice chairman, 2006

- ***Ulrich Dätwyler,*** born 1941
  2006

- ***Hanspeter Fässler,*** born 1956 (2)
  2008

- ***Werner Inderbitzin,*** born 1946 (2)
  2006

- ***Ernst Odermatt,*** born 1948 (1)
  2008

- ***Franz Steinegger,*** born 1943
  2006

- ***Franz J. Würth,*** born 1940
  2007

(1) Member of the Audit Committee
(2) Member of the Human Resources Committee

All members of the board of directors are elected to hold office until the date of the annual general meeting in the year stated.

- ***Roland Zimmerli,*** born 1934
  Honorary Chairman

- ***Max Dätwyler,*** born 1929
  Honorary Director

Executive Board

- ***Paul J. Hälg,*** born 1954
  CEO and Technical Components

- ***Silvio A. Magagna,*** born 1946
  Chief Financial Officer

- ***Johannes Müller,*** born 1958
  Cables+Systems

- ***Dirk Lambrecht,*** born 1960
  Rubber+Plastics

- ***René Trauffer,*** born 1944
  Precision Tubes

- ***Piet Wijnen,*** born 1948
  Pharmaceutical Packaging

Statutory and Group Auditors

- PricewaterhouseCoopers AG, Zurich (CH)

Business Review 2005

Dätwyler Group

- Consolidated sales increased by 3.8 % to CHF 1 103.9 million (CHF 1 063.0 million in the previous year). The positive impact from the changes in the scope of consolidation amounted to CHF 4.6 million or 0.4 % and from fluctuations in the foreign exchange rates to CHF 2.9 million or 0.3 %.
- The foreign share in group sales continued to increase and amounted to 69.9 % (68.8 % in the previous year).
- Operating earnings rose by 73.7 % to CHF 69.3 million (CHF 39.9 million in the previous year). Included in this are impairment charges from the new evaluation of goodwill and tangible fixed assets of a total of CHF 28.1 million. One part thereof (CHF 13.8 million) results from the booking of the insurance payments in connection with the fire and flooding in the Rubber+Plastics Division in conformity with the IFRS. The EBIT margin improved to 6.3 % (3.8 % in the previous year).
- Net earnings grew by 63.6 % to CHF 39.6 million (CHF 24.2 million in the previous year).
- Cash flow was CHF 122.3 million or 35.4 % higher than in the previous year (CHF 90.3 million).
- (Gross) capital expenditures in tangible fixed assets amounted to CHF 61.2 million (CHF 54.2 million in the previous year) and were 12.9 % higher than in the previous year. Replacement procurements in the amount of CHF 15.8 million in connection with the fire and flooding in the Rubber+Plastics Division are contained therein.
- The equity ratio continued to rise and amounted to 66.5 % (63.7 % in the previous year) as of the end of the year.
- As of the end of 2005, the number of employees – recalculated to full-time positions – was 4 503 (4 323 in the previous year). Approximately 100 thereof were temporary positions in connection with the flooding in the Rubber+Plastics Division.

Dätwyler products stand for precision, innovation and quality.

Dätwyler Divisions

Cables+Systems

- Sales: Thanks to the consistent implementation of targeted market measures, an increase of 5.8 % to CHF 176.7 million (CHF 167.0 million in the previous year) resulted.
- EBIT: The progress realized led to a clear reduction of the negative operating earnings to CHF –0.8 million (CHF –14.6 million in the previous year). Impairment charges on the fiber optics plant of CHF 4.8 million are not included therein.
- The division was able to improve its cost structure as well as its market position due to the comprehensive package of turnaround measures.
- Outlook for 2006: The initiated turnaround will be continued according to plan. The unchanged high copper price will also in 2006 be a burden for the margins.

Rubber+Plastics

- Sales: With CHF 127.3 million (CHF 130.3 million in the previous year), the level of the previous year could almost be maintained.
- EBIT: Operating earnings at CHF 7.3 million (CHF 3.2 million in the previous year) were clearly above those in the previous year. The net contribution of the booking of insurance payments for the coverage of the financial losses from the operation interruptions in conformity with the IFRS amounts to CHF –1.6 million on the EBIT level.
- The fire in Trie Château (FR) and the flooding in Schattdorf (CH) characterized the business year. Thanks to the active engagement of all employees, the most critical scenarios could be avoided.
- Outlook for 2006: Strengthened position after a turbulent year. The high raw material prices limit the earnings growth that can be realized in the short-term.

Precision Tubes

- Sales: Thanks to new projects, an encouraging increase by 15.5 % to CHF 208.8 million (CHF 180.8 million in the previous year).
- EBIT: Further productivity increases in production led to an increase of operating earnings by 30.7 % to CHF 9.8 million (CHF 7.5 million in the previous year).

- Through the expansion of the further processing, the basis was created for the further increase in value adding.
- Outlook for 2006: Despite stagnating automobile markets in the U.S. and Europe, growth potential exists for applications with precision tubes.

Pharmaceutical Packaging

- Sales: Increase by 10.5 % to CHF 216.2 million (CHF 195.6 million in the previous year), 2.1 % thereof are due to organic growth.
- EBIT: Thanks to ongoing increases in productivity, operating earnings have further grown by 22.4 % to CHF 28.4 million (CHF 23.2 million in the previous year).
- The integration of Seal Line S.p.A. (IT) acquired in 2004 proceeds according to plan.
- Outlook for 2006: In March 2006, the position in the U.S. was strengthened through the acquisition of selected tangible fixed assets of Hospira Inc. (U.S.) and the supply agreement for 10 years connected therewith. This and a multitude of growth drivers form the basis for further positive development.

Technical Components

- Sales: Slight decline by 3.7 % to CHF 377.9 million (CHF 392.4 million in the previous year) due to a disappointing first half year. Divestment-adjusted sales could be maintained.
- EBIT: Multiple measures for increasing productivity led to a growth of operating earnings by 25.3 % to CHF 20.8 million (CHF 16.6 million in the previous year). Impairment charges on goodwill and real estate of a total of CHF 8.4 million are included therein.
- Specialty Distribution: The three companies Maagtechnic, Dätwyler Electronics and Fähnletechnic were organizationally combined into the Maagtechnic Group with a new common logistics center.
- Mail-Order Distribution: Encouraging development of activities in Eastern Europe. Strengthened market position thanks to growth projects such as expansion of the product lines, intensification of internet activities and furthering of new logistics concepts.
- Outlook for 2006: Economic growth forecast for Europe should favor this division that is very sensitive to business cycles.

Dätwyler Holding Inc.

In CHF million	2005	2004	Δ %
Net earnings	43.3	40.8	+6.1 %
Income from subsidiaries and affiliates	30.9	30.5	+1.3 %
Financial income	14.4	12.2	+18.0 %
Total assets (12/31)	479.8	456.1	+5.2 %

- Distribution of a higher dividend of 18 % (11 % in the previous year) based on
- improved net earnings,
- the continuation of the current dividend policy (pay-out-ratio of approximately 33 %).

- Motion of the board of directors to the annual general meeting of April 25, 2006: Dividend of 18 % (11 % in the previous year), i.e.
- Dividend per bearer share of CHF 500.– par value: CHF 90.– (CHF 55.– in the previous year)
- Dividend per registered share of CHF 100.– par value: CHF 18.– (CHF 11.– in the previous year)

Cables+Systems

Business Review

At CHF 176.7 million (CHF 167.0 million in the previous year), the Cables+Systems Division registered a sales growth rate of 5.8 %. Through the consistent implementation of targeted measures, we were able to increase demand in Switzerland as well as in some export markets and vertical segments. In Germany as well as in the adjacent European countries, growth impulses remained elusive. Margin and earnings were heavily depressed by the massively higher raw material prices – in particular for copper. Despite this, Dätwyler Cables+Systems was able to clearly reduce its negative operating earnings (EBIT) to CHF –0.8 million from CHF –14.6 million in the previous year, thanks to the progress realized in 2005. Not contained in these operating earnings are an impairment charge and value adjustment of CHF 4.8 million due to lacking demand on the fiber market and thus insufficient capacity usage in our fiber plant.

Cables+Systems Division on Turnaround Track

Through its comprehensive package of turnaround measures, Dätwyler was able to improve the cost structure in 2005 and to increase the capacity utilization of the production plants in Altdorf and Shanghai. Among others, the entire value adding process from the supplier to the customer was systematically analyzed on the cost side. Through the reduction of the inventories, the adjustment of the product portfolio and a further personnel reduction in the administration, the company exhausted various savings potentials and boosted its competitiveness. Further steps for the analysis and optimization of all production and logistics processes were initiated. On the market side, Dätwyler strengthened its position through intensified activities, above all in Switzerland, in parts of Asia and in the global OEM sector. The international expansion in the growth markets in Eastern Europe and in the Middle East which were initiated as medium-term measures led to first encouraging results.

Data Networks (Copper and Fiberglass)

New technologies have made it possible for copper data networks as part of structured building cabling systems to also continue to be usable for larger bandwidths. In this context, Dätwyler was able to increase sales of copper networks in a strongly competitive market in the year under review. Following a weak start, the business with telecom carriers in Switzerland also turned out quite

Dätwyler system solutions comprise cables as well as matching connecting boxes.

encouraging. In the area of fiberglass, overcapacities still existing on a global scale led to a further price collapse. As a consequence, our own fiber plant was not able to cover its costs despite increases in efficiency.

Safety Cables and Systems

The positive trend for safety cable systems continued in the year under review. Our targets were exceeded, especially in Germany and Eastern Europe. The safety regulations for the construction of new airports, train stations and other transportation centers with a high passenger frequency are being tightened on a Europe-wide scale and increasingly standardized. This leads to an increasing demand for high quality systems. Based on the high copper share in safety cables, the pressure on the margins was especially strong in this area.

Elevator Cables and Systems as well as Cable Assembly

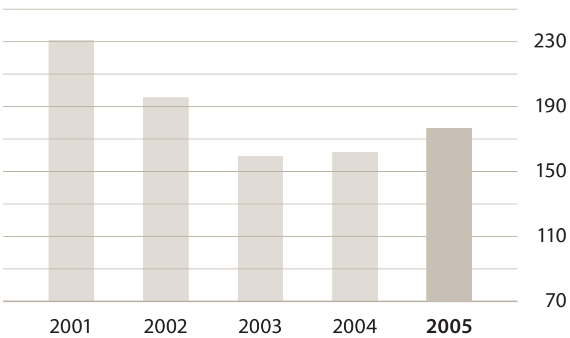
The cost pressure on elevator cables massively increased in the year under review. In cooperation with the major customers, cost-cutting programs were developed and partially implemented. The successes realized, however, did not suffice to compensate for the effects of the sharply higher copper prices. A positive exception was the elevator cable business in Asia. The two assembly operations in Switzerland and in China also worked satisfactorily and were able to increase their shares in the industry customer segment.

Outlook

At Dätwyler Cables+Systems, we will continue the initiated turnaround according to plan. In addition to further efficiency increases, we strive for further growth of this division, especially in the export business and in the global OEM data cable business. The unchanged high copper price will continue to depress the margins in 2006.

Key Figures Cables+Systems

Gross sales in CHF millions



in CHF millions	2004	2005
Gross sales	167.0	176.7
EBIT	–14.6	–0.8
Net operating assets (NOA)	115.7	105.8
Capital expenditures	5.5	2.7
Number of employees (units)	681	652

Strategy

Supplier of high-quality system solutions and services in the areas of structured cabling in buildings, telecom carriers, safety technology, cabling for the elevator industry as well as cable assembly.

Target Groups

- Manufacturing industry
- Banks/insurance
- Telecom/cable TV companies
- Municipal utilities/electrical utilities
- Public-sector facilities
- Educational facilities
- Railroad companies/traffic infrastructure/airports
- General contractors
- Installers
- Elevator industry
- Electrical wholesale industry
- Electricians

Products and Services

Structured Cabling in Buildings

- System solutions for local area networks (LAN), optimized for easy installation and for a maximum of operating reliability.
- Brands: unilan®, uninet®, hypern®, optofil®, optoversal®, optomod®

Telecom Carriers

- System solutions for city and access data networks enable telecom, cable and municipal network operators to cost-efficiently connect their customers to wide area networks (WAN)
- Brands: optofil®, optoversal®, telefil®

Safety Technology

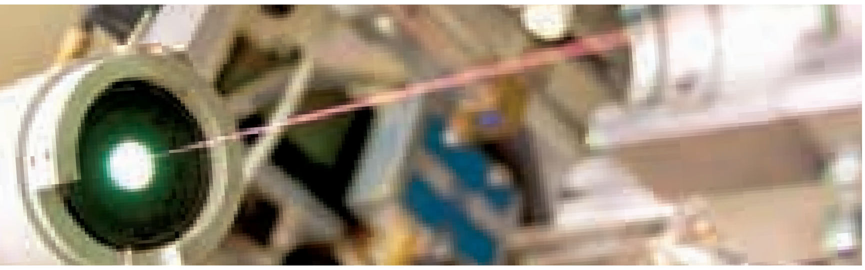
- Comprehensive safety technology for energy and data transmission from a single source. In use worldwide, many times proven in practice.
- Pyrofil® – halogen-free safety cables with functional maintenance as well as enhanced behavior in the event of fire.
- Pyrosys® – certified fastening systems and accessories for cable installations with functional maintenance in the event of fire.
- Ecobus® – the future-oriented, intelligent cabling system for building automation.

Elevator Industry

- Comprehensive system solutions and services for the electrical installation of elevators.
- Brand: Dynofil®

Cable Assembly

- Cable assembly and logistics systems solutions for the elevator industry as well as for plant and machine engineering.



Dätwyler has almost 20 years of experience in the manufacturing of fiber-optic cables.


Allianz Arena

Cables and Components for the Allianz Arena

Red, white and blue – the façade of the Allianz arena in Munich radiates these three colors. The soccer temple created by the star architects, Herzog & De Meuron, seems to float above the ground like an oversized pillow. The architectural masterpiece has cost more than € 340 million and seats 66 000 spectators. When on June 9, 2006, the starting whistle is blown for the opening game of the soccer world championship in the Allianz arena, Dätwyler cables and components will also be in action. The passive infrastructure of the stadium network has been predominantly realized with Dätwyler products. Telephone, data and video of the Allianz arena run over a single efficient net. This consists of a combination of copper and fiber glass cables and the corresponding components. The safety cables and components to ensure fire protection in the soccer stadium are from Dätwyler as well. As a competent contact partner, Dätwyler Cables+Systems offers complete cabling infrastructures made by one and the same company. Consulting and logistics services together with cable and system components jointly form an attractive, comprehensive package.

Rubber+Plastics

Business Review

The Rubber+Plastics Division was able to hold its previous year's results in 2005 with very near unchanged sales of CHF 127.3 million (CHF 130.3 million in the previous year). This is to be deemed positive for two reasons: On the one hand, there were no demand stimulations from the segments of the automotive and construction industries which are very important for Dätwyler Rubber+Plastics. On the other hand, the division had to compensate for several weeks of capacity losses in its production due to the flooding after extraordinarily heavy rains in central Switzerland and a fire at the production location in France. The operating earnings (EBIT) at CHF 7.3 million were clearly above the value of the previous year (CHF 3.2 million). The net contribution of the booking of insurance payments for the coverage of the financial losses from operation interruptions in conformity with the IFRS amounts to CHF –1.6 million on the EBIT level (for details, see page 60, Note 2, Special Events in the Rubber+Plastics Division in 2005).

Two Unforeseeable Events

The fire in Trie Château (France) at the beginning of May and the flood in Schattdorf (Switzerland) at the end of August substantially impaired the business development of the Rubber+Plastics Division in the second half-year. Production for the French market had to be temporarily relocated to the plant in Schattdorf. At the end of 2005, Dätwyler commissioned the first new facility at the new location in Gisors (France). By the middle of 2006, the French company will again have its original production capacity. The flooding in Schattdorf led to an interruption of operations of three weeks due to a lack of energy supply. In the focus of all efforts was the restitution of delivery capacity as soon as possible. The lack of production capacity was compensated, among others, by relocations to the Dätwyler plants in the U.S., the Czech Republic and the Ukraine, through temporary production in Altdorf and the introduction of a four-shift operation. Thanks to the engaged commitment of all employees, the most critical scenarios could be avoided.

Automotive Sector

As in previous years, the year under review was characterized by stagnating automotive markets in the U.S. and Europe and by distinctly higher raw material prices. The interruption of operations in the plant in Schattdorf has negatively influenced market activities in the second half of the year.

Dätwyler is a leading European provider of specialty profiles for building construction.

Thus, it is even more encouraging that the sales striven for were reached. The Dätwyler companies in the U.S. and in the Czech Republic were able to continue their positive trend. In the plant in Schattdorf, the automotive sector was forced to renew all the machinery due to the flooding. The new facilities correspond to the most up-to-date state of the art. Together with the production processes that have been optimized at the same time, they form a strengthened basis for the growth striven for.

Construction Sector

The Western European construction industry continued to move in a negative mood environment in 2005. Demand in building construction as well as in civil engineering declined in most markets, above all in the first half year. The interruption of operations for several weeks at the plant in Schattdorf prevented reaching the sales targets. Despite this, the sector was able to further strengthen its position in the relevant markets through focusing on high quality special profiles in the construction industry and civil engineering as well as through targeted participation in trade shows.

The Industry Sector

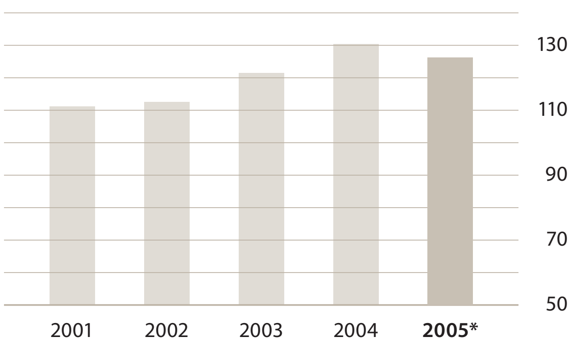
The industry sector continued to expand its market position and achieved the planned sales and earnings targets. In particular, the subsidiary in the Ukraine will enable this sector to continuously grow in terms of sales and earnings.

Outlook

The Rubber+Plastics Division emerges strengthened from a very turbulent year under review. The joint management of extraordinary situations has reinforced the already-existing cooperation and partnership with our customers. We are confident that the sector is well-positioned to continue to be able to grow profitably in the future. In the short term, high raw material prices will limit the achievable earnings growth.

Key Figures Rubber+Plastics

Gross sales in CHF millions



in CHF millions	2004	**2005***
Gross sales	130.3	127.3
EBIT	3.2	7.3
Net operating assets (NOA)	78.8	87.7
Capital expenditures	5.6	21.1
Number of employees (units)	628	737

* Cf. page 60, Note 2, Unusual Incidents Rubber+Plastics Division. Exceptional increase due to unusual events: Capital expenditures CHF 15.8 million, additional temporary employees: around 100 persons (units).

Strategy

Dätwyler Rubber+Plastics provides innovative, customer-specific solutions to sealing and insulation problems for high-quality applications in automotive manufacturing as well as in industrial and construction systems. The development laboratory for rubber compounds, the mixing plant and mold-making operations form the technological basis that makes Dätwyler Rubber+Plastics a competent development partner.

Target Groups

System developers and suppliers to the automotive and construction industries as well as the manufacturing industry.

Products and Services

Development and production of solutions to customer-specific problems in the form of high-precision molded rubber components as well as extruded and sheet products. The offer includes rubber components from blends of all customary elastomers and their combinations as well as combinations of rubber composites with the materials metal, plastic, fabric and fiber composites. The development, manufacturing and processing of all elastomers, among others, fluororubbers, fluorosilicone, EPDM featuring high thermal stress-resistance, ethylene acrylate elastomers, liquid silicone and nitrile rubber, serve as the basis therefor.

Automotive (molded rubber components)

Product groups:

- Fuel and engine management
- Booster diaphragms
- Mastercylinder, ABS
- Power brakes
- Foundation
- Comfort and safety (air conditioning, airbag, etc.)

Construction (extruded and sheet products)

Product groups in building construction:

- Window seals
- Door and gate seals
- Fire protection profiles
- Cladding seals, optionally co-extruded
- Expansion seal plates
- Sealing tapes, lining and expansion seal tapes for internal and external applications
- Cladding tapes
- Load-bearing profiles for railcar glazing

Product groups in civil engineering:

- Sealing systems for single-leaf lining finish tunnel construction
- Joint seals
- Expansion profiles
- Injection hoses
- Special seals for pipe joints

Manufacturing Industry (molded rubber components and extrusion products)

Product groups:

- Machines and apparatuses
- Household technology
- Tool industry
- Pipe joints
- Traffic and vehicle construction
- Defense technology

Vulcanization press for high-precision safety components in automobiles.

Weight and Cost Savings Thanks to Innovative Further Development

Dätwyler Rubber+Plastics is the world market leader for roller diaphragms. Almost all leading brake manufacturers rely on Dätwyler competence and quality in connection with these high-precision safety parts. The roller diaphragm enables the pressure transfer in the brake power booster and thus forms a central element of the braking systems and of the safety in modern automobiles. The consequences of a product failure would be severe. Dätwyler produces 15 million roller diaphragms per year, each characterized – thanks to especially developed elastomer materials – by excellent mechanical, physical and dynamic properties as well as by high temperature resistance and good aging characteristics. In cooperation with Continental Teves, Dätwyler has now further developed the roller diaphragm. Through reduced wall thickness, weight and cost savings result for the customer. However this leads to increased requirements on the precision and process management in the production of roller diaphragms. This technical competence has substantially contributed to Continental Teves awarding the contract for a major project to Dätwyler.

Precision Tubes

Business Review

The Precision Tubes Division can look back on an on the whole encouraging 2005 business year. The good performance of the previous year could once more be improved. Sales increased by 15.5 % to CHF 208.8 million (CHF 180.8 million in the previous year). This is, on the one hand, a consequence of the increased costs for the raw material strip steel, which could partially be passed on to the customers in the form of price increases. On the other hand, new projects came to fruition in the still very competitive automotive business. The division has again increased its capacities for the further processing of precision tubes and thus further increased value adding. Moreover, the division operating under the name of Rothrist was able to open up product-related applications in new markets. Thanks to productivity increases in manufacturing, the operating earnings (EBIT) also increased by 30.7 % to CHF 9.8 million (CHF 7.5 million in the previous year) in the year under review.

Growth Opportunities despite Stagnating Automobile Markets

The economic environment in the past year was very demanding for Rothrist. The automobile markets in Western Europe and the U.S. stagnated, even though on a high level. Various large automobile manufacturers are in the midst of radical restructuring programs. This may generate pressure on the margins but also opens up new opportunities for well-positioned, innovative suppliers such as Rothrist. Dätwyler high-quality precision tubes increasingly replace solid material and thus form a growth segment despite stagnating automobile sales. In the year under review, in particular, Asian automobile producers increased their worldwide market positions. And Japanese producers manufacture an increasing number of vehicles in their own assembly plants in Western Europe and the U.S. In this market segment, Rothrist has established itself anew after intense preliminary work and participates thus in the growth of the Japanese producers.

On the procurement markets, Rothrist was confronted with steep price increases for the raw material strip steel at the beginning of 2005. In addition, the available material was still very scarce in the first half-year. Thanks to professional material management and logistics, our delivery capacity was, however, ensured at all times. In times of just-in-time production, this reliability – also during tense situations on the steel market – is very much appreciated by Rothrist customers.

The further processing of precision tubes increases value addition.

Boosting of Productivity and Increase of Value Creation

Rothrist Tube (Switzerland) Inc. increased its productivity in the manufacture of long tubes in 2005 and brought its new large facilities to a very good performance level. In the further processing, Rothrist installed another modern production line. This increases the capacity for exacting tube components with much added value. One of the focuses of investment in the year under review was on the system measurement technology, with which the high quality level should be ensured and increased.

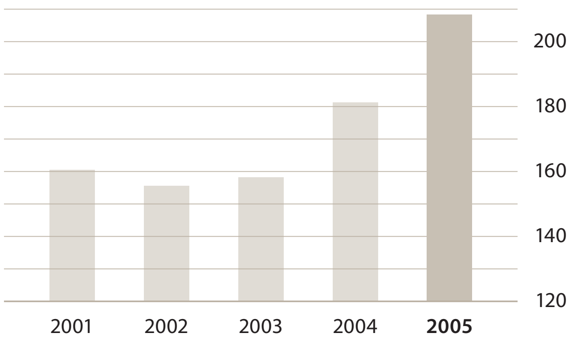
Rothrist Rohr (Deutschland) GmbH successfully implemented a series of cost-reducing measures in the manufacture of long tubes. Rothrist further expanded its further processing through a highly automated production line in the German plant as well. The German company invested much effort in the optimization of the process and organizational structure in the year under review. Measures for the increase of efficiency and for the improvement of the product mix continued to stand in the forefront for the company.

2006 Outlook

Despite a foreseeable stagnating automobile market in the U.S. and Europe, we are confident that Rothrist has additional growth potential for 2006. On the one hand, new orders for demanding tube components are in the pipeline and, on the other, new opportunities for geographical expansion opened up. Parallel to the development and cultivation of new markets and customers, Rothrist still works intensively on its cost structure.

Key Figures Precision Tubes

Gross sales in CHF millions



in CHF millions	2004	2005
Gross sales	180.8	208.8
EBIT	7.5	9.8
Net operating assets (NOA)	177.8	180.6
Capital expenditures	6.0	7.0
Number of employees (units)	542	539

Strategy

As a supplier of precision tubes for gas springs, vehicle components, structural elements and shock absorbers for automotive applications, Rothrist Tube seeks to achieve technological leadership and the expansion of its strong market position worldwide. The prerequisites for this are systematic attention to markets, production facilities that are unique in this sector and comprehensive, customer-specific additional services in the further processing of precision tubes.

Target Groups

- Automobile manufacturers
- Systems suppliers to the automobile industry
- Component manufacturers

Products and Services

- Welded and cold-drawn precision tubes in large volumes
- Optimized to customer-specific applications and processing methods
- In manufactured and customized lengths
- Extensive further processing

Applications in Automotive Engineering

- Chassis stabilizers
- Cardan shafts
- Drive shafts
- Assembled camshafts
- Gas springs
- Steering components (steering columns, servo steering cylinders, geared racks, steering linkages)
- McPherson struts
- Hydraulic cylinders
- Axles
- Shock absorbers
- Piston rods
- Transmission shafts
- Restraint systems

Other Applications

- Motorcycle forks
- Gas-filled springs for office chairs and other applications
- Hydraulic cylinders
- Profile tubes for cardan shafts (e.g. in agricultural machinery)
- Tubes for hydroforming
- Overload clutches
- Other customized, industrial applications (e.g. for extruded and other mass-produced components)

Manual and automatic controls guarantee a high quality level.

Precision Tubes for Japanese Transplants in the U.S.

The application possibilities of precision tubes in vehicle construction continuously increase. The Dätwyler company, Rothrist, in 2005 has used this trend to further expand its strong position as a development partner of the international automotive industry. Among others, Rothrist was able to expand its deliveries of further processed precision tubes to the U.S. These tube components are now also used in the so-called "transplants" in vehicle assembly. These assembly plants operated by Japanese automobile manufacturers in the U.S. have strongly gained in importance in the last few years. Depending on the manufacturer, already two thirds to 80 % of "Japanese" cars sold in the U.S. are finished in North American manufacturing plants. The market share of Japanese manufacturers in the U.S. is continuously increasing and is already above 30 %. This corresponds to more than 5 million new vehicles per year. With the Japanese transplants as new customers, Rothrist opened up interesting growth perspectives – in the U.S. and possibly soon in other regions of the world.

Pharmaceutical Packaging

Business Review

The Pharmaceutical Packaging Division is well on track. In 2005, sales rose by 10.5 % compared to the previous year to CHF 216.2 million (CHF 195.6 million in the previous year). Part of this increase is due to Seal Line, Montegaldella (IT), which was acquired in July 2004. On a comparable previous year basis, internal sales growth was 2.1 %. With Seal Line, the division that operates under the name of Helvoet Pharma, opened up the market segment of pistons for disposable syringes. The integration of the Italian company into the existing organizational structure progresses according to plan. This manifests itself among others in the fact that Seal Line also contributes on the earnings side to the positive development of the division. Thus, Helvoet Pharma was able to increase the operating results in the year under review by an encouraging 22.4 % to CHF 28.4 million (CHF 23.2 million in the previous year). In relation to sales, this corresponds to an EBIT margin of 13.1 % despite soaring prices for the raw material for the production of the pharmaceutical elastomer compounds.

Centralization of Manufacture in the U.S.

The increase of profitability is the result of systematic productivity increases in the last three years. In 2003 and 2004, Helvoet Pharma combined two locations each for the manufacture of aluminum caps in the U.S. and Germany and expanded the plant at the original U.S. location in Pennsauken, New Jersey. In 2005, the centralization of the U.S. manufacturing activities for rubber closures in Pennsauken was undertaken. The plant in Salisbury, Maryland, was closed and the building is for sale. With this measure, Helvoet Pharma has a solid base for further developing its position in the U.S., the fastest-growing pharmaceutical market worldwide.

Capacity Expansion to Satisfy Strong Demand

Strong demand from the international pharmaceutical industry led to a very high capacity utilization of the existing production facilities in 2005. In order to avoid delivery bottlenecks, the manufacturing capacities at the locations Alken (Belgium) and Pregnana (Italy) were increased through temporary measures and the purchase of new facilities. In the Belgian plant, Helvoet Pharma realized among others the fourth capacity enlargement for closures with Omniflex coating. Omniflex protective coating assures the highest possible compatibility and purity in the packaging of injectable drugs.

A high degree of cleanliness already characterizes the vulcanization process of the rubber stoppers.

Promising Growth Drivers

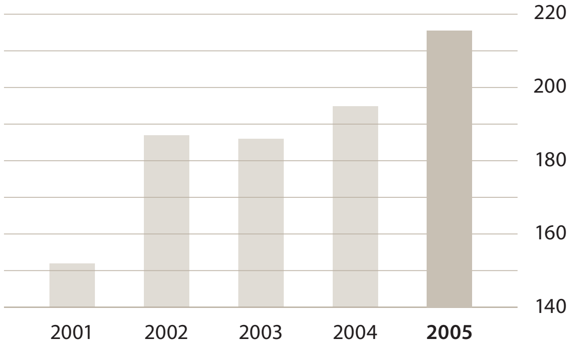
We are confident of the future of the Pharmaceutical Packaging Division. As number two on a global scale, Helvoet Pharma has a strong position in an attractive growth market. Various developments will keep demand high for modern therapies and thus closures for injectable drugs, diagnostics and drug delivery systems. Thus, for instance, a trend for the "safe application" of drugs exists. In this trend, the traditional ampoules without closures are replaced by glass containers or prefilled syringes with closures. In addition, therapies for which the drug must be injected are increasing. A good example for this is in the treatment of diabetes. Finally, biotechnologically produced drugs also make higher demands on the quality of the closures with which they come into contact.

Outlook

Helvoet Pharma intends to take advantage of its strong position with sales in more than 80 countries, in order to profit from the growth trends and grow faster than the global market. In order to reach this goal, multiple measures on all levels and in all areas of the company are being implemented, from the further development of elastomer compounds and products to the optimization of the production conditions and the increase of value addition to the opening up of new fields of applications and new geographical markets. Opportunities for external growth in the form of acquisitions are continuously being examined as well. In March 2006, the position in the U.S. was strengthened through the acquisition of selected tangible assets of Hospira Inc. (U.S.) and the supply agreement for 10 years connected therewith. We expect that the positive development at Helvoet Pharma will continue in 2006.

Key Figures Pharmaceutical Packaging

Gross sales in CHF millions



in CHF millions	2004	**2005**
Gross sales	195.6	216.2
EBIT	23.2	28.4
Net operating assets (NOA)	224.4	243.0
Capital expenditures	16.0	18.4
Number of employees (units)	1 150	1 160

Strategy

The Pharmaceutical Packaging Division (which operates under the name of Helvoet Pharma) is a worldwide leading supplier of rubber, plastic and aluminum closures for injectable drugs, diagnostics and drug delivery systems. Proven partnerships with all major pharmaceutical groups, a global presence and a strong focus on innovation embody the basis for this strategy.

Target Groups

Manufacturers of injectable pharmaceuticals, diagnostics and drug delivery systems

Products and Services

Rubber and Aluminum/Plastic Components for Pharmaceutical Packaging

- Serum and lyophilization stoppers for injection vials
- Pistons, tip-caps and needle covers for prefilled syringes
- Pistons and discs (assembled with aluminum caps) for dental cartridges
- Stoppers for infusion bottles and discs for bottlepack containers
- Dual-port closures for bottlepacks
- Aluminum caps with rubber discs (lined seals)
- Plastic bottlepack caps (separate or with rubber discs)
- Plastic hangers for infusion bottles

Special Services

- Omniflexplus coating for rubber components to improve compatibility and cleanliness
- Ready-for-sterilization (RfS) components: Rubber components which require no further pretreatment by the customer
- Ready-for-use (RfU) components: Gamma sterilized rubber components and aluminum caps
- Quality certificate via EDI (electronic data interchange)

Rubber Components for Diagnostics and Drug Delivery Systems

- Stoppers and needle covers for blood collection tubes
- Pistons for infusion pumps
- Components for aerosols
- Pistons for disposable syringes
- Injection sites for IV administration sets

Fully automated quality control of aluminum caps.

Quality of the Closure Determines Quality of the Drug

The quality of an injectable drug is only as good as the quality of the glass container and the closure. This simple but important knowledge is motivation for continuous further development of closures at the Dätwyler company, Helvoet Pharma. A modern closure of a liquid drug consists nowadays of two components and three materials: the rubber stopper, which as the primary packaging component is in contact with the drug, is attached to the glass container by a so-called flip cap. This flip cap consists of an aluminum cap and a plastic top. The plastic top can easily be pushed open with the thumb. This process punches an automatic opening in the aluminum cap and frees the rubber stopper for the charging of the syringe. Helvoet Pharma manufactures more than one billion flip caps annually and guarantees the highest precision and functionability through fully automated quality control – such that the drug can be administered rapidly and in the best quality also in medical emergencies.

Technical Components

Business Review

While the first half year of 2005 did not fulfill expectations in the Technical Components Division, demand clearly surged in the second half. Overall, sales equaled those of the previous year. Due to the change in the scope of consolidation (divestment of Mader GmbH (DE), September 30, 2004, and acquisition of Richterich + Zeller AG (CH), January 1, 2005), the division, however, recorded a decline in sales of 3.7% to CHF 377.9 million (CHF 392.4 million in the previous year). Various measures designed to increase productivity led to a growth of operating earnings by 25.3% to CHF 20.8 million (CHF 16.6 million in the previous year), inclusive of totally CHF 8.4 million impairment charges. The latter comprises CHF 6.9 million impairment charges of goodwill for Dätwyler Electronics and Fähnletechnic and CHF 1.5 million are due to the revaluation of the Maagtechnic property.

Specialty Distribution/Maagtechnic

In total, the Specialty Distribution sector registered an encouraging sales development in 2005. In the year under review, following a two-year construction period this sector in Dübendorf/Zurich step-by-step commissioned its new logistics center with the most modern facilities. Simultaneously, the layout and the flow of materials in the manufacturing areas were optimized. In order to fully exploit the synergies of the new logistics center, the specialty distribution companies, Maagtechnic, Fähnletechnic and Dätwyler Electronics, were organizationally united in the Maagtechnic Group as of the beginning of 2006. In this process, the German company, Fähnle Technic GmbH, was renamed Maag Technic GmbH as of the beginning of 2006 within the context of strategy review and restructuring measures. Through the expansion of the products and services offered in fluid and drive engineering as well as in occupational safety, Maagtechnic strengthened its leading position in Switzerland and in Southwestern Germany in the year under review. For OEM (original equipment manufacturers) customers, the company also realized a series of new projects in various market segments. Under the slogan "Innovation by Tradition" Maagtechnic in 2005 with a memorable event took the opportunity of its hundred-year anniversary celebrations to successfully position itself in the minds of Swiss industry and trade.

Maagtechnic – standard product line of 90 000 products for more than 25 000 business customers.

Mail Order Distribution/Distrelec

Thanks to a good second half year, the Mail Order Distribution sector, which operates on the market as Distrelec, was able to fulfill sales expectations, even following weak sales in the first few months of 2005. Above all, demand from Italy and Switzerland developed especially well. New activities in Eastern Europe have also fulfilled expectations for the entire year. The general pressure in competition and on margins continues unchanged, however, despite the improved economic environment. Distrelec will counteract this pressure with various growth projects and with measures toward increasing productivity in the future as well. In this context, the further expansion of the product lines, the intensification of internet activities as well as the promotion of new logistics concepts stand in the forefront.

Dätwyler i/o devices

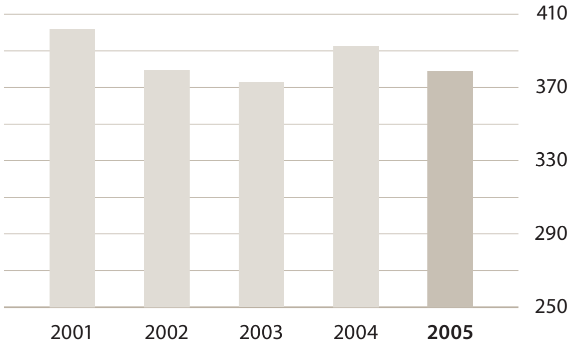
For the internationally active key pads producer, Dätwyler i/o devices, the restructuring measures implemented in 2005 led to clearly improved earnings and slightly increased sales. The new focus is on the automobile and instrument markets. The sector's business model, with its own consulting and distribution companies in Europe, the U.S. and Asia as well as an ISO/TS certified production plant in Thailand, is proving itself.

Outlook

The economic growth forecast for 2006 in Europe should be favorable for the Technical Components Division which is sensitive to business cycles. Thanks to the implemented process and structural improvements, we are confident that Maagtechnic and Distrelec will be able to exceed their sales and earnings of the previous year in 2006.

Key Figures Technical Components

Gross sales in CHF millions



in CHF millions	2004	**2005**
Gross sales	392.4	377.9
EBIT	16.6	20.8
Net operating assets (NOA)	303.9	287.1
Capital expenditures	20.2	11.8
Number of employees (units)		
– Dätwyler Teco Distribution	838	837
– Dätwyler i/o devices	456	550

Strategy

Dätwyler Teco Distribution supplies technical and electronic components based on sound specialist and mail order distribution expertise in the fields of industry and electronic commerce. Specialist distribution positions itself as a trade, service and manufacturing enterprise.

Dätwlyer i/o devices is active worldwide in the manufacturing and marketing of silicone-based keyboard molds, keypads and connectors. The products are used in automotive engineering, instrumentation and telecommunications.

Target Groups

- Dätwyler Teco Distribution: Industrial corporations, small and medium-sized enterprises, business to business.
- Dätwyler i/o devices: Systems supplier to the automotive industry and manufacturers of various measuring and analysis instruments as well as telecom equipment.

Control panels from Dätwyler i/o devices globally increase the comfort in automobiles.

Products and Services

Dätwyler Teco Distribution

Dätwyler Teco Distribution is a leading business to business supplier of technical and electronic components in Switzerland and neighboring countries. An extensive range of 300 000 standard components, automated interfaces to customers and in-depth applications expertise enable cost-effective order processing and individually tailored solutions for customers.

Specialty Distribution

- Elastomer and plastics technology
- Fluidics and power transmission
- Work safety/tools/consumables
- Design, construction and manufacturing of customer-specific ready-to-be-installed components and modules

Mail Order Distribution

- Active and passive components
- Connecting technology
- Automation
- Data processing accessories/computer peripherals
- Networktechnology

Dätwyler i/o devices

Dätwyler i/o devices is active worldwide in the field of silicone keypads and keyboard molds for applications in automotive engineering, instrumentation and telecommunications. Extensive applications expertise, worldwide distribution capabilities (in Europe, the U.S. and Asia) and modern production facilities (in-house manufacturing and joint ventures in Asia) enable the highest standards expected by customers to be fulfilled worldwide.

Technology

- Silicone in compression or injection processes
- IMD (in-mold decoration) on polycarbonate and ABS film basis
- Plastic caps, also chromium plated with in-mold symbols
- Polydome films, contact films (flexible PCBs)
- Connectors in silicone elastomer

Successful C Products Management with Distrelec

Approximately 30 % of all expenditures by an enterprise concern operational resources – thus, products and services which do not become part of a production process. A huge savings potential is concealed in this area in many companies. The Dätwyler company, Distrelec, has been offering innovative services to its customers for some years in order to open up this potential through optimized purchasing processes: Its focus is the integration of the voluminous Internet catalogs into the procurement or e-procurement solutions for customers. In this process, all leading systems are supported. Each business step, from the selection of the products to the ordering to the invoicing, is taken electronically and through this real money is saved – and indeed for a continuously expanded standard assortment of more than 85 000 electronic as well as electro- and computer technology products. Numerous renowned companies already profit from this trendsetting cooperation with Distrelec, the leading Swiss distributor of electronics.

Environment

Basic Values

The companies in the Dätwyler Group fulfill their responsibilities with regard to environmental protection as required by applicable legal provisions. Furthermore, identifiable risks are minimized within reasonable limits. Specifically, this means that in selecting resources and production processes, environmentally friendly materials and processes having the least possible environmental impact during manufacture, use and disposal of the products are chosen whenever possible.

Certifications and Memberships

Based on ecological basic values, nine Dätwyler companies are certified for compliance with ISO 14 001: Dätwyler Cables+Systems, Dätwyler Fiber Optics, Kaved and Maagtechnic in Switzerland, Rothrist Rohr in Switzerland and in Germany as well as Helvoet Pharma in Belgium, Germany and Italy. Other group companies are working towards the ISO environmental certificate. Dätwyler Cables+Systems and Kaved in Switzerland as well as Helvoet Pharma in Belgium are certified for compliance with OHSAS 18 001 – Occupational Health and Safety. The Swiss Cables+Systems and the Rubber+Plastics Divisions companies have been members of the Energieagentur der Wirtschaft (EnAW – Business Energy Agency) since 2003 and 2002, respectively. This agency – on behalf of the Federal Office for the Environment, Forests and Landscape (SAEFL) – has recognized that these Swiss companies have fulfilled the voluntary reduction of CO_2 emissions in the year under review according to the agreed-upon targets.

Process-related waste steel: Environmentally adequate reprocessing or recycling.

Concrete Measures Taken in 2005

The reporting focuses on the four group divisions which are active in industrial manufacturing.

Cable+Systems
(Production Location in Altdorf, Switzerland)

- The cable assembly company, Kaved, recently obtained the ISO 14 001 certificate. Occupational health and safety is also newly certified according to OHSAS 18 001 at Cables+Systems and Kaved in Switzerland.
- In the field of thermal energy, the company laid the basis for future energy savings in 2005 through the replacement of the heating furnace and control system in the shipping department and the insulation of selected windows.
- Consumption of resources per CHF 1000 of product value (value of goods manufactured, vgm) declined in the four-year period from 2002 to 2005 – with the exception of electric power. The strong decline in fossil fuels and CO_2 emissions is due to a new heating system that was put into operation at the end of 2002.

		2005	2002
Heating oil, extra light	MWh/1000 CHF vgm	0.088	0.137
Electric power	MWh/1000 CHF vgm	0.180	0.158
Drinking/industr. water	m^3/1000 CHF vgm	8.203	10.588
CO_2	kg/1000 CHF vgm	24.540	38.583
VOC	kg/1000 CHF vgm	0.032	0.044

Rubber+Plastics
(Production Location in Schattdorf, Switzerland)

- The Rubber+Plastics Division was able to substantially reduce water consumption through targeted measures.
- Compressed air consumption declined distinctly through a new compressor concept and the link-up with a neighboring industrial company.

- The consumption of resources per CHF 1000 of product value (vgm) could be clearly lowered in the four-year period from 2002 to 2005 – with the exception of a slight increase in VOC emissions. Comprehensive building renovation with heat insulation in the previous year resulted in a 20 % decline in fossil energy consumption and CO_2 emissions.

		2005	2002
Heating oil, extra light	MWh/1000 CHF vgm	0.080	0.104
Electric power	MWh/1000 CHF vgm	0.179	0.222
Compressed air	m³/1000 CHF vgm	87.804	106.413
Drinking/industr. water	m³/1000 CHF vgm	11.796	16.637
CO_2	kg/1000 CHF vgm	34.787	44.838
VOC	kg/1000 CHF vgm	0.537	0.494

Precision Tubes
(Production Locations in Switzerland and Germany)

- The Precision Tubes Division successfully passed the recertification audit for the current ISO 14 001:2004 standard at its two production locations in Switzerland and Germany in the year under review. In this process, the comprehensive environmental management system was strengthened and further developed.
- In the Rothrist plant, the renovation of the plant heating was the focus of attention in 2005. The two existing furnaces were torn down and the plant heating was connected to the existing heat distribution system originating from the furnace building. Through this, the heat recovery at the annealing furnace is utilized even more efficiently, which should further reduce heating oil consumption and CO_2 emissions in the future.
- The scheduled replacement of the fork lift trucks was used to equip the five new vehicles with diesel particle filters.
- The data on consumption of resources per ton of manufactured goods for the first time include both production locations. In this context it must be noted that heating oil and propane gas are only used in Switzerland and natural gas only in Germany. In the four-year period from 2002 to 2005, consumption development was mixed. A slight increase in water consumption and in emissions of volatile organic compounds (VOC) is contrasted with in part substantial declines in energy consumption and CO_2 emissions. This is, among others, the result of the measures for heat recovery from previous years.

		2005	2002
Heating oil, extra light (only CH)	MWh/t Product	0.037	0.056
Electric power	MWh/t Product	0.408	0.425
Propane gas (only CH)	MWh/t Product	0.357	0.404
Natural gas (only DE)	MWh/t Product	0.759	1.002
Energy total	MWh/t Product	0.921	1.081
Drinking/industr. water	m³/t Product	2.465	2.435
CO_2	kg/t Product	110.248	126.520
VOC	kg/t Product	1.361	1.349

Pharmaceutical Packaging
(Production Locations in Italy, the U.S. and Belgium)

- The Seal Line plant, which was acquired by Dätwyler in mid 2004, in Montegaldello, Italy, was successfully certified in December 2005 for compliance with ISO 14 001. Thanks to process optimization, water consumption was reduced by 30 % in the year under review.
- At the second Italian production location, in Pregnana near Milan, Helvoet Pharma increasingly recycles its rubber waste. In 2005, the share of recycled rubber already amounted to 28 %. A recycling share of 40 % is foreseen for 2006.
- At the production location in the U.S., Helvoet Pharma was able to significantly reduce the use of solvents in the finishing processes.
- The consumption of resources per CHF 1 000 of product value (vgm) has not substantially changed at the production location in Belgium in the four-year period from 2002 to 2005 – with the exception of water consumption. An external audit showed that power consumption (natural gas and electricity) of the production processes reached an encouragingly low level, from which further optimization is difficult.

		2005	2002
Natural gas	MWh/1000 CHF vgm	0.057	0.051
Electric power	MWh/1000 CHF vgm	0.131	0.139
Drinking/industr. water	m³/1000 CHF vgm	0.643	0.960

Personnel

Basic Values

Independent, well-qualified, participative and motivated personnel are the company's most important asset. In this context, motivation, training and leadership are primarily the responsibility of management. Considerable importance is therefore attached to the selection, training and informing of managerial personnel. Dätwyler fosters a culture of open communication at all levels in the hierarchy. This also includes regular contact between executive management and personnel representatives.

Personnel Development

The markets in which the Dätwyler Group operates call for thoroughly trained personnel who engage in a continuous learning process. The efforts invested in training young specialist personnel are reflected by the 206 apprenticeship training positions provided by companies in the Dätwyler Group worldwide. Ongoing training programs aimed at developing the technical and social competences of personnel are supported at all levels of the hierarchy.

Selected Measures in 2005

Cables+Systems and Rubber+Plastics

- The introduction of systematic "presence management" with various information and training events has already led to first improvements: Absences due to illness or accident clearly declined in the year under review.
- The Cables+Systems Division has continued the training cycle for "effective cooperation" accompanying the turnaround process.

More than 4500 employees form competitive teams.

Pharmaceutical Packaging

- The production location in Belgium prepared and implemented a program for the improvement of communication among the various departments and management levels. This was the result of a survey on personnel satisfaction in the previous year.
- The production location in Italy introduced a comprehensive program for the enhancement of identification with the company and feeling of responsibility among the personnel on all levels of the hierarchy in the year under review. The program with the title "People Empowerment" is being continued in 2006.

Social responsibility

Since its incorporation, the Dätwyler Group has maintained firm roots in the canton of Uri. This is also where the charitable Dätwyler Foundation is based. Set up in 1990, the foundation has been endowed over the years with capital in the amount of CHF 19.5 million from the private assets of the brothers Peter and Max Dätwyler. The foundation owns no shares in Dätwyler Holding Inc. and has no influence on the management of the Dätwyler Group. The purpose of the Dätwyler Foundation is to promote charitable undertakings in the fields of art, architecture and local customs; education, instruction and training; natural and social science and the humanities; physical training and the conservation of nature, the national heritage and the environment. The foundation has been able to make grants of CHF 4.4 million since it was formed. Of this amount, CHF 3.6 million or approximately 82 % of the total amount went to applicants from the Canton of Uri or to persons and institutions closely associated with the Canton of Uri. As a rule, the foundation uses the assets to be distributed in a focused way. In the year under review, CHF 0.29 million were granted in this sense.

Corporate Governance December 31, 2005

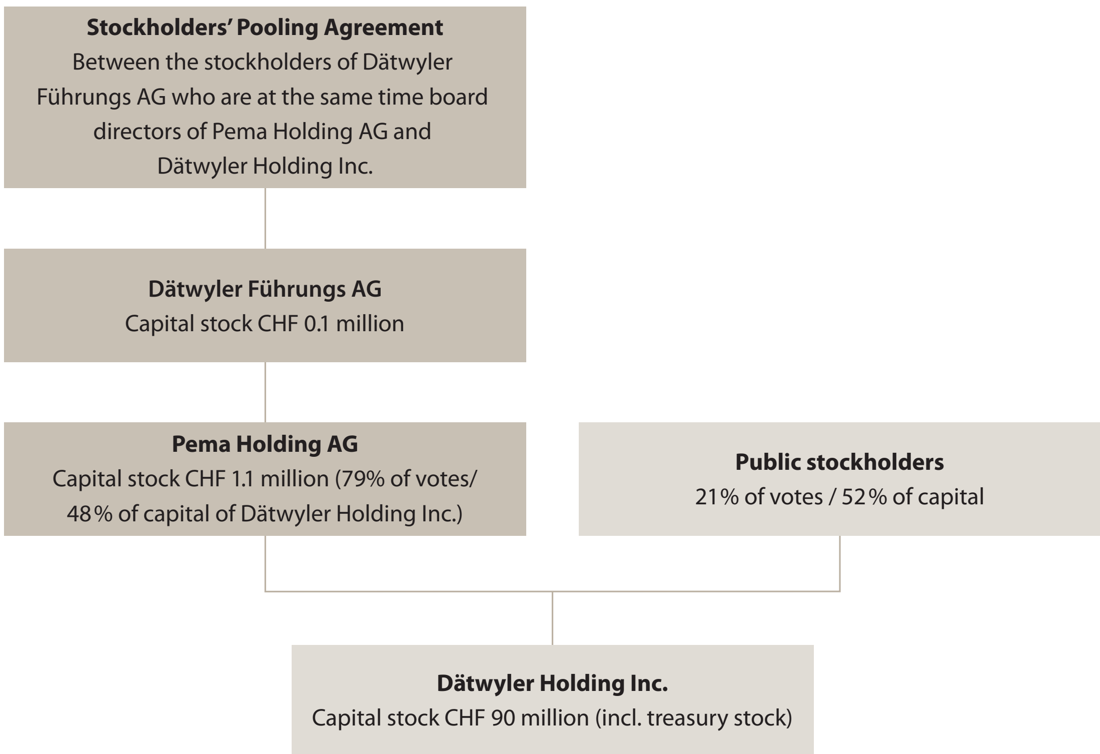
As a company dedicated to long-term value adding, Dätwyler has clear management and control principles in line with current ideas on the subject of corporate governance. These are set out in the Articles of Incorporation (www.daetwyler.ch/Group/Organization) and in the Regulations for the Organization and Conduct of Business of Dätwyler Holding Inc. On the following pages, they are set forth in accordance with the relevant SWX Swiss Exchange guidelines. Reference is made accordingly to subject matters explained in detail in the Notes to the Consolidated Financial Statements. If no information is given regarding an item in the SWX guidelines, this item is either not applicable to Dätwyler or not essential.

Corporate Structure and Stockholders

The Dätwyler Group is an internationally-oriented multi-niche player, active as a supplier to industrial customers and as a distributor of technical components. Within these activities, the group focuses on known and attractive markets and niches. Through its five divisions – Cables+Systems, Rubber+Plastics, Precision Tubes, Pharmaceutical Packaging and Technical Components – it serves its core markets for the automotive, telecom, pharmaceutical, machinery and construction industries.

Major Stockholders and Ownership

Pema Holding AG is in the possession of all 220 000 registered shares and 42 000 of the total of 136 000 bearer shares of Dätwyler Holding Inc. This corresponds to 79.39 % of the voting rights or 47.78 % of the capital stock. The entire capital stock of Pema Holding AG was brought into Dätwyler Führungs AG which therefore indirectly holds a majority of the voting rights of Dätwyler Holding Inc. Dätwyler Führungs AG is owned by its directors who are elected by cooptation and who are simultaneously directors of Pema Holding AG and of Dätwyler Holding Inc. They have acquired half of the capital stock of 0.1 million Swiss francs of Dätwyler Führungs AG in equal portions at par value and are subject to clear rules of a stockholders' pooling agreement. On leaving the board, they transfer their shares to their successors at par value. These arrangements were made in order to ensure, on legally irreproachable basis, that the top management holds the majority of voting rights in Dätwyler Holding Inc.



The board of directors of Dätwyler Holding Inc. is not aware of additional stockholders or stockholder groups bound by a stockholders' pooling agreement with holdings exceeding 5 % of all voting rights.

Corporate Structure and Group Companies

The required information regarding the group structure can be found on the following pages of this annual report:

- Page 98 et seq.: Summary of corporate structure.
- Page 57 et seq.: Segmental reporting in conformity with IFRS.
- Page 80 et seq.: Detailed list of the group companies and companies in which the group has an interest.
- Page 95 et seq.: Details of the listed corporation, Dätwyler Holding Inc., under Share Information and General Information.

No company within the consolidated Dätwyler group is listed on a stock exchange. There are no cross-holdings with other companies.

Capital Structure

Composition of the capital stock in CHF million on December 31, 2005:

220 000 registered shares of CHF 100 p.v.	22.0
136 000 bearer shares of CHF 500 p.v.	68.0
Total ordinary capital stock	90.0
Authorized capital stock	none
Conditional capital stock	none
Participation certificates	none
Dividend-right certificates	none
Registration and voting restrictions	none
Opting-out or opting-up provisions	none

Aluminum – one of three materials for pharmaceutical closures.

All shares are fully paid up. With the exception of the treasury stock (26 000 bearer shares, see page 71, Note 22, Treasury Stock), all shares carry voting and dividend rights. Information on changes in stockholders' equity for the years 2005 and 2004 can be found on page 47, Proof of Stockholders' Equity. Changes in equity for the year 2004 in 2003 are described in the 2004 Annual Report, page 47, Proof of Stockholders' Equity.

Convertible Bonds and Options

Dätwyler has no bonds or convertible bonds outstanding. On January 9, 2001, 2000 stock options were allocated at the price of CHF 30 each in the context of an executive option plan. For detailed information, see Notes to the Consolidated Financial Statements, page 71, Note 22, Treasury Stock, as well as the Note to Dätwyler Holding Inc., page 87, Note 8, Treasury Stock.

Internal Organization

The Role of the Board of Directors

The board of directors is the supreme decision-making, management and supervisory body of the Dätwyler Group. The board of directors has at least five members and no more than eleven. On December 31, 2005, the board of directors consisted of eight members. The office of the chairman of the board is distinct from that of the chief executive officer (CEO). The directors perform no executive functions within the group and have no business relationships with the Dätwyler Group. With the exception of one member, all directors are deemed independent. Cross-interests in other companies listed on a stock exchange do not exist.

Elections of directors are staggered, and the term of office is four years. Directors may be reelected several times; there is no limitation on the term of office. The average age of the directors currently serving is 59 years, the average term of office six years.

Main Responsibilities and Procedures of the Board of Directors

The board of directors constitutes itself. Its main responsibilities are defined based on Art. 716a of the Swiss Code of Obligations. According to the Regulations for the Organization and the Conduct of Business of Dätwyler Holding Inc., the board of directors may appoint committees from among its members to deal with clearly defined subject areas in order to fulfill its responsibilities efficiently. Currently, there are two such committees, i.e. the Audit Committee and the Human Resources Committee.

The board of directors holds six ordinary meetings annually, each lasting between half a day and two entire days. Extraordinary board meetings are held if necessary. In 2005, the board of directors met six times. The agenda for the board meetings is determined by the chairman of the board together with the CEO and the CFO. Any director may request the inclusion of an item on the agenda or the convocation of an extraordinary meeting.

The directors receive documentary material at least 10 days prior to the meetings to enable them to prepare for the individual items on the agenda. Depending on the items on the agenda, the chairman specifies which members of the executive board shall provide information to the meetings of the board of directors and attend in an advisory capacity. The board of directors operates as a unit and passes resolutions, whenever possible, unanimously. If there is no unanimity, the minutes of the meeting must list how each director voted. The board of directors has a quorum if at least a majority of the directors are present. It adopts resolutions with the majority of the directors present. The chairman participates in the vote and has the casting vote in the event of a tie.

Procedures of the Committees

The committees are governed by regulations that define their responsibilities and powers. They report to the board of directors on the results of their activity at the next meeting. They meet at the invitation of the chairman as often as business requires, the Audit Committee at least three times a year, the Human Resources Committee at least once a year.

All directors and members of the executive board as well as the statutory auditors may request meetings of the committees. Depending on the items on the agenda, the CEO, the CFO and, if required, a representative of the statutory auditors or a technical specialist participate at the meetings in an advisory capacity. For the passing of resolutions, a quorum of at least two members is necessary. The committees adopt resolutions with an absolute majority of the votes cast. In the event of a tie, the chairman has the casting vote.

Audit Committee

The Audit Committee consists of at least three members who are elected by the directors from among their number for a term of office of one year. The Audit Committee appoints the chairman. Members of the Audit Committee are: Hans R. Rüegg (Chairman), Ulrich Graf and Ernst Odermatt.

The Main Responsibilities of the Audit Committee are:

- To ensure a comprehensive and efficient auditing concept for Dätwyler Holding Inc. and the Dätwyler Group.
- To comment on audit schedules and audit results.
- To accept recommendations by the statutory auditors, discuss them with the executive board and summarize them for the board of directors.
- To assess the executive board's motion to the board of directors for the election of statutory auditors of Dätwyler Holding Inc. for submission to the general meeting.

Human Resources Committee

The Human Resources Committee is composed of three directors: The chairman of the board of directors and two other directors elected by the board of directors from among their number. The chairman of the board of directors presides over the meetings. Members of the Human Resources Committee are: Ulrich Graf (Chairman) Hanspeter Fässler and Werner Inderbitzin.

The Main Responsibilities of the Human Resources Committee are: .

- Evaluation of existing and prospective members of the executive board.
- If necessary, search and evaluation of new members of the board of directors and the executive board.
- To elaborate principles regarding salary, bonus and incentive systems.

- To submit proposals to the board of directors for the remuneration of directors and members of the executive board.
- To periodically assess the salary and bonus systems applied within the Dätwyler Group and the incentive and profit-sharing systems for the executives and other personnel.

Allocation of Authority between the Board of Directors and the Executive Board

The powers of the board of directors and the executive board are set forth in the "Regulations Governing the Organization and Conduct of Business", in accordance with Art. 20 of the Articles of Incorporation of Dätwyler Holding Inc. This is regularly updated. It describes the responsibilities of the board of directors which are non-transferable by law and delegates all other business activities to the executive board. The principles of the "Regulations Governing the Organization and Conduct of Business" are set forth in detail for all business and technical areas in the documents "Management Process," "General Allocation of Authority among the General Meeting – Board of Directors – Executive Board," "Group Management Philosophy," "Allocation of Authority in Group Management" and "Investment Manual."

Information and Control Tools vis-à-vis the Group Executive Board

The board of directors has a number of tools for supervising and controlling the executive board. These are set out in the "Management Process" document:

- Monthly group consolidation including brief report
- Semi-annual report
- Internal semi-annual and annual report
- Annual assessment/approval of the annual budget and medium-term planning
- Annual assessment/approval of the updated group and divisional strategies
- Special reports on significant investments, acquisitions and cooperative ventures.

In addition to these institutionalized information and control tools, the board of directors has an internal audit unit at its disposal. This audit unit is being progressively expanded.

Dätwyler sealing profiles prove themselves in more than 50 tunnels on five continents.

Directors

Ulrich Graf (born 1945, Swiss)
Chairman (term of office expires in 2008)

Ulrich Graf has been a member of the board of directors of Dätwyler Holding Inc. since 2004. In 2005, he was elected chairman of the board. He is a member of the Audit and the Compensation Committees. He has been CEO of the Kaba Group since 1989. Ulrich Graf has been active in various leading functions for the Kaba Group since 1976 and was appointed to the executive board in 1984. He is chairman of the board of directors of Griesser AG and of Fr. Sauter AG. In addition, Ulrich Graf is a member of the board of directors of Georg Fischer AG and of Feller AG as well as of the foundation board of Swiss Air Rescue, REGA, and of the board of directors of DEKRA e.V. He holds a master of science in electrical engineering from the Federal Institute of Technology, Zurich.

Hans R. Rüegg (born 1946, Swiss)
Vice Chairman (term of office expires in 2006)

Dätwyler Holding Inc. has been able to count on the service of Hans R. Rüegg as director since 1991. In 2002, he assumed the office of vice chairman and became a member of the Audit Committee. Hans R. Rüegg was appointed managing director of Baumann Springs Ltd. in 1983 and has been chairman and managing director since 1993. He is chairman of Vetropack Holding AG and vice chairman of Swissmem, the trade association of the Swiss mechanical, electrical and engineering industries. Hans R. Rüegg holds an MSc in electrical engineering from the Swiss Federal Institute of Technology of Zurich and an MBA from the University of Florida in Gainesville (U.S.).

Ulrich Dätwyler (born 1941, Swiss)
Director (term of office expires in 2006)

Ulrich Dätwyler has been a director of Dätwyler Holding Inc. since 1998. From 1987 to 1996, Ulrich Dätwyler was president of the executive board and CEO of Swiss Industrial Company Holding Ltd. (SIG) where he had been finance director since 1975. He is a member of the Board of Directors of Rieter Holding AG. Ulrich Dätwyler holds a doctorate in business administration from the University of St. Gall.

Hanspeter Fässler (born 1956, Swiss)
Director (term of office expires in 2008)

Hanspeter Fässler has been a member of the board of directors of Dätwyler Holding Inc. since 2004. He is a member of the Human Resources Committee. At the beginning of 2006, he was appointed head of ABB Mediterranean Region and president of the executive board of ABB Italy. Prior to that, Hanspeter Fässler headed ABB Switzerland for two years. He has been active in various leading functions in Switzerland and abroad for ABB since 1989. Hanspeter Fässler earned his doctorate in the specialty field of mechatronics/ robotics (DSc) at the Federal Institute of Technology, Zurich. In addition, he holds an engineer's degree from Stanford University (U.S.).

Werner Inderbitzin (born 1946, Swiss)
Director (term of office expires in 2006)

Werner Inderbitzin was elected to the board of directors of Dätwyler Holding Inc. at the 2002 annual general meeting, to the Human Resources Committee in 2005. He is chairman of the board of directors, CEO and stockholder of Garaventa AG and Ropetrans AG. He became operational head of Garaventa, a ropeways manufacturer operating worldwide, in 1992. Prior to that, Werner Inderbitzin was employed in Dätwyler's Rubber+Plastics division for 18 years, at the end as senior vice president and member of the division's management committee. Werner Inderbitzin graduated with an MBA from the University of St. Gall.

Ernst Odermatt (born 1948, Swiss)
Director (term of office expires in 2008)

Ernst Odermatt was elected to the board of directors of Dätwyler Holding Inc. in 2004. He is a member of the Audit Committee. Until the end of 2005, he was CEO of the Oerlikon Contraves group and in this function a member of the executive board of Rheinmetall DeTec AG, Düsseldorf. Ernst Odermatt had been working for Oerlikon Contraves in various management functions since 1978. He is chairman of the board of directors of V-Zug AG, of F.Gehrig AG and of Sibir AG and member of the board of directors of Metall Zug AG. Ernst Odermatt holds a master of science in machine engineering from the Swiss Federal Institute of Technology, Zurich, and a master's degree in business administration from the University of Zurich.

Franz Steinegger (born 1943, Swiss)
Director (term of office expires in 2006)

Franz Steinegger has been a director of Dätwyler Holding Inc. since 1994. He was chairman of the Swiss Free Democratic Party for 12 years until 2001. He was a member of the Swiss house of representatives (Nationalrat) from 1980 through 2003. Since 1981, he has practiced as an independent attorney at law and notary in Altdorf. Franz Steinegger is chairman of the board of directors of the Swiss National Accident Insurance Fund (SUVA) and vice chairman of the board of directors of Siemens Schweiz AG. In addition, he is a director of Neue Zürcher Zeitung AG and of Jaakko Pöyry Oyi, Finland. Franz Steinegger completed his law studies with a master of laws from the University of Zurich and is a member of the bar of the Canton of Uri.

Franz J. Würth (born 1940, Belgian/Swiss)
Director (term of office expires in 2007)

Franz J. Würth has been a director of Dätwyler Holding Inc. since 2003. From 1988 until reaching retirement age in 2002, he was a member of the executive board of the Dätwyler Group. He headed the Technical Components division from 1993 to 2002 and the Pharmaceutical Packaging division based in Belgium from 1975 to 1992. From 1970 to 1975, he was a member of the executive board of a company in the Netherlands that was acquired by Dätwyler in 1969. Franz J. Würth gained his first professional experience in various central staff positions with Dätwyler Inc. He received his commercial and business administration training in Switzerland, the UK and the U.S.

Significant Changes since the Balance Sheet Date

At the 2006 general meeting, Ulrich Dätwyler will withdraw from the board of directors after eight years due to new time-intense obligations. The following persons are proposed for reelection to the board of directors: Hans R. Rüegg, Werner Inderbitzin and Franz Steinegger. In addition, the board of directors proposes that the general meeting elect a representative of the bearer stockholders as a member of the board. For this purpose, prior to the general meeting, a special meeting of the bearer stockholders will take place in which the candidate to be elected shall be determined. This person shall represent the interests of the bearer stockholders according to Article 709 of the Swiss Code of Obligations and will therefore not be a member of the boards of directors of Pema Holding AG and Dätwyler Führungs AG.

Honorary Members of the Board of Directors

Roland Zimmerli (1934, CH)
Honorary Chairman (since 2005)

Roland Zimmerli, with his dedicated commitment in various leadership positions for 35 years, has made major contributions to the development of Dätwyler into an internationally active group. Following its listing on the stock exchange, he circumspectly transformed Dätwyler from a family enterprise into a public company. In honoring his merits for the Dätwyler group, the board of directors named him honorary chairman in 2005. From 1999 to 2005, Roland Zimmerli was chairman of the board of directors. Prior to joining the board of directors, he was president of the executive board of Dätwyler Holding Inc. from 1991 to 1999. His experience was also in demand in other boards of directors of renowned Swiss companies. He holds a master's degree in business administration from the University of Zurich.

Technically exacting further processing of precision tubes as competitive advantage.

Max Dätwyler (born 1929, Swiss)
Honorary Director (since 1999)

Max Dätwyler was chairman of the board of directors of Dätwyler Holding Inc. from its formation in 1958 until 1965. After relinquishing the chairmanship to outside directors, he remained active until the end of 1999 as vice chairman and managing director. Together with his brother, the late Peter Dätwyler, Max Dätwyler played a major role in the development of Dätwyler Holding Inc. into an internationally diversified group and, with the stockholders' pooling agreement of Dätwyler Führungs AG in 1990, secured the long-term independence of the group. Max Dätwyler holds a doctorate in chemistry from the Swiss Federal Institute of Technology, Zurich, and a master's degree in economics from the University of Zurich.

Members of the Executive Group

Paul J. Hälg (born 1954, Swiss)
Chief Executive Officer (CEO)

Paul J. Hälg was appointed CEO of the Dätwyler Group as of August 1, 2004. He also heads the Technical Components Division. Prior to joining the Dätwyler Group, he was head of the Adhesives division and member of the group executive board of Forbo. From 1986 to 2001, Paul J. Hälg was working in various management functions with Gurit-Essex (Gurit Heberlein Group), at the end as CEO. Prior to that, he was working for five years at Swiss Aluminium Ltd. Paul J. Hälg is chairman of the board of directors of the Gurit Heberlein Group, which is listed on the stock exchange. He completed his chemistry studies at the Swiss Federal Institute of Technology with a doctorate (DSc).

Silvio A. Magagna (born 1946, Swiss)
Chief Financial Officer (CFO)

Silvio A. Magagna has been Chief Financial Officer and member of the executive board since 1988. From 1983 to 1988, he was senior vice president finance, controlling and logistics of the group executive board of Wild Leitz (now Leica). Prior to that, he gained further international experience during five years with the Holcim Group as a regional controller and EDP manager. After completing his studies, he spent five years as a management consultant for the construction industry. Silvio A. Magagna holds a master's degree in business administration from the University of St. Gall and has pursued further studies at the University of Pittsburgh and at Stanford University (U.S.).

Johannes Müller (born 1958, Swiss)
Head of the Cables+Systems Division
Johannes Müller has been a member of the executive board and head of the Cables+Systems Division since August 2004. Prior to that, he was CEO of the consulting company, Brainforce AG, for three years. Before he joined Brainforce in 2001, Johannes Müller worked for Cellpack AG as division head for four years. From 1987 to 1996, he worked in various international management functions with the telecommunications group, Alcatel. Johannes Müller holds an MSc in electrical engineering from the Federal Institute of Technology, Zurich, and completed, among others, additional education at Insead (FR).

Dirk Lambrecht (born 1960, German)
Head of the Rubber+Plastics Division
Dirk Lambrecht has headed the Rubber+Plastics Division since May 2005 and in this function is a member of the executive board. Prior to joining Dätwyler, he was chief executive officer of Phoenix Traffic Technology GmbH, a subsidiary of Phoenix AG. Prior to that, he was active in various international management positions at Phoenix AG in Hamburg. Dirk Lambrecht holds a MSc in mechanical engineering in the specialty field of apparatus engineering from the Technical University of Hamburg; he completed, among others, additional studies at the Management School of St. Gallen.

René Trauffer (born 1944, Swiss/French)
Head of the Precision Tubes Division
René Trauffer joined Dätwyler in 1993 as head of the Precision Tubes division and member of the executive board. Prior to that, he held management functions for 13 years in Monteforno Steel and Rolling Mills: initially as sales manager, as of 1982 as a member of the executive board and as of 1987 as president of the executive board. Further stages in the career of René Trauffer included Corning Glass and Alusuisse. In both companies, he held management positions in marketing and sales with focus on Europe and the Middle East. René Trauffer has been a member of the executive board of Swissmem since 1999. He holds a master's degree in business administration from the University of St. Gall, and a doctorate in business administration from the University of Basel.

Piet Wijnen (born 1948, Belgian)
Head of the Pharmaceutical Packaging Division
Piet Wijnen joined the Dätwyler company, Helvoet Pharma, in 1987. Since 1993, he has been head of the Pharmaceutical Packaging division and a member of the executive board. From 1986 to 1987, he was a management consultant. Prior to that, Piet Wijnen held various management functions with Procter & Gamble Belgium for 13 years. At the end, he was head of the raw material purchasing department of Procter & Gamble Europe at its European headquarters. Piet Wijnen holds a MSc in electromechanical engineering and completed postgraduate studies in business administration.

Management Contracts
There are no management contracts for the fulfillment of management responsibilities with individuals or companies outside of the group.

Remuneration, Equity Holdings and Loans

Contents and Procedures Definitions
The remuneration components of directors and of members of the executive board are defined by the compensation committee and adopted by the full board of directors. The remuneration of the board of directors is paid in cash in form of a fixed fee. That of the executive board is divided into a fixed salary and a variable bonus that may amount to 36% of the basic salary at the maximum. Former directors receive no compensation. With the exception of the regular pension funds and the supplementary pension fund, no other forms of remuneration exist for former members of the executive board. Dätwyler makes no severance payments.

Remuneration of Directors and Members of the Board of Directors Currently Serving

In the year under review, the directors received a total fixed fee in cash of CHF 0.589 million. The remuneration of the member who retired during the year under review is also included in this amount. The total remuneration of the members of the executive board in the year under review amounted to CHF 4.073 million. Fixed salaries account for CHF 3.088 million of this total and bonus payments in cash for CHF 0.985 million. No options or shares were allocated in the year under review.

Remunerations to Former Directors and Members of the Executive Board

No remuneration was paid to former directors or members of the executive board in the year under review.

Allocation of Shares in the Year under Review

Dätwyler has neither in the year under review nor prior to that allocated any shares in the company to directors or members of the group executive board.

Stockholdings

As of December 31, 2005, the members of the board of directors and persons closely associated with them held 248 Dätwyler bearer shares. A further 122 Dätwyler bearer shares were held on that date by the members of the group executive board and persons closely associated with them.

Options

On January 9, 2001, 2000 stock options at the subscription price of CHF 30 each were allocated to members of the group executive board and senior executives in the context of an executive option plan. Directors hold no options. The members of the group executive board were in the possession of 0 options on December 31, 2005. No options were allocated in the year under review. For detailed information, see Notes to the Consolidated Financial Statements, page 71, Note 22, Treasury Stock.

Automated small parts warehouses as success factor for Distrelec and Maagtechnic.

Supplementary Fees and Payments

Neither directors nor members of the group executive board or persons closely associated with them, respectively, received supplementary payments and fees for additional services in the year under review.

Loans to Directors and Members of the Executive Board

No loans have been granted to directors or members of the group executive board.

Highest Total Remuneration of a Director

The highest total remuneration for a director in the year under review amounted to CHF 1.168 million in cash.

Stockholders' Rights of Co-Determination

Stockholders' rights of co-determination conform to the provisions of Swiss Corporation Law. The Articles of Incorporation provide for no quorums deviating from those prescribed by law.

Voting Right Restrictions and Proxies

There are no registration and voting right restrictions. According to the Articles of Incorporation of Dätwyler Holding Inc., each share entitles its holder to one vote at the general meeting, irrespective of its par value. Representatives of stockholders are to present written proxies. Legal representatives of stockholders do not need a proxy. Stockholders who are unable to attend a general meeting may authorize a member of a corporate body of the company or an independent proxy.

Convocation of the General Meeting of Stockholders and Inclusion of an Item on the Agenda

The convocation of the general meeting as well as the inclusion of an item on the agenda is regulated in the Articles of Incorporation of Dätwyler Holding Inc. in accordance with the Swiss Code of Obligations (Art. 699 et seq.).

Entries into the Stockholders' Register

Whoever is entered into the stockholders' register at least 14 days prior to the general meeting is recognized as a stockholder and holder of all rights deriving from the registered shares.

Change of Control and Defensive Measures

There exist no provisions in the Articles of Incorporation regarding "opting-out" or "opting-up." There are no control change clauses in favor of directors and members of the group executive board at Dätwyler Holding Inc.

Statutory and Group Auditors

PricewaterhouseCoopers Inc. (previously Schweizerische Treuhandgesellschaft) has been the auditing company of Dätwyler Holding Inc. since Dätwyler's formation in 1958. The mandate to audit the group accounts was granted for the first time in 1986. The lead auditor has officiated in this capacity since 1999. The statutory and group auditors are elected by the general meeting for a term of office of one year. The Dätwyler Group paid PricewaterhouseCoopers CHF 0.864 million for services in connection with the audit of the individual company accounts and the consolidated financial statements in the year under review. Some of the group companies are audited by other auditing companies. PricewaterhouseCoopers received CHF 0.187 million from the Dätwyler Group in the year under review for additional management and tax-related services. The Audit Committee of the board of directors is the supervisory body for the statutory and group auditors and is also responsible for the rendering of accounts. It is supported in this respect by the internal audit unit. This function is being progressively expanded.

Information Policy

The Dätwyler group maintains an open dialogue with all interested groups. In the interest of its stockholders, Dätwyler especially cultivates the relationships to the members of the financial community and to the representatives of the media. Communication takes place through the annual reports (consolidated financial statements complying with international financial reporting standards [IFRS]), semi-annual reports, general meetings and at least once a year a conference for the media and analysts. In the form of press releases and on its website (www.daetwyler.ch), Dätwyler informs forthwith on all important projects in accordance with the ad hoc publicity requirements of the SWX Swiss Exchange. The company implemented the revised SWX regulations regarding ad hoc publicity with the push (possibility for registering in an e-mail distributor) and pull system (Web archive for ad hoc communications) on time as of July 1, 2005. Contact details and important dates are listed on page 97, General Information.


Dätwyler

Group Financial Statements

Contents

Summary Group Finance

Income Statement

Although the economic recovery in the main markets, Germany and Switzerland, remained below the worldwide average in 2005, in particular in the first half year, gross sales increased by 3.8 % to CHF 1103.9 million (CHF 1 063.0 million in the previous year). The positive impact from the changes in the scope of consolidation amounted to CHF 4.6 million or 0.4 % and from the fluctuations in the foreign exchange rates to CHF 2.9 million or 0.3 %.

Thanks to various restructuring measures for the elimination of operational weaknesses in all divisions, Dätwyler registered a significant strengthening of earning power on all earnings levels in the year under review.

On the EBITDA level (earnings before interest and taxes, depreciation and amortizations), an increase of 38.7 % to CHF 147.0 million (CHF 106.0 million in the previous year) resulted. The EBITDA margin reached 13.3 % (10.0 % in the previous year).

On the level of operating earnings (EBIT), an increase of 73.7 % to CHF 69.3 million (CHF 39.9 million in the previous year) could be registered. Included in this are impairments of CHF 23.3 million from the revaluation of goodwill and property, plant and equipment (see p. 63 et seq., Notes 9, 11, 12 and 13). Part thereof (CHF 13.8 million) results from the treatment in conformity with the IFRS of insurance payments in connection with the fire and flooding in the Rubber+Plastics Division (see p. 60, Note 2), Unusual Incidents Rubber+Plastics Division 2005. Based on the new IFRS valuation standards, for the first time no regular goodwill amortization (CHF 2.8 million) was made in 2005. While the currency impact was insignificant, the positive contribution from the change in consolidation amounted to CHF 1.1 million. The EBIT margin rose to 6.3 % (3.8 % in the previous year). Personnel expenses remained almost unchanged in the year under review. The inclusion of additional expenses for the management of the fire and flooding aftermath in the Rubber+Plastics Division prevented a decline in operating expenses (plus 8.0 %). Regular depreciations have declined by 5.5 %.

From the revaluation of assets held for sale, a loss of CHF 5.6 million resulted. This loss is shown in the consolidated income statement directly before the net earnings (see p. 67, Note 13, Assets Held for Sale).

Data cables form the backbone of the modern information society.

On the level of net earnings, an increase of 63.6 % to CHF 39.6 million (CHF 24.2 million) resulted. This corresponds to an improvement of the profit margin by 3.6 % (2.3 % in the previous year).

Cash flow rose by 35.4 % to CHF 122.3 million (CHF 90.3 million in the previous year). This led to an increase of the cash flow margin to 11.1 % (8.5 % in the previous year). Free cash flow improved clearly as well to CHF 37.8 million (CHF –6.5 million in the previous year). The improvement in comparison to the previous year can be traced back, in addition to the positive cash flow influence in 2005, to the fact that in 2004 the additions of net assets due to the change in the scope of consolidation in the amount of CHF 26.4 million were taken into consideration in the free cash flow.

Balance Sheet

The balance sheet structure and the solid stockholders' equity basis could be further strengthened in the year under review. The stockholders' equity rose by CHF 40.4 million to CHF 674.2 million. This corresponds to an equity ratio of 66.5 % (63.7 % in the previous year).

The liquidity situation of the group is encouraging. Cash and cash equivalents increased by CHF 16.7 million to CHF 180.7 million in 2005. In the same period, interest-bearing liabilities could be reduced by CHF 38.4 million to CHF 132.2 million such that a net liquidity of CHF 48.5 million resulted compared to the net liability of CHF –6.6 million in the previous year.

Total assets amount to CHF 1 014.5 million and remained practically unchanged compared to the previous year (CHF 995.3 million).

Current assets rose by 10.1 % to CHF 581.1 million. This growth can be traced back to the increased cash and cash equivalents (plus CHF 16.7 million) and the reclassification of assets held for sale (CHF 8.3 million) from non-current assets to current assets. Net current assets have increased as well.

The Dätwyler Group invested CHF 61.2 million (CHF 54.2 million in the previous year) in property, plant and equipment in 2005. The increase of investment expenses can be traced back primarily to the unusual incidents in the Rubber+Plastics Division. Their influence on the balance sheet structure was, however, insignificant. The replacement investments made necessary by the damage cases in the amount of CHF 15.8 million were almost neutralized by necessary impairment charges on property, plant and equipment in the amount of CHF 13.8 million.

Despite higher investments in property, plant and equipment, non-current assets declined compared to the previous year by CHF 28.7 million to CHF 433.4 million. In addition to the reclassification of the assets held for sale to current assets, the decline in non-current assets can primarily be traced back to impairment charges on property, plant and equipment and goodwill.

Income Statements Consolidated

in CHF 1000	(1)	2005	2004
Gross sales	**1/3**	**1 103 920**	**1 062 977**
Rebates and allowances		–12 093	–13 864
Net sales		**1 091 827**	**1 049 113**
Raw materials and consumables used	2	–535 738	–499 008
Gross earnings		**556 089**	**550 105**
Other operating income	2/4	95 353	44 294
Personnel expenses	5	–315 624	–313 422
Operating expenses	7	–188 656	–174 758
Other expenses/income	8	–41	–212
Depreciation	2/9	–54 589	–57 733
Amortization of goodwill	14	–	–2 835
Impairment charges	2/9	–23 256	–5 500
Earnings before interest and taxes (EBIT)		**69 276**	**39 939**
Financial expenses		–9 938	–7 472
Financial income		4 146	2 058
Interest in earnings of associated companies	15	114	208
Net earnings before taxes		**63 598**	**34 733**
Income taxes	10	–18 396	–10 498
Loss on assets held for sale	13	–5 587	–
Net earnings		**39 615**	**24 235**
Group cash flow (2)		**122 286**	**90 303**
in CHF			
Earnings per dividend-bearing bearer share	**21**	**257.8**	**159.4**
Diluted earnings per dividend-bearing bearer share	**21**	**257.4**	**159.4**

The explanations in the notes are an integral part of these consolidated financial statements.

(1) *Notes 1 to 21, see pages 57 to 71*

(2) *Net earnings plus depreciation, impairment charges, amortization and loss from assets held for sale*

Balance Sheets Consolidated

Assets in CHF 1000	[1]	**12/31/2005**	12/31/2004
Property, plant and equipment	2/11	358 859	379 353
Investment property	12	10 257	10 993
Intangible assets	14	5 986	6 485
Goodwill	14	33 244	40 249
Investments in associated companies	15	1 046	2 460
Deferred tax assets	27	3 050	2 738
Financial assets	16	20 952	19 806
Non-current assets		**433 394**	**462 084**
Assets held for sale	13	8 304	–
Inventories	2/17	198 916	196 123
Trade accounts receivable	18	156 146	145 678
Other receivables and accrued income		31 583	26 598
Current tax assets		5 424	802
Cash and cash equivalents	19	180 725	164 034
Current assets		**581 098**	**533 235**
Total assets		**1 014 492**	**995 319**

Liabilities and stockholders' equity in CHF 1000			
Capital stock	20	90 000	90 000
Of which treasury stock	22	*–13 160*	*–13 960*
Reserves	24	597 401	557 721
Stockholders' equity		**674 241**	**633 761**
Interest-bearing liabilities	28	27 563	33 720
Deferred tax liabilities	27	30 195	28 333
Provisions	26	24 114	28 134
Other long-term liabilities		5 173	6 647
Long-term liabilities		**87 045**	**96 834**
Trade accounts payable		65 322	59 550
Other short-term liabilities and accrued expenses	28	134 511	162 447
Provisions	26	36 410	36 000
Current tax liabilities		16 963	6 727
Short-term liabilities	**28**	**253 206**	**264 724**
Liabilities		**340 251**	**361 558**
Total liabilities and stockholders' equity		**1 014 492**	**995 319**

The explanations in the notes are an integral part of these consolidated financial statements.

[1] *Notes 2 to 28, see pages 60 to 75*

Cash Flow Statements Consolidated

in CHF 1000	(1)	2005	2004
Net earnings before taxes		63 598	34 733
Depreciation and amortization			
Tangible and intangible fixed assets	9	54 690	57 733
Goodwill	14	–	2 835
Income from investments in associated companies	15	–114	–208
Impairment charges	2/9	23 256	5 500
Change in long-term provisions	26	–4 020	316
(Gain)/loss on sales of property, plant and equipment		1 570	–1 550
Financial income		–2 431	–2 058
Financial expenses		6 537	7 472
Unrealized currency translation differences (at consolidated level)		–77	899
Cash flow from operations before change in net current assets		**143 009**	**105 672**
Changes			
Short-term receivables		–15 453	–19 382
Inventories		–2 793	–3 725
Short-term liabilities and provisions		8 908	11 025
Cash flow from operations (gross)		**133 671**	**93 590**
Interest received		2 251	1 264
Interest paid		–4 918	–5 556
Taxes paid		–11 267	–10 051
Cash flow from operations (net)		**119 737**	**79 247**
Additions			
Property, plant and equipment	11	–61 173	–54 151
Financial assets	16	–	–2 535
Consolidated companies (excluding cash and cash equivalents)	32	–1 446	–25 609
Disposals			
Property, plant and equipment	11	706	2 199
Financial assets	16	704	2 544
Consolidated companies (excluding cash and cash equivalents)	32	–	5 930
Cash flow from investment activities		**–61 209**	**–71 622**
Change in interest-bearing liabilities		–36 819	21 734
Change in other long-term liabilities		–1 474	356
Repayment of bonds		–	–78 000
Change in treasury stock (exercising executive stock option plan)	22	4 000	200
Dividends paid to stockholders		–8 470	–7 700
Cash flow from financing activities		**–42 763**	**–63 410**
Net changes in cash and cash equivalents		15 765	–55 785
Cash and cash equivalents on January 1	**19**	**164 034**	**220 969**
Translation differences on cash and cash equivalents		926	–1 150
Cash and cash equivalents on December 31 (freely disposable)	**19**	**180 725**	**164 034**

The explanations in the notes are an integral part of these consolidated financial statements.

(1) *Notes 9 to 32, see pages 63 to 77*

Stockholders' Equity Consolidated

In CHF million	Capital stock of the holding company (1)	Group reserves (2)	Changes in market value of financial assets	Translation differences (3)	Net earnings for the year of the group	Total group
As of January 1, 2004	**76.0**	**492.0**	**–3.7**	**32.4**	**22.1**	**618.8**
Fair value gains/losses on financial assets			0.6			0.6
Translation differences				–1.5		–1.5
Earnings directly recognized in stockholders' equity			**0.6**	**–1.5**		**–0.9**
Net earnings				24.2	24.2	
Total recognized income for 2004			**0.6**	**–1.5**	**24.2**	**23.3**
Change in treasury stock	0.0	–0.2				–0.2
Dividend payment					–7.7	–7.7
Appropriation of net earnings		14.4			–14.4	0.0
Other changes	–0.4				–0.4	
As of December 31, 2004	**76.0**	**505.8**	**–3.1**	**30.9**	**24.2**	**633.8**
Fair value gains/losses on financial assets			2.0			2.0
Translation differences				3.2		3.2
Earnings directly recognized in stockholders' equity			**2.0**	**3.2**		**5.2**
Net earnings				39.6	39.6	
Total recognized income for 2005			**2.0**	**3.2**	**39.6**	**44.8**
Change in treasury stock	0.8	3.3				4.1
Dividend payment					–8.5	–8.5
Appropriation of net earnings		15.7			–15.7	0.0
Other changes		0.0				0.0
As of December 31, 2005	**76.8**	**524.8**	**–1.1**	**34.1**	**39.6**	**674.2**

The explanations in the notes are an integral part of these group financial statements.

(1) *Capital stock of the holding company: CHF90 million, less par value of the treasury stock in the amount of CHF 13.2 million (CHF 14.0 million in the previous year).*

(2) *Includes treasury stock at the acquisition cost of CHF 0.8 million (CHF 4.9 million in the previous year) less par value in the amount of CHF 0.2 million (Note 22).*

(3) *Resulting from the translation of the stockholders' equity and income statements of subsidiaries in foreign currencies.*

Accounting Principles

Basic Principles of the Consolidated Financial Statements

The consolidated financial statements present a true and fair view of the financial position, the results of operations and the cash flows of the Dätwyler Group. They have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). They furthermore comply with the accounting provisions of the listing regulations of the Swiss Stock Exchange (SWX) and the Swiss Corporation Law. The board of directors of Dätwyler Holding Inc. approved the consolidated financial statements at its meeting of March 17, 2006, for submission to the annual general meeting of April 25, 2006.

Revision of Existing and Introduction of New IFRS as of January 1, 2005

In 2003, the International Accounting Standards Board (IASB) published a general overhaul of the International Accounting Standards (IAS), which included a revision of 15 existing standards. In addition, in the first quarter of 2004, IASB published the International Financial Reporting Standards IFRS 2 "Share-Based Payments," IFRS 3 "Business Combinations," IFRS 4 "Insurance Contracts" and IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as well as revised versions of IAS 36 "Impairment of Assets," IAS 38 "Intangible Assets" and further changes to IAS 39. The Dätwyler Group has introduced these as of January 1, 2005.

With the exception of the standards listed below, the Dätwyler Group assesses the effect of the other revised and new applicable standards on the consolidated stockholders' equity and on the consolidated net earnings as immaterial.

IFRS 2 Share-Based Payments

In addition to other requirements, the new standard requires that, if employee benefit plans are based on shares, the fair market value of the options issued to the employees be calculated on the date of issue and be charged over the holding period to the respective income statement position. With the exception of a one-time executive stock option plan which was introduced on January 9, 2001, no other share-based payments were made within the Dätwyler Group. Since IFRS 2 relates to share-based payments after November 7, 2002, no impact on the present consolidated semi-annual financial statements results.

IFRS 3 Business Combinations

The new standard requires among other things that, after its introduction, goodwill be no longer amortized using the straight-line method but annually be tested for impairment. The new standard is to be applied prospectively. If IFRS 3 had already been introduced as of January 1, 2004, lower expenses in the amount of CHF 2.8 million would have resulted in the consolidated annual financial statements of 2004 due to the discontinuance of the amortization of goodwill. Impairment charges on goodwill would not have become necessary in the consolidated financial statements of 2004. In addition, in connection with the revised IAS 38 "Intangible Assets," more intangible assets will be capitalized in the case of acquisitions than before, wherefore there will be lower additions of goodwill in the future.

IFRS 5 Non-Current Assets Held for Sale

The new standard requires that non-current assets held for sale or disposal groups are valued at the lower of carrying amount and fair value less costs to sell and are presented separately on the face of the balance sheet. In addition, the result from the remeasurement must be shown separately on the face of the income statement. In the present consolidated annual financial statements, assets held for sale in the amount of CHF 8.3 million are included in the balance sheet and losses from the remeasurement in the amount of CHF 5.6 million in the income statement. In the previous year, the Dätwyler group had no assets held for sale.

Standards Issued but not Yet Applied

With the exception of IAS 19, the revised and new IFRS will not have a substantial impact on the consolidated net earnings and the consolidated stockholders' equity of the Dätwyler Group.

IAS 19 (Revised in 2004)

The board of directors of Dätwyler Holding Inc. decided to apply the new IAS 19 option regarding the accounting treatment of actuarial gains and losses as of January 1, 2006. The option allows the recognition of actual gains or losses (through equity) in the statement of changes in the stockholders' equity under the heading "Statement of Recognized Income and Expenses" in lieu of the amortization in the income statement. The first use of this option as of January 1, 2006, will have as its consequence that actuarial losses in the amount of CHF 18.6 million will be recognized in the stockholders' equity (see also Note 6 Pension Plans under the position "Unrecognized actuarial losses").

Accounting Estimates

The preparation of the consolidated financial statements requires the management to use accounting estimates and to make assumptions which influence income, expenses, assets, liabilities and contingent liabilities shown as per balance sheet date. If at a later point in time such estimates and assumptions which were made as per balance sheet date, based on their best estimates deviate from the actual facts, the original estimates and assumptions are adjusted in that reporting period in which the facts have changed. Such estimates are applied, among others, in the evaluation of the following balance sheet positions:

Impairment of Fixed Assets, Intangibles and Goodwill

For the impairment tests of fixed assets, intangibles and goodwill, various assumptions are made which require medium-term and long-term (perpetual annuity) estimates. This concerns internal planning data (cash flows, growth rates, etc.) and external parameters (risk-specific average capital cost rate).

Deferred Tax Assets

Deferred tax assets arising from tax losses are recognized as an asset only when there is no reasonable doubt that future taxable income is sufficient to allow the benefit of the loss to be realized.

Provisions

Within the Dätwyler Group, provisions are recognized if, based on an event in the past, a legal or constructive obligation exists which in the future will lead to an outflow of resources and if this outflow of resources can reliably be estimated. As the provision statement in Note 26 shows, provisions are made for various events. Since the amount and the timing of the outflow of resources can not always be determined at the time of recognition of the provisions, provisions are also to be made, among others, on the basis of estimates.

Pension Funds

The Dätwyler group has defined-benefit pension plans in various countries. The present values are partly based on long-term actuarial assumptions which can deviate from reality. Actuarial gains or losses in excess of the so-called corridor are amortized over the average remaining service period of the employees. The present values used in the calculation as well as the amortization of actuarial gains and losses include estimates which have an impact on the financial position and results of operations.

Scope of Consolidation

The consolidated financial statements include the annual financial statements of Dätwyler Holding Inc., Altdorf (Switzerland), and all companies (full consolidation) which were economically part of the group during the year under review and were under the management and control of the executive board. This is the case for the Dätwyler Group if more than 50 % of a company's capital stock or the voting rights, respectively, are owned directly or indirectly and without restriction by Dätwyler Holding Inc.

Joint ventures and associated companies are also part of the companies that are included in the consolidated financial statements. An overview of the companies included in the group financial statements can be found on pages 80 and 81 "Subsidiaries and Affiliates."

Method of Consolidation

The financial statements of the consolidated companies are prepared pursuant to uniform valuation principles. The balance sheet date of Dätwyler Holding Inc., and of all group companies as well as of the consolidated financial statements is December 31.

The method of full consolidation is used for all consolidated companies. Assets and liabilities as well as income and expenses are recognized at 100 %. Minority interests in the equity and income of group companies are shown separately as part of the group stockholders' equity or net earnings.

Capital consolidation is performed according to the purchase method. The book value of the investment holdings is offset against the portion of stockholders' equity of the subsidiaries included in the consolidated financial statements.

Intercompany income and expenses as well as intercompany assets and liabilities are mutually offset. Unrealized gains on transactions between group companies which have not yet been realized through sales to third parties are eliminated in the consolidation.

Companies over which the group has significant influence but not control, with a shareholding of between 20 % and 50 % of the voting rights are accounted for using the equity method.

Companies newly incorporated in the year under review or companies falling under the management and supervision of the executive board as a consequence of an increase in Dätwyler's equity interest in the course of the year under review are fully consolidated from the date on which control is transferred to the group. Companies sold are de-consolidated from the date the control ceases.

Foreign Currency Translation

Translation for Consolidation Purposes

The financial statements of foreign subsidiaries are prepared in local currencies, which also represent the functional currencies. The local currencies are then translated into the currency of this report, i.e. Swiss francs, for consolidation purposes. The following exchange rates were applied to the foreign currencies of major importance to the group:

	2005		2004	
	Closing rate 12/31	Annual average rate	Closing rate 12/31	Annual average rate
1 EUR	1.56	1.55	1.54	1.54
1 USD	1.31	1.24	1.13	1.24

The translation of foreign currencies for the purpose of the consolidated financial statements is based on the closing date for the balance sheet and on the annual average rate for the income statement.

Translation differences arising from the translation of balance sheets and income statements of the financial statements of foreign group companies are posted directly to the reserves (translation differences in the stockholders' equity) without an impact on income.

Translation in the Annual Financial Statements of the Individual Group Companies

Assets and liabilities in foreign currencies are translated in the annual financial statements of the individual group companies at the closing rate applied for consolidation purposes. Translation differences are posted as currency gains or losses in the income statement. There are no investments in high inflation countries.

Foreign currency gains and losses resulting from transactions and the translation of balance sheet positions in foreign currencies are charged to the income statement.

Balance Sheet and Income Statement

Property, Plant and Equipment

Land is stated in the balance sheet at acquisition cost; buildings and other fixed assets are carried at acquisition cost or production cost less straight-line depreciation based on estimated useful life and any impairment losses. The acquisition cost comprises the cost of purchase and costs directly attributable to utilization of the assets.

Estimated useful lives or the depreciation period in years are as follows:

Buildings	
Building structures	20–40
Interior finish	20
Installations, storage equipment, tanks, silos, etc.	10–20
Production equipment (electrical/ electronics components 5–8 years)	10–15
Machinery	8–10
Moulds	3

Land is a priori not depreciated. Any impairments are, however, taken into consideration.

Maintenance and renovation costs that do not increase the value of the assets are charged to the income statement. If financing costs fulfill the given criteria of IFRS, they are capitalized, otherwise they are fully charged to the income statement.

The residual value and the remaining useful life of property, plant and equipment are annually reviewed and, if appropriate, adjusted.

Leasing
Within the Dätwyler Group, property, plant and equipment are sometimes leased. Property, plant and equipment acquired on the basis of leasing agreements, that transfer risk and reward incidental to ownership of an asset to the Dätwyler Group at the conclusion of the agreement, are classified as "finance lease." As a consequence, finance leases are recognized as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minium lease payments. Non-current assets in finance lease are depreciated over the shorter of their estimated useful life or duration of the lease agreement. Lease payments under an "operating lease" are recognized as an expense on a straight-line basis over the lease term.

Investment Property
Investment property is real estate that is leased out to third parties and whose main purpose is the generation of rental income or capital appreciation. The Dätwyler Group's investment property is confined to one residential and business property and land reserves. Investment property is stated at acquisition cost less accumulated depreciation and impairment charges and is shown separately in the consolidated balance sheet. The estimated useful life or depreciation period, respectively, is 40 years.

Intangible Assets
Intangible assets include licenses, patents and other intangible assets which are stated historical costs and are amortized over their estimated economic useful life using the straight-line method. The Dätwyler Group has no intangible assets with indefinite useful life stated in its balance sheet and the maximum amortization period amounts to 12 years.

Goodwill
Goodwill from business combinations as of March 31, 2004, represents the excess of the cost of acquisition over the fair value of the group's share of the net identifiable assets of the acquired entity at the date of acquisition. Intangible assets which can be separated from the goodwill and whose fair value can be reliably estimated are recognized in the balance sheet separately as intangible assets. Goodwill can also arise from investments in associated companies and represents the difference between acquisition costs of the investment and the proportional fair value of the identifiable net assets. This goodwill is stated in investments in associated companies.

Goodwill is no longer amortized using the straight-line method but is reviewed annually for impairment. It is recognized in the balance sheet at acquisition costs less accumulated amortizations until the end of 2004 and less accumulated impairment charges.

Impairment of Non-Current Assets
Non-current assets (in particular of property, plant and equipment, investments and intangible assets) that are subject to amortization are reviewed for impairment whenever events or changes indicate that the carrying amount may not be recoverable. For this purpose, the recoverable amount of the asset is calculated. The recoverable amount represents the asset's fair value less cost to sell and value in use. If the recoverable amount of an individual asset

cannot be determined, the group estimates the recoverable amount of the smallest cash generating unit to which the asset can be allocated.

Additionally, goodwill is tested annually for impairment. For this purpose, goodwill is allocated to the corresponding cash generating units which in the Dätwyler Group Group represent mostly individual group companies. For these cash generating units, the recoverable amount is calculated which, a priori, corresponds to the value in use.

The value in use is reviewed on the basis of a discounted cash flow calculation. The estimated values used in these calculations are based on the current budget, the current medium-term plan (three years) and on the estimates of the management regarding the probable development of the markets. They are limited to a maximum planning horizon of five years, unless a longer planning period is justified. The perpetual annuity is calculated at the end of the planning horizon. The planned future free cash flows are discounted at a risk-specific average capital cost rate based on the capital asset pricing model (CAPM).

If a carrying value of an asset exceeds the recoverable amount, a value reduction in the form of an impairment charge is separately recognized in the income statement.

Assets Held for Sale and Discontinued Operations

A discontinued operation is a component of an entity that represents a separate, major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. A reclassification into a "discontinued operation" is effected when the operation is sold, or at an earlier point in time provided that the business fulfills the criteria for a classification as "held for sale."

Non-current assets and disposal groups are classified as "held for sale," if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The reclassification to «assets held for sale» is made only when management is committed to sell the assets and an active programme to locate a buyer and complete the plan has been initiated. In addition, the asset or the disposal group must be available for immediate sale in its present condition and it must be highly probable that the sale will be effected within a year.

Assets or disposal groups, which are classified as held for sale, are carried in the balance sheet at the lower of their carrying amount and fair value less cost to sell, and any impairment due to the first time classification in "held for sale" is shown in the income statement. In addition, assets held for sale and disposal groups as from the point in time of the reclassification.

Research and Development

Research costs are charged to the income statement in the period in which they are incurred. Development costs are only capitalized if it is probable that they generate future economic benefit. Otherwise, they are charged to the income statement.

Financial Assets

The Dätwyler Group divides its financial assets into the following categories: financial assets stated at fair value through profit or loss, loans and receivables, financial assets held to maturity and financial assets available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of the financial assets at the time of the first assessment and reviews the classification at initial recognition and at each reporting date. In 2004 and 2005, the Dätwyler Group had no financial assets classified as held to maturity in its balance sheet.

Financial Assets at Fair Value through Profit or Loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit and loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for sale unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and Accounts Receivable

Loans and receivables are nonderivative financial assets with fixed or determinable payments which are not quoted in an active market. They come into existence if the Group makes money, goods or services directly available to a debtor, without the intention to trade these receivables. They are part of the current assets except for maturities later than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade accounts receivable and other accounts receivable in the balance sheet.

Financial Assets Available for Sale

Financial assets available for sale are nonderivative financial assets which are either designated to this category or classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Investments are initially recognized at fair value including transaction costs for all financial assets not carried at fair value through profit or loss. All purchases and sales are booked on the trade day. Financial assets carried at fair value through profit or loss are initially recognized at fair value. Changes in the fair value of financial assets at fair value through profit or loss are presented in the financial income of the period in which they arise. Loans and receivables are carried in the balance sheet at amortized cost. Financial assets available for sale are carried in the balance sheet at fair value whereby the unrealized gains or losses are recognized directly in the stockholder's equity.

Translation differences from monetary securities denominated as a foreign currency are charged to the income statement. In the case of a sale or a repayment, the accumulated income, which has been recognized in the stockholders' equity since the purchase, is posted to income. Financial assets available for sale are tested for impairment annually and significant or prolonged declines in fair value are charged to income.

Derivative financial instruments are recognized at fair value on the balance sheet date and are included in the balance sheet under other receivables or other current liabilities; unrealized gains and losses are posted to income. The fair values of the derivative instruments are derived from current market prices on the balance sheet date.

Derivatives, which are used for the securing of raw material purchases (copper) and in regard to which physical (delivery) fulfillment takes place, are excluded from the fair value evaluation.

The Group uses forward foreign-exchange contracts and currency options to hedge currency risks. Hedge accounting in terms of IAS 39 is used only in exceptional cases and with the explicit approval of the executive board and was not used in the 2004 and 2005 fiscal years.

Financial Assets

Financial assets include loans to third parties, minority interests with the exception of interests in associated companies, and securities in the nature of long-term investments that are classified as financial assets available for sale.

Minority interests are stated at fair value or, if this cannot be determined, at acquisition cost (less accumulated depreciation).

Inventories

Purchased goods and raw materials are stated at weighted average cost while products that are manufactured in-house are reported at manufacturing cost (including unit material and production costs and production overheads). If the net realizable value of these inventories is lower than their purchase price or manufacturing cost, the necessary valuation reserves are provided.

Cash and Cash Equivalents

Cash and cash equivalents include cash holdings and balances on postal check and bank accounts as well as money market assets with maturities of three months at the maximum which are stated at amortized cost.

Provisions

Provisions are made for liabilities arising from events in the past that entail the probability of an outflow of funds which can be reliably calculated. Provisions are made for expected costs in connection with restructuring if a detailed plan for such projects is available and the actions have been approved and announced.

Realized Sales

Sales proceeds are booked when the use and risk of the delivery pass to the purchaser. In principle, this occurs when the goods are delivered. Income from longer-term, ongoing delivery contracts is booked at the point in time of the individual partial deliveries according to the quantity delivered.

Income taxes

Current income taxes are calculated on the taxable result and are stated on an accrual basis.

Deferred taxes are taken into account for all temporary differences in the form of capitalized deferred taxes or taxed assets, using the liability method. Temporary differences arise due to differences between the value of assets and liabilities for tax purposes and their book value in the consolidated financial statements. The local tax rates applicable as per balance sheet date or shortly thereafter are used for calculating deferred taxes.

Tax losses carried forward from earlier years are included as tax credits to the extent that it seems probable that future taxable earnings can be offset against previous tax losses.

Under this method, provisions are made for deferred taxes on revaluation of certain current assets. The same applies in the event of acquisitions to the difference from the market value of the acquired asset and their value for tax purposes.

Provisions are made for taxes that would arise on the distribution of earnings retained by group companies, mainly non-refundable withholding tax and income taxes of the parent company, if it is intended to distribute these in the form of dividends.

Pension Funds

Different plans exist for the pension funds of the group depending on the legal provisions of the relevant country. They are financed either by contributions to legally independent funds or by making provisions for personnel pensions in the relevant balance sheets of the individual group companies.

All employees of Swiss group companies are members of legally independent pension funds which are defined under Swiss law as funds governed by the Federal Occupational Pensions Act. They are treated as defined-benefit pension plans. These pension funds are managed with equal representation of employers and employees. Their benefits are financed by employee and employer contributions provided for in the relevant regulations.

For presentation in the consolidated financial statements, valuation of assets and the calculation of pension liabilities are made in compliance with the provisions of IAS 19. The future liabilities are calculated annually by independent insurance experts. The total amount of the annual costs for these pension funds are determined according to the "projected unit credit method," which takes the years of service of the employee up to the valuation date into consideration. The valuation method includes actuarial assumptions with respect to the discount factor for calculating the present value, the projected future trend in employee compensation and the expected long-term return on pension fund assets. The discount factors are based on market returns on prime Swiss corporate bonds. Differences between assumptions made in actual developments, the impact of changes in actuarial assumptions and modifications to pension plans are amortized over the estimated average employment period remaining to the employee's retirement if these exceed the corridor of 10 %. Any assets arising from surpluses in the case of defined-benefit pension plans are limited to an amount equivalent to the maximum future savings by the employer. Additional payments by the employer that cannot be capitalized are shown in the item defined as such in Note 5. Full provisions are made for liabilities.

Pension plans deemed either defined-benefit or defined-contribution are provided for certain employees of foreign group companies, in particular in Germany, Belgium, Italy and the U.S. The respective liabilities arising from these plans are based on actuarial appraisals and provisions are made by the individual group companies.

Executive Stock Option Plan

The Dätwyler Group introduced a stock option plan as of January 9, 2001, for some 50 senior executives employed by the group on December 31, 2000.

The expenditure arising from the stock option plan is calculated on the basis of the market value of the options on the date they were allocated, less the purchase price payable. The difference is capitalized and charged to income over the vesting period of three years. The vesting period ended on January 9, 2004. Options not exercised expire after the expiration of the exercise term without compensation on January 9, 2006.

The shares of the company acquired for this purpose are stated independently of the executive stock option plan at the acquisition cost and are offset against the stockholders' equity.

Changes in the Scope of Consolidation

In 2005, the changes listed below took place in the scope of consolidation. No sales, new incorporations, liquidations and renamings of companies were registered in 2005. The impact on the consolidated balance sheet is shown in Note 32. A positive sales contribution of CHF 4.6 million (2004: CHF 7.3 million) and a positive income contribution of CHF 1.1 million (2004: insignificant) resulted from the changes in the scope of consolidation in comparison to the previous year (acquisition of Seal Line S.p.A. and acquisition of selected assets of Lonstroff as well as divestment of Mader GmbH).

The percentages in brackets indicate the interest in the company in terms of voting rights.

Purchase

Richterich + Zeller AG, Basel (100 %)	January 1, 2005

Mergers

Schuricht Beteiligungs GmbH, Bremen – merges with Schuricht Distrelec GmbH, Bremen	February 9, 2005

Notes to the Financial Statements

1 Segmental Reporting

The Dätwyler Group is a diversified industrial corporation organized into five divisions plus financial companies.

The Cables+Systems Division is active in the sectors of structured cabling for buildings, telecom carriers, safety cabling systems, elevator industry and cable assembly. It owns manufacturing facilities and distribution units in Switzerland, Germany, Austria, the UK and Asia.

The Rubber+Plastics Division is primarily active in the automotive, construction and industrial sectors. Its production facilities and distribution companies are located in Switzerland, Germany, France, the Czech Republic, the Ukraine and the U.S.

The Precision Tubes Division focuses on the strategic sectors of gas springs, automotive components, structural components and shock absorbers. Its production facilities and distribution units are located in Switzerland, Germany and the U.S.

The Pharmaceutical Packaging Division focuses on the manufacture of rubber and aluminum/plastic components for pharmaceutical packaging and rubber components for disposable medical devices. The production and distribution are operated by group companies in Belgium, Italy, Germany, the Netherlands and the U.S.

The Technical Components Division operates in the sectors of specialty distribution, e-commerce and i/o devices. Its distribution and service companies are located in Switzerland, Germany, Austria, Italy, Asia and the U.S.

A detailed description of the products and services of the individual divisions can be found on pages 8 to 27 of this annual report.

Internal reporting focuses on the above-mentioned divisions. Analysis by division is the primary reporting format for the segmental reporting that follows. Geographical analysis is the secondary reporting format.

Deliveries within the group are made at market prices.

Segmental Reporting

Primary Format by Divisions as of 12/31/2005

Amounts in CHF million	Cables+ Systems	Rubber+ Plastics	Precision Tubes	Pharma-ceutical Packaging	Technical Compon-ents	Financial and service companies	Elimina-tions	Group Total
Sales to third parties	176.2	127.0	208.8	216.2	375.7	–	–	1 103.9
Sales between segments	0.5	0.3	–	–	2.2	–	–3.0	–
Total sales	**176.7**	**127.3**	**208.8**	**216.2**	**377.9**	**–**	**–3.0**	**1 103.9**
Depreciation	9.2	6.5	11.8	17.5	8.0	1.6	–	54.6
Impairment charges on property, plant and equipment	–	13.8	–	–	1.5	0.5	–	15.8
Impairment charges on goodwill	–	0.6	–	–	6.9	–	–	7.5
EBIT	**–0.8**	**7.3**	**9.8**	**28.4**	**20.8**	**3.8**	**–**	**69.3**
Loss from assets held for sale	4.8	–	–	–	0.8	–	–	5.6
Total assets	**105.8**	**87.7**	**180.6**	**243.0**	**287.1**	**465.7**	**–355.4**	**1 014.5**
Of which balance sheet value of equity-consolidated companies	–	1.0	–	–	–	–	–	1.0
Total liabilities	**97.1**	**74.7**	**110.8**	**136.1**	**160.1**	**12.2**	**–250.7**	**340.3**
Capital expenditures in property, plant and equipment	2.7	21.1*	7.0	18.4	11.8	0.2	–	61.2
Number of employees	693	751	574	1 093	1 478	37	–	4 626
Personnel units	652	737	539	1 160	1 387	28	–	4 503

** See page 60, Note 2, Unusual Incidents Rubber+Plastics Division 2005*

Primary Format by Divisions as of 12/31/2004

Amounts in CHF million	Cables+ Systems	Rubber+ Plastics	Precision Tubes	Pharma-ceutical Packaging	Technical Compon-ents	Financial and service companies	Elimina-tions	Group Total
Sales to third parties	166.5	130.0	180.8	195.6	390.1	–	–	1063.0
Sales between segments	0.5	0.3	–	–	2.3	–	–3.1	–
Total sales	**167.0**	**130.3**	**180.8**	**195.6**	**392.4**	**–**	**–3.1**	**1063.0**
Depreciation	12.1	6.5	13.3	15.5	8.8	1.5	–	57.7
Impairment charges	3.5	–	–	–	2.0	–	–	5.5
Amortization of goodwill	–	0.2	–	0.5	2.1	–	–	2.8
EBIT	**–14.6**	**3.2**	**7.5**	**23.2**	**16.6**	**4.0**	**–**	**39.9**
Total assets	**115.7**	**78.8**	**177.8**	**224.4**	**303.9**	**472.8**	**–378.1**	**995.3**
Of which balance sheet value of equity-consolidated companies	–	1.0	–	–	1.5	–	–	2.5
Total liabilities	**99.6**	**70.9**	**112.2**	**125.1**	**169.0**	**15.9**	**–231.1**	**361.6**
Capital expenditures in property, plant and equipment	5.5	5.6	6.0	16.0	20.2	0.9	–	54.2
Capital expenditures in intangible assets	–	0.8	–	11.3	–	–	–	12.1
Number of employees	715	653	579	1126	1371	36	–	4480
Personnel units	681	628	542	1150	1294	28	–	4323

The results after EBIT are not allocated to the individual segments

Secondary Format by Geographical Regions as of 12/31/2005

Amounts in CHF million	Gross sales by regions (1)	Gross sales by origin	Total assets (2)	Capital expenditures in tangible assets	Capital expenditures in intangible assets	Number of employees	Personnel units
Switzerland	337.4	449.8	616.2	31.7*	–	1 943	1 826
European Union	577.7	430.2	305.4	20.3	–	1 653	1 611
Europe (excluding Switzerland and EU)	15.2	58.2	12.7	3.2	–	31	27
North America	90.9	70.2	59.1	4.9	–	340	380
Far East	37.7	64.4	20.1	1.1	–	659	659
Other	45.0	31.1	1.0	–	–	–	–
Group total	**1 103.9**	**1 103.9**	**1 014.5**	**61.2**	**–**	**4 626**	**4 503**
Canton of Uri 2005	–	235.0	266.7 (3)	19.5*	–	1 017	959

** See page 60, Note 2, Unusual Incidents Rubber+Plastics Division 2005*

Secondary Format by Geographical Regions as of 12/31/2004

Amounts in CHF million	Gross sales by regions (1)	Gross sales by origin	Total assets (2)	Capital expenditures in tangible assets	Capital expenditures in intangible assets	Number of employees	Personnel units
Switzerland	331.7	410.8	616.7	30.2	0.8	1 855	1 743
European Union	551.2	412.3	303.5	15.6	–	1 624	1 567
Europe (excluding Switzerland and EU)	16.5	22.7	9.6	0.6	11.3	27	22
North America	91.1	79.3	51.9	6.9	–	417	434
Far East	36.6	58.1	12.9	0.9	–	509	518
Other	35.9	79.8	0.7	–	–	48	39
Group total	**1 063.0**	**1 063.0**	**995.3**	**54.2**	**12.1**	**4 480**	**4 323**
Canton of Uri 2004	–	217.5	264.7 (3)	8.7	0.8	924	863

(1) *Sales by destination.*

(2) *Assets by location.*

(3) *Including holding companies in the Canton of Uri (CH).*

2 Unusual Incidents Rubber+Plastics Division 2005

Production in the Rubber+Plastics Division was heavily impaired by two damaging incidents in 2005:

On May 2, 2005, the plant in Trie-Chateau (FR) burned down completely.

On August 23, 2005, the plant in Schattdorf (CH) in the industrial zone, Rynächt, was inundated to a large extent by a flooding of the century. The flooding caused substantial damage to buildings, equipment and warehouses.

Both objects were insured against property damage and business interruption.

The plant in Trie-Chateau (FR) was relocated through the purchase of a building to Gisors and has been gradually resuming production as of February 2006. The plant in Schattdorf was closed down for three weeks and gradually resumed production after successful cleaning and repair work. In both plants, the situation prior to the incidents will be achieved at approximately the end of the third quarter of 2006.

The effects of the unusual incidents upon the annual financial statements of 2005 are illustrated in detail in the following table:

in CHF million	
Insurance compensation for property damage *(Other operating income)*	45.4
Insurance compensation for business interruption *(Other operating income)*	11.9
Total compensation from insurance	**57.3**
Costs of operation interruption *(Personnel and operating expenses)*	–11.9
Costs of repair/restoration/revisions *(Operating expenses)*	–21.0
Impairment of inventory *(Raw materials and consumables used)*	–10.3
Impairment on equipment *(Depreciation)*	–1.9
Total costs	**–45.1**
Impairment charges on equipment *(Impairment charges)*	–13.8
Net impact on income statement 2005	**–1.6**

Impairment charges on equipment (CHF 13.8 million)

Dätwyler Inc. (CH)
Production equipment which was destroyed by the flooding had to be completely written off and procured anew. The investments for replacements in the amount of CHF 15.8 million which were capitalized led to a substantially higher carrying value of the equipment compared to the carrying value prior to the flooding. Due to the incidents and the changed circumstances, there were signs that the new carrying values were overstated. Therefore, the recoverable amount was calculated for the equipment of the cash generating units "Construction Sector" and "Automotive Sector." The recoverable amount corresponds to the fair value less selling costs which were determined by an external expert. The fair value less costs to sell was CHF 13.8 million less than the carrying values and impairment charges in the same amount. Of the impairment charges in the amount of CHF 13.8 million, CHF 9.4 million was charged to the cash generating unit "Automotive Sector" and CHF 4.4 million to the cash generating unit "Construction Sector."

3 Gross Sales

The analysis of sales by division and geographical region has been shown in segmental reporting, Note 1.

Gross sales figures were affected by:

in CHF million	**2005**	%	2004	%
Changes in the scope of consolidation	4.6	0.4	7.3	0.7
Exchange-rate movements	2.9	0.3	–1.4	–0.1
Organic growth	33.4	3.1	53.2	5.3
Total change	**40.9**	**3.8**	**59.1**	**5.9**

The character of the Dätwyler Group as a diversified corporation makes it impossible to provide meaningful information on orders received and orders on hand.

4 Other Operating Income

This position includes among others income from services rendered, sales of scrap and costs of packaging and freight invoiced to customers. In addition, the insurance compensation for the damaging incidents is shown under other operating income in 2005 (see Note 2).

5 Personnel

Personnel Expenses

in CHF million	**2005**	2004
Wages and salaries	245.9	244.4
Social security costs	60.2	58.5
Contributions to government social security institutions	28.2	26.2
Employer's pension fund contributions	12.9	12.4
Expenses for defined-benefit plans under IAS 19	1.0	2.6
Additional payments which cannot be capitalized under IAS 19	10.8	8.8
Expenses for defined-contribution plans under IAS 19	1.1	1.0
Other social security costs	19.1	19.9
Other personnel costs	9.5	10.5
Total	**315.6**	**313.4**

Bonus plans unrelated to share prices and a stock option program (see Note 22) exist for the senior management.

Number of Employees

The analysis of the workforce by division and geographical region has been shown in segmental reporting (see Note 1).

6 Pension Plans

The following data summarize the financial position of the benefit-defined pension plans calculated in accordance with the principles of IAS 19. All figures are taken from actuarial appraisals.

in CHF million	2005	2004
Present value of defined-benefit obligations	–488.9	–452.4
Fair value of net plan assets	478.0	438.4
Actuarial deficit	**–10.9**	**–14.0**
Unrecognized interest of employees in the welfare fund	–4.5	–4.2
Unrecognized actuarial losses	18.6	21.3
Net assets	**3.2**	**3.1**
Of which:		
Liabilities (long-term provisions)	–1.8	–1.8
Assets (other receivables)	5.0	4.9

The annual pension costs (see Note 5) of the defined-benefit plans under IAS 19 are calculated as follows:

in CHF million	2005	2004
Current service cost	13.8	16.5
Interest cost	15.8	15.6
Amortization of actuarial losses	–	–
Employees' contributions	–7.1	–6.5
Expected return on plan assets	–21.5	–23.0
Total cost of defined-benefit plans according to IAS 19	**1.0**	**2.6**

The actual return on assets of the defined-benefit pension plan was CHF 49.6 million (CHF 19.6 million in the previous year).

The following summary shows changes in accrued income:

in CHF million	2005	2004
Net assets as of January 1	3.1	3.4
Cost for benefit-defined plans pursuant to IAS 19	–1.0	–2.6
Contribution paid	11.9	11.1
Employer's additional payments which cannot be capitalized	–10.8	–8.8
Total net assets as of December 31	**3.2**	**3.1**

The actuarial calculation of pension liabilities was based on the following average, weighted assumptions:

	2005	2004
Discount rate	3.5 %	3.5 %
Long term return on plan assets	5.0 %	5.5 %
Wage development: Projection	1.2 %	1.2 %
Pension adjustments: Projection	1.0 %	1.0 %
Average period of employment of present employees	20.6 yrs.	20.6 yrs.

7 Operating Expenses

This item states expenses for consumption of operating supplies, energy, repair and maintenance, logistics, insurance, administration and sales, rents, leasing and capital taxes. The Group has no significant licensing expenses. In addition, the additional expenses for the management of the unusual incidents in the Rubber+Plastics Division are included in this position in 2005 (see Note 2).

The cost of quality assurance is included in the manufacturing overhead, while that of applied development adapted to customers' needs which cannot be invoiced is booked under operating expenses. Approximately 5 % of gross sales is spent on this in the industrial areas. Apart from the above-mentioned costs, no other operating expenditure exceeds 5 % of gross sales.

8 Other Expenses/Income

in CHF million	2005	2004
Rental income	0.2	0.2
Other	–0.3	–0.4
Total	**–0.1**	**–0.2**

9 Depreciation on Property, Plant and Equipment and Intangible Assets

in CHF million	2005	2004
Depreciation		
Buildings	9.3	9.0
Machinery and operating equipment	35.8	36.2
Other property, plant and equipment	9.0	12.3
Total depreciation on operating property, plant and equipment	**54.1**	**57.5**
Amortization of intangible assets	0.5	0.3
Amortization of goodwill	–	2.8
Total amortization of intangible assets	**0.5**	**3.1**
Total depreciation on non-current assets	**54.6**	**60.6**
Impairment charges		
Land and buildings	2.0	2.7
Machinery and operating equipment	4.5	2.8
Other property, plant and equipment	9.3	–
Total impairment charges on operating property, plant and equipment (1)	**15.8**	**5.5**
Impairment charges on goodwill (2)	7.5	–
Total impairment charges on intangible assets	**7.5**	**–**
Total impairment charges on non-current assets	**23.3**	**5.5**
Loss on assets held for sale (3)	**4.8**	**–**
Total depreciation and impairment charges	**82.7**	**66.1**

1) Impairment charges on property, plant and equipment concern the Rubber+Plastics Division (see Note 2), the Technical Components Division (see Note 11) and the financial and service companies (see Note 12).

2) Impairment charges on goodwill concern the Rubber+Plastics Division and the Technical Components Division (see Note 14).

3) The loss from the revaluation of assets held for sale concerns the Rubber+Plastics Division and the Technical Components Division (see Note 13).

10 Income Taxes

in CHF million	2005	2004
Current income taxes	16.9	9.9
Deferred tax expenses	1.5	0.6
Total	**18.4**	**10.5**

The actual tax charge on net earnings before tax can be analyzed as follows, applying the tax rate of 23 % at the registered office of Dätwyler Holding Inc. in Altdorf, Switzerland:

in CHF million	2005	2004
Net earnings before tax	63.6	34.7
Income taxes calculated at the tax rate of 23 %	14.6	8.0
Impact of differing tax rates within the group	1.2	1.7
Impact of the exclusion of current losses as deferred tax credits	5.4	4.4
Impact of offsetting tax losses against tax profits for which no deferred tax credits have been included in previous periods	–2.2	–0.4
Impact of tax deductible expenses eliminated in the consolidated financial statements	–	–2.3
Tax expenses not relating to the accounting period and other effects	–0.6	–0.9
Total income taxes (current and deferred)	**18.4**	**10.5**

11 Property, Plant and Equipment

The analysis of capital expenditures for property, plant and equipment by division and geographical region was shown in segmental reporting (see Note 1)

Changes in fixed assets

in CHF million	Land and buildings	Machinery and operating equipment	Office equipment, EDP installations, vehicles	Equipment under construction	Total
As of January 1, 2004					
Acquisition cost	353.3	635.3	103.3	10.6	1 102.5
Accumulated depreciation	–185.0	–457.0	–79.9	–	–721.9
Net book value	**168.3**	**178.3**	**23.4**	**10.6**	**380.6**
Development in 2004					
Net book value as of January 1	168.3	178.3	23.4	10.6	380.6
Foreign exchange adjustments	–1.2	–1.3	–0.2	–0.1	–2.8
Additions	3.1	14.8	8.0	28.3	54.2
Disposals and reclassifications	0.2	9.8	1.4	–12.0	–0.6
Changes in scope of consolidation	7.0	14.4	0.5	–	21.9
Depreciation	–9.0	–36.2	–12.3	–	–57.5
Impairment charges	–2.7	–2.8	–	–	–5.5
Net book value December 31	165.7	177.0	20.8	26.8	390.3
As of December 31, 2004					
Acquisition cost	177.4	216.0	33.1	26.8	453.3
Accumulated depreciations	–11.7	–39.0	–12.3	–	–63.0
Net book value	**165.7**	**177.0**	**20.8**	**26.8**	**390.3**
Of which investment property					–11.0
Net book value					**379.3**
Development in 2005					
Net book value as of January 1	165.7	177.0	20.8	26.8	390.3
Foreign exchange adjustments	1.6	3.1	0.3	0.7	5.7
Additions	8.0	9.5	5.8	37.9	61.2
Disposals and reclassifications	–8.2	9.3	–0.7	–13.7	–13.3
Changes in scope of consolidation	–0.1	–	–	–	–0.1
Depreciation	–9.3	–35.8	–9.0	–	–54.1
Impairment charges	–2.0	–4.5	–0.2	–9.1	–15.8
Loss on assets held for sale	–4.3	–0.4	–0.1	–	–4.8
Net book value as of December 31	151.4	158.2	16.9	42.6	369.1
As of December 31, 2005					
Acquisition cost	167.0	198.9	26.2	51.7	443.8
Accumulated depreciation	–15.6	–40.7	–9.3	–9.1	–74.7
Net book value	**151.4**	**158.2**	**16.9**	**42.6**	**369.1**
Of which investment property (see Note 12)					–10.3
Net book value					**358.8**

In 2005, among others, property, plant and equipment in the amount of CHF 8.2 million are stated under "disposals and reclassifications," which were reclassified to assets held for sale (see Note 13).

In 2005, the following impairment charges in the amount of CHF 15.8 million occurred in:

Technical Components Division

Commercial Property/Germany

In 2005, an impairment charge in the amount of CHF 1.5 million had to be made on an internally used commercial property in Germany. Through the optimization of the organization and the structures at the German group company that rents the property, part of the property which represents a cash generating unit is no longer needed. From this, a lower income results for the Swiss real estate company which lets the place and which is also part of the Dätwyler Group. In order to determine the impairment charge, the fair value less cost to sell and the value in use were determined for the cash generating unit, the German real estate. The recoverable amount corresponds to the fair value less cost to sell and is based on an appraisal by an external expert.

For the other impairment charges on property, plant and equipment in 2005, see Notes 2 and 12.

The impairment charges in 2004 amounted to CHF 5.5 million and were composed as follows:

Cables+Systems Division

Production equipment/Switzerland

Based on a lack of demand stimulation on the fiberglass market and thus insufficient capacity utilization of the fiber optics plant, a cash generating unit, an impairment charge was made on property, plant and equipment in the amount of CHF 3.5 million. The adjustment of the book value was made using a value in use calculation based on future cash flows, discounted at 8.0 %.

Technical Components Division

Commercial property/Switzerland

As a consequence of the ongoing oversupply of office and commercial properties, an impairment charge of CHF 2.0 million had to be made for one property in the greater Zurich East area. The adjustment of the book value was made using an internal market value appraisal based on future rental income.

A warehouse factory in Italy which is leased to a company of the pharmaceutical packaging division, acquired in 2004, is stated in the balance sheet under property, plant and equipment.

in CHF million	**2005**	2004
Acquisition cost of the leased property, plant and equipment	1.4	1.5
Accumulated depreciation	0.1	0.1
Net book value of the leased property, plant and equipment	**1.3**	**1.4**
Assets pledged or assigned as security for liabilities:		
Book/nominal value in CHF million	**2005**	2004
Land and buildings	24.4	24.4
Of which used for bank and mortgage loans	*22.8*	*22.8*

The fire insurance value of the property, plant and equipment amounted to:

in CHF million	**2005**	2004
Buildings	568.0	579.0
Machinery, equipment and vehicles	1030.6	1009.9
Total	**1598.6**	**1588.9**

Assets are insured at replacement values. Business interruption risks are covered throughout the Group.

12 Investment Property

in CHF million	Residential and commercial buildings	Land reserves	Total
As of January 1, 2004			
Acquisition cost	8.9	3.7	12.6
Accumulated depreciation	–1.4	–	–1.4
Net book value	**7.5**	**3.7**	**11.2**
Development in 2004			
Net book value as of January 1	7.5	3.7	11.2
Additions	0.1	–	0.1
Disposals	–	–0.1 (1)	–0.1
Depreciation charges	–0.2	–	–0.2
Net book value as of December 31	7.4	3.6	11.0
As of December 31, 2004			
Acquisition cost	7.6	3.6	11.2
Accumulated depreciation	–0.2	–	–0.2
Net book value	7.4	3.6	11.0
Market value	9.0	12.3	21.3
Rental income	0.8	–	0.8
Repair and maintenance costs	0.2	–	0.2
Development in 2005			
Net book value as of January 1	7.4	3.6	11.0
Additions	–	–	–
Disposals	–	0.0 (1)	0.0
Depreciation charges	–0.2	–	–0.2
Impairment charges	–0.5	–	–0.5
Net book value as of December 31	6.7	3.6	10.3
As of December 31, 2005			
Acquisition cost	7.4	3.6	11.0
Accumulated depreciation and impairment charges	–0.7	–	–0.7
Net book value	**6.7**	**3.6**	**10.3**
Market value	6.7	12.3	19.0
Rental income	0.7	–	0.7
Repair and maintenance costs	0.1	–	0.1

(1) *Proceeds of CHF 0.033 million (CHF 0.6 million in the previous year) resulted from the sale of land reserves.*

The market values of investment property in the Dätwyler Group are determined based on generally applicable methods for defining market value of real estate by an in-house real estate specialist.

There are no restrictions with regard to a possible sale of the investment property stated in the balance sheet. There are also no substantial contractual obligations to purchase or develop investment properties or obligations to repair, maintain or improve them.

Impairment Charges for Commercial and Residential Properties
(Finance and services segment)
In 2005, an impairment charge in the amount of CHF 0.5 million had to be made on a commercial and residential property in Switzerland. The termination of the lease agreement by a major tenant led to a vacancy of around 20 %. For the determination of the impairment charge, the fair value less cost to sell and the value in use were determined for the cash generating unit, a real estate company. The realizable amount corresponds to the value in use, which was determined on the basis of the discounted cash flow method. The estimated cash flows for the discounted cash flow calculation were discounted with a weighted average capital cost rate of 7.4 %.

13 Assets Held for Sale

The following assets were classified as "held for sale." They are stated at the lower of the carrying amount at fair value less cost to sell. The assets classified as held for sale can immediately be sold in their given condition. Their sale is expected within the next 12 months.

in CHF million	2005	2004
Other current assets	0.1	–
Property, plant and equipment	8.2	–
Total of assets held for sale	**8.3**	**–**
Creditors	0.1	–
Other current liabilities	0.2	–
Provisions	0.1	–
Total liabilities which are in a direct connection with assets held for sale	**0.4**	**–**

Cables+Systems Division
Production equipment/Switzerland
Equipment no longer needed in Switzerland for the internal production process was combined into a disposal group and shall be sold. The remeasurement at fair value less cost to sell led to a loss in the amount of CHF 4.8 million. Of this loss, CHF 4.0 million were booked as impairment charges on property, plant and equipment and CHF 0.8 million as impairment on inventories. The disposal group is not a discontinued operation.

Residential property/Switzerland
As of the end of January 2006, a noncommercial property in Switzerland was sold to a general contractor for the construction of a building complex. The property was stated in the balance sheet at book value.

Pharmaceutical Packaging Division
Closed-down production plant/U.S.
The combination of two plants at one location in the U.S. led to the closure of a plant. The property no longer needed is for sale and was stated at book value in the balance sheet.

Technical Components Division
Commercial property/Switzerland
An office and commercial property in the Zurich East area which is no longer needed is for sale. From the revaluation at fair value less cost to sell, a loss in the amount of CHF 0.8 million resulted.

14 Intangible Assets

in CHF million	Goodwill	Other intangible assets	Total
As of January 1, 2004			
Gross values	88.1	4.0	92.1
Accumulated amortizations and impairment charges	–44.6	–4.0	–48.6
Net book value	43.5	–	43.5
Development in 2004			
Net book values as of January 1	43.5	–	43.5
Foreing exchange adjustments	–0.4	–	–0.4
Additions	5.3	6.7	12.0
Disposals	–5.4	–	–5.4
Amortizations	–2.8	–0.3	–3.1
Net book value as of December 31	40.2	6.4	46.6
As of December 31, 2004			
Gross values	43.0	6.7	49.7
Accumulated amortizations	–2.8	–0.3	–3.1
Net book value	40.2	6.4	46.6
Development in 2005			
Net book values as of January 1	40.2	6.4	46.6
Foreign exchange adjustments	0.5	0.1	0.6
Amortizations	–	–0.5	–0.5
Impairment charges	–7.5	–	–7.5
Net book value as of December 31	33.2	6.0	39.2
As of December 31, 2005			
Gross values	40.7	6.5	47.2
Accumulated amortizations and impairment charges	–7.5	–0.5	–8.0
Net book value	**33.2**	**6.0**	**39.2**

Until and including 2004, goodwill was amortized using the straight-line method based on the standard valid at that time (IAS 22). In 2004, this led to a charge in the amount of CHF 2.8 million to the income statement.

In conformity with the new standard (IFRS 3), goodwill is no longer amortized as of January 1, 2005; however, goodwill is annually tested for impairment. For this purpose, all goodwill positions are allocated to the corresponding cash generating units. For these, the recoverable amount which, in principle, corresponds to the value in use is calculated. The impairment for all goodwill positions were performed in the fourth quarter of 2005. The country-specific interest rates, on which the calculations were based, were between 7.2 % and 8.5 %. Since the tax expenses are taken into consideration in the cash flows, the discount rate after taxes is applied. The application of a discount rate after taxes leads to a similar result as the application of a discount rate before taxes on cash flows before taxes.

The impairment tests led to the following impairment charges:

Rubber+Plastics Division

Dätwyler Inc., Schattdorf, Switzerland
In 2004, Dätwyler Inc. acquired part of the business of Lonstroff AG in Aarau through the purchase of assets. The acquired assets and the pertinent customers were integrated into the Construction Sector which is at the same time defined as a cash generating unit. Due to the insufficient earnings situation of the cash generating unit, Construction, and the loss of some major customers, an impairment charge of CHF 0.6 million was required.

Technical Components Division

Fähnle Technic GmbH, Göppingen, Germany
The sustained difficult market environment in Germany and internal structural problems resulted in a weak earnings situation, in particular in the second half of 2005. Various restructuring measures in the last few years could not compensate the weak market condition of the cash generating unit, Fähnle Technic GmbH. In 2005, the board of directors decided to adapt the business model of Fähnle Technic GmbH to the changed market demands and to change the company name into Maag Technic GmbH as of January 1, 2006. The review of the value in use required an impairment charge of CHF 3.9 million.

Dätwyler Electronics Ltd., Dübendorf, Switzerland
The ongoing weak demand in the semiconductor business led to strongly declining sales. This development was additionally driven through restructurings on the market side of distribution channels in Europe and the resulting loss of main representations. The slump in sales led, among others, to a reduction in personnel of about 40 % in addition to the negative effects on the earnings situation. The board of directors decided in 2005 to adapt the structures of Dätwyler Electronics Ltd. to the sales development, to reduce the operation and to integrate it as an independent cash generating unit into Maag Technic as of January 1, 2006. The review of the value in use of the cash generating unit, Dätwyler Electronics Ltd., required an impairment charge of CHF 2.9 million.

15 Investments in Associated Companies

in CHF million	2005	2004
January 1	**2.4**	**1.6**
Additions	–	0.6
Reclassification (see Note 16)	–1.5	–
Share of net profit	0.1	0.2
Dividends received	–0.1	–
Foreign exchange differences	0.1	0
December 31	**1.0**	**2.4**

The following amounts show the share of the Dätwyler Group in the assets and liabilities as well as the revenue and profit of the associated companies:

in CHF million	2005	2004
Balance sheet values		
Assets	2.5	12.1
Liabilities	1.5	9.7
Net assets	**1.0**	**2.4**
Revenue	5.0	21.4
Profit	0.1	0.2

16 Financial Assets

in CHF million	2005	2004
Loans to third parties	4.4	5.1
Securities	16.2	14.1
Net investments in third parties	0.0	0.3
Other financial assets	0.4	0.3
Total financial assets	**21.0**	**19.8**

The securities stated under financial assets are bonds and investment funds with a long-term investment character. They are classified as financial assets available for sale. Income not realized in the period (2005: CHF 2.0 million; 2004: CHF 0.6 million) and the accumulated income (2005: CHF 1.1 million; 2004: CHF 3.1 million) are recognized under stockholders' equity without impact on the income statement up to the possible sale.

As of the end of 2004, the investments in Top Bound Enterprise Co. Ltd. (20 % share) and Top Bound Technology Co. Ltd. (25 % share) were stated at CHF 1.5 million in the balance sheet on the basis of the equity method as investments in associated companies as of the end of 2004. In 2005, the Dätwyler Group decided that the relevant criteria of having significant influence on the investment in the Top Bound companies in the sense of IFRS, were no longer fulfilled. For this reason, the investments were reclassified to investments in third parties.

Technical Components Division

Dätwyler i/o Devices AG

The market conditions of the Top Bound companies which are domiciled in Taiwan deteriorated strongly in 2005. Based on the deteriorating and uncertain development of the business and lack of information regarding the 2005 annual financial statements, no reliable evaluation of fair value is possible. These circumstances led to an impairment charge on the investments in the amount of CHF 1.5 million which was recognized in financial expenses.

17 Inventories

in CHF million	2005	2004
Raw and operating supplies	42.9	44.4
Trading stock	31.2	39.7
Semi-finished products	40.0	37.1
Finished products	84.8	74.9
Total (1)	**198.9**	**196.1**

(1) Of which inventories delivered to group companies amount to CHF 10.4 million (CHF 5.2 million in the previous year).

Value adjustments deducted from the inventories amount to CHF 31.6 million (CHF 33.7 million in the previous year).

18 Trade Accounts Receivable

in CHF million	2005	2004
Trade receivables	167.9	154.7
Impairments	–11.8	–9.0
Total	**156.1**	**145.7**

19 Cash and Cash Equivalents

in CHF million	2005	2004
Cash	67.0	55.1
Money market investments	113.7	108.9
Total cash and cash equivalents	**180.7**	**164.0**

In addition to cash holdings as well as post and bank balances, cash and cash equivalents include money market investments with original maturities of three months at the maximum.

Reclassifications

In 2004, shares in mutual fund units with a long-term investment character, which were classified as financial assets available for sale, were stated under cash and cash equivalents in the balance sheet at a fair value of CHF 7.3 million. These investment funds were reclassified and are now carried in the balance sheet under financial assets.

20 Capital Stock

Composition of the Unchanged Capital Stock:

in CHF million	2005	2004
220 000 registered shares of CHF 100 p.v.	22.0	22.0
136 000 bearer shares of CHF 500 p.v.	68.0	68.0
Total capital stock	**90.0**	**90.0**

Data per share

	2005	2004
Bearer shares (CHF 500 par value)		
Number in issue	136 000	136 000
Number eligible for dividend	110 000	110 000
Proposed/approved dividend per bearer share	90	55
Registered shares (CHF 100 par value)		
Number in issue	220 000	220 000
Number eligible for dividend	220 000	220 000
Proposed/approved dividend per registered share	18	11
Total par value eligible for dividend (in CHF million)	**77.0**	**77.0**
Authorized capital stock	None	None
Conditional capital stock	None	None
Registration/voting restrictions	None	None
Opting-out or opting-up provisions	None	None

21 Earnings per Share

Earnings per share are calculated by dividing net earnings by the weighted number of outstanding shares eligible for dividend minus the treasury shares held for securing the executive stock option plan. The weighted value of the 220 000 registered shares is equivalent to 44 000 bearer shares.

	2005	2004
Net earnings according to the income statement (in CHF million)	39.6	24.2
Weighted average number of shares	153 680	152 080
Earnings per bearer share eligible for dividend (CHF)	257.8	159.4
Number of diluted shares	153 910	152 080
Diluted earnings per bearer share eligible for dividend (CHF)	257.4	159.4

In 2005, the average share price of CHF 3 481 was above the exercise price of CHF 2 500. This led to a dilution of the earning per bearer share eligible for dividend. This was not the case in 2004 when the average share price at CHF 2 412 was below the exercise price.

22 Treasury Stock

The 26 000 bearer shares with a par value of CHF 500 per share, which were created by resolution of the general meeting of November 18, 1989, were issued under the exclusion of preemptive subscription rights for stockholders and participation certificates in order to secure options and conversion rights and to be used for other purposes in the interest of the company. They do not provide any voting or dividend rights until used.

Treasury stock holdings on December 31, 2005, remained unchanged at 26 000 bearer shares. The par value of these treasury shares in the amount of CHF 13.0 million (26 000 x CHF 500.–/ treasury share) is deducted from the capital stock of Dätwyler Holding Inc. which amounts to CHF 90.0 million.

Executive Stock Option Plan

From the original 2 000 additional bearer shares with an acquisition value of CHF 5 088 791, 320 with an acquisition value of CHF 814 206 (par value CHF 160 000) continue to be owned by Alvest AG, the finance and management company of the Dätwyler Group, and are eligible for dividends but have no voting rights (in the previous year: 1 920 with an acquisition value of CHF 4 885 239). These bearer shares serve as collateral for the executive stock option plan of January 9, 2001. In this plan, 2 000 stock options were allocated at the price of CHF 30 each, which at the same time corresponds to their fair value. This allocation therefore did not result in any expenditure. An option entitles the holder to purchase a bearer share of Dätwyler Holding Inc. at the exercise price of CHF 2 500. The vesting period ended on January 9, 2004, and the options not exercised expire without compensation after expiration of the exercise term on January 9, 2006.

Of the total of 2 000 options which were originally included in the executive stock option plan, 1 680 options were exercised prior to the expiration of the exercise term on January 9, 2006. In 2004, 80 options were exercised and, in 2005, 1 600. The average share price in 2005 was CHF 3 481 (CHF 2 412 in the previous year).

23 Stockholders

Pema Holding AG owns all 220 000 registered shares as well as 42 000 of the total of 136 000 bearer shares of Dätwyler Holding Inc. This represents 79.39 % of the voting rights or 47.78 % of the capital. The entire capital stock of Pema Holding AG was contributed to Dätwyler Führungs AG which thus indirectly holds a majority of voting rights of Dätwyler Holding Inc.

The board of directors of Dätwyler Holding Inc. is not aware of any further stockholders and stockholders' groups that are bound by a pooling agreement with a holding exceeding 5 % of all voting rights (see Note 34).

24 Reserves

Group Reserves

Group reserves are, on the one hand, legal reserves which have been set aside to comply with national regulations and cannot be freely distributed and, on the other, free reserves consisting of retained earnings that are freely distributable.

25 Minority Interests

In 2004 and 2005, the Dätwyler Group held no minority interests in any companies.

26 Provisions

in CHF million	01/01	Currency	Created	Utilized	Reversed	12/31
Short-term provisions for:						
Personnel and social security	21.3	0.3	19.3	–16.9	–1.5	22.5
Warranty and compensation claims	4.2	0.0	2.4	–0.6	–1.0	5.0
Restructuring	0.4	0.1	0.3	–0.4	–	0.4
Environment and infrastructure	0.4	–	–	–0.4	2.8	2.8
Other	9.7	0.1	3.6	–4.9	–2.8	5.7
Total short-term provisions	**36.0**	**0.5**	**25.6**	**–23.2**	**–2.5**	**36.4**
Long-term provisions for:						
Personnel and social security	7.6	0.1	1.7	–0.2	0.0	9.2
Warranty and compensation claims	5.1	0.0	0.7	–	–0.5	5.3
Environment and infrastructure	11.4	0.0	0.4	–0.8	–3.2	7.8
Other	4.0	0.0	0.0	–1.5	–0.7	1.8
Total long-term provisions	**28.1**	**0.1**	**2.8**	**–2.5**	**–4.4**	**24.1**
Total provisions 2005	**64.1**	**0.6**	**28.4**	**–25.7**	**–6.9**	**60.5**
Total provisions 2004	62.0	0.0	32.3	–21.9	–8.3	64.1

Present Value

Provisions where the effect of the true value of money is material, the amount of the provision is discounted taking into consideration an appropriate discount rate.

Personnel and Social Security

This item includes provisions for leave, overtime, bonuses, premiums and similar liabilities. The provisions are calculated on the basis of actual data. As a rule, the expected payments are due within 24 months.

Warranty and Damage Claims

The Dätwyler Group grants warranties in connection with deliveries and services provided. They are based on local laws or on contractual agreements. The provisions are calculated based on empirical figures. The provisions for damage claims are based on claims that have actually occurred and been reported and, as a rule, are settled within a year.

Restructuring

This item includes restructuring measures in group companies which have been decided upon and announced and are, in principle, implemented within one year.

Environment and Infrastructure

This item includes liabilities arising from the rehabilitation of existing waste deposits at long-term production locations and expected costs in connection with the restoration and repair of infrastructure. The provisions are determined on the basis of detailed cost estimates. The projects are implemented over a period of several years.

27 Deferred Income Taxes

Changes

Capitalized deferred tax assets and provisions for deferred taxes are calculated by taking all temporary differences into account and by applying the liability method.

in CHF million	2005	2004
As of January 1	25.6	18.0
Deferred tax expense	1.5	0.6
Currency differences	0	0
Changes in the scope of consolidation	–	7.0
As of December 31	**27.1**	**25.6**

Composition

Capitalized deferred tax assets and provisions for deferred taxes can be mutually offset if an offset is possible and intended by the relevant tax law.

in CHF million	2005	2004
Deferred tax assets	3.1	2.7
Provisions for deferred taxes	–30.2	–28.3
Deferred income tax (net)	**–27.1**	**–25.6**

Tax losses carried forward

Tax losses carried forward are capitalized as deferred taxes to the extent that the future financial benefit can be regarded as probable. Tax loss carry-forwards carried in the balance sheet as deferred tax assets arise from a very limited number of companies for which clearly discernible, sustained taxable profits can be foreseen following cyclical fluctuations in results or start-up losses. As of December 31, 2005, the group has not taken into account a total of CHF 179.3 million (2004: CHF 168.4 million) of tax losses carried forward at individual group companies, since at the present time it seems rather unlikely that these tax loss carry-forwards can be offset against future profits. The possibility of offsetting these losses against future profits expires as follows:

in CHF million	2005	2004
Expiring in		
1 year	2.5	2.0
2 years	2.2	4.2
3 years	1.4	2.6
4 years	3.5	4.3
5 years and more	169.7	155.3
Total	**179.3**	**168.4**

Reasons

Capitalized deferred tax assets and provisions for deferred taxes arise from temporary differences in the following balance sheet items and losses carried forward:

in CHF million	2005	2004
Property, plant and equipment	–22.9	–25.7
Inventories	–4.3	–5.3
Other balance sheet items	–4.3	–1.3
Tax losses carried forward	4.4	6.7
Total	**–27.1**	**–25.6**

The temporary differences in connection with investments in group companies on which no provisions were made for deferred taxes amounted to CHF 209.5 million (CHF 196.7 million in the previous year) on December 31, 2005.

28 Liabilities

The liabilities of the Dätwyler Group have the following composition and maturities:

in CHF million	Total amount	Short-term liabilities (less than 1 year)	Long-term liabilities (more than 1 year)	Of these, secured by pledge (nominal amount)
Trade accounts payable	65.3	65.3	–	
Bank loans [1]	128.6	101.0	27.6	24.4
Liabilities to employee pension and welfare funds	3.6	3.6	–	
Advance payments by customers	2.9	2.9	–	
Other liabilities				
Income and capital taxes owed	17.2	17.2	–	
Leasing liabilities	0.9	0.4	0.5	
Miscellaneous	10.4	5.8	4.6	
Deferred charges	20.6	20.6	–	
Provisions	60.5	36.4	24.1	
Deferred taxes	30.2	–	30.2	
Liabilities	**340.2**	**253.2**	**87.0** [2]	
Of which interest-bearing liabilities [3]	*132.2*	*104.6*	*27.6*	
Cash and cash equivalents and securities	*180.7*	*180.7*	–	

(1) *Details of bank loans in CHF million*

	Debt	Interest rate %
By maturity		
Short-term	*101.0*	*3.4*
Long-term	*27.6*	*3.3*
By currency		
CHF	*38.7*	*2.8*
EUR	*57.3*	*3.1*
USD	*27.8*	*4.9*
Other	*4.8*	*0.0*
By region	*2005*	*2004*
Switzerland	*33.8*	*64.2*
Other	*94.8*	*101.2*

(2) *Maturities of the long-term liabilities, excluding provisions*
in CHF million

Less than 2 years	*21.1*
Less than 3 years	*5.4*
Less than 4 years	*5.3*
Less than 5 years	*0.2*
5 years or more	*0.7*
Total liabilities excluding provisions	*32.7*

(3) *Average effective interest rate on liabilities 3.4 %*

29 Risk Management and Financial Instruments

Derivative financial instruments are used primarily to hedge currency risks. Contracts are concluded only with financial institutions having prime credit ratings. Basic decisions relating to currency risk management are made strategically at the group level. Short- and medium-term decisions are made operationally at the division or individual company level. At the operating level, the overriding objectives of strategic currency management are pursued with reference to the liquidity, profit and risk targets.

Currency Risk

A substantial proportion of the group's operating cash flow is in foreign currencies. Currency risks on trade receivables, trade payables and group loans are partially hedged. Forward foreign exchange transactions and currency options which generally mature within 12 months are used as hedging instruments. Hedge accounting in the sense of IAS 39 was not used in 2004 and 2005.

Forward Foreign Exchange Contracts

in CHF million (as of December 31)	**2005**	2004
Positive replacement value	0.9	0.9
Contract volume	10.8	11.0
Negative replacement value	0.3	0.3
Contract volume	21.7	12.2

Foreign Exchange Contracts by Currency

in CHF million (as of December 31)	**2005**	2004
EUR	17.2	8.1
USD	9.0	9.0
SGD	0.3	–
CZK	6.0	6.0
JPY	–	0.1
Total	32.5	23.2

The contract values reflect the group's total commitment with regard to financial instruments. However, the figures do not correspond to the losses which could be generated by fluctuations on the financial markets.

Credit Risks

The Dätwyler Group used no derivative financial instruments to hedge credit risks. Short-term bank balances are held with financial institutions that have a high credit rating. Trade receivables are stated after deduction of provisions for collection risks; the credit risk of this position is limited by the fact that the group has a large number of regular customers in different industries and different geographical regions. The group is therefore not exposed to any significant cluster risk.

The loan-loss risk within the Dätwyler Group is limited by the fact that contracts are only concluded with counterparties that have prime credit ratings.

Interest Rate Risks

Interest rate risks were not hedged. It is the prevailing policy to fix interest rates in the context of medium- and long-term financing and arrange short-term financing with variable interest rates.

Market Price Risks

Market price risks on commodity purchases are selectively hedged with forward contracts. Equity investments are not hedged.

30 Leases

Maturities of rental and leasing payments

in CHF million	**2005**	2004
Finance lease		
Within a year	0.4	0.2
Within two to five years	0.5	0.8
Within more than five years	–	–
Total payments	**0.9**	**1.0**
Less interest share	*0.1*	*0.1*
Total financial liabilities from finance lease	**0.8**	**0.9**
Operating lease		
Within a year	0.5	0.5
Within two to five years	0.8	0.7
Within more than five years	–	–
Total financial liabilities from operating lease	**1.3**	**1.2**

The expenses recognized in the 2005 income statement for operating leases amounted to CHF 0.8 million (2004: CHF 0.6 million). No individually significant operating lease contracts exist.

32 Impact of Changes in the Scope of Consolidation

Investments added to the scope of consolidation and the acquisitions and sales made in the previous year have the following impact on the consolidated balance sheets in 2005 and 2004:

In CHF million	Additions 2005	Disposals 2005	Additions 2004	Disposals 2004
Property, plant and equipment	0.1	–	23.4	–0.7
Goodwill	–	–	5.3	–4.5
Other fixed assets	0.3	–	6.8	–
Current assets	5.1	–	12.6	–10.1
Liabilities	–1.1	–	–21.7	+5.1
Net assets	**4.4**	**–**	**26.4**	**–10.2**
Acquired/disposed-of cash and cash equivalents	–3.0	–	–0.8	+2.1
Acquired/disposed-of net assets, excluding cash and cash equivalents	**1.4**	**–**	**25.6**	**– 8.1**
Result from change in the scope of consolidation	–	–	–	+2.2
Net cash flow from change in the scope of consolidation	**1.4**	**–**	**25.6**	**–5.9**

31 Contingent Liabilities

Within the context of the normal course of business, certain risks exist that arise from possible or probable liabilities in connection with legal proceedings and tax audits. Provisions have been made to the extent that the outcome of such cases can reliably be estimated. No provisions were made to the extent that the outcome of such cases is unclear or the risk not quantifiable.

No sureties exist which relate to business relationships between the Dätwyler Group and third parties. Guarantees and sureties within the group were eliminated upon consolidation. There are no subordination agreements with third parties.

Additions in 2005

The Dätwyler company, Maag Technic AG, based in Dübendorf, acquired 100 % of the shares of Richterich+Zeller AG, Basel, as of January 1, 2005. Incorporated in 1935, Richterich+Zeller employs nine and generated annual sales of approximately CHF 3.0 million. The contribution to the net earnings is insignificant.

As a specialist in fluid and sealing technology for the chemical industry, Richterich+Zeller ideally complements the existing services and products offered by Maag Technic AG. Based on the agreement, detailed information including the purchase price is to be treated confidentially.

Additions in 2004

The additions include the selected assets bought by Lonstroff AG and the impact of the acquisition of Seal Line S.p.A.

Helvoet Pharma Belgium N.V. with registered office in Alken, Belgium, acquired 100 % of the shares of the Italian company, Seal Line S.p.A., Montegaldella. Seal Line employs 165 and generates annual sales of approximately CHF 24.0 million. Incorporated in 1975, Seal Line has been part of the Italian company, IVG Colbachini S.p.A. since 1988. In addition to production and distribution synergies, the product segment of closures for disposable syringes is reinforced with this acquisition. Based on the purchase agreement, detailed information including the purchase price is to be treated confidentially.

Seal Line S.p.A. has realized EBIT of CHF 0.1 million since the acquisition.

Disposals in 2004

The disposals concern the sale of Mader GmbH.

The Dätwyler Group sold Mader GmbH, Leinfelden, Germany, as of October 1, 2004, to an investor group led by the existing chief executive officer. The sale was made for strategic reasons in the context of a focusing of the Technical Components Division. The products offered by the company that is active in the technical specialty distribution sector comprises the areas of compressed air/pneumatic systems, oil/gas components, compressors and automation. With four subsidiaries in southern Germany and a representation in Chemnitz, Mader generates annual sales of approximately CHF 26 million with about 70 employees. Based on the purchase agreement, detailed information including the selling price is to be treated confidentially.

Up to its sale, Mader GmbH contributed with EBIT in the amount of CHF 0.2 million to the net earnings in 2004.

33 Events after the Balance Sheet Date

As of March 2, 2006, the Pharmaceutical Packaging Division, which operates under the name of Helvoet Pharma, acquired selected property, plant and equipment of the pharmaceutical elastomer business from the U.S. company, Hospira Inc., in Ashland, Ohio. The acquisition will lead to an acquisition-related sales increase of approximately US$ 15.0 million to US$ 20.0 million. Based on the purchase agreement, detailed information, including the purchase price, is to be treated confidentially.

As part of the purchase, the two companies have concluded a supply agreement for 10 years. This agreement establishes Helvoet Pharma as Hospira's seller for certain elastomer components which are needed with certain injectable drugs and drug delivery systems. The purchase and supply agreement guarantees Hospira continuity in the supply of these elastomer components.

Up to the point in time of the approval of the annual financial statements on March 17, 2006, the board of directors had no knowledge of any further essential events that would result in an adjustment to the book values of the group's assets and liabilities.

34 Business Transactions with Associated Persons and Companies

All business transactions with associated companies, foundations and persons are based on customary commercial forms of contracts and conditions and are conducted "at arm's length."

Pema Holding AG

Pema Holding AG is in the possession of all 220 000 registered shares and 42 000 of a total of 136 000 bearer shares of Dätwyler Holding Inc. This represents 79.39 % of the voting rights or 47.78 % of the capital stock. The entire capital stock of Pema Holding AG was contributed to Dätwyler Führungs AG which thus indirectly holds a majority of voting rights in Dätwyler Holding Inc.

In addition to dividend payments to Pema Holding AG and the invoicing of a fee of CHF 24 000 in 2005 (2004: CHF 24 000) for administration and accounting services rendered to the above-mentioned two companies by Alvest AG, no transactions between the companies took place. As of December 31, 2005, and 2004, no mutual accounts receivable or payable were pending.

Remuneration of the Board of Directors

Remuneration paid to the board of directors of Dätwyler Holding Inc. is in the form of a fixed fee in cash. In the year under review it amounted to CHF 0.589 million (CHF 0.645 million in the previous year). In this amount, the remuneration for a board member who withdrew from the board in the year under review is also included.

Remuneration of the Executive Board

The remuneration of the executive board consists of a fixed salary and a variable bonus that can reach 36 % of the basic salary at the maximum. No further forms of remuneration exist for former members of the executive board in addition to the ordinary pension fund and the additional pension fund paiments. No severance payments are paid in the Dätwyler Group. Equity-based remunerations in the form of options and shares were also not allocated in the year under review.

The total remuneration paid to the members of the executive board amounted to CHF 4.073 million in the year under review (2004: CHF 4.037 million). Included in this amount are pension fund contributions paid in the amount of CHF 0.464 million (2004: CHF 0.454 million). Of the total amount, CHF 3.088 million were paid for fixed salaries and CHF 0.985 million were paid for bonuses in cash.

Subsidiaries and Affiliates

The Dätwyler group comprised the following companies on December 31, 2005:		Incorporated in	Local Currency	Capital in Local Currency (millions)	Group Equity Holding in Percent	Footnotes	Cables+Systems	Rubber+Plastics	Precision Tubes	Pharmaceutical Packaging	Technical Components	Services/Finance
Switzerland	Abalec AG	Altdorf	CHF	0.050	100	K*						■
	Alvest AG	Altdorf	CHF	15.000	100	K*						■
	Basix AG	Altdorf	CHF	0.090	100	K*						■
	Dätwyler Inc.	Altdorf	CHF	32.000	100	K*	□	□				■
	Dätwyler Electronics Ltd.	Zurich	CHF	4.450	100	K					▒	
	Dätwyler Fiber Optics SA	Boudry	CHF	4.000	100	K	□					
	Dätwyler i/o devices AG	Bassersdorf	CHF	12.000	100	K					▒	
	Dätwyler Pharma Pack Holding AG	Altdorf	CHF	39.000	100	K*				■		
	Dätwyler Teco Holding AG	Altdorf	CHF	9.900	100	K*					■	
	Dimos AG	Altdorf	CHF	0.100	100	K*						■
	Distrelec AG	Uster	CHF	0.500	100	K					▒	
	Gummi Maag AG	Dübendorf	CHF	0.050	100	K						■
	Ilgenhof AG	St. Gallen	CHF	0.600	100	K*						■
	Kaved AG	Altdorf	CHF	1.500	100	K*	□					
	Maag Technic AG	Dübendorf	CHF	2.000	100	K					▒	
	Mader Technic AG	Dübendorf	CHF	0.100	100	K						■
	MTD-Immobilien AG	Dübendorf	CHF	2.000	100	K					■	
	Parenteral Packaging AG	Altdorf	CHF	0.100	100	K*						■
	Pohl Immobilien AG	Altdorf	CHF	1.600	100	K				■		
	RoRo Holding AG	Rothrist	CHF	15.000	100	K*			■			
	Rothrist Rohr (Schweiz) AG	Rothrist	CHF	10.000	100	K			□			
	Wachendorf AG	Dübendorf	CHF	0.100	100	K						■

□ Procution and Sales
▒ Distribution
■ Services/Finance/Real Estate

K = consolidated as of December 31
E = equity consolidated investments in affiliates
B = stated at market value or acquisition cost (less any valuation adjustments) and included as other financial investments in affiliates
** = equity interest held directly by Dätwyler Holding Inc.*

as on December 31, 2005		Incorporated in	Local Currency	Capital in Local Currency (millions)	Group Equity Holding in Percent	Footnotes	Cables+Systems	Rubber+Plastics	Precision Tubes	Pharmaceutical Packaging	Technical Components	Services/Finance
Belgium	Helvoet Pharma NV	Alken	EUR	2.603	100	K				■		
	Helvoet Pharma Belgium NV	Alken	EUR	15.778	100	K				□		
	Pharma Packaging Int'l. Services NV	Alken	EUR	107.330	100	K				■		
China	Daetwyler (Suzhou) Cabling Syst.Co.Ltd.	Suzhou	USD	1.700	100	K	□					
	Daetwyler Cables+Systems (Shanghai) Co. Ltd.	Shanghai	USD	10.000	100	K	□					
Germany	Dätwyler Inter GmbH	Springe	EUR	0.256	100	K		□				
	Dätwyler Kabel+Systeme GmbH	Neufahrn	EUR	1.600	100	K	▒					
	Dätwyler Teco Holding (DE) GmbH	Göppingen	EUR	3.100	100	K					■	
	Fähnle Technic GmbH	Göppingen	EUR	2.600	100	K					▒	
	Helvoet Pharma Deutschland GmbH	Karlsbad	EUR	2.600	100	K				□		
	Rothrist Rohr (Deutschland) GmbH	Bottrop	EUR	5.113	100	K			□			
	Schuricht Distrelec GmbH	Bremen	EUR	0.800	100	K					▒	
	Wachendorf GmbH	Lörrach	EUR	0.030	100	K					■	
England	Dätwyler (UK) Ltd	Swindon	GBP	0.500	100	K	▒					
Finland	Data-Glass Oy	Leppävirta	EUR	0.048	10.1	B	▒					
France	Dätwyler Elastomères (France) SAS	Trie-Château	EUR	0.873	100	K		□				
Italy	CIF srl	Veggiano	EUR	0.014	8	B				□		
	Distrelec Italia srl	Milan	EUR	1.275	100	K					▒	
	Seal Line S.p.A.	Montegaldella	EUR	1.570	100	K				□		
Luxembourg	Helvoet Pharma International SA	Luxembourg	EUR	21.071	100	K				■		
Mexico	Daetwyler i/o devices Mexico SA DE CV	Juarez	MXP	11.535	100	K					□	
Netherlands	Dätwyler Kabel+Systemen BV	PG Dronten	EUR	0.050	100	K	▒					
	Maro BV	Roosendaal	EUR	0.005	100	K				□		
Austria	Dätwyler Kabel+Systeme GmbH	Vienna	EUR	0.037	100	K	▒					
	Distrelec Gesellschaft mbH	Vienna	EUR	0.145	100	K					▒	
Singapore	Dätwyler (Thelma) Cables+Systems Pte Ltd	Singapore	SGD	0.300	100	K	▒					
Taiwan	Top Bound Enterprise Co. Ltd	Taipei	TWD	50.000	20	B					□	
	Topbound Technology Co. Ltd.	Taipei	TWD	145.000	25	B					□	
Thailand	Daetwyler i/o devices (Asia) Co. Ltd.	Bangkok	THB	210.000	100	K					□	
Czech Republic	Dätwyler Rubber (CZ) sro	Novy Bydzov	CZK	20.000	100	K		▒				
	Prokes & Co. sro	Novy Bydzov	CZK	8.750	20	E		□				
Ukraine	Druk LLC	Kiev	UAH	0.019	100	K		▒				
USA	Daetwyler i/o devices (Americas) Inc.	Norcross, GA	USD	8.895	100	K					▒	
	Daetwyler Rubber & Plastics Inc.	Marion, SC	USD	0.500	100	K		□				
	Helvoet Pharma Inc.	Pennsauken,NJ	USD	9.129	100	K				□		
	Rothrist Tube (USA) Inc.	Jackson, MI	USD	0.010	100	K			▒			

Report of the Group Auditors

To the Annual General Meeting of Dätwyler Holding Inc., Altdorf

As auditors of the group, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in stockholders' equity and notes; pages 44–81) of the Dätwyler Group for the year ended December 31, 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Zurich, March 17, 2006
PricewaterhouseCoopers AG

René Rausenberger　　Beat Schwendener

Dätwyler Holding Inc.

Contents

Income Statements

in CHF	*	2005	2004
Income from investments		**30 901 382**	**30 451 623**
Financial income	1	+25 850 898	+12 296 307
Financial expenses	1	–11 407 191	–89 424
Net financial income		**14 443 707**	**12 206 883**
Personnel expenses	2	–622 344	–680 786
Administrative expenses	3	–52 326	–51 746
Earnings before taxes		**44 670 419**	**41 925 974**
Taxes		–1 329 850	–1 151 066
Net earnings for the year		**43 340 569**	**40 774 908**
Retained earnings brought forward from previous year		418 359	409 899
Retained earnings		**43 758 928**	**41 184 807**

** Notes 1 to 3 see page 86*

Balance Sheets

Assets in CHF	*	**12/31/2005**	12/31/2004
Investments in subsidiaries and affiliates	4	151 534 513	162 934 513
Accounts receivable	5	328 211 829	293 164 215
Non-current assets		**479 746 342**	**456 098 728**
Other assets		7 280	9 053
Current assets		**7 280**	**9 053**
Total assets		**479 753 622**	**456 107 781**

Liabilities and stockholders' equity in CHF			
Capital stock	6	90 000 000	90 000 000
Legal reserves	7	100 814 206	104 885 239
General reserve		87 000 000	87 000 000
Reserve for treasury stock	8	13 814 206	17 885 239
Special reserve	9	244 071 033	207 703 552
Retained earnings		43 758 928	41 184 807
Stockholders' equity		**478 644 167**	**443 773 598**
Other liabilities	10	1 109 455	934 183
Provisions	11	–	11 400 000
Liabilities		**1 109 455**	**12 334 183**
Total liabilities and stockholders' equity		**479 753 622**	**456 107 781**

* *Notes 4 to 11 see pages 86 to 88*

Notes

1 Financial Income

Interest on loans to group companies is received in accordance with group-internal guidelines. In 2005, the value of an investment was adjusted by CHF 11 400 000 (financial expenses). In connection with this, the provisions for investment risks and restructurings of a total of CHF 11 400 000 were released (financial income).

2 Personnel Expenses

Personnel expenses include all expenses for the board of directors.

3 Administrative Expenses

This position contains the general business expenses of Dätwyler Holding Inc.

4 Investments in Subsidiaries and Affiliates

The direct investments by Dätwyler Holding Inc. in subsidiaries and affiliates on December 31, 2005, were as follows (unchanged in comparison to the previous year):

Company	Company Purpose	Company Capital
Switzerland		in CHF
Abalec AG, Altdorf	Financing	50 000
Alvest AG, Altdorf	Financing	15 000 000
Basix AG, Altdorf	Financing	90 000
Dätwyler Inc., Altdorf	Production	32 000 000
Dätwyler Pharma Pack Holding AG, Altdorf	Investments	39 000 000
Dätwyler Teco Holding AG, Altdorf	Investments	9 900 000
Dimos AG, Altdorf	Financing	100 000
Ilgenhof AG, St. Gallen	Real estate	600 000
Kaved AG, Altdorf	Production	1 500 000
Parenteral Packaging AG, Altdorf	Financing	100 000
RoRo Holding AG, Rothrist	Investments	15 000 000

All of these investments are wholly owned by Dätwyler Holding Inc.

5 Accounts Receivable

The accounts receivable consist mainly of long-term loans denominated in Swiss francs to group companies of which loans granted to Alvest AG, the finance and management company of the Dätwyler Group, amount to CHF 132 765 678 (previous year CHF 97 718 065). The difference in comparison to the previous year results mostly from dividend and interest payments by group companies and dividend distributions to stockholders.

6 Capital Stock

in CHF	12/31/2005	12/31/2004
220 000 registered shares of CHF 100 p.v.	22 000 000	22 000 000
136 000 bearer shares of CHF 500 p.v.	68 000 000	68 000 000
Total capital stock	**90 000 000**	**90 000 000**

The bearer shares of Dätwyler Holding Inc. are listed on the Swiss stock exchange.

With the exception of the bearer shares held as treasury stock, each registered share and each bearer share entitles to one vote at the annual general meeting, irrespective of par value

Data per share	12/31/2005	12/31/2004
Registered shares (CHF 100 par value)		
Number issued	220 000	220 000
Number eligible for dividend	220 000	220 000
Bearer shares (CHF 500 par value)		
Number issued	136 000	136 000
Number eligible for dividend	110 000	110 000
Par value eligible for dividend (in CHF)	**77 000 000**	**77 000 000**
Authorized capital stock	None	None
Contingent capital stock	None	None
Voting right restrictions	None	None
Opting-out or opting-up provisions	None	None

All 220 000 registered shares and 42 000 of a total of 136 000 bearer shares are owned by Pema Holding AG, Altdorf, which thus holds 47.78 % of the capital stock and 79.39 % of the voting rights.

The board of directors is not aware of any further stockholders and stockholder groups that are bound by a stockholders' pooling agreement with a holding exceeding 5 % of all votes.

7 Legal Reserves

in CHF	12/31/2005	12/31/2004
Appropriations of net earnings	4 000 000	4 000 000
Premium payments	83 000 000	83 000 000
General reserve	**87 000 000**	**87 000 000**
Reserve for treasury stocks	13 000 000	13 000 000
Reserve for treasury stocks: executive stock option plan	814 206	4 885 239
Reserve for treasury stocks (according to Art. 659a para. 2)	**13 814 206**	**17 885 239**
Total	**100 814 206**	**104 885 239**

The Swiss Code of Obligations, according to Art. 659a para. 2 and Art. 671a, requires that the company create a specific reserve for treasury stock corresponding to the cost of acquisition.

8 Treasury Stock

a) Treasury Stock – Shares

The 26 000 bearer shares with a par value of CHF 500 each, created pursuant to the resolution adopted by the annual general meeting held on November 18, 1989, were issued – without preemptive subscription rights for stockholders and holders of participation certificates – to secure options and conversion rights and to be used for other purposes in the interest of the company (placements on the market, payment means for future acquisitions, etc.) and have no voting or dividend rights until used.

Total treasury stock held on December 31, 2005, was unchanged at 26 000 bearer shares, which appear on the balance sheet of Alvest AG at their par value of CHF 500 each, i.e. a total of CHF 13 000 000. These bearer shares, which were created prior to the introduction of the new corporation law on October 4, 1991, represent 14.44 % of total capital stock and therefore exceed the 10 % limit on holdings of bearer treasury stock provided for in Art. 659 para. 1 of the Swiss Code of Obligations.

The company plans to again comply with the requirements of Art. 659 para. 1 of the Swiss Code of Obligations in the coming years by placing these shares on the capital market, utilizing them as payment means for acquisitions, or by similar means.

The specific reserve of CHF 13 000 000 for treasury stock created according to Art. 659a para. 2 of the Swiss Code of Obligations is included in the legal reserves.

b) Treasury Stock – Executive Stock Option Plan

In addition to the 320 bearer shares of the company already held on December 31, 2000, and valued at CHF 777 700, a further 1 680 of the company's bearer shares valued at CHF 4 311 091 were purchased on the market in 2001. Based on Art. 659a para. 2 of the Swiss Code of Obligations, the company was required to create a specific reserve for treasury stock that corresponds to the cost of acquisition of CHF 5 088 791. These shares are reserved to satisfy demand for shares arising from the executive stock option plan introduced on January 9, 2001. Each one of these options entitles to the purchase of a Dätwyler Holding Inc. bearer share with a par value of CHF 500 at an exercise price of CHF 2 500. In 2004, 80 options were exercised, and thus the board of directors reduced the above-mentioned reserve based on Art. 671a of the Swiss Code of Obligations to the extent of the 80 shares issued by CHF 203 552 to CHF 4 885 239. In 2005, 1 600 options were exercised. The board of directors now reduces this reserve to the extent of the 1 600 shares issued by CHF 4 071 033 to CHF 814 206. The remaining 320 bearer shares continue to remain the property of Alvest AG, Altdorf, the finance and management arm of the Dätwyler Group, and are eligible for dividends but have no voting rights. Options not exercised following the expiration term expire on January 9, 2006 without any compensation due.

9 Special Reserve

The special reserve is a free reserve which can be disposed of by the annual general meeting. The increase of CHF 32 296 448 to CHF 240 000 000 was made pursuant to a resolution adopted by the annual general meeting held on April 26, 2005.

Pursuant to Art. 659a para. 2 and Art. 671a of the Swiss Code of Obligations, the company must create a specific reserve for treasury stock corresponding to the cost of acquisition. The board of directors creates this reserve by transferring the relevant amounts from and into the special reserve. In 2005, the amount of CHF 4 071 033 was transferred to the special reserve.

10 Other Liabilities

in CHF	12/31/2005	12/31/2004
Accrued liabilities	1 091 355	917 132
Unpresented dividend coupons	18 100	17 051
Total	**1 109 455**	**934 183**

Accrued liabilities consist mainly of deferred expenses for interest and taxes.

11 Provisions

in CHF	12/31/2005	12/31/2004
Investment risks	–	6 400 000
Restructuring costs	–	5 000 000
Total	**–**	**11 400 000**

With regard to the use of the provisions in 2005, we refer to the explanation in Note 1.

12 Sureties, Guarantees and Pledges in Favor of Third Parties

Loans totaling CHF 19.3 million (previous year CHF 47.6 million) were granted to various group companies with joint and several liability.

13 Release of Replacement Reserves and Hidden Reserves in Excess Thereof

in CHF	2005	2004
Release	11 400 000	–
Total	**11 400 000**	**–**

Proposed Appropriation of Retained Earnings 2005

in CHF	2005	2004
The board of directors proposes to the annual general meeting that retained earnings consisting of		
Net earnings of the year	43 340 569	40 774 908
Earnings brought forward from the previous year	418 359	409 899
Retained earnings	**43 758 928**	**41 184 807**
Should be utilized as follows:		
Allocation to the general legal reserve	–	–
Allocation to the special reserve	29 500 000	32 296 448
Payment of a dividend of 18 % (previous year 11 %) on eligible capital stock of CHF 77 000 000 (previous year CHF 77 000 000) (1)	13 860 000	8 470 000
Carried forward to new account	398 928	418 359
Total	**43 758 928**	**41 184 807**

(1) *26 000 bearer shares reserved to secure options and conversion rights and to be used for other purposes in the interests of the company at the discretion of the board of directors, in accordance with the resolution adopted by the annual general meeting held on November 18, 1989, are not eligible for dividends.*

Report of the Statutory Auditors

To the Annual General Meeting of Dätwyler Holding Inc., Altdorf

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes; pages 84–89) of the Dätwyler Holding Inc. for the year ended December 31, 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, the financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We draw your attention to the fact that the company holds 26 320 own shares with a nominal value of CHF 13.16 million which exceed the limit of 10 % prescribed by article 659 paragraph 1 of the Swiss Code of Obligations. In this connection we refer to Note 8 of the financial statements.

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

Zurich, March 17, 2006
PricewaterhouseCoopers AG

René Rausenberger Beat Schwendener

Value Added Statement

in 1000 CHF		**2005**	**%**	2004	%
Creation of added value					
Productive output [1]		1 197 482	100.0	1 108 523	100.0
Inputs [2]		–728 927	60.9	–685 472	61.8
Gross value added		**468 555**	**39.1**	**423 051**	**38.2**
Depreciation and amortization		–83 432	6.9	–66 068	6.0
Total net value added		**385 123**	**32.2**	**356 983**	**32.2**
Application of net value added					
Employees	= personnel expenses and social security contributions	315 624	81.9	313 422	87.8
Creditors	= interest paid	9 938	2.6	7 472	2.1
Stockholders	= dividends	8 421	2.2	7 700	2.2
Community	= taxes	19 946	5.2	11 854	3.3
Company	= net earnings – dividend payment	31 194	8.1	16 535	4.6
Total net value added		**385 123**	**100.0**	**356 983**	**100.0**
Total net value added per employee		**86**	**–**	**80**	**–**

[1] *Productive output: Invoiced sales plus ancillary income, non-operational income and sundry income, less rebates and allowances*

[2] *Inputs: Raw, ancillary and operating materials energy and services*

Free Cash Flow

in 1000 CHF		**2005**	**%**	2004	%
Net earnings		39 615	32.4	24 235	26.8
+ Depreciation and amortization others		70 387	57.6	63 233	70.0
+ Amortization of goodwill		7 458	6.1	2 835	3.1
+ Impairment charges on assets held for sale		4 826	3.9	0	0.0
Cash flow		122 286	100.0	90 303	100.0
– Net investments [1]		–53 421	–43.7	–72 577	–80.4
+/– Changes:	Intangible assets	– 516	–0.4	–6 503	–7.2
	Other fixed assets	–10 082	–8.2	587	0.7
	Net current assets	–20 449	–16.7	–18 291	–20.3
Free cash flow after dividend payment		**37 818**	**30.9**	**–6 481**	**–7.2**

[1] *Investments, divestments,+/–currency adjustments in tangible fixed assets*

5-Year Overview

Dätwyler Group (in CHF million)	**2005**	2004	2003	2002	2001
Gross sales	**1 103.9**	**1 063.0**	**1 003.9**	**1 037.1**	**1 064.5**
Change vs. previous year in %	3.8	5.9	–3.2	–2.6	–2.3
EBITDA	**147.0**	**106.0**	**97.9**	**99.9**	**104.7**
Depreciation PP&E	**70.4**	**63.2**	**57.1**	**58.6**	**54.6**
Amortization of goodwill	**7.5**	**2.9**	**7.0**	**4.1**	**3.0**
In % of gross sales	7.1	6.2	6.4	6.0	5.4
Change vs. previous year in %	17.9	3.1	2.2	8.9	–2.5
Earnings before interest and taxes (EBIT)	**69.3**	**39.9**	**33.8**	**–4.5**	**47.1**
In % of gross sales	6.3	3.8	3.4	–0.4	4.4
Exceptional charges	**–**	**–**	**–**	**–41.8**	**–15.0**
Net earnings	**39.6**	**24.2**	**22.1**	**–16.9**	**35.0**
In % of gross sales	3.6	2.3	2.2	–1.6	3.3
In % of stockholders' equity	5.9	3.8	3.6	–2.8	5.5
Change vs. previous year in %	63.6	9.5	230.8	–148.3	–21.0
Cash Flow	**122.3**	**90.3**	**86.2**	**87.6**	**92.6**
In % of gross sales	11.1	8.5	8.6	8.4	8.7
Change vs. previous year in %	35.4	4.8	–1.6	–5.4	–10.4
Free Cash Flow	**37.8**	**–6.5**	**39.3**	**51.3**	**–7.1**
Fixed assets	**433.4**	**462.1**	**439.6**	**467.9**	**512.0**
Change vs. previous year in %	–6.2	5.1	–6.0	–8.6	11.3
Current assets	**581.1**	**533.2**	**575.9**	**542.8**	**528.1**
Change vs. previous year in %	9.0	–7.4	6.1	2.8	–1.5
Total assets	**1 014.5**	**995.3**	**1 017.7**	**1 010.7**	**1 040.1**
Stockholders' equity	**674.2**	**633.8**	**618.8**	**596.9**	**633.9**
Change vs. previous year in %	6.4	2.4	3.7	–5.8	2.4
In % of total capital	66.5	63.7	60.8	59.1	60.9
Minority interests	–	–	–	–	–
Liabilities	**340.3**	**361.5**	**398.9**	**413.8**	**406.2**
Change vs. previous year in %	–5.9	–9.4	–3.6	1.9	7.6
Of which short-term liabilities	253.2	264.7	312.4	260.5	222.9
Of which long-term liabilities	87.1	96.8	86.5	153.3	183.3
Capital expenditure in tangible fixed assets	**61.2**	**54.2**	**42.5**	**65.8**	**80.0**
Change vs. previous year in %	12.9	27.5	–35.4	–17.7	5.8
Personnel expenses	**315.6**	**313.4**	**305.0**	**310.7**	**304.6**
Change vs. previous year in %	0.7	2.8	–1.8	2.0	1.4
Number of employees	**4 626**	**4 480**	**4 301**	**4 334**	**4 291**
Change vs. previous year in %	3.3	4.2	–0.8	1.0	0.1

Dätwyler Holding Inc. (in CHF million)	**2005**	2004	2003	2002	2001
Financial and investment income	45.3	42.7	39.0	35.8	31.9
Net earnings	43.3	40.8	27.2	34.0	30.1
Stockholders' equity	478.7	443.8	410.7	381.2	361.1
Equity ratio in %	99.7	97.3	81.6	80.5	79.6
Capital stock	90.0	90.0	90.0	90.0	90.0
Dividends paid	13.9[1]	8.5	7.7	7.7	13.9

[1] *Proposed by the board of directors to the annual general meeting*

Key Figures in US-$

Dätwyler Group (in USD million)	**2005**	2004
Gross sales	**886.8**	**854.0**
Changes vs. previous year in %	3.8%	5.9%
Earnings before depreciation and amortization (EBITDA)	**118.1**	**85.2**
Margin (in % of gross sales)	13.3%	10.0%
Earnings before interest and taxes (EBIT)	**55.7**	**32.1**
Margin (in % of gross sales)	6.3%	3.8%
Net earnings	**31.8**	**19.4**
Margin (in % of gross sales)	3.6%	2.3%
Cash Flow	**98.2**	**72.5**
Margin (in % of gross sales)	11.1%	8.5%
Free Cash Flow	**30.4**	**–5.2**
Capital expenditure in PP&E	**49.2**	**43.5**
Total assets	**815.0**	**799.6**
Stockholders' equity	**541.6**	**509.2**
Equity ratio in %	66.5%	63.7%
Cash and cash equivalents	**145.2**	**131.7**
Net cash and cash equivalents	**39.0**	**–5.4**
Number of employees	**4 626**	**4 480**

Dätwyler Holding Inc. (in USD million)	**2005**	2004
Financial and investment income	36.4	34.3
Net earnings	34.8	32.8
Stockholders' equity	384.6	356.5
Equity ratio in %	99.7%	97.3%
Capital stock [1]	72.3	72.3
Dividends paid	11.2[2]	6.8

Data per dividend-bearing share (bearer) (in US-$)	**2005**	2004
Net earnings	207.1	128.1
Diluted net earnings	206.8	128.1
Dividend	72.3[2]	44.2
Dividend yield as of 12/31 in %	2.6%	2.4%

Exchange rate applied to both years $/CHF: 1.2448 (average rate 2005)

(1) *CHF 77.0 million eligible for dividend*

(2) *Proposed by the board of directors to the general meeting*

Key Figures in EUR

Dätwyler Group (in EUR million)	**2005**	2004
Gross sales	**713.0**	**686.6**
Changes vs. previous year in %	3.8 %	5.9 %
Earnings before depreciation and amortization (EBITDA)	**94.9**	**68.5**
Margin (in % of gross sales)	13.3 %	10.0 %
Earnings before interest and taxes (EBIT)	**44.8**	**25.8**
Margin (in % of gross sales)	6.3 %	3.8 %
Net earnings	**25.6**	**15.6**
Margin (in % of gross sales)	3.6 %	2.3 %
Cash Flow	**79.0**	**58.3**
Margin (in % of gross sales)	11.1 %	8.5 %
Free Cash Flow	**24.4**	**–4.2**
Capital expenditure in PP&E	**39.5**	**35.0**
Total assets	**655.2**	**642.8**
Stockholders' equity	**435.4**	**409.4**
Equity ratio in %	66.5 %	63.7 %
Cash and cash equivalents	**116.7**	**105.9**
Net cash and cash equivalents	**31.4**	**–4.4**
Number of employees	**4 626**	**4 480**

Dätwyler Holding Inc. (in EUR million)	**2005**	2004
Financial and investment income	29.3	27.6
Net earnings	28.0	26.4
Stockholders' equity	309.2	286.6
Equity ratio in %	99.7 %	97.3 %
Capital stock (1)	58.1	58.1
Dividends paid	9.0 (2)	5.5

Data per dividend-bearing share (bearer) (in EUR)	**2005**	2004
Net earnings	166.5	103.0
Diluted net earnings	166.2	103.0
Dividend	58.1 (2)	35.5
Dividend yield as of 12/31 in %	2.6 %	2.4 %

Exchange rate applied to both years EUR/CHF: 1.5483 (average rate 2005)

(1) *CHF 77.0 million eligible for dividend*

(2) *Proposed by the board of directors to the general meeting*

Share Information

Financial year as of December 31			2005	2004	2003	2002	2001
Share capital	**in CHF million**		**90**	**90**	**90**	**90**	**90**
Of which eligible for dividend	in CHF million		77	77	77	77	77
Number of titles							
Bearer shares of CHF 500 p.v.			136 000	136 000	136 000	136 000	136 000
Treasury stock			26 000	26 000	26 000	26 000	26 000
Bearer shares in circulation			110 000	110 000	110 000	110 000	110 000
Registered shares of CHF 100.– p.v.			220 000	220 000	220 000	220 000	220 000
Market prices (high/low)		(1)					
Bearer share, high	CHF	(2)	4 300	2 698	2 200	2 439	2 780
Bearer share, low	CHF	(2)	2 500	1 970	1 620	1 630	2 060
Trade volume							
Number of titles			38 819	22 423	9 955	15 070	27 340
Value	in CHF million		135	54	19	32	67
Gross dividend							
Bearer share	CHF		90 (3)	55	50	50	90
Registered share	CHF		18 (3)	11	10	10	18
Consolidated net earnings		(4)					
Bearer share	CHF		258	159	146	–109	227
Bearer share – diluted	CHF		257	159	146	0	206
Registered share	CHF		52	32	29	–22	46
Consolidated cash flow		(4)					
Bearer share	CHF		794	586	560	297	602
Registered share	CHF		159	117	112	59	120
Price-earnings ratio (average)			13	15	13	–19	11
Consolidated stockholders‘ equity		(4)					
Bearer share	CHF		4 378	4 119	4 018	3 917	4 116
Registered share	CHF		876	824	804	783	823
Market capitalization							
At annual average prices	in CHF million		524	359	294	313	373
In % of stockholders‘s equity			78	57	47	52	59
On December 31	in CHF million		647	412	303	323	360
In % of stockholders‘ equity			96	65	49	54	57

The articles of incorporation of Dätwyler Holding Inc. include no provisions for opting out or opting up in terms of the Swiss Stock Exchange Law.

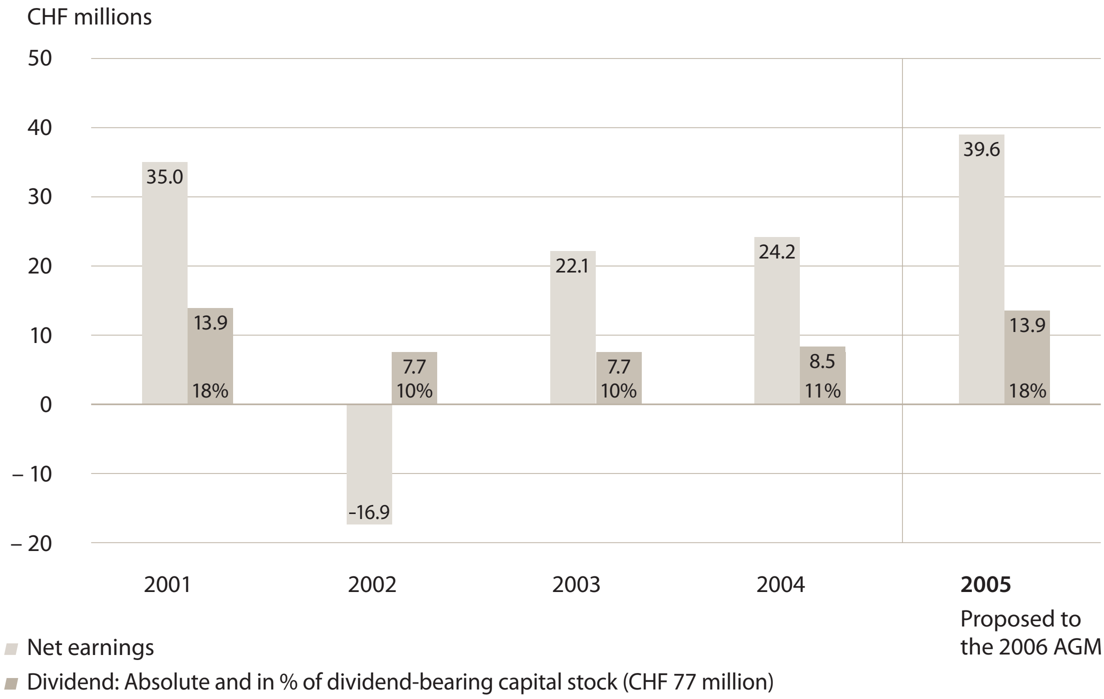
(1) *Swiss Stock Exchange (SWX)*
(2) *Issued at CHF 2250 in October 1986*
(3) *Proposal of the board of directors*
(4) *Adjusted data per dividend-bearing share*

Share Price Trends

Trend share price Dätwyler bearer share

Dividend Payout

Trend dividend payout



General Information

Financial Year
Dätwyler Group: January 1 to December 31
Dätwyler Holding Inc.: January 1 to December 31

Incorporated
Dätwyler Inc.: 1915
Dätwyler Holding Inc.: 1958
Stock market listing since 1986

Stock Market Trading
Bearer shares on the Swiss Stock Exchange (SWX)

Ticker Symbols

Stock	SecuritiesCode	Investdata	ISIN	Common Code	Reuters
Dätwyler Bearer shares	164991	DAE	CH 000 164 991 9	XS001260502	DAEZ

Price for Taxation Purposes as Defined by the Swiss Federal Tax Authorities as of December 31, 2005
Bearer Share: CHF 4 200

Important Dates

2006	
Annual General Meeting	April 25, 2006
Semi-Annual Report	August 29, 2006

2007	
Results press conference	March 29, 2007
Presentation for Financial Analysts	March 29, 2007
Annual General Meeting	April 24, 2007

Annual General Meetings are held at 5 p.m. in the theater (uri), Tellspielhaus Altdorf

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This Annual Report is also available in German.
In the event of any discrepancy, the German edition takes precedence.

The Dätwyler Group as of March 31, 2006

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Regarding the Full-Page Illustrations

High quality and customized features are characteristic attributes of Dätwyler products. As components in the classical sense they are often not visible, but in various industries they make a decisive contribution to the functioning of overall systems. The full-page illustrations in this Annual Report show a product from each division at their center: The top half of the picture gives an insight into the application, the lower half into the manufacture of the product in question.

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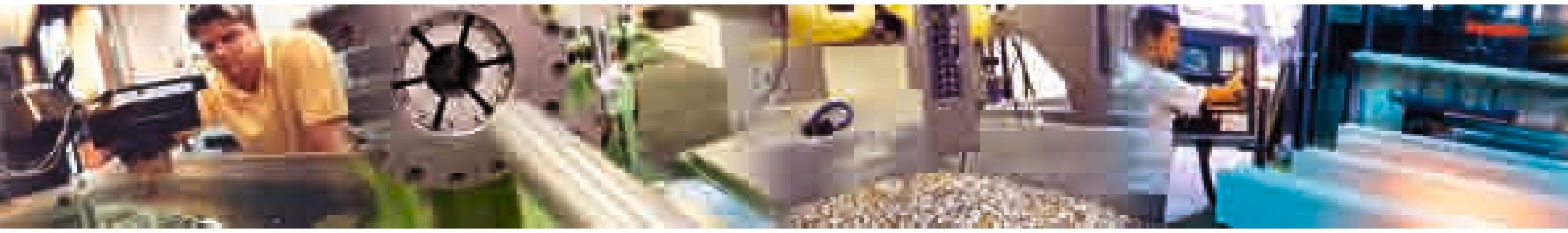
This Annual Report contains statements on future trends. These reflect the group's current assessment of market conditions and future events and are therefore subject to certain risks, uncertainties and assumptions. Unforeseeable events could result in a deviation of the actual results from the forecasts and published information in this report. To that extent, all statements regarding the future in this report are subject to this proviso.

This Annual Report is available in English and German and can be accessed on the internet at www.daetwyler.ch. The printed German text is binding.



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