

Annual Report 2006

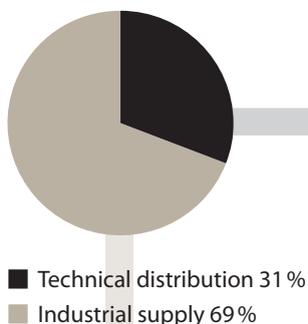


Highlights

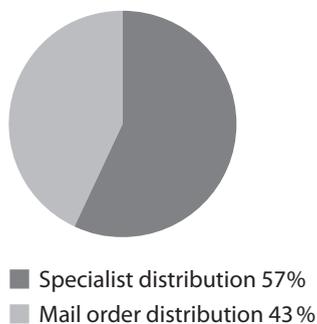
Daetwyler Group: an international multi-niche player

The Daetwyler Group is an international multi-niche player dedicated to supplying and distributing engineering and electronic components to industry. Our activities focus on attractive markets and niches that offer opportunities to increase value added and create profitable growth. The core markets we serve through our five divisions – Cables, Rubber, Precision Tubes, Pharmaceutical Packaging and Technical Components – are the automotive, pharmaceutical, telecom, construction and machine industries. Our strategy is built on delivering innovative solutions and positioning ourselves as a competent development partner for our customers. Employing some 4 500 people, the Daetwyler Group based in Altdorf (Switzerland) generates over CHF 1 200 million in sales revenue, with more than two-thirds coming from outside Switzerland. Daetwyler has been listed on the main board of the SWX Swiss Exchange since 1986 (security number 164991). www.daetwyler.ch

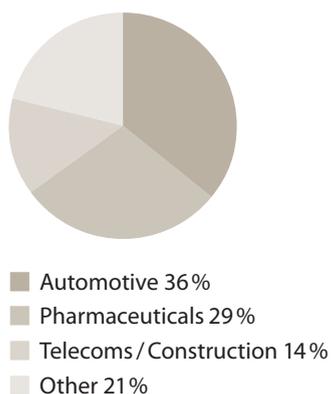
Net revenue by core activity



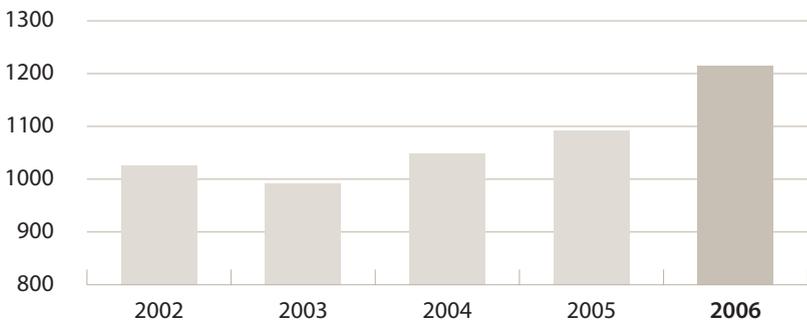
Net revenue from technical distribution



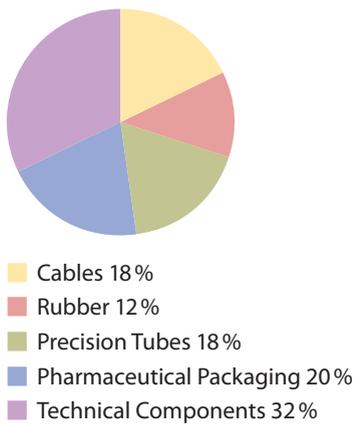
Net revenue from industrial supply



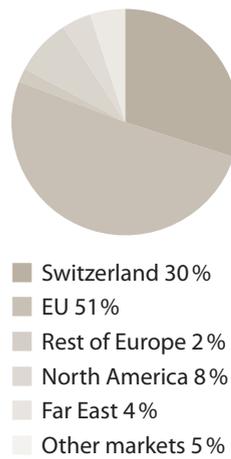
Net revenue 2002 to 2006 (in CHF millions)



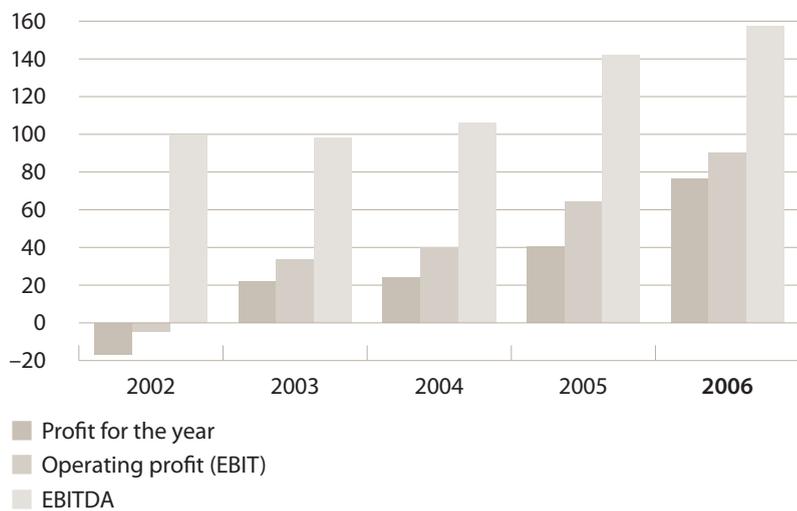
Net revenue by division



Net revenue by region



Profit performance 2002 to 2006 (in CHF millions)



Daetwyler Group (in CHF millions)	2006	2005
Gross revenue	1226.8	1103.9
Year-on-year change (%)	11.1%	3.8%
Net revenue	1214.8	1091.8
Year-on-year change (%)	11.3%	3.8%
Operating profit before depreciation and amortisation (EBITDA)	157.5	141.4
Margin (as % of net revenue)	13.0%	13.0%
Operating profit (EBIT)	90.0	64.7
Margin (as % of net revenue)	7.4%	5.9%
Profit for the year	76.5	40.4
Margin (as % of net revenue)	6.3%	3.7%
Cash flow	144.1	117.6
Margin (as % of net revenue)	11.9%	10.8%
Free cash flow	23.9	38.6
Capital expenditure	73.5	61.2
Total assets	1092.5	1013.4
Equity	736.9	659.9
Equity ratio (%)	67.5%	65.1%
Cash and cash equivalents	206.8	180.7
Net cash and Liquid resources	70.2	46.2
Number of employees	4 510	4 626

Daetwyler Holding Inc. (in CHF millions)	2006	2005
Finance and investment income	45.9	45.3
Profit for the year	44.8	43.3
Equity	509.5	478.7
Equity ratio (%)	99.8%	99.7%
Share capital ⁽¹⁾	90.0	90.0
Dividend requirement	27.0 ⁽²⁾	13.9

Per share data (in CHF)	2006	2005
Basic earnings per bearer share ranking for dividend	497.8	262.8
Diluted earnings per bearer share ranking for dividend	497.8	262.4
Dividend per bearer share	175 ⁽²⁾	90
% dividend yield (based on year-end price)	2.5%	2.1%

⁽¹⁾ CHF 77.0 million eligible for a dividend

⁽²⁾ Board of Directors' proposal to the Annual General Meeting

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Chairman and CEO's Statement

A strong foundation for focused growth

Capitalising on the favourable economic climate, the Daetwyler Group continued to make operating improvements during 2006. A number of restructuring projects delivered productivity gains faster than expected. Reversing the trend seen in the past, performance remained strong during the second half of the year. Demand was high, especially in Daetwyler's principal markets of Germany and Switzerland, in general, and in the machine and construction industries, in particular. Net revenue was up by 11.3%, rising to CHF 1 214.8 million from CHF 1 091.8 million. Acquisitions, disposals and currency movements had a net positive impact of CHF 8.3 million or 0.7%, while organic growth contributed 10.6%.

Continued improvement in profitability

During 2006, earnings increased substantially at all levels. By consistently implementing the niche strategy and growth projects, Daetwyler companies benefited disproportionately from the economic tailwind. As most raw material and energy prices settled down at a high level, our efforts to pass on price rises to customers had a delayed impact. Operating profit (EBIT) climbed by 39.1% to CHF 90.0 million from CHF 64.7 million. As a result, the EBIT margin improved from 5.9% to 7.4%, approaching the target of 8%. Profit from operations for the year was CHF 60.6 million. As announced in the Interim Report, earnings were boosted by a one-off deferred tax benefit of CHF 15.9 million arising from the merger of three companies into Daetwyler Switzerland Inc. This brought the Group's profit for 2006 to CHF 76.5 million compared to CHF 40.4 million in the previous year. To reflect the improved profitability and future potential, the Directors will recommend a dividend of 35%, up from 18%, to the Annual General Meeting. This represents CHF 175.00 per bearer share, compared to CHF 90.00 a year earlier.

Earlier-than-planned turnaround for Cables

All five divisions contributed to the increase in sales revenue during 2006. The Cables, Rubber and Pharmaceutical Packaging Divisions enjoyed an above-average upturn in demand. The growth in earnings was primarily driven by the successful turnaround for Cables and by productivity gains in Technical Components.



The Cables Division rebounded with good results

Higher value-added growth opportunities for component suppliers

The marked operating improvements achieved by Daetwyler companies over the past two years provide the ideal foundation for focused growth in sales and earnings in the five existing divisions. Focused growth means expanding attractive customer segments while disposing of segments where we do not have the critical size. Being a component supplier, Daetwyler is benefiting from a fundamental trend in the manufacturing industry. As our customers concentrate on their core competencies, they are increasingly outsourcing value-added activities to their suppliers. In order to reduce the complexity of supplier relationships and enhance quality, ever more manufacturing companies are relying on fewer, but long-term system and development partners. In the medium term, this trend offers opportunities for sustained growth to innovative component suppliers with leading materials and engineering expertise like Daetwyler.

Successful focus on specialist and mail order distribution

One good example of how we are implementing our focused growth strategy can be seen in the Technical Components Division. Last year Daetwyler sold the last unit that did not fit with the strategy, the keypad business, having already disposed of the Mader oil burner business in 2004. At the same time, we acquired six companies over the past years to selectively expand existing customer segments and add a few new ones in the two core businesses of specialist and mail order distribution. At the beginning of 2006, both our specialist and mail order distribution businesses were able to make a desired acquisition. Maagtechnik took over four operating companies from the French Revol Group (annual revenue of some CHF 40 million) while Distrelec acquired Swiss-based Proditex (annual revenue of some CHF 25 million).

Geographical expansion in global niches

Both the Precision Tubes and Pharmaceutical Packaging Divisions are already well focused on profitable customer segments. The markets they serve – precision tubes for the automotive industry and closures for injectable drugs – are global niches. Here, the key elements of the growth strategy are differentiation through innovation, higher value creation and geographical expansion. Last year Daetwyler continued to pursue these objectives, including geographical expansion, by bolstering the pharmaceutical packaging operations with the acquisition of Hospira's in-house business (adding some CHF 20 million in revenue from mid-2007). For the future, Helvoet Pharma is planning to establish a functional global organisational structure and embark on a growth initiative through a capital expenditure programme to the tune of some CHF 50 million.

Concentration on regional niches

In the regional niches covered by Daetwyler, we are seeking to grow by deepening our penetration in the markets we serve, continuously broadening the product range and evolving from a product manufacturer into a solutions and systems provider. These strategic thrusts are mainly taking centre stage in the Cables, Rubber and Technical Components Divisions. Daetwyler's Cables and Rubber

Divisions still operate in a relatively large number of markets. As part of the focusing strategy, the Cables Division sold its in-house fibre glass manufacturing facility, and the Rubber Division disposed of its small sheet product segment in the first quarter of 2007. At the same time, they are continuing to extend their core business. With this in view, the Rubber Division enhanced its competitiveness by acquiring a wholly owned interest in the Czech manufacturing facility.

Strong balance sheet for acquisitions

In addition to growing organically, Daetwyler intends to continue to seize opportunities to drive growth through acquisitions in the present five divisions. Our strong balance sheet with an equity ratio of more than 67% gives us plenty of scope. In particular, acquisitions are an ingredient of our growth strategy in the highly profitable Pharmaceutical Packaging and Technical Components Divisions.

2007 AGM preview: share split and cancellation of unissued shares

The Board of Directors will propose a 100-for-1 share split to shareholders at the Annual General Meeting to be held on 24 April 2007. The Board will also recommend the Annual General Meeting to approve the cancellation of 10 000 of the total of 26 000 unissued (bearer) shares through a reduction of share capital. This will lower the percentage of unissued shares held by the Company to below the 10% limit stipulated in Art. 659 par. 1 of the Swiss Code of Obligations. The remaining unissued shares will be retained as potential consideration for future acquisitions and for a new remuneration component to be introduced for Directors and Executive Board members. Furthermore, Franz J. Wuerth will be nominated for re-election to the Board for another three years.

Outlook for 2007

Demand in all five Daetwyler divisions has remained strong in the early months of the current financial year 2007. For the full year, we anticipate a generally positive economic environment, but expect revenue growth to slow down slightly at a high level. The Daetwyler Group is committed to continuing to increase sales and earnings organically. We are aiming to achieve the targeted profitable growth by consistently applying our niche strategy and by implementing further growth projects.

Our thanks

We offer our sincere thanks to our customers who spur us on to ever greater achievements every day with the confidence they place in us. Our utmost appreciation goes to all our employees for their identification with our Company and for their customer focus at all levels. And we would like to thank our shareholders for their loyalty to our Company.

On behalf of the Board of Directors



Ulrich Graf, Chairman

On behalf of the Executive Board



Dr. Paul J. Haelg, CEO

Directors and Officers at 31 December 2006

Board of Directors

- **Ulrich Graf**, 1945 ^(1,2)
Chairman, term expires in 2008
- **Hans R. Rueegg**, 1946 ⁽¹⁾
Deputy Chairman, term expires in 2010
- **Hanspeter Faessler**, 1956 ⁽²⁾
term expires in 2008
- **Werner Inderbitzin**, 1946 ⁽²⁾
term expires in 2010
- **Ernst Lienhard**, 1946
term expires in 2010
- **Ernst Odermatt**, 1948 ⁽¹⁾
term expires in 2008
- **Franz Steinegger**, 1943
term expires in 2010
- **Franz J. Wuerth**, 1940
term expires in 2007

(1) Member of the Audit Committee

(2) Member of the Human Resources Committee

All Directors are elected to hold office until the date of the Annual General Meeting in the year indicated.

- **Roland Zimmerli**, 1934
Honorary Chairman
- **Max Daetwyler**, 1929
Honorary Director

Executive Board

- **Paul J. Haelg**, 1954
Chief Executive Officer and
Technical Components
- **Silvio A. Magagna**, 1946
Chief Financial Officer
- **Johannes Mueller**, 1958
Cables
- **Dirk Lambrecht**, 1960
Rubber
- **René Trauffer**, 1944
Precision Tubes

Statutory and Group auditors

- PricewaterhouseCoopers AG, Zurich

2006 Operating Review

Daetwyler Group

- Consolidated net revenue rose by 11.3% to CHF 1214.8 million from CHF 1091.8 million. Acquisitions and disposals had a net negative impact of CHF 3.9 million or 0.4%, while currency movements had a positive impact of CHF 12.2 million or 1.1%. Organic growth was 10.6%.
- 69.7% of consolidated revenue was generated outside Switzerland.
- Operating profit climbed by 39.1% to CHF 90.0 million, up from CHF 64.7 million, including impairment charges totalling CHF 11.6 million on property, plant and equipment. The EBITDA margin improved from 5.9% to 7.4%.
- Profit for the year was CHF 76.5 million, up from CHF 40.4 million. This includes a one-off deferred tax benefit of CHF 15.9 million.
- Cash flow increased by 22.5% to CHF 144.1 million from CHF 117.6 million.
- (Gross) capital expenditure on property, plant and equipment was CHF 73.5 million, up by 20.1% from CHF 61.2 million in the previous year.
- The equity ratio at the end of 2006 was 67.5%.
- The number of employees, expressed as full-time equivalents, fell slightly to 4430 from 4503 due to the net effects of acquisitions and disposals.
- Daetwyler Inc. (Altdorf), Maag Technic AG (Duebendorf) and Distrelec Inc. (Naenikon/Uster) merged to form Daetwyler Switzerland Inc. with retroactive effect from 31 March 2006. This led to a one-off deferred tax benefit of CHF 15.9 million in the 2006 financial statements. The Daetwyler Group's operational management organisation, consisting of five divisions, and brand names have not been affected by the restructuring and remain unchanged.

Daetwyler Divisions

Cables

- Net revenue: strong increase of 29.0% to CHF 224.9 million, up from CHF 174.4 million. About half of the revenue growth came from the soaring price of copper raw material.
- EBIT: CHF 6.7 million, returning to profitability faster than expected from negative CHF 5.5 million. This includes impairment charges of CHF 3.1 million for restructuring in China.
- Sharp price increases for copper raw material could only be passed on to customers in part and only after a delay.
- Sale of the Boudry fibre glass works to Nextrom SA, Prévèrènges, on 1 January 2007.
- Outlook for 2007: performance should continue to improve provided that copper prices settle down at last year's level.

Rubber

- Net revenue: up by 12.9% to CHF 140.5 million from CHF 124.5 million, driven by good economic conditions and successful, intensified market activities.
- EBIT: modest decrease of 9.6% to CHF 6.6 million, down from CHF 7.3 million, including impairment charges of CHF 7.6 million on property, plant and equipment at the French and US manufacturing facilities.
- Automotive business bolstered by the acquisition of the remaining 80% interest in the Czech manufacturing facility from the local joint venture partner, Prokes & Co., on 1 June 2006.
- Outlook for 2007: development potential for further increases in sales and earnings.

Precision Tubes

- Net revenue: 5.8% increase to CHF 219.1 million, up from CHF 207.0 million.
- EBIT: up slightly by 3.1% to CHF 10.1 million from CHF 9.8 million.
- Challenging environment with stagnating automotive markets and volatile prices for steel strip raw material.
- Comprehensive efficiency enhancement programme at the German manufacturing facility, coupled with a 9% job reduction and expansion of the range to more superior tube products.



Daetwyler performed well in 2006 despite high prices for raw materials like steel strip.

- Outlook for 2007: good growth opportunities with emphasis on high value-added further processing of precision tubes.

Pharmaceutical Packaging

- Net revenue: solid organic growth of 13.0% without the effect of acquisitions, rising to CHF 241.4 million from CHF 213.7 million.
- EBIT: slight decline of 5.6% to CHF 26.8 million, down from CHF 28.4 million due to persistently high raw material prices and one-off factors.
- Change in the division management: the Daetwyler Group and Piet Wijnen, the previous head of Pharmaceutical Packaging, agreed to part company. Until the vacancy is filled, Willy Van de Poel, a long-time member of the division management, will run the division ad interim.
- Preparations to acquire the pharmaceutical rubber business of US-based Hospira Inc. in stages. Roughly CHF 20 million in sales volume will begin to have a gradual impact from mid-2007.
- Outlook for 2007: strong foundation to benefit from growth in the international pharmaceutical market.

Technical Components

- Net revenue: 4.5% rise to CHF 392.1 million from CHF 375.3 million; up by 6.7% excluding the impact of changes in the consolidated companies.
- EBIT: disproportionate increase of 68.8% to CHF 33.6 million, up from CHF 19.9 million, including impairment charges of CHF 0.9 million on properties.
- Sale of the Daetwyler i/o devices keypad business on 1 July 2006.
- Specialist distribution: systematic realisation of market and cost synergies by combining all operations in the Maagtechnic Group.
- Mail order distribution: consistent implementation of various growth projects: ongoing expansion of the product range, intensive Internet sales activities and intensified market activities in Eastern Europe.
- Outlook for 2007: sales and earnings should continue to rise provided that economic growth in Europe does not slow down.

Daetwyler Holding Inc.

In CHF millions

	2006	2005	% Δ
Profit for the year	44.8	43.3	3.5 %
Investment income	31.0	30.9	0.3 %
Net finance income	14.9	14.4	3.5 %
Total assets (31 Dec.)	510.8	479.8	6.5 %

- Proposed gross dividend payment of 35%, up from 18%, to reflect
 - improvement in Group profit for the year,
 - continued dividend policy (payout ratio of about 33%),
 - future growth potential.
- Board of Directors' proposal to the Annual General Meeting on 24 April 2007: 35% gross dividend, increased from 18%, i.e.
 - CHF 175.– (CHF 90.–) per bearer share of CHF 500.– each
 - CHF 35.– (CHF 18.–) per registered share of CHF 100.– each
- Review of the 2006 Annual General Meeting

Ulrich Daetwyler retired from the Board at the 2006 Annual General Meeting after eight years of service due to new time-consuming commitments. Hans R. Rueegg, Werner Inderbitzin and Franz Steinegger were re-elected for another term of office. The Annual General Meeting also elected Ernst Lienhard to the Board to represent bearer shareholders. In this capacity, Ernst Lienhard is not a Director of Pema Holding AG or Daetwyler Fuehrungs AG.

Cables

Performance

The Cables Division, operating in the market as Daetwyler Cables, achieved the turnaround in 2006. The general economic growth in its principal markets of Germany and Switzerland sparked brisk construction activity. Capitalising on the cyclical tailwind, Daetwyler Cables conducted intensive sales and market development, increasing net revenue by 29.0% year on year to CHF 224.9 million, up from CHF 174.4 million in 2005. About half of the growth in sales revenue was due to the soaring price of copper raw material. However, in the still highly competitive environment, only some of the increased costs of copper could be passed on to customers, and then only after some time.

Return to profitability

Posting an operating profit (EBIT) of CHF 6.7 million, as compared to negative CHF 5.5 million in 2005, Daetwyler Cables managed to return to profitability faster than anticipated under the turnaround plan. This success was driven in part by the strategy of international expansion into the growth markets of Eastern Europe and the Middle East. EBIT includes impairment charges of CHF 3.1 million for restructuring measures in China.

Convergence calls for high quality data cabling systems

Demand for data cabling systems is being fuelled both by the good general economic climate and by fundamental trends. The convergence at all levels is leading to rapidly escalating volumes of data and higher bandwidth requirements. Networks must be capable of handling not only data but also ever more telephony, internet traffic, video transmission and digital TV channels. Companies and telecom carriers are being forced to continually upgrade or even replace their networks. Data cabling systems, having an average functional life of ten to fifteen years, serve at least two to three generations of networks, so they are a strategic investment.

Data networks (copper and fibre optic systems)

Daetwyler Cables enjoyed above-average growth and gained market share with data networks, especially in Germany and Switzerland. Business with OEM customers (Original Equipment Manufacturers) also flourished, and demand is picking up in the telecom carrier and access segments. To accelerate international expansion into Eastern Europe and the Middle East, Daetwyler Cables is



High quality copper data cables from Daetwyler provide long-term investment protection.

developing specific system solutions to meet the price/performance needs of those markets. The division sold its fibre glass plant to Nextrom SA, Prévèrenge (Canton of Vaud), on 1 January 2007. As a major customer of the fibre glass plant, Daetwyler Cables will continue to benefit from the expertise developed at the facility.

Safety cabling systems

Daetwyler Cables made great strides with safety cabling systems in all the markets in which it operates. The ever more stringent regulations for public buildings where many people gather are turning safety cables into a growth market with high entry barriers. Certified European standards are also being adopted increasingly in Eastern Europe and in parts of the Middle East. In these areas, the collaboration with independent local distribution partners has proved to be a great success.

Elevator cabling systems and cable harnessing

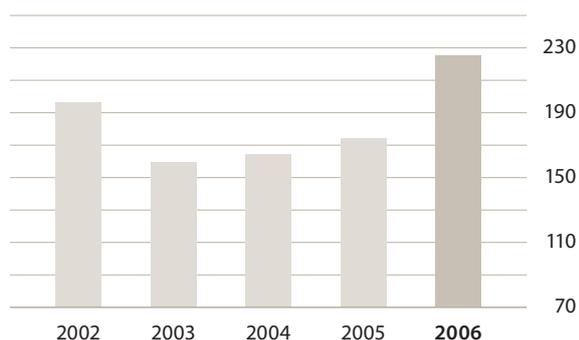
While booming, the global elevator business is marked by fierce price competition. Elevator cabling systems are not spared from this either. The higher costs of copper could only be passed on to customers in part through price increases, and then only after a long delay. Because of this, Daetwyler Cables only just generated a profit in this segment in spite of capacity shortages. In the cable harnessing segment, the division is progressing well in expanding industrial business.

Outlook

We are generally looking to the future of Daetwyler Cables optimistically. Following the successful turnaround, the division has a competitive cost structure. Provided that copper prices stabilise at a high level in 2007, as forecast, performance should continue to improve.

Cables highlights

Net revenue in CHF millions



In CHF millions	2005	2006
Net revenue	174.4	224.9
EBIT	-5.5	6.7
Net operating assets (NOA)	105.8	123.7
Gross capital expenditure	2.7	5.8
Number of employees (FTEs)	652	778

Strategy

The Cables Division, operating in the market as Daetwyler Cables, is a leading supplier of high quality system solutions and services to meet every need for data networks, safety cabling systems, elevator cabling systems and cable harnessing.

Target groups

- Manufacturing industry
- Banks/insurance companies
- Telecom carriers/cable TV companies
- Public utilities/power generators and suppliers
- Public authorities
- Campuses
- Railway companies/transport infrastructure providers/airports
- General contractors
- Installers
- Elevator manufacturers
- Electrical wholesalers
- Electricians

Products and services

Data networks (copper and fibre optic systems)

- System solutions for local area networks (LAN), optimised for easy installation and maximum operational safety and reliability.
- Brands: unilan®, uninet®, hypern®, optofil®, optoversal®, optomod®
- System solutions for city and access networks, enabling telecom carriers, cable operators and metropolitan network providers to connect customers to their wide area networks (WAN) cost effectively.
- Brands: optofil®, optoversal®, telefil®

Safety cabling systems

- Comprehensive one-stop safety technology and solutions for power supply and data transmission. Used worldwide, proven time and again.
- Pyrofil® – halogen-free safety cables with functional integrity and improved performance in case of fire.
- Pyrosys® – certified support systems and accessories for cable installations with functional integrity in case of fire.
- Ecobus® – the future-proof, intelligent cabling system for building automation.

Elevator cabling systems

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

Cable harnessing

- Cable assembly and logistics systems for the elevator, plant and mechanical engineering industries.



Fibre optic cables are important components of system solutions from Daetwyler Cables.



Successful presence in the growing Gulf markets

The United Arab Emirates is the world's largest building site, with work going on day and night to construct skyscrapers, tourist resorts, industrial estates and infrastructure facilities, such as airport extensions. Daetwyler Cables is present there, providing system solutions for structured premises cabling, safety wiring and elevator cabling. The list of references already encompasses an impressive number of buildings, including some highly prestigious projects like the Crystal Plaza Towers in Sharjah and the Dubai World Trade Centre. Both these high-rise building complexes use safety cables and components from Daetwyler Cables for protection in case of fire. Following on from the successful market entry with safety cables, the first projects incorporating complete data communications and safety solutions from Daetwyler Cables are already underway. In all these projects, Daetwyler Cables works with independent local representatives. These marketing partnerships allow it to pursue international expansion without initially incurring the high cost of setting up offices of its own. This systematic development of growth markets like the Gulf region and Eastern Europe is a key pillar of the turnaround and growth strategy followed by Daetwyler Cables.

Rubber

Performance

The Rubber Division, operating in the market as Daetwyler Rubber, increased net revenue by 12.9% year on year to CHF 140.5 million in 2006 from CHF 124.5 million in 2005. This growth was driven by the good economic conditions in Germany and Switzerland and by successes in intensified marketing and market development. Operating profit (EBIT) came in at CHF 6.6 million, 9.6% down on the year-earlier figure of CHF 7.3 million. The margin was lowered by the still elevated raw material prices and one-off costs of integrating the recently acquired Czech production plant. EBIT includes impairment charges associated with the fire at the French manufacturing facility (CHF 6.7 million) and on property, plant and equipment at the US manufacturing facility (CHF 0.9 million).

Daetwyler Rubber still on a growth path

Bolstered by a comprehensive package of measures, Daetwyler Rubber gained further market share during 2006 in the niches it serves. The division successfully coped with the aftermath of the flooding suffered in autumn 2005. The Uri plant already returned to full productivity at the end of August 2006 and received the final insurance payments. In recognition of its successful crisis management, Daetwyler Rubber was the first company ever to win the title of Supplier of the Year twice in succession from Stihl, the leading international chainsaw manufacturer. The many positive reactions from customers have shown that Daetwyler Rubber is strategically well positioned with its focus on superior moulded rubber parts and extrusion profiles.

Automotive business

In 2006, the automotive business topped the previous year's profit and sales figures. Ever more precision moulded rubber components made by Daetwyler Rubber are being used in new vehicle platforms. While they are not usually visible, these safety components make a vital contribution to vehicle safety and ride comfort. For an automotive component supplier, it is essential to meet high standards of quality, while keeping costs down. The division worked successfully on both challenges during the year. Among other efforts, it achieved further quality improvements by investing in new production equipment and process optimisations. At the same time, it reduced the costs of various product lines once again. In this context, increased manufacturing at the Czech facility already had a favourable impact. On 1 June 2006, Daetwyler Rubber acquired the remaining 80% stake in its former manufacturer and local joint venture partner, Prokes & Co. Its integration into the existing organisation is going according to plan.



Daetwyler sealing profiles for building construction meet the highest quality standards.

Construction business

Good construction activity in Western Europe stimulated demand in building construction and civil engineering. By focusing on sophisticated special profiles, the construction business benefited disproportionately from this trend and achieved marked improvement in its sales figures. Profit performance did not quite keep pace because Daetwyler Rubber was not able to pass on the high raw material prices to customers in full despite the healthy economic situation. In autumn 2006, the construction business was confronted with another fire at the French plant. The property damage and business interruption losses are covered by insurance. In the future, Daetwyler Rubber will operate in the French market through a local distribution company. Building profiles are now being manufactured at the Swiss facility in Schattdorf. As part of the strategic focusing, the construction business sold the small sheet product segment in the first quarter of 2007.

Industry business

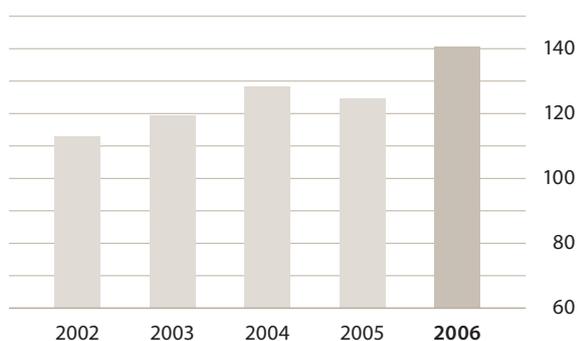
The industry business continued to strengthen its market position in 2006, clearly exceeding the sales and earnings targets. A market analysis revealed further potential in various niches. Systematic marketing and market development, coupled with continuous expansion at the Ukrainian manufacturing facility, is setting the stage for sustained growth in industrial applications.

Outlook

In 2007, Daetwyler Rubber will step up its market activities and implement a programme of targeted capital spending to expand manufacturing capacities in low-cost locations. We are confident that the division will be able to leverage the existing development potential and continue to increase sales and earnings.

Rubber highlights

Net revenue in CHF millions



In CHF millions	2005	2006
Net revenue	124.5	140.5
EBIT	7.3	6.6
Net operating assets (NOA)	87.7	96.0
Gross capital expenditure*	21.1	15.6
Number of employees (FTEs)*	737	993

* See note 2 (unusual events in the Rubber Division in 2005 and 2006) on page 60.

Strategy

The Rubber Division, operating in the market as Daetwyler Rubber, is a leading specialist in rubber technology. Delivering high quality, high-tech products, Daetwyler Rubber provides innovative, custom designed sealing and insulation solutions. Daetwyler Rubber is a global development partner and recognised component maker for automotive suppliers as well as for the construction and other industries.

Target groups

- Automotive system suppliers
- Construction industry
- Packaging industry
- Tool industry
- Component manufacturers

Products and services

Custom designed solutions developed and manufactured to solve customers' problems and meet their needs for precision moulded rubber components and specialised extruded products. The range encompasses products made from compounds of all common elastomers, or combinations of compounds, and composites of rubber bonded to or reinforced with metal, plastic, fabric or fibre composites. Materials are developed, manufactured and processed using any type of elastomer, including fluororubber, fluorosilicone, highly temperature resistant EPDM, ethylene acrylate elastomers, liquid silicone and nitrile rubber.

Automotive (moulded rubber components)

Applications:

- Fuel and engine management
- Brake booster diaphragms
- ABS and master cylinder
- Brake actuation
- Disk brakes
- Comfort and safety (air conditioning, airbags etc.)

Construction (extruded products)

Building construction applications:

- Window seals
- Door and gate seals
- Fire resistant profiles
- Cladding seals, optionally co-extruded
- Load-bearing glazing profiles for railway carriages

Civil engineering applications:

- Sealing systems for single shell tunnelling
- Joint seals
- Expansion profiles
- Injection hoses
- Special seals and gaskets for pipe joints

Industry (moulded rubber components)

Applications:

- Machinery and apparatus
- Packaging industry
- Tool industry
- Pipe joints
- Transport and vehicle manufacturing
- Defence engineering
- Household appliances



Safety components from Daetwyler Rubber are used in one in three cars worldwide.



Innovative sealing system for Singapore

MRT tunnel

Given the lack of land reserves, tunnelling is increasingly gaining importance. Ever more infrastructure facilities in large cities are being built underground: from road, railway and metro tunnels to tunnels for sewage and energy supply systems. The planning engineers for the new Circle MRT Line under construction in Singapore are relying on sealing profiles from Daetwyler Rubber for the entire project. Consisting of two tunnel tubes, each 33 kilometres long, the Circle Line runs through bedrock with challenging geological and hydrological conditions. Most of the tunnel sections will incorporate «coex-swell», a new product developed by Daetwyler Rubber. «coex-swell» combines a conventional compression seal with a water-swelling compound in a single profile. Upon contact with water, the swelling compound expands to many times its original volume, vastly improving the sealing properties. With its leading expertise in co-extrusion, Daetwyler Rubber has the ability to combine various elastomer compounds in a single vulcanisation operation. Sealing systems from Daetwyler Rubber are being used successfully in more than 70 tunnels on five continents.

Precision Tubes

Performance

During 2006, the Precision Tubes Division saw two extremely different halves to the year. In the first six months, the uncertain outlook in key automotive markets and unstable prices for steel strip raw material led to a decline in demand. The division, operating in the market as Rothrist, was forced to make price concessions and selectively trim inventories. During the second half of the year, sentiment improved in the sales markets and steel prices became less volatile, which translated into higher demand and better margins. Rothrist capitalised on the brighter environment to focus on intensive marketing and market development, growing net revenue by 5.8% year on year to CHF 219.1 million in 2006 from CHF 207.0 million in 2005. Buoyed by the momentum in the very good second half, the division managed to make up for some of the shortfall in operating profit (EBIT) recorded in the first six months, posting a modest year-on-year increase of 3.1% to CHF 10.1 million from CHF 9.8 million in 2005.

Automotive industry stagnates at a high level

Unlike many other companies, Rothrist did not benefit from significantly improved economic conditions during 2006. The major automotive markets in Western Europe and the USA have been moving sideways or stagnating at a high level. Various large vehicle and component manufacturers are still undergoing extensive restructuring programmes. As a result, the pricing pressure on component suppliers remained high. Nevertheless, new applications are opening up for welded precision tubes in cars. With the elevated energy prices, the issue of weight reduction to improve fuel efficiency has acquired new urgency.

Gearboxes offer growth potential

Car gearboxes, in particular, still incorporate many solid steel shafts. In the near future, new manufacturing technologies will allow them to be replaced by hollow gear shafts made of precision steel tubes. Well positioned in this sector, Rothrist was engaged as a development partner for promising new projects that will gradually start to have an impact on sales in 2007. During the year, Rothrist was also successful in substantially increasing product-related applications in industrial business.



The welding process is critical to the quality of precision tubes.

This is another segment where the manufacturing expertise developed over the years has provided a strong platform for sustained growth.

Some shortages in the supply of steel strip raw material were encountered in the input markets during the first quarter of 2006. However, they eased from the second quarter. Rothrist managed to make up for delayed deliveries caused by technical damage on the part of major suppliers by adjusting stock levels accordingly.

Productivity improvements and cost reductions continue

During 2006, Rothrist Tube (Switzerland) Inc. considerably improved its productivity once again. The output potential generated by the major capital spending programmes implemented in previous years was able to be utilised fully, which spurred considerable volume growth. By working intensively on details, Rothrist measurably improved the standard of quality. The positive feedback from customers is testimony to the good market positioning.

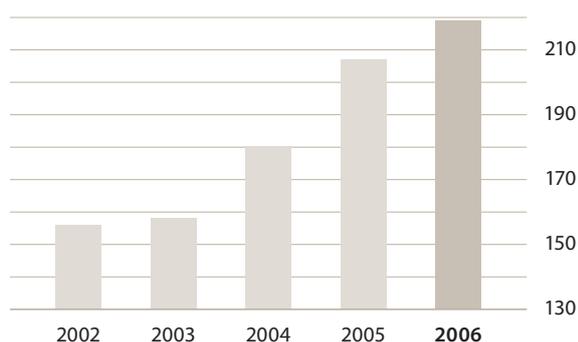
Rothrist Rohr (Deutschland) GmbH had a difficult year. In spring 2006, the company underwent restructuring as part of the efficiency enhancement programme. The primary measure on the cost side was a 9% job reduction. The one-off costs associated with this have been charged to the financial statements for 2006. On the market side, Rothrist made successful efforts to extend its range to more superior tube products, thus laying a solid foundation for the necessary growth.

Outlook

The division got off to a satisfactory start in the current financial year. It is planning more investments to expand capacity, placing emphasis on high value-added further processing of precision tubes. We rate Rothrist's growth prospects as good, with expectations of continued improvement in its business performance figures.

Precision Tubes highlights

Net revenue in CHF millions



In CHF millions	2005	2006
Net revenue	207.0	219.1
EBIT	9.8	10.1
Net operating assets (NOA)	180.6	180.8
Gross capital expenditure	7.0	5.9
Number of employees (FTEs)	539	553

Strategy

Branded as Rothrist, the Precision Tubes Division is committed to being the technology leader and expanding its strong global position as a supplier of precision tubes for gas springs, vehicle parts, structural members and shock absorbers for automotive applications. These efforts are founded on proactive marketing and market development, manufacturing facilities second to none in the industry and a comprehensive range of additional tube processing services to meet customers' specific requirements.

Target groups

- Car manufacturers
- System suppliers to the automotive industry
- Component manufacturers

Products and services

- Welded and cold drawn precision tubes in bulk
- Optimised to suit customers' specific applications and processing methods
- Available in standard and custom lengths
- Extensive additional processing capabilities

Automotive applications

- Anti-roll bars
- Drive and cardan shafts
- Axle shafts
- Assembled camshafts
- Gas springs
- Steering components (steering columns, power steering cylinders, steering racks, tie rods)
- Suspension struts
- Hydraulic cylinders
- Axles
- Shock absorbers
- Piston rods
- Gear shafts
- Safety restraint systems

Other applications

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



Further processing of precision tubes using state-of-the-art equipment provides a competitive edge.



Rothrist drive shaft tubes for optimum

ride comfort

High dimensional accuracy, ease of shaping and minimal variations in wall thickness – that sums up precision tubes from Rothrist, a Daetwyler company. Recognised for their quality, they are increasingly supplanting solid steel in car manufacturing. Recently, BMW has also come to rely on Rothrist precision tubes. In the rear-wheel drive system of selected BMW models, the drive shaft tube from Rothrist plays a key role, transmitting the torque produced by the front-mounted engine to the rear axle differential. This necessitates utmost precision in the welding and drawing processes used to manufacture the tubes, plus comprehensive expertise in their further processing. Made of high-strength steels, Rothrist precision tubes stand out for even quieter and smoother running performance. They make the vehicles lighter and sportier, while providing optimum ride comfort.

Pharmaceutical Packaging

Performance

In 2006, the Pharmaceutical Packaging Division again delivered a solid performance. Net revenue rose by 13.0% year on year to CHF 241.4 million from CHF 213.7 million in 2005. This was achieved through organic growth, without any acquisitions. Operating profit (EBIT) did not quite keep pace with the increase in revenue, coming in at CHF 26.8 million, 5.6% down from the previous year's very good figure of CHF 28.4 million. The margin was depressed by the high raw material and energy prices, coupled with one-off factors.

Stronger market position in the USA

On 2 March 2006, the Pharmaceutical Packaging Division, operating in the market as Helvoet Pharma, signed an agreement with Hospira Inc., USA, to progressively acquire the pharmaceutical rubber business of the US pharmaceutical and medication delivery company. An integral part of the deal is a ten-year purchase and supply agreement. The roughly CHF 20 million uplift in sales volume resulting from this deal will only begin to have a gradual impact from mid-2007 because authorisations for the production transfer are required from the US health authorities (FDA). Costs of preparations leading up to the transfer to Helvoet Pharma's central US site in Pennsauken, New Jersey, were already accounted for last year.

Expansion of production capacities

To meet the strong demand, Helvoet Pharma continued to expand its production capacities at the Belgian and Italian plants during 2006. Performance was good with the strategically important products for prefillable syringes and drug delivery systems as well as Omniflex coated closures. To avoid delivery shortages, Helvoet Pharma brought another Omniflex line on stream during the year and is already planning to buy the next line in 2007. In the segment of high quality rubber products for demanding applications, investments will be made in new production equipment during 2007.

Strategic repositioning

The various investments in new plant capacity are embedded in a plan to strategically reposition Helvoet Pharma. Its core elements are to establish a functional global organisational structure and embark on a growth initiative through an appropriate capital expenditure programme to the tune of



Expertise-intensive manufacturing processes under clean room conditions.

some CHF 50 million. The new structure is setting the stage to provide international customers worldwide with competent service from one source. Besides reinforcing customer support, it is intended to build up the innovation processes. For one, Helvoet Pharma is seeking to extend its Omniflex coating technology to other product segments. For another, the company is developing new rubber compounds that provide excellent compatibility with a large number of drugs without being coated.

This strategic repositioning has led to a change in the division management: the Daetwyler Group and Piet Wijnen, the previous head of Pharmaceutical Packaging, have agreed to part company. Until the vacancy is filled, Willy Van de Poel, a long-time member of the division management, will run the division ad interim.

Rising demands offer opportunities

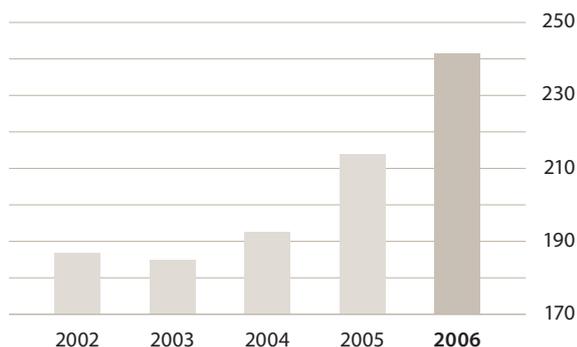
The demands on pharmaceutical packaging components are rising continuously. Pharmaceutical companies are outsourcing expertise-intensive cleaning and sterilisation processes to component suppliers. And regulatory authorities require more detailed data on the potential interaction of drugs with rubber closures. For Helvoet Pharma, the world’s number two supplier, these developments represent opportunities to increase value added and strengthen customer loyalty. A case in point is the studies for determining extractables and leachables in rubber components that the company recently started to offer in collaboration with an internationally recognised analytical laboratory. Such studies help pharmaceutical customers in the process of obtaining approval from health authorities, such as the US FDA (Food and Drug Administration).

Outlook

With sales in more than 80 countries, over 1 200 motivated employees worldwide and a high volume of orders, the division has a strong foundation. We are confident that Helvoet Pharma will benefit from growth in the international pharmaceutical market during 2007.

Pharmaceutical Packaging highlights

Net revenue in CHF millions



In CHF millions	2005	2006
Net revenue	213.7	241.4
EBIT	28.4	26.8
Net operating assets (NOA)	243.0	267.1
Gross capital expenditure	18.4	39.9
Number of employees (FTEs)	1160	1247

Strategy

Operating as Helvoet Pharma, the Pharmaceutical Packaging Division is one of the world's leading suppliers of rubber, plastic and aluminium closures for injectable drugs, diagnostics and drug delivery systems. These activities are built on well-established partnerships with all the major pharmaceutical companies, a global presence and a strong focus on innovation.

Target groups

Manufacturers of

- injectable drugs
- diagnostics and
- drug delivery systems

Products and services

Rubber and aluminium/plastic products for pharmaceutical packaging

- Serum and lyophilisation stoppers for injection vials
- Plungers, tip caps and needle shields for pre-filled syringes
- Plungers and lined aluminium seals for dental cartridges
- Stoppers for infusion bottles and discs for bottle packs
- Aluminium caps with rubber liner (lined seals)
- Plastic bottle pack caps (with or without rubber liner)
- Plastic hangers for infusion bottles.

Rubber products for diagnostics and drug delivery systems

- Stoppers and needle shields for blood collection systems
- Plungers for infusion pumps
- Components for aerosol containers
- Plungers for disposable syringes
- Injection sites for IV administration sets

Special services

- Omniflex-plus coating for rubber components to improve compatibility and cleanliness
- Ready-for-Sterilization (RfS) rubber components requiring no pretreatment by the customer
- Ready-for-Use (RfU) gamma sterilised rubber components and aluminium caps
- Quality certificates
- Studies for determining extractables and leachables in rubber components



Fully automated quality control of aluminium closures.



New tip cap improves the sterility of prefilled syringes

Syringes prefilled with a drug in the right dose, ready for administration, are a growth segment. This is the result of continuous innovation by the component manufacturers. Helvoet Pharma, a Daetwyler company, is at the forefront of these developments with its rubber closures. Its customers include the world's leading suppliers of drug delivery systems. One example is an innovative tip cap, called Plastic Rigid Tip Cap (PRTC), that has been developed by Becton Dickinson and Company (BD) and is being produced by Helvoet Pharma for a new generation of prefillable syringes. Sealing the ready-filled syringe during transport and storage, this tip cap from Helvoet Pharma is inserted securely by BD into a plastic adapter that fits on the syringe tip, thus protecting the drug solution from contamination. What is more, the special design of the twist-off mechanism allows the tip cap to be removed quickly and easily, ensuring maximum sterility when mounting the needle. This contributes to the well-being of thousands of sick people around the world who need an injection every day.

Technical Components

Performance

Net revenue in the Technical Components Division increased by 4.5% year on year to CHF 392.1 million in 2006 from CHF 375.3 million in 2005. Allowing for changes in the consolidated companies, organic growth was 6.7%. Operating profit (EBIT) rose disproportionately by 68.8% to CHF 33.6 million from CHF 19.9 million in the comparative period, due in part to the high goodwill impairment charges recorded in 2005. The results for 2006 include impairment charges of CHF 0.9 million for properties in Switzerland and Germany.

Focused growth

During the year, Daetwyler selectively promoted focused growth in the Technical Components Division. The keypad business of Daetwyler i/o devices (annual revenue of approximately CHF 23 million) was sold to a group of investors led by management on 1 July 2006. The division is now concentrated on specialist distribution of engineering components (Maagtechnic) and mail order distribution of electronic and computer products (Distrelec).

Strategic acquisitions

Having laid the necessary groundwork last year, both segments successfully made strategic acquisitions on 1 January 2007. The Maagtechnic Group, engaged in specialist distribution, acquired four operating companies with revenue of some CHF 40 million from the French Revol Group (Rhône-Alpes region and Czech Republic). This acquisition increases Maagtechnic's market share in Central and Eastern Europe, reinforces its range of products and services, and extends its machining capacity for polymer components. The Distrelec mail order distribution business took over Proditec, a Swiss company representing approximately CHF 25 million in revenue. While significantly strengthening the computer product segment on the sales and purchasing sides, Distrelec also expects this acquisition to yield substantial cost synergies.

Specialist distribution / Maagtechnic

In 2006, the specialist distribution business was well ahead of the previous year's sales and earnings levels. This performance was driven both by the good economic climate in all customer segments and by the additions to the product line and the new project for OEM customers (Original Equip-



The Distrelec call centre – a vital link in the logistics chain.

ment Manufacturers). Production capacities at the Basel Plastics Centre were enlarged through targeted investments in new plant and equipment. During the year, the specialist distribution business also focused on cultivating a consistent identity under the Maagtechnic brand. Now that the last phase of the new logistics concept has been put into operation, customers can benefit from an optimised service platform, also designed to meet their needs at short notice. Internally, the completion of the structural projects allows substantial synergies to be realised in conversion, assembly, logistics and materials management. This has laid the foundation to continue consolidating Maagtechnic's strong market position as an efficient development and logistics partner in a fiercely competitive environment.

Mail order distribution / Distrelec

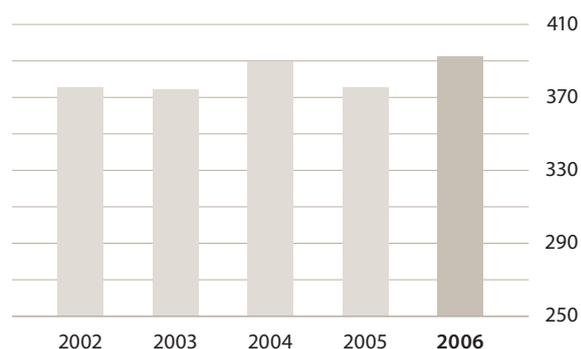
The general economic conditions for mail order distribution also shaped up well during 2006. Distrelec amplified the impact of the positive trend in business activity by consistently implementing various growth projects. Among its initiatives, the company added 5 000 new items to the product line and stepped up its Internet sales activities. Internet sales now account for more than 40% of revenue. In addition, Distrelec expanded its sales activities in Eastern Europe, focusing on Hungary, Poland, the Czech Republic and Slovakia. Even though the economic environment improved, the competition and margin pressure persisted throughout 2006 in mail order distribution. Distrelec responded to this pressure by launching a number of projects to enhance productivity and cut costs. These brought major improvements, especially in electronic interfacing with key customers and suppliers.

Outlook

We are generally optimistic that Maagtechnic and Distrelec will be able to further increase sales and earnings in 2007, even without acquisitions. This is assuming that, as forecast, the general economic growth in Europe does not slow down.

Technical Components highlights

Net revenue in CHF millions



In CHF millions	2005	2006
Net revenue	375.3	392.1
EBIT	19.9	33.6
Net operating assets (NOA)	287.1	290.3
Gross capital expenditure	11.8	6.1
Number of employees (FTEs)		
– Daetwyler Teco distribution	837	843
– Daetwyler i/o devices	550	0

Strategy

The Technical Components Division supplies engineering and electronic components based on solid expertise in specialist and mail order distribution to small and medium-sized enterprises, industry and technical schools. The specialist distribution segment is positioning itself as a distribution, service and manufacturing company.

Target groups

- Industrial companies
- Small to medium-sized enterprises
- Technical schools
- "Business to business"

Products and services

The Technical Components Division, comprising the Maagtechnic and Distrelec Groups, is a leading business-to-business supplier of engineering and electronic components in Switzerland and neighbouring countries. A wide range, encompassing 300 000 standard components, automated interfaces with customers and in-depth application knowledge combine to assure customers of cost-effective order processing and complete solutions tailored to their needs.

Specialist distribution / Maagtechnic

- Rubber and plastic components
- Fluid and power systems
- Electronic components and connectors
- Work safety, tools and consumables
- Conceptual planning, design and manufacturing of fully finished custom-engineered components and subsystems

Mail order distribution / Distrelec

- Active and passive components
- Electromechanical components
- Automation
- Computer accessories and peripherals
- Networking products



Prototyping makes Maagtechnic an attractive partner for OEM customers.



Materials and logistics expertise for ABB

From materials expertise, purchasing and machining to logistics services – Maagtechnic, a Daetwyler company, gives customers real added value as a total solutions provider. This is what also convinced ABB Switzerland Ltd. Drives & Power Electronics when selecting a reliable partner to supply plastic components for its systems. On-time delivery and quality are especially high priorities here. Used, for instance, as insulators or resistor holders in frequency converter cabinets, the plastic components are subjected to the heaviest loads and need to satisfy a multitude of criteria. So advice on choosing materials is very important. Now the array of components available for delivery covers more than 100 finished parts made of various plastics, mainly thermosetting resins. Besides providing advice, purchasing and machining services, the Maagtechnic Plastics Centre in Basel also takes care of exhaustive inspection, inventory management and assembling kits ready for installation. Electronic order processing using B2B web integration ensures perfect interplay between Maagtechnic and ABB.

Environment

Core values

Daetwyler Group companies understand and live up to their responsibility to protect the environment, complying with all applicable legislation. Furthermore, we make every reasonable effort to minimise identifiable risks. Specifically, this means that when choosing resources and production processes, we are committed to finding the most environmentally friendly materials and techniques that will have the least possible impact on the environment when the products are manufactured, used and ultimately disposed of.

Certifications and memberships

Based on these core ecological values, eight Daetwyler companies have obtained the ISO 14001 certificate: Daetwyler Cables, Kaved and Maagtechnic in Switzerland, Rothrist in Switzerland and Germany, and Helvoet Pharma in Belgium, Germany and Italy. Other companies are working towards ISO environmental certification. Daetwyler Cables and Kaved in Switzerland and Helvoet Pharma in Belgium are certified to OHSAS 18001 – Occupational Health and Safety. The Swiss companies in the Cables and Rubber Divisions have been members of the Energy Agency for Industry (EnAW) since 2003 and 2002 respectively. On behalf of the Federal Office for the Environment, the Agency recognised them last year for achieving the voluntary reduction of CO₂ emissions set out in the target agreement. The Swiss company in the Precision Tubes Division also joined the Energy Agency for Industry (EnAW) in 2006.

Highlights in 2006

The report focuses on the four divisions engaged in industrial manufacturing.

Cables

(Altdorf manufacturing facility, Switzerland)

- During the year, the Cables Division successfully completed a recertification audit at the Altdorf manufacturing facility. This was a combined quality, safety and environmental management audit.
- The most important single measure in 2006 was the work, costing CHF 4.7 million, to renovate the roof of a factory building, which will be completed in 2007. This will reduce the amount of energy required to heat the building by 10% to 15%.
- Resource consumption per CHF 1000 unit of product value (pv) decreased for all materials over the four-year period from 2003 to 2006. The vast drop in drinking and industrial water consumption is the result of specific measures taken in previous years. These included semi-closed water recirculation systems equipped with an as-needed replenishment function for the extrusion equipment.

		2006	2003
Extra light fuel oil	MWh/CHF 1000 of pv	0.063	0.097
Electricity	MWh/CHF 1000 of pv	0.156	0.197
Drinking and industrial water	m ³ /CHF 1000 of pv	6.496	11.829
CO ₂	kg/CHF 1000 of pv	17.501	27.034
VOC (solvents)	kg/CHF 1000 of pv	0.024	0.045

Rubber

(Schattdorf manufacturing facility, Switzerland)

- The Rubber Division substantially reduced its energy consumption through targeted measures, including the renovation and insulation of a building. This also lowered CO₂ emissions.



Daetwyler is committed to responsible use of raw materials.

- Water consumption dropped sharply due to a number of detailed measures and changes in product mix.
- The compressed air sharing arrangement with a neighbouring industrial plant is a success and reduced compressed air consumption once again.
- The new machines and equipment purchased to replace those damaged in the 2005 flood are more energy efficient. As a result, specific electricity consumption has fallen.
- Consumption of some resources per CHF 1000 unit of product value (pv) decreased substantially over the four-year period from 2003 to 2006.

		2006	2003
Extra light fuel oil	MWh/CHF 1000 of pv	0.064	0.102
Electricity	MWh/CHF 1000 of pv	0.167	0.209
Compressed air	m ³ /CHF 1000 of pv	62.976	85.989
Drinking and industrial water	m ³ /CHF 1000 of pv	9.952	18.028
CO ₂	kg/CHF 1000 of pv	31.119	44.586
VOC (solvents)	kg/CHF 1000 of pv	0.422	0.460

Precision Tubes

(Swiss and German manufacturing facilities)

- During the year, the Precision Tubes Division successfully underwent an early repeat audit at its two manufacturing facilities in Switzerland and Germany to synchronise the ISO 14001:2004 and ISO/TS 16949:2002 certificates. This was a combined quality and environmental management audit.
- Having focused on renewing the factory heating system at the Swiss facility in 2005, the division replaced the heating in the administrative building during 2006. The old heating boiler was taken out of service, and the administrative building was connected to the existing heat distribution system in the boiler house. This allows more efficient use of the heat recovered from the three annealing furnaces and will reduce fuel oil consumption and CO₂ emissions further in the future.
- The Swiss facility was connected to natural gas so propane can be replaced with natural gas. This will also decrease CO₂ emissions.
- Resource consumption data per tonne of product is given for both manufacturing facilities. It must be remembered, however, that fuel oil and propane gas are used only in Switzerland and natural

gas only in Germany. Consumption of all resources dropped over the four-year period from 2003 to 2006. This is partly the result of the heat recovery measures implemented in previous years.

		2006	2003
Extra light fuel oil (CH only)	MWh/t of product	0.030	0.059
Electricity	MWh/t of product	0.405	0.448
Propane gas (CH only)	MWh/t of product	0.360	0.401
Natural gas (DE only)	MWh/t of product	0.703	0.820
Total energy	MWh/t of product	0.900	1.104
Drinking and industrial water	m ³ /t of product	2.336	3.024
CO ₂	kg/t of product	106.150	126.210
VOC (solvents)	kg/t of product	1.978	2.490

Pharmaceutical Packaging

(Belgian and Italian manufacturing facilities)

- In the light of the Kyoto Protocol, the Belgian manufacturing facility conducted an analysis of its energy saving potential together with external specialists during 2006. A number of measures will be implemented from 2007, including a new lighting concept and additional heating element insulation on the vulcanisation lines. Collaboration with external partners will allow all vulcanised rubber waste to be recycled in the future.
- During the year, the Italian manufacturing facility in Pregnana near Milan continued to improve its vulcanised waste rubber recycling rate. The 40% recycling rate aimed at was not achieved but is being targeted again in 2007.
- At the main Belgian manufacturing facility, consumption per CHF 1000 unit of product value (pv) decreased for all resources except natural gas over the four-year period from 2003 to 2006. The main reason for this is the sharp rise in production volume.

		2006	2003
Natural gas	MWh/CHF 1000 of pv	0.068	0.057
Electricity	MWh/CHF 1000 of pv	0.124	0.135
Drinking and industrial water	m ³ /CHF 1000 of pv	0.668	0.679
CO ₂	kg/CHF 1000 of pv	106.8	113.4

Our People

Core values

Independent, well-trained, proactive and motivated employees are our Company's most valuable asset. Motivation, training and leadership are primarily the responsibility of managers. This means that selecting, training and briefing people with a managerial role have high priority. Daetwyler fosters a culture of open communication at all hierarchical levels. And part of this is regular dialogue between management and employee representatives.

Human resources development

The markets in which the Daetwyler Group operates call for a highly trained workforce undergoing continuous development and improvement. Some of our initiatives to train young people are reflected in the 199 apprenticeships offered by Daetwyler Group companies worldwide. We support training and retraining programmes to develop the technical and social skills of employees at all levels in the hierarchy.

Highlights in 2006

Cables and Rubber

- Time lost through sickness and injury absence dropped significantly as a result of the systematic and consistently implemented attendance management programme.

Pharmaceutical Packaging

- The programme instituted by the Italian manufacturing facility (Pregnana near Milan) in 2005 to encourage employees to identify with their work and assume personal responsibility laid the foundation for more flexible working time arrangements and lower absence rates. In recognition of its efforts towards sustainable management, Helvoet Pharma's Italian company won the "Golden Mercury" Award.

Technical Components

- In an external survey, Maagtechnic employees gave a good rating well above the average of other Swiss companies to the structured career development discussion which the Daetwyler company held for the 15th time.

Social responsibility

The Daetwyler Group and its companies aim to be fair and loyal partners to the states and communities in which they operate.

The Daetwyler Group has had its roots and headquarters in the Canton of Uri ever since its inception. That is also the home of the charitable Daetwyler Foundation. Established in 1990, the foundation has been endowed over the years with CHF 23.1 million from the private funds of brothers Peter and Max Daetwyler. It does not own any shares in Daetwyler Holding Inc. or have any influence over the management of the Daetwyler Group. The purpose of the Daetwyler Foundation is to support charitable initiatives in the areas of art, architecture, customs and traditions; education and training; natural sciences, humanities and social sciences; physical training, and nature, heritage and environmental conservation. Since its beginnings, the foundation has awarded CHF 4.9 million in grants. Of the total amount distributed, CHF 4.0 million or about 81 % has gone to applicants in the Canton of Uri or to individuals and institutions having close ties with Uri. The foundation's policy is to concentrate the funds available for distribution. In this spirit, a sum of CHF 0.45 million was awarded last year.



Daetwyler is an attractive employer for 4 500 employees worldwide.

Corporate Governance 31 December 2006

As a company committed to creating long-term value, Daetwyler has a clear framework of management and control policies in place to ensure compliance with the principles of good corporate governance. These policies are set out in the Articles of Association (www.daetwyler.ch > Corporate > Org. Structure) and the Rules of Organisation and Business Conduct of Daetwyler Holding Inc. They are presented below following the applicable Directive issued by SWX Swiss Exchange. Where appropriate, reference is made to issues that are discussed in detail in the notes to the consolidated financial statements. Where information required under a section of the SWX Directive has been omitted, it is either not applicable or not material to Daetwyler.

Group structure and shareholders

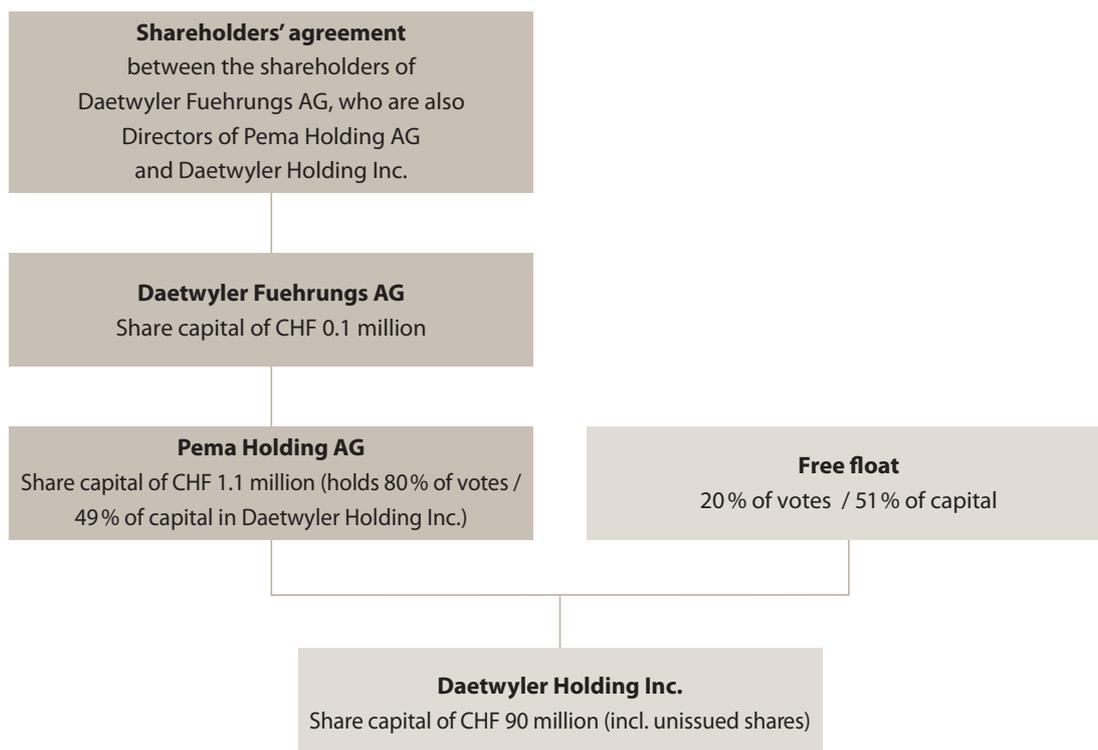
The Daetwyler Group is an international multi-niche player engaged in the supply and distribution of engineering components to industry. In its activities, the Group focuses on established and attractive markets and niches. The core markets served through the five divisions – Cables, Rubber, Precision Tubes, Pharmaceutical Packaging and Technical Components – are the automotive, telecom, pharmaceutical, machine and construction industries.

Substantial shareholders and ownership

Pema Holding AG owns all 220 000 registered shares and 44 000 of the total of 136 000 bearer shares of Daetwyler Holding Inc. This represents 80.00% of the voting rights and 48.89% of the share capital.

Unissued shares have been included in calculating the percentage of capital held but excluded in calculating the percentage voting rights held. The reason is that unissued shares carry no votes.

The entire share capital of Pema Holding AG was contributed to Daetwyler Fuehrungs AG, indirectly giving it a majority of the voting rights in Daetwyler Holding Inc. Daetwyler Fuehrungs AG is owned by its Directors who are elected by co-optation and are also Directors of Pema Holding AG and Daetwyler Holding Inc. They acquired equal shares in the CHF 0.1 million share capital of Daetwyler Fuehrungs AG at par value and are subject to clear rules under a shareholders' agreement. On leaving the Board, they transfer their shares to their successors at par value. This arrangement was made to



provide a sound legal framework to ensure that the majority of votes in Daetwyler Holding Inc. are controlled by the top management.

The Board of Daetwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold more than 5 % of the total voting rights.

Group structure and companies

The required disclosures relating to the Group structure are presented on the following pages of the Annual Report:

- Page 100 ff: directory of Group operations.
- Page 58 ff: segment reporting in accordance with IFRS.
- Page 82 f: detailed list of subsidiaries and associates.
- Page 97 ff: details of Daetwyler Holding Inc., the listed company, in the Share Information and General Information sections.

No listed companies are included in the consolidation of Daetwyler Holding Inc. There are no cross-shareholdings with other companies.

Capital structure

Composition of share capital in CHF millions at 31 December 2006:

220 000 registered shares of CHF 100 each	22.0
136 000 bearer shares of CHF 500 each (including 26 000 unissued shares under former Swiss Corporation Law)	68.0
Total ordinary share capital	90.0
Authorised share capital	none
Authorised but unissued share capital	none
Participation certificates	none
Profit-sharing certificates	none
Registration and voting restrictions	none
Opting-out and opting-up provisions	none

All shares are fully paid-up. With the exception of unissued shares (26 000 bearer shares, see note 27 (treasury shares) on page 77), all shares are entitled to vote and rank for dividend. Information about changes in equity for 2006 and 2005 is presented in the statement of changes in equity on page 47. Changes in equity for 2005 und 2004 are shown in the statement of changes in equity on page 47 of the Annual Report 2005.

Convertible bonds and share options

Daetwyler had no bonds or convertible bonds outstanding at 31 December 2006.

Internal organisation

Role of the Board of Directors

The Board of Directors is the ultimate decision-making, management and governing body of the Daetwyler Group. The Board consists of not less than five and not more than eleven members. At 31 December 2006, the Board comprised eight Directors. The roles of the Chairman and Chief Executive Officer (CEO) are separate. The Directors have no executive functions in the Group, do not have any business relationship with the Daetwyler Group and are all considered to be independent (none of them served on Daetwyler's Executive Board during the three financial years preceding the period under review). No Director holds cross-directorships with other Directors through involvement in other listed companies.



Granulate feed system for manufacturing pharmaceutical closures.

Directors are elected for staggered four-year terms. They are eligible for re-election for further periods, with no limit on the number of terms they may serve. Directors retire at the Annual General Meeting following their 70th birthday. Each class of shares is entitled to nominate at least one representative to the Board. The average age of the Directors currently in office is 60 and their average tenure is six years.

Main responsibilities and operation of the Board

The Board organises itself. Its main responsibilities are defined in Art. 716a of the Swiss Code of Obligations. In order to discharge these responsibilities efficiently, the Board has authority under the Rules of Organisation and Business Conduct of Daetwyler Holding Inc. to appoint Committees from among its members to deal with specific matters. There are currently two Committees: the Audit Committee and the Human Resources Committee.

The Board holds six regular meetings a year, each lasting between half a day and one full day. A two-day annual strategy workshop is held to review and develop the strategy. The strategy workshop is usually combined with a visit to one of the divisions. Special Board meetings are held when necessary. Agendas for Board meetings are set by the Chairman in consultation with the CEO and CFO. Any Director may request that an item be placed on the agenda or that a special meeting be held. The CFO acts as Secretary to the Board.

Directors receive papers and information at least ten days in advance of meetings to allow them to prepare for discussion of each item. Depending on the nature of the business to be transacted, the Chairman may invite members of the Executive Board to provide information at Board meetings and participate in an advisory capacity. The Board operates as a team and strives to reach decisions unanimously, wherever possible. If a unanimous decision cannot be reached, the minutes of the meeting must give the names of who voted and how they voted. The Board has a quorum when at least a majority of its members is present. Its resolutions are passed by a majority of the members present. The Chairman is also a voting member and has the casting vote in the event of a tie.

During 2006, the Board held six meetings attended by the CEO and CFO. The other members of the Executive Board were present at each meeting for the discussion of items relating to them. In 2006, no external specialists were called in.

Operation of the Committees

The Committees have written terms of reference specifying their responsibilities and authority. The Committees generally prepare the groundwork for decision-making by the full Board. They meet at the call of their chairmen as often as necessary to discharge their duties: the Audit Committee at least four times a year and the Human Resources Committee at least twice a year. Their meetings usually last half a day. All Directors, Executive Board members and the external auditors may request a meeting of the Committees. Depending on the nature of the business to be transacted, meetings are attended by the CEO, CFO or, if required, by a representative of the external auditors or a specialist in an advisory capacity. The agendas for Committee meetings are set by the respective chairmen in agreement with the CEO and CFO. Committee members receive papers and information in advance of meetings to allow them to prepare for discussion of each item. At least two members must be present to constitute a quorum. The Committees pass their resolutions by an absolute majority of the votes cast. In the event of a tie, the chairman has the casting vote. The Committees keep a record of their decisions and recommendations in minutes submitted to the Board and report the results of their activities at the next following Board meeting.

Audit Committee

The Audit Committee consists of at least three Directors, each of whom has experience in finance and accounting, who are appointed by the Board from among its members for a period of one year. The Audit Committee appoints its chairman. Members of the Audit Committee are: Hans R. Rueegg (chairman), Ulrich Graf and Ernst Odermatt. In 2006, the Audit Committee held four meetings attended by the CEO and CFO. Representatives of the external auditors attended all the meetings for the discussion of selected items.

Main responsibilities and authority of the Audit Committee

- To ensure comprehensive and effective internal control and risk management systems for Daetwyler Holding Inc. and the Daetwyler Group.
- To ensure a comprehensive and effective audit programme for Daetwyler Holding Inc. and the Daetwyler Group.
- To comment on the proposed audit plan and results of audits.
- To receive recommendations from the external auditors, discuss the recommendations with the Executive Board and provide a summary for the Board.
- To make an annual evaluation of the performance, remuneration and independence of the statutory and Group auditors.
- To review the Executive Board's recommendation to the Board, for approval by the Annual General Meeting, for the appointment of the external auditors of Daetwyler Holding Inc.

Human Resources Committee

The Human Resources Committee consists of three Directors: the Chairman of the Board and two Directors to be appointed by the Board from among its members. The Chairman of the Board presides over the Committee. Members of the Human Resources Committee are: Ulrich Graf (chairman), Hanspeter Faessler and Werner Inderbitzin. In 2006, the Human Resources Committee held four meetings with the CEO and CFO. In 2006, no external specialists were called in.

Main responsibilities and authority of the Human Resources Committee

- To review the performance of and evaluate current and potential Executive Board members and Group executives.

- When necessary, to seek and evaluate candidates to serve as new Directors and Executive Board members.
- To submit proposals to the Board for the remuneration of Directors and Executive Board members.
- To develop policies for salary, bonus and incentive schemes
- To periodically review the salary and bonus schemes within the Daetwyler Group and the incentive and profit-sharing schemes for executives and employees.

Division of responsibilities between the Board of Directors and Executive Board

The authority and responsibilities delegated to the Board of Directors and Executive Board are laid down in the "Rules of Organisation and Business Conduct" as provided in Article 20 of the Articles of Association of Daetwyler Holding Inc. These rules are updated on a regular basis. They describe the non-delegable functions reserved to the Board of Directors by law and delegate all other business affairs to the Executive Board, presided over by the CEO. The policies set out in the "Rules of Organisation and Business Conduct" are detailed for all business and functional areas in the following written documents: "Management Process", "General Division of Responsibilities between the General Meeting – Board of Directors – Executive Board", "Group Management Philosophy", "Delegation of Group Management Responsibilities" and "Investment Manual". The Daetwyler Group operates a systematically decentralised management system within a clear framework. The Group fosters an entrepreneurial culture where decisions are taken at the lowest possible level close to the market and customers.

As a rule, the Board of Directors approves major projects it deems expedient together with the budget. For urgent capital expenditure not included in the budget, levels of authority are defined and a return on investment analysis must be prepared. Capital expenditure exceeding 3 million must be approved by the full Board of Directors.



Distrelec is recognised for high stock availability and 24-hour delivery service.

Information and control systems for monitoring the Executive Board

The Board has an internal control system in place to monitor and control the Executive Board. This is based on an institutionalised, annual management process cycle, the key elements of which are as follows:

- Monthly report with a division and Group consolidation: budget, actual and forecast figures, including variance analyses and a written commentary by the division managers on current developments and potential risks.
- Internal interim and annual report.
- Annual review and approval of the annual budget and three-year medium-term plan.
- Annual review and approval of the updated Group and division strategies.
- Uniform Group-wide management system with integrated risk evaluation for strategic projects.
- Special reports on major items of capital expenditure, acquisitions and alliances.
- Inclusion of Executive Board members at Board and Committee meetings.

In addition to these institutionalised information and control systems, the Board can use an internal audit function, which is being progressively expanded. The Chairman of the Board and CEO engage in regular dialogue regarding all important business. In addition, the CEO and CFO are required to inform the Chairman of the Board without delay of any important unusual events or developments and measures planned.

Board of Directors

Ulrich Graf (1945, Swiss)

Chairman (term expires in 2008)

Ulrich Graf has served on the Board of Daetwyler Holding Inc. since 2004. He was appointed Chairman in 2005 and is a member of the Audit and Human Resources Committees. Between 1989 and 2006, he was CEO of the Kaba Group, where he had held a number of management positions since 1976. In addition to his appointment in Daetwyler, Ulrich Graf is Chairman of Kaba Holding Ltd., Griesser Ltd. and Fr. Sauter Ltd. He is also a Director of Georg Fischer Ltd. and Feller Ltd., a member of the Board of Trustees of REGA Swiss Air Ambulance and a Supervisory Board member of DEKRA e.V. He has

a degree in electrical engineering from the Swiss Federal Institute of Technology.

Hans R. Rueegg (1946, Swiss)

Deputy Chairman (term expires in 2010)

Hans R. Rueegg has served Daetwyler Holding Inc. as a Director since 1991, taking office as Deputy Chairman and becoming a member of the Audit Committee in 2002. He has been CEO of Baumann Springs Ltd. since 1983 and its Chairman and CEO since 1993. Hans R. Rueegg is Chairman of Vetropack Holding AG and serves as Vice President of Swissmem, the Association of the Swiss Mechanical and Electrical Engineering Industries. He holds a degree in electrical engineering from the Swiss Federal Institute of Technology and an MBA from the University of Florida, Gainesville (USA).

Dr. Hanspeter Faessler (1956, Swiss)

Director (term expires in 2008)

Hanspeter Faessler has been a Director of Daetwyler Holding Inc. since 2004 and is a member of the Human Resources Committee. At the beginning of 2006, he was appointed responsible for ABB's Mediterranean Region and Country Manager of ABB Italy. He was previously ABB's Country Manager in Switzerland, having held various management positions within ABB since 1989, both inside and outside Switzerland. Hanspeter Faessler earned a doctorate specialising in mechatronics / robotics (DSc) from the Swiss Federal Institute of Technology Zurich and also holds an engineering degree from Stanford University (USA).

Werner Inderbitzin (1946, Swiss)

Director (term expires in 2010)

Werner Inderbitzin was appointed to the Board of Daetwyler Holding Inc. at the 2002 Annual General Meeting and is a member of the Human Resources Committee. He is Chairman, CEO and co-owner of Garaventa Ltd. and Ropetrans AG. He took over the operational management of Garaventa Ltd., a global manufacturer of ropeway systems, in 1992, having previously spent 18 years with Daetwyler's Rubber Division, ultimately as First Vice President and a member of the division management committee. Werner Inderbitzin obtained a degree in business administration from the University of St. Gallen.

Dr. Ernst Lienhard (1946, Swiss)
Director (term expires in 2010),
Bearer Shareholders' Representative

Ernst Lienhard was appointed a Director of Daetwyler Holding Inc. at the 2006 Annual General Meeting to serve as the Bearer Shareholders' Representative. He was with Credit Suisse for more than 30 years, several of which were spent abroad in Paris, Peru, New York and the Bahamas. After his return and until his retirement in 2004, he was responsible for Swiss wholesale commercial banking. Ernst Lienhard is a Director of publicly listed Huegli Holding AG and several family-owned Swiss companies, also serving on the Boards of various Swiss subsidiaries of foreign multinationals. He studied banking at the University of St. Gallen, where he also earned a doctorate in economics. In addition, he studied at IMD in Lausanne and Wharton University in Philadelphia.

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

Ernst Odermatt was appointed to the Board of Daetwyler Holding Inc. in 2004 and is a member of the Audit Committee. Until the end of 2005, he was CEO of the Oerlikon Contraves Group, in which capacity he served on the Executive Board of Rheinmetall DeTec AG, Duesseldorf, having held a number of management positions with Oerlikon Contraves since 1978. Ernst Odermatt is Chairman of V-Zug Ltd., F. Gehrig AG and Sibir AG, and a Director of Metall Zug Ltd. He has a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich and a degree in business administration from the University of Zurich.

Franz Steinegger (1943, Swiss)
Director (term expires in 2010)

Franz Steinegger has been a Director of Daetwyler Holding Inc. since 1994. He was President of the Free Democratic Party of Switzerland for 12 years until 2001 and a member of the National Council from 1980 to 2003. Since 1981, he has practised as an independent lawyer and notary in Altdorf. Franz Steinegger is currently Chairman of SUVA (the Swiss Accident Insurance Fund), Deputy Chairman of Siemens Switzerland Ltd. and also a Director of AG fuer die Neue Zuercher Zeitung and Poeyry Oyi, Finland. He graduated in law from the University of Zurich and is a member of the bar of the Canton of Uri.

Franz J. Wuerth (1940, Swiss/Belgian)
Director (term expires in 2007)

Franz J. Wuerth has served on the Board of Daetwyler Holding Inc. since 2003. From 1988 until reaching retirement age in 2002, he was a member of the Daetwyler Group's Executive Board. He headed the Technical Components Division from 1993 to 2002, having been in charge of the Pharmaceutical Packaging Division based in Belgium from 1975 to 1992. In the period from 1970 to 1975, he was a member of the Executive Board of a Dutch company acquired by Daetwyler in 1969. Franz J. Wuerth started his career working for Daetwyler Inc. in various staff functions. He gained his educational background in commerce and business administration in Switzerland, the UK and the USA.



Precision tubes are increasingly supplanting solid steel in cars.

Honorary Directors

Roland Zimmerli (1934, Swiss)

Honorary Chairman (since 2005)

During his 35 years of committed service in a variety of management positions, Roland Zimmerli helped to shape Daetwyler into a Group of international dimensions. After the IPO, he circumspectly transformed Daetwyler from a family-owned business into a public company. In appreciation of his services to the Daetwyler Group, the Board appointed him Honorary Chairman in 2005, following his term as Chairman from 1999 to 2005. Before joining the Board, Roland Zimmerli served as CEO of Daetwyler Holding Inc. from 1991 to 1999. His expertise was also much sought after on the Boards of renowned Swiss companies. He graduated with a degree in business administration from the University of Zurich.

Dr. Max Daetwyler (1929, Swiss)

Honorary Director (since 1999)

Max Daetwyler was Chairman of Daetwyler Holding Inc. from its inception in 1958 until 1965. After handing over the Chairmanship to outside Directors, he continued to serve as Deputy Chairman and Executive Director until the end of 1999. Together with his late brother, Peter Daetwyler, Max Daetwyler was instrumental in building Daetwyler Holding Inc. into a diversified international corporation and, in 1990, ensured the Group's long-term independence through the shareholders' agreement of Daetwyler Fuehrungs AG. He holds a doctorate in chemistry from the Swiss Federal Institute of Technology Zurich and a degree in economics from the University of Zurich.

Executive Board

Dr. Paul J. Haelg (1954, Swiss)

Chief Executive Officer (CEO)

and Technical Components

Paul J. Haelg was appointed CEO of the Daetwyler Group from August 2004 and also heads the Technical Components Division. Before joining the Daetwyler Group, he served on Forbo's Executive Board as Executive Vice President of Forbo Adhesives. From 1986 to 2001, he held a number of management positions with Gurit-Essex (Gurit-Heberlein Group), ultimately as CEO. In the five years prior to that, he worked for Swiss Aluminium Ltd. Paul J. Haelg is Chairman of publicly listed Gurit Holding Ltd. and Medisize Holding Ltd. He studied chemistry at the Swiss Federal Institute of Technology Zurich, graduating with a doctorate (DSc).

Silvio A. Magagna (1946, Swiss)

Chief Financial Officer (CFO)

Silvio A. Magagna has been CFO and a member of the Executive Board since 1988. He also acts as Secretary to the Board. Between 1983 and 1988, he was a member of the Group Management of Wild Leitz AG (now Leica) as Senior Vice President of Finance, Controlling and Logistics. During the previous five years, he broadened his international experience working for the Holcim Group as regional controller and IT manager. After completing his studies, he spent five years as a management consultant for the construction industry. Silvio A. Magagna holds a degree in business administration from the University of St. Gallen and furthered his studies at the University of Pittsburgh and Stanford University (USA).

Johannes Mueller (1958, Swiss)

Cables

Johannes Mueller has been a member of the Executive Board and headed the Cables Division since August 2004. He was previously CEO of consulting firm Brainforce AG for three years. Before joining Brainforce in 2001, he ran a division of Cellpack Ltd. for more than four years. From 1987 to 1996, he held various international management positions with telecommunications group Alcatel. Johannes Mueller has a degree in electrical engineering from the Swiss Federal Institute of Technology Zurich

and completed additional studies, including a programme at Insead (France).

Dirk Lambrecht (1960, German)

Rubber

Dirk Lambrecht has headed the Rubber Division since May 2005 and in that capacity serves on the Executive Board. Before joining Daetwyler, he managed Phoenix Traffic Technology GmbH, a subsidiary of Phoenix AG. Prior to that, from 1987 to 2003, he held a number of international management positions with Phoenix AG in Hamburg. Dirk Lambrecht earned a degree in mechanical engineering, specialising in apparatus engineering, from Hamburg University of Applied Sciences and completed further studies, including a programme at the Management School St. Gallen.

Dr. René Trauffer (1944, Swiss / French)

Precision Tubes

René Trauffer joined Daetwyler in 1993 as head of the Precision Tubes Division and a member of the Executive Board. He previously held management positions with the Monteforno Steel and Rolling Mills for 13 years, initially as sales manager, then from 1982 as an Executive Board member and from 1987 as CEO. Other stages of his career were spent with Corning Glass and Alusuisse where he occupied executive marketing and sales positions with focus on Europe and the Middle East. Since 1999, René Trauffer has been a Board member of Swissmem. He holds a degree from the University of St. Gallen and a doctorate from the University of Basel, both in business administration.

Dr. Willy Van de Poel (1941, Belgian)

Pharmaceutical Packaging ad interim

Willy Van de Poel has worked in the Daetwyler Group's Pharmaceutical Packaging Division since 1972, serving as a member of the division management since 1988. He will run the division ad interim until a new division head is finally appointed. Willy Van de Poel is not a member of the Executive Board. He has a doctorate in chemistry (DSc).

Management contracts

There are no management contracts delegating management responsibilities to individuals or companies outside the Group.

Remuneration, shareholdings and loans

Elements and determination of remuneration

The elements of remuneration for Directors and Executive Board members are determined annually by the Human Resources Committee and approved by the full Board. Directors' remuneration is paid as a fixed fee in cash. The remuneration of Executive Board members consists of a fixed salary and a variable bonus up to a maximum of 46% of base salary. The bonus is linked to the achievement of individual performance goals established annually in advance and to earnings targets in the respective division and the Group as a whole. Former Directors do not receive any remuneration. Former Executive Board members have no form of remuneration other than benefits under the regular and supplementary pension schemes.

Remuneration of current Directors and officers

During the year under review, the Directors received a total cash sum of CHF 0.609 million in fixed fees. This sum includes the remuneration paid to the Director who retired last year. The total remuneration of Executive Board members for the year was CHF 4.339 million (excluding severance payments), with CHF 3.112 million paid as fixed salary and CHF 1.227 million as cash bonuses. These sums include the remuneration paid to the Executive Board member who stepped down last year. They also include pension fund contributions in excess of the mandatory levels as well as benefits



An in-house tool room makes Daetwyler Rubber a flexible development partner.

in kind, such as the use of a company car. Legally required severance payments of CHF 2.2 million were made last year. There were no option grants or share awards during the year.

Remuneration of former Directors and officers

No remuneration was paid to former Directors or officers during the year.

Share awards during the year

Daetwyler did not award any Company shares to Directors or Executive Board members during the year or in previous years.

Shareholdings

At 31 December 2006, Directors and persons connected with them held 52 Daetwyler bearer shares. At the same date, another 120 Daetwyler bearer shares were held by Executive Board members and persons connected with them.

Share options

Daetwyler had no options outstanding at 31 December 2006.

Additional fees and remuneration

No Directors, Executive Board members or persons connected with them received any additional remuneration or fees for additional services during the year.

Loans to Directors and officers

No loans have been granted to Directors or Executive Board members.

Highest paid Director

The highest total remuneration paid to a Director during the year was CHF 0.168 million in cash.

Shareholders' participation rights

The shareholders' participation rights comply with the provisions of Swiss Corporation Law. The Articles of Association contain no quorum requirements that differ from those prescribed by law.

Voting restrictions and proxy voting

There are no restrictions on registration or voting. Under the Articles of Association of Daetwyler Holding Inc., each share carries one vote at general meetings regardless of its par value. Persons representing shareholders must present a written proxy. Legal representatives of shareholders do not need a proxy appointment. Shareholders who are unable to attend a general meeting may appoint a member of a corporate agent of the Company or an independent proxy to represent them.

Calling of general meetings and additions to the agenda

The procedures for calling general meetings and adding items to the agenda are set out in the Articles of Association of Daetwyler Holding Inc. in accordance with the Swiss Code of Obligations (Art. 699 f).

Share registration

Every person whose name is entered in the share register no later than 14 days prior to a general meeting is recognised by the Company as a shareholder and holder of all rights attached to the registered shares.

Change of control and defensive measures

The Articles of Association do not contain any "opting out" or "opting up" provisions. Daetwyler Holding Inc. does not have any change of control clauses which benefit Directors or Executive Board members.

Statutory and Group auditors

PricewaterhouseCoopers AG (formerly Schweizerische Treuhandgesellschaft) has audited the financial statements of Daetwyler Holding Inc. since its inception in 1958. It was first engaged to audit the consolidated financial statements in 1986. The lead audit partner was rotated off the engagement in 2006 after seven years in this capacity. The statutory and Group auditors are appointed at each Annual General Meeting for a term of one year. For the year under review, the Daetwyler Group paid PricewaterhouseCoopers fees of CHF 0.834 million for services rendered in connection with the audit of the individual and consolidated financial statements. Some of the Group companies are audited by other firms of accountants. For the provision of additional

business and tax services, PricewaterhouseCoopers received CHF 0.703 million in fees from the Daetwyler Group for the year.

Representatives of the external auditors attend all meetings of the Audit Committee for the discussion of certain items. Four meetings were held in 2006. At each meeting, the external auditors present a report on the progress of their work. The core element of the auditors' reporting is the annual audit report with recommendations to the Audit Committee.

The supervisory body for the external statutory and Group auditors is the Board's Audit Committee, which is also responsible for financial reporting. It has the support of the internal audit function, which is being progressively expanded. The Audit Committee makes an annual evaluation of the performance, remuneration and independence of the statutory and Group auditors. This is presented to the full Board together with the auditors' audit report.

Information policy

The Daetwyler Group maintains an open dialogue with all stakeholders. In the interests of its shareholders, Daetwyler especially fosters relationships with investors, banks and media representatives. Communication is achieved through the Annual Report (consolidated financial statements in accordance with International Financial Reporting Standards, IFRS), Interim Report, Annual General Meeting and at least one press and analyst conference every year. Through press releases and on its website (www.daetwyler.ch), Daetwyler provides up-to-the-minute information on all important projects as required by the ad hoc publicity rules of SWX Swiss Exchange. The archive of ad hoc press releases can be found at www.daetwyler.ch, Media/Events, Press Releases. A facility for signing up to receive ad hoc press releases is provided at www.daetwyler.ch, Media/Events, Ad hoc Publicity. Contact details and important dates are given in the General Information section on page 99.



Rubber closures are crucial to the quality of injectable drugs.

Consolidated Financial Statements

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Group Financial Review

Results of operations

The Daetwyler Group generated net revenue of CHF 1 214.8 million in 2006, up from CHF 1 091.8 million in 2005. This represents 11.3% growth, compared to 3.8% a year earlier. Organic growth was 10.6%. Acquisitions, disposals and currency movements had a net impact of 0.7%. All the divisions contributed to the Group's organic expansion. The strongest revenue growth was seen in the Cables Division, advancing 29%. Above-average gains were also recorded in the Pharmaceutical Packaging and Rubber Divisions, up by 13% and 12.9% respectively, while the Precision Tubes and Technical Components Divisions posted single-digit growth rates of 5.8% and 4.5% respectively.

The revaluation of assets held for sale and reclassifications of non-current assets as assets held for sale resulted in a loss of CHF 2.4 million, compared to CHF 5.6 million in the previous year, which has been recognised in operating profit (EBIT) retrospectively from 2005. In 2006, the Group recorded EBIT of CHF 90.0 million, up from CHF 64.7 million and raising the EBIT margin by 1.5 percentage points from 5.9% to 7.4%.

Finance costs were CHF 9.4 million in excess of finance income, as compared to CHF 5.8 million a year earlier. The year-on-year change is primarily due to cumulative translation losses of CHF 4.9 million arising from exchange differences related to subsidiaries and associates which were transferred from equity to the income statement on disposals.

In 2006, the review of tax loss carryforwards resulted in a deferred tax credit of CHF 9.9 million, reducing the Group's income tax expense (current income tax and deferred tax) to CHF 4.1 million from CHF 18.6 million in 2005. The high deferred tax credit was mainly due to the recognition of a deferred tax asset in respect of CHF 15.9 million in loss carryforwards that can be offset against future taxable profits as a result of the merger of three Swiss companies into Daetwyler Switzerland Inc.



Safety cables ensuring functional integrity in case of fire are a growth market.

The Group increased its profit last year by CHF 36.1 million to CHF 76.5 million, up from CHF 40.4 million in the previous year. This represents a profit margin of 6.3% compared to 3.7% a year earlier. Following the adoption of IAS 19 (Amendment) "Employee Benefits", actuarial gains and losses arising in defined benefit pension plans, together with deferred tax, are now recognised directly in equity. The restatement at 1 January 2005 had the effect of raising profit for 2005 by a net amount of CHF 0.8 million.

Cash flow rose to CHF 144.1 million from CHF 117.6 million, and the cash flow margin improved by 1.1 percentage points to 11.9%. Although cash flow was up, free cash flow was down by CHF 14.7 million at CHF 23.9 million. This decrease is due in part to the higher dividend and increased capital expenditure.

Solid balance sheet structure and equity base

Total assets grew by CHF 79.1 million year on year to CHF 1 092.5 million, with only insignificant changes in the balance sheet structure. Equity rose by CHF 77.0 million to CHF 736.9 million, representing an equity ratio of 67.5% compared to 65.1% a year earlier. As a result of the restatement at 1 January 2005, actuarial losses of CHF 16.4 million were recognised in consolidated equity.

The Group's liquidity situation remains comfortable. Cash, cash equivalents and money market investments increased by CHF 26.1 million last year to CHF 206.8 million. Net cash and liquid resources amounted to CHF 70.2 million at the end of 2006, up from CHF 46.2 million.

Current assets grew by 10% to CHF 633.6 million from CHF 576.0 million, while non-current assets rose by 4.9% to CHF 458.9 million from CHF 437.4 million. The growth in current assets was mainly due to two factors: firstly, the increase in cash and cash equivalents (CHF 26.1 million) and, secondly, a higher inventory valuation caused by the rise in raw material prices (CHF 23.2 million).

During 2006, the Daetwyler Group invested CHF 73.5 million, up from CHF 61.2 million. This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 6.1% compared to 5.6% a year earlier.

Consolidated Income Statement

For the year ended 31 December in CHF millions	(1)	2006	2005
Gross revenue		1226.8	1103.9
Revenue deductions		-12.0	-12.1
Net revenue	1/3	1214.8	1091.8
Raw materials and consumables used		-595.4	-535.7
Gross profit		619.4	556.1
Other operating income	4	70.5	95.4
Employee costs	5	-331.5	-314.6
Operating expenses	7	-198.4	-188.7
Depreciation and amortisation	8	-56.0	-54.6
Impairment charges	8	-11.6	-23.3
Net loss on assets held for sale		-2.4	-5.6
Operating profit before interest and tax (EBIT)		90.0	64.7
Interest and finance costs	9	-15.1	-9.9
Interest and finance income	9	5.7	4.1
Share of results of associates	19	-	0.1
Profit before tax		80.6	59.0
Income tax expense	11	-4.1	-18.6
Profit for the year		76.5	40.4
In CHF			
Basic earnings per bearer share ranking for dividend	26	497.8	262.8
Diluted earnings per bearer share ranking for dividend	26	497.8	262.4

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

(1) Notes 1 to 26, see pages 57 to 77.

Consolidated Balance Sheet

Assets at 31 December in CHF millions	(1)	2006	2005
Cash and cash equivalents	12	138.3	180.7
Money market investments	12	68.5	–
Trade receivables	13	163.2	156.1
Inventories	14	222.1	198.9
Current tax assets		3.9	5.4
Assets held for sale	15	7.5	8.3
Other receivables, prepayments and accrued income		30.1	26.6
Current assets		633.6	576.0
Property, plant and equipment	16	366.1	358.8
Investment property	17	10.2	10.3
Intangible assets	18	7.3	6.0
Goodwill	18	35.7	33.2
Investments in associates	19	–	1.0
Deferred tax assets	20	9.7	7.1
Financial investments	21	29.9	21.0
Non-current assets		458.9	437.4
Total assets		1092.5	1013.4
Liabilities and equity at 31 December in CHF millions			
Trade payables		73.9	65.3
Borrowings	22	111.9	101.0
Current tax liabilities		11.9	16.9
Other current liabilities, accruals and deferred income	23	33.7	33.5
Provisions	24	45.8	36.4
Current liabilities		277.2	253.1
Borrowings	22	21.4	27.6
Deferred tax liabilities	20	24.3	29.9
Provisions	24	18.8	22.3
Pension liabilities	6	9.1	15.4
Other non-current liabilities		4.8	5.2
Non-current liabilities		78.4	100.4
Total liabilities		355.6	353.5
Share capital	25	90.0	90.0
<i>Of which treasury shares</i>	27	–13.2	–13.2
Group reserves	29	660.1	583.1
Equity		736.9	659.9
Total liabilities and equity		1092.5	1013.4

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

(1) Notes 6 to 29, see pages 61 to 78.

Consolidated Cash Flow Statement

For the year ended 31 December in CHF millions	(1)	2006	2005
Profit before tax		80.6	59.0
Depreciation and amortisation	8	56.0	54.7
Impairment charges	8	11.6	23.3
Share of results of associates	19	–	–0.1
Change in long-term provisions		–5.9	–5.0
Net (gain)/loss on sale of property, plant and equipment		–1.6	1.6
Net loss on assets held for sale		2.4	5.6
Loss on sale of investments	35	0.6	–
Interest and finance income	9	–3.7	–2.4
Interest and finance costs	9	6.6	6.5
Exchange differences on deconsolidation of investments	9	4.9	–0.1
Operating cash flows before changes in working capital		151.5	143.1
Change in			
Current receivables		–8.9	–15.4
Inventories		–23.2	–2.8
Current liabilities and provisions		12.2	8.9
Interest received		3.5	2.2
Interest paid		–6.0	–4.9
Tax paid		–17.7	–11.3
Net cash inflow from operating activities		111.4	119.8
Purchases			
Property, plant and equipment	16	–73.5	–61.2
Investment property	17	–0.1	–
Financial investments		–10.4	–
Consolidated investments (excl. cash and cash equivalents)	35	–6.6	–1.4
Money market investments	12	–68.5	–
Proceeds from sale			
Property, plant and equipment		3.4	0.7
Assets held for sale		1.8	–
Financial investments		3.2	0.7
Consolidated investments (excl. cash and cash equivalents)	35	–0.3	–
Net cash used in investing activities		–151.0	–61.2
Change in short-term interest-bearing borrowings		14.2	–36.8
Proceeds from long-term borrowings		0.4	–
Repayment of long-term borrowings		–7.4	–
Change in other non-current liabilities		3.2	–1.5
Change in treasury shares (exercise of executive share options)	27	0.1	4.0
Dividends paid to shareholders		–13.9	–8.5
Net cash used in financing activities		–3.4	–42.8
Net change in cash and cash equivalents		–43.0	15.8
Cash and cash equivalents at 1 January	12	180.7	164.0
Effect of exchange rate changes on cash and cash equivalents		0.6	0.9
Cash and cash equivalents at 31 December	12	138.3	180.7

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

(1) Notes 8 to 35, see pages 64 to 80.

Consolidated Statement of Changes in Equity

Statement of recognised income and expense

For the year ended 31 December in CHF millions	2006	2005
Revaluation of available-for-sale financial assets	1.9	2.0
Actuarial gains, losses and adjustments under IAS 19.58b	3.5	1.3
Currency translation differences	9.0	3.2
Net income recognised directly in equity	14.4	6.5
Profit for the year	76.5	40.4
Total recognised income and expense for the year	90.9	46.9
Attributable to equity holders	90.9	46.9
Attributable to minority interests	–	–

Statement of changes in equity

In CHF millions	Holding company's share capital	Group reserves ⁽²⁾	Fair value reserve	Currency translation reserve ⁽³⁾	Total Group reserves	Total equity
At 1 January 2005	76.0	530.0	-3.1	30.9	557.8	633.8
Change in accounting policy (restatement under IAS 19)	–	-16.4	–	–	-16.4	-16.4
At 1 January 2005 (restated)	76.0	513.6	-3.1	30.9	541.4	617.4
Total recognised income and expense for the year	–	41.7	2.0	3.2	46.9	46.9
Change in treasury shares	0.8	3.3	–	–	3.3	4.1
Dividends	–	-8.5	–	–	-8.5	-8.5
At 31 December 2005	76.8	550.1	-1.1	34.1	583.1	659.9
Total recognised income and expense for the year	–	80.0	1.9	9.0	90.9	90.9
Change in treasury shares	0.0	0.0	–	–	0.0	0.0
Dividends	–	-13.9	–	–	-13.9	-13.9
At 31 December 2006	76.8	616.2	0.8	43.1	660.1	736.9

⁽¹⁾ Holding company's share capital of CHF 90 million, less CHF 13.2 million (2005: CHF 13.2 million) par value of treasury shares.

⁽²⁾ Including treasury shares at cost of CHF 0.8 million (2005: CHF 0.8 million) less par value of CHF 0.2 million (see note 27).

⁽³⁾ Arising on translation of Group companies' equity and income statements denominated in foreign currencies.

Accounting Policies

Basis of preparation of consolidated financial statements

The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Daetwyler Group. They have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also comply with the Listing Rules of the SWX Swiss Exchange and the provisions of Swiss Corporation Law. The Board of Directors of Daetwyler Holding Inc. approved the consolidated financial statements at its meeting on 16 March 2007 for submission to the Annual General Meeting on 24 April 2007.

Unlike previous years, all revenue figures in these consolidated financial statements are based on net revenue (gross revenue less revenue deductions).

Adoption of new and revised IFRSs from 1 January 2006

Amendments to published standards effective in 2006:

IAS 19 (Amendment) Employee Benefits

The Daetwyler Group has adopted the amendments to IAS 19 (Amendment) for the recognition of actuarial gains and losses relating to employee pension schemes and the additional disclosure requirements from 1 January 2006. Actuarial gains and losses arising in defined benefit plans, together with deferred tax, have been offset against equity retrospectively from 1 January 2005. Prior year comparatives have been restated to comply with IAS 8. Actuarial losses of CHF 21.4 million, or CHF 16.4 million net after deferred tax, have been recognised in equity at 1 January 2005.

Profit for 2005 was increased by a net amount of CHF 0.8 million (restated).

Standards, amendments and interpretations effective in 2006 but not relevant to the Daetwyler Group

The following standards, amendments and interpretations became effective for 2006 but do not materially affect the Daetwyler Group:

IAS 21	(Amendment) Net Investment in a Foreign Operation
IAS 39	(Amendment) Cash Flow Hedge Accounting of Forecast Intragroup Transactions
IAS 39	(Amendment) The Fair Value Option
IAS 39	(Amendment) and IFRS 4 – Financial Guarantee Contracts
IFRS 1	(Amendment) First-time Adoption of International Financial Reporting Standards
IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

Standards, amendments to standards and interpretations not yet effective

Management does not expect the adoption of the standards to be applied in 2007 to have a material impact on the results presented in the Group's financial statements. In particular, IFRS 7 and amended IAS 1 will require additional disclosures with respect to the Group's financial instruments and share capital.

IFRS 8 – Operating Segments was published in November 2006 and is mandatory for accounting periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 – Segment Reporting and requires the identification of operating segments and information about their performance based on internal reporting to the top management. These new requirements may affect the current segment reporting. The Group has not yet conducted an analysis in this respect and is therefore not yet able to predict the impact of IFRS 8.

The following interpretations will be relevant from 2007. However, the Daetwyler Group's management does not anticipate that their adoption will have a material impact on the financial statements:

- IFRIC 7 Applying the Restatement Approach under IAS 29
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment
- IFRIC 11 IFRS 2: Group and Treasury Share Transactions
- IFRIC 12 Service Concession Arrangements

Use of estimates

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

Impairment of non-current assets, intangible assets and goodwill

When non-current assets, intangible assets and goodwill are reviewed for impairment, a number of assumptions are made that require medium- and long-term estimates. This applies both to internal projections (cash flows, growth rates, perpetuity etc.) and to external parameters (risk-adjusted weighted average cost of capital).

Deferred tax assets

Deferred tax assets are recognised in respect of tax loss carry-forwards when it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The assessment of the amount and recoverability of such deferred tax asset is therefore based on expectations (estimates) of the taxable entity's future profits.

Provisions

Provisions are recognised when the Daetwyler Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. As shown in the table of provisions in note 24, provisions are made for liabilities arising from various events. As the amount and timing of the cash outflows cannot always be determined with certainty at the time the provisions are recognised, provisions are necessarily based on some estimates.

Pensions and other benefits

The Daetwyler Group operates defined benefit pension plans in various countries. These are based on a number of long-term actuarial assumptions which may differ from actual results. Experience adjustments and the effects of changes in actuarial assumptions are recognised directly in equity, together with deferred tax thereon.

Basis of consolidation

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

The companies accounted for in the consolidated financial statements also include joint ventures and associates. A list of companies included in the consolidation is presented on pages 82 and 83 "Subsidiaries and Associates".

Consolidation method

The financial statements of consolidated companies are prepared using consistent classification and accounting policies. The reporting date for Daetwyler Holding Inc., all Group companies and the consolidated financial statements is 31 December.

The full consolidation method is applied to all companies included in the consolidation. Their assets, liabilities, income and expenses are incorporated in full. Minority interests are presented as a separate component of the Group's equity and profit.

The purchase method of accounting is used to account for the acquisition of subsidiaries. Under this method, the carrying amount of the investment in a subsidiary is offset against the Group's share of the fair value of the subsidiary's net assets.

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

Companies over which the Group has the power to exercise significant influence, generally accompanying a shareholding of between 20% and 50% of the voting rights, are classified as associates and accounted for using the equity method.

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

Foreign currency translation

Translation for consolidation purposes

The financial statements of foreign Group companies are prepared in local currencies, which are also their functional currencies. For the purpose of consolidation, the local financial statements are translated into Swiss francs, which is the Group's presentation currency. The principal exchange rates used to translate foreign currencies in the Daetwyler Group were as follows:

	2006		2005	
	Closing rate at 31 Dec.	Average rate for the year	Closing rate at 31 Dec.	Average rate for the year
1 EUR	1.61	1.57	1.56	1.55
1 USD	1.22	1.26	1.31	1.24

For the purpose of presenting consolidated financial statements, assets and liabilities for each balance sheet are translated at the closing rate at the balance sheet date, while income and expense items for each income statement are translated at the average exchange rate for the year.

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

Translation of balances and transactions in the accounts of subsidiaries

In preparing the financial statements of the individual Group companies, assets and liabilities denominated in foreign currencies are translated at the closing rates used in the consolidation. Exchange differences are recognised in the income statement as foreign exchange gains or losses. There are no foreign operations in hyperinflationary economies.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of assets and liabilities denominated in foreign currencies are recognised in the income statement.

Balance sheet and income statement

Property, plant and equipment

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

The estimated useful lives and depreciation periods in years are as follows:

Buildings	
Building structures	20 – 40
Interiors	20
Installations, storage equipment, tanks, silos, etc.	10 – 20
Manufacturing plant (electrical / electronic equipment 5-8 years)	10 – 15
Machinery	8 – 10
Moulds and tools	3

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

Costs of maintenance and renovations, other than improvements, are charged to the income statement. Borrowing costs are capitalised if they meet the criteria in IFRS, otherwise they are expensed in full.

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

Leases

The Daetwyler Group leases certain property, plant and equipment. Leases of property, plant and equipment where substantially all the risks and rewards of ownership are transferred to the Daetwyler Group at the inception of the lease are classified as finance leases. Such assets held under finance leases are therefore capitalised at their fair value or, if lower, at the net present value of the minimum lease payments, with a corresponding liability recognised in the balance sheet. Assets acquired under finance leases are depreciated over the shorter of their estimated useful lives or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Investment property

Investment properties are properties leased to third parties and held primarily to earn rentals and / or for capital appreciation. The Daetwyler Group's investment properties are confined to a residential and commercial property as well as reserve land. Investment properties are stated at cost less accumulated depreciation and any impairment losses and are presented separately in the consolidated balance sheet. The estimated useful life and depreciation period is 40 years.

Intangible assets

Intangible assets include licences, patents, software and other intangible assets which are stated at cost and amortised on a straight-line basis over their estimated useful lives. With the exception of goodwill, the Daetwyler Group has not recorded any intangible assets with indefinite useful lives, and the maximum amortisation period is 12 years.

Goodwill

Goodwill arising on business combinations after 31 March 2004 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. In addition, intangible assets that can be separately identified from goodwill and whose fair value can be measured reliably are recognised separately as intangible assets. Goodwill may also arise upon investments in associates, being the surplus of the cost of investment over the Group's share of the fair value of the net identifiable assets. Such goodwill is recorded within investments in associates.

Goodwill is not amortised on a straight-line basis but is tested annually for impairment. Should there be any indications of impairment in the course of the year, an impairment test is carried out as necessary during the year. Goodwill is stated at cost less accumulated amortisation up to the end of 2004 and less any accumulated impairment losses from 2005.

Impairment of non-current assets

The Group assesses non-current assets (in particular property, plant, equipment, investments and intangible assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For this purpose, the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest cash-generating unit to which the asset belongs.

In addition, goodwill is reviewed for impairment annually. For this purpose, goodwill is allocated to the cash-generating units to which it relates which, in the Daetwyler Group, are mostly individual Group companies. Then the Group estimates the recoverable amount of those cash-generating units, which generally represents their value in use.

Value in use is assessed using discounted cash flow analysis. The estimates used in these calculations are based on the current budget, current medium-term (3-year) plan and management's expectations of market developments, with projections covering a maximum period of five years unless a longer period is justified. Cash flows beyond the projection period are extrapolated in perpetuity. The projected future free cash flows are discounted using an average cost of capital adjusted for specific risks based on the capital asset pricing model (CAPM).

When the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised separately 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 Group company acquired exclusively with a view to resale. Classification as a "discontinued operation" occurs upon disposal or when the operation meets the criteria to be classified as "held for sale", if earlier.

Assets or disposal groups are classified as "held for sale" if their carrying amount will be recovered princi-

pally through a sale transaction rather than through continuing use. With this in view, such assets or disposal groups are presented separately as current assets. They are reclassified only when management is committed to the sale and an active programme to locate a buyer and complete the plan has been initiated. In addition, the asset or disposal group must be available for immediate sale in its present condition and the sale must be highly probable within one year.

Assets or disposal groups classified as "held for sale" are stated at the lower of carrying amount and fair value less costs to sell. Any impairment losses on initial classification as "held for sale" are recognised in the income statement. Once classified as "held for sale", assets and disposal groups are no longer depreciated.

Research and development

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

Financial assets

The Daetwyler Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. In 2005 and 2006, the Daetwyler 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 or 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 categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

All financial assets, except those carried at fair value through profit or loss, are initially recognised at fair value plus transaction costs. All purchases and sales are recognised on the trade date. Financial assets carried at fair value through profit or loss are recognised at fair value. Any changes in their fair value are included in finance costs or income in the period in which they arise. Loans and receivables are carried at amortised cost. Available-for-sale financial assets are carried at fair value, with unrealised gains or losses being recognised in equity. Foreign exchange gains and losses arising from the translation of monetary items denominated in foreign currencies are recognised in the income statement. When such items are sold or repaid, the cumulative gain or loss previously recorded in equity since their acquisition is included in the income statement. Available-for-sale financial assets are reviewed for impairment at each balance sheet date, and any significant or prolonged decline in their fair value is recognised in profit or loss.

Derivative financial instruments are measured at fair value at each reporting date and are recorded as other receivables or other current liabilities. Unrealised gains and losses are reported in the income statement. Fair values of derivative financial instruments are determined by reference to quoted market prices or current market value on the balance sheet date.

Derivatives used to hedge purchases of raw materials (copper) and that require physical settlement (delivery) are excluded from fair value measurement.

The Group uses forward exchange contracts and currency options to hedge foreign exchange risk. Hedge accounting as defined in IAS 39 is applied only in exceptional cases, with the explicit approval of the Executive Board, and was not applied in 2005 or 2006.

Financial investments

Financial investments include loans to third parties, minority shareholdings other than investments in associates, and securities held as long-term investments classified as available-for-sale financial assets. Minority shareholdings are stated at fair value or, if this cannot be determined, at cost (less any impairment losses).

Inventories

Inventories are stated at the lower of cost and net realisable value. Production cost comprises all direct material and manufacturing costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined using the weighted average method. If the net realisable value of inventories is lower than their purchase price or manufacturing cost, then their carrying amount is written down as necessary.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits in postal and bank accounts, and money market investments with original maturities of three months or less. They are stated at amortised cost.

Money market investments

Money market investments with a remaining maturity of 91 to 360 days are stated at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. A provision for the expected costs associated with restructuring is rec-

ognised when a detailed restructuring plan has been developed and the measures have been approved and announced before the balance sheet date.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Dividends

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

Revenue recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, which generally coincides with their delivery. Revenue under long-term multiple delivery contracts is recorded when each instalment is delivered, according to the quantity delivered.

Income tax expense

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

Deferred income tax is provided, using the liability method, on all temporary differences and recognised as tax liabilities or assets. Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated using local tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets are recognised for tax losses carried forward from previous years to the extent that it is probable that future taxable profits will be available against which they can be utilised.

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

Pensions and other benefits

The Group operates various pension schemes for its employees in accordance with local legislation in the countries concerned. The schemes are funded either by contributions to legally independent pension funds or through the recognition of a long-term pension liability in the balance sheets of the respective Group companies. The Group has both defined benefit and defined contribution plans.

For defined contribution plans, the contributions paid by the employer as incurred represent the amount recognised as pension costs.

The present value of benefits accrued under defined benefit plans is calculated annually by independent actuaries using the projected unit credit method based on years of service, the expected rate of salary and pension increases and the applicable discount rate. Net plan assets reflect the fair value at the balance sheet date. Experience adjustments and the effects of changes in actuarial assumptions are recognised directly in equity. In the balance sheet, surpluses or deficits under defined benefit pension plans are recognised as assets or liabilities according to the funding ratio. However, any asset recognised is limited to the present value of future economic benefits available to the employer in the form of refunds or reductions in future contributions. The annual cost of defined benefit plans is recognised immediately in the income statement.

Executive share option plan

On 9 January 2001, the Daetwyler Group established a share option plan for about 50 senior executives employed by the Group on 31 December 2000.

The cost of the share option plan is measured by reference to the fair value of the options at the date of option grant less the grant price payable. The difference is capitalised and expensed in the income statement over the three-year vesting period. The

vesting period ended on 9 January 2004 and any unexercised options lapsed without compensation upon expiry of the exercise period on 9 January 2006.

Company shares repurchased for this purpose were recorded at cost and recognised in equity independently of the executive share option plan.

Business combinations and disposals

Business combinations and disposals during 2006 are shown below. Their impact on the consolidated balance sheet is presented in note 35. On a year-on-year basis, business combinations and disposals resulted in a negative contribution of CHF 3.9 million to revenue (2005: positive CHF 4.6 million) and an insignificant contribution to profit (2005: CHF 1.1 million). As the mergers were between Group companies, they had no impact on the Daetwyler Group's consolidated financial statements apart from allowing the recognition of a deferred tax asset.

The percentages in brackets indicate the percentage voting rights held in the company.

Acquisitions

Prokes & Co. S.r.o., Novy Bydzov, CZ (80 %)	1 June 2006
Elastoform E. Hildebrand, Freiburg am Neckar, DE (100 %)	1 July 2006

Mergers

Daetwyler Electronics Ltd, Zurich, merged with Maag Technic AG, Duebendorf	1 January 2006
Maag Technic AG, Duebendorf, Distrelec Inc., Naenikon-Uster, and Daetwyler Inc., Altdorf, merged into Daetwyler Switzerland Inc., Altdorf	1 April 2006

Liquidation

Daetwyler Kabel+Systemen BV, PG Dronten, NL (100 %)	1 January 2006
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Companies renamed

Dimos AG, Altdorf, renamed Daetwyler Electronics Ltd, Altdorf	5 July 2006
Daetwyler Inc., Altdorf, renamed Daetwyler Switzerland Inc., Altdorf	5 September 2006
Parenteral Packaging AG, Altdorf, renamed Daetwyler Inc., Altdorf	5 September 2006
Abalec AG, Altdorf, renamed Distrelec Inc., Altdorf	27 September 2006
Basix AG, Altdorf, renamed Maag Technic Inc., Altdorf	27 September 2006
Druk LLC, Kiev, renamed CJSC Daetwyler Rubber Ukraine, Malyn	26 April 2006
Faehnle Technic GmbH, Goepingen, DE, renamed Maag Technic GmbH, Goepingen, DE	1 June 2006

Disposals

Daetwyler i/o devices AG, Bassersdorf (100 %)	1 July 2006
Daetwyler i/o devices (Asia) Co. Ltd, Bangkok (100 %)	1 July 2006
Daetwyler i/o devices (Americas) Inc., Norcross (100 %)	1 July 2006
Daetwyler i/o devices Mexico SA DE CV, Juarez (100 %)	1 July 2006
Top Bound Enterprise Co. Ltd., Taipei (20 %)	1 July 2006
Top Bound Technology Co. Ltd., Taipei (25 %)	1 July 2006

Notes to the Consolidated Financial Statements

1 Segment information

The Daetwyler Group is a diversified industrial Group organised into five divisions and a number of financial companies.

The Cables Division is engaged in structured premises cabling, telecom carrier applications, safety, elevator cabling and cable harnessing. It has manufacturing and distribution facilities in Switzerland, Germany, Austria, the UK and Asia.

The Rubber Division primarily operates in the automotive, construction and industrial sectors. Its manufacturing and distribution companies are located in Switzerland, Germany, France, the Czech Republic, Ukraine and the USA.

The Precision Tubes Division focuses on the strategic business segments of gas springs, automotive components, structural members and shock absorbers. It has manufacturing and distribution facilities in Switzerland, Germany and the USA.

The Pharmaceutical Packing Division specialises in manufacturing rubber and aluminium / plastic components for pharmaceutical packaging and rubber components for disposable medical devices. Its products are manufactured and distributed by Group companies in Belgium, Italy, Germany, the Netherlands and the USA.

The Technical Components Division is engaged in specialist and mail order distribution. Its distribution and service companies are located in Switzerland, Germany, Austria and Italy.

Details of the various divisions' products and services can be found on pages 8 to 27 of this Annual Report.

The Group's internal reporting is based on the business units mentioned above. Segment information is presented below by divisions as the primary reporting format. Geographical segments are presented as the secondary reporting format.

Segment information

Primary format – divisions at 31 December 2006

	Cables	Rubber	Precision Tubes	Pharmaceutical Packaging	Technical Components	Financial and service companies	Eliminations	Group total
Amounts in CHF millions								
Revenue from external customers	224.4	140.1	219.1	241.4	389.8	–	–	1214.8
Inter-segment revenue	0.5	0.4	–	–	2.3	–	–3.2	–
Total net revenue	224.9	140.5	219.1	241.4	392.1	–	–3.2	1214.8
Depreciation and amortisation	8.0	6.8	13.0	18.0	8.9	1.3	–	56.0
Impairment of property, plant and equipment	3.1	7.6	–	–	0.9	–	–	11.6
Loss on assets held for sale	–1.5	–	–	–0.2	–1.6	0.9	–	–2.4
EBIT	6.7	6.6	10.1	26.8	33.6	6.2	–	90.0
EBIT as % of net revenue	3.0%	4.7%	4.6%	11.1%	8.6%	–	–	7.4%
Net finance costs								–9.4
Income tax expense								–4.1
Profit for the year								76.5
Total assets	123.7	96.0	180.8	267.1	290.3	498.4	–363.8	1092.5
Carrying amount of equity-accounted companies	–	–	–	–	–	–	–	–
Total liabilities	109.8	77.4	108.0	151.6	87.6	23.4	–202.2	355.6
Capital expenditure on property, plant and equipment	5.8	15.6	5.9	39.9	6.1	0.2	–	73.5
Number of employees	798	1 022	560	1 178	934	18	–	4 510
Full-time equivalents	778	993	553	1 247	843	16	–	4 430

Secondary format – geographical regions at 31 December 2006

	Net revenue by region ⁽¹⁾	Net revenue by origin	Total assets ⁽²⁾	Capital expenditure on property, plant and equipment	Capital expenditure on intangible assets	Number of employees	Full-time equivalents
Amounts in CHF millions							
Switzerland	368.3	512.3	661.6	20.8	–	1 908	1 812
European Union	623.8	518.5	344.0	29.8	–	2 029	2 011
Rest of Europe	19.0	8.5	0.7	0.2	–	42	44
North America	93.6	66.1	68.2	21.3	–	363	382
Far East	50.0	41.8	17.9	1.4	–	168	181
Other markets	60.1	67.6	–	–	–	–	–
Group total	1214.8	1214.8	1092.5	73.5	–	4 510	4 430
Canton of Uri 2006	–	284.1	227.3 ⁽³⁾	13.3	–	987	942

⁽¹⁾ Revenue from external customers by destination.⁽²⁾ Assets by location.⁽³⁾ Incl. holding companies in the Canton of Uri (Switzerland).

Segment information

Primary format – divisions at 31 December 2005

	Cables	Rubber	Precision Tubes	Pharmaceutical Packaging	Technical Components	Financial and service companies	Eliminations	Group total
Amounts in CHF millions								
Revenue from external customers	173.9	124.2	207.0	213.7	373.1	–	–	1091.8
Inter-segment revenue	0.5	0.3	–	–	2.2	–	–3.0	–
Total net revenue	174.4	124.5	207.0	213.7	375.3	–	–3.0	1091.8
Depreciation and amortisation	9.2	6.5	11.8	17.5	8.0	1.6	–	54.6
Impairment of property, plant and equipment	–	13.8	–	–	1.5	0.5	–	15.8
Impairment of goodwill	–	0.6	–	–	6.9	–	–	7.5
Loss on assets held for sale	–4.8	–	–	–	–0.8	–	–	–5.6
EBIT	–5.5	7.3	9.8	28.4	19.9	4.8	–	64.7
EBIT as % of net revenue	–3.2 %	5.9 %	4.7 %	13.3 %	5.3 %	–	–	5.9 %
Net finance costs								–5.7
Income tax expense								–18.6
Profit for the year								40.4
Total assets	105.8	87.7	180.6	243.0	287.1	464.6	–355.4	1013.4
Carrying amount of equity-accounted companies	–	1.0	–	–	–	–	–	1.0
Total liabilities	97.1	74.7	110.8	136.1	160.1	25.4	–250.7	353.5
Capital expenditure on 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
Full-time equivalents	652	737	539	1 160	1 387	28	–	4 503

Results below the EBIT line are not allocated to the individual segments.

Secondary format – geographical regions at 31 December 2005

	Net revenue by region ⁽¹⁾	Net revenue by origin	Total assets ⁽²⁾	Capital expenditure on property, plant and equipment	Capital expenditure on intangible assets	Number of employees	Full-time equivalents
Amounts in CHF millions							
Switzerland	333.7	445.1	614.6	31.7	–	1943	1826
European Union	573.2	425.4	305.4	20.3	–	1653	1611
Rest of Europe	13.2	57.6	12.7	3.2	–	31	27
North America	89.9	69.4	59.1	4.9	–	340	380
Far East	37.3	63.6	20.1	1.1	–	659	659
Other markets	44.5	30.7	1.0	–	–	–	–
Group total	1091.8	1091.8	1013.4	61.2	–	4 626	4 503
Canton of Uri 2005	–	233.7	265.6 ⁽³⁾	19.5	–	1017	959

⁽¹⁾ Revenue from external customers by destination.⁽²⁾ Assets by location.⁽³⁾ Incl. holding companies in the Canton of Uri (Switzerland).

2 Unusual events in the Rubber Division in 2005 and 2006

In 2005 and 2006, manufacturing in the Rubber Division was severely affected by three incidents:

On 2 May 2005, the Trie-Château plant in France burned to the ground.

On 23 August 2005, much of the Schattdorf plant in Switzerland was flooded.

On 1 November 2006, the French plant, which had been moved from Trie-Château to Gisors and reconstructed, burned to the ground once again.

All the facilities were covered by property and business interruption insurance.

The impact of the unusual events on the 2005 and 2006 financial statements is detailed below:

In CHF millions	2006	2005
Property insurance recoveries (<i>other operating income</i>)	11.4	45.4
Business interruption insurance recoveries (<i>other operating income</i>)	11.7	11.9
Total insurance recoveries	23.1	57.3
Business interruption costs (<i>employee costs and operating expenses</i>)	-11.7	-11.9
Repair/reconditioning/ overhaul costs (<i>operating expenses</i>)	-6.1	-21.0
Inventory write-off (<i>raw materials and consumables used</i>)	-0.2	-10.3
Impairment of property, plant and equipment	-6.7	-1.9
Total costs	-24.7	-45.1
Impairment of property, plant and equipment (replacements)	-	-13.8
Net impact on the income statement	-1.6	-1.6

Impairment of property, plant and equipment (CHF 13.8 million) in 2005

Daetwyler Inc. (Switzerland)

Manufacturing equipment destroyed in the 2005 flood had to be written off in full and be replaced. Events and circumstances indicated that the replacements might be overvalued by CHF 15.8 million. A review to compare the carrying amounts with the recoverable amounts (fair value less costs to sell) revealed the need for an impairment charge of CHF 13.8 million.

3 Net revenue

An analysis of revenue by division and geographical region is presented in the segment information in note 1.

Net revenue consists of the following:

In CHF millions	2006	%	2005	%
Gross revenue from sales of goods	1226.8	100.0	1103.9	100.0
Revenue deductions	-12.0	-1.0	-12.1	-1.1
Net revenue	1214.8	99.0	1091.8	98.9

Factors impacting net revenue:

In CHF millions	2006	%	2005	%
Acquisition/disposal of Subsidiaries	-3.9	-0.4	4.6	0.4
Changes in exchange rates	12.2	1.1	2.9	0.3
Organic growth	114.7	10.6	32.7	3.1
Total change	123.0	11.3	40.2	3.8

Given the diversity of the Daetwyler Group's business activities, information on order intake and order backlog would not be meaningful.

4 Other operating income

This item includes revenue from services and scrap sales as well as packaging and freight costs charged to customers. In addition, the insurance recoveries following the fire and flood damage have been recorded as other operating income for 2005 and 2006 (see note 2).

5 Employees

Employee costs

in CHF millions	2006	2005
Wages and salaries	259.4	245.9
Employee benefit costs	62.5	59.2
State social security contributions	29.7	28.2
Pension costs	10.7	11.9
Other employee benefit costs	22.1	19.1
Other employee costs	9.6	9.5
Total	331.5	314.6

Non-share-based bonus plans are provided for executives. A share option plan expired in January 2006 (see note 27).

Employee numbers

An analysis of employee numbers by division and geographical region is presented in the segment information in note 1.

6 Pensions and other benefits

The Group operates various pension schemes for its employees in accordance with local legislation in the countries concerned. Pension schemes outside Switzerland are principally defined contribution plans. All the Swiss pension plans and three smaller executive pension plans in Germany and Belgium are of the defined benefit type.

The Swiss pension plans are organised as legally independent pension schemes in conformity with Swiss law (Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans). The assets of these plans are therefore held separately from those reported in the consolidated financial statements in independently administered funds (funded plans). Obligations under the defined benefit plans in Germany and Belgium are recognised directly in the balance sheets of the individual Group companies (unfunded plans).

Pension costs for defined benefit plans were as follows:

Defined benefit pension costs

In CHF millions	2006	2005
Service cost	20.8	20.3
Interest cost	17.0	15.8
Expected return on plan assets	-20.5	-18.9
Employee contributions	-6.6	-6.4
Pension costs under IAS 19	10.7	10.8

Total pension costs

In CHF millions	2006	2005
Defined contribution pension costs	0.0	1.1
Defined benefit pension costs	10.7	10.8
Total	10.7	11.9

The Group expects to make contributions of approximately CHF 11.5 million for the next year.

The following table summarises the funded status of the defined benefit plans:

Benefit obligation

In CHF millions	2006	2005
At 1 January	488.9	452.4
Service cost	20.8	20.3
Interest cost	17.0	15.8
Actuarial (gains)/losses	14.4	30.3
Benefits paid	-23.1	-29.9
Exchange differences	0.1	0.0
At 31 December	518.1	488.9
Of which funded pension plans	516.7	487.1
Of which unfunded pension plans	1.4	1.8

Fair value of net assets

In CHF millions	2006	2005
Fair value of plan assets at 1 January	478.0	438.4
Expected return on plan assets	20.5	18.9
Employee contributions	6.6	6.4
Employer contributions	12.2	11.9
Benefits paid	-22.6	-29.9
Actuarial gains/(losses)	15.6	32.3
Exchange differences	0	0
Fair value of plan assets at 31 December	510.3	478.0
Deficit at 31 December	-7.8	-10.9

The net liability consists of:

Other receivables	11.7	10.3
Adjustments recognised in equity (employees' share of welfare funds)	-1.2	-4.5
Long-term unfunded obligations	-1.4	-1.8
Long-term funded obligations	-18.2	-19.4
Net liability at 31 December	-9.1	-15.4

The net assets of funded pension plans of CHF 510.3 million (2005: CHF 478.0 million) comprise the plan assets of four legally independent pension funds and three voluntary employer-sponsored welfare funds. Only that portion of the assets of voluntary employer-sponsored welfare funds which is freely available to the employer has been recognised as an asset. Swiss legislation limits the availability of pension scheme surpluses to the Group.

Movements in the benefit obligation, fair value of plan assets, surplus (deficit) and actuarial gains and losses were as follows:

In CHF millions	2006	2005
Benefit obligation	518.1	488.9
Fair value of plan assets	510.3	478.0
Deficit	-7.8	-10.9

In CHF millions	2006	2005
Cumulative amount recognised in equity at 1 January	-19.4	-21.4
Actuarial gains/(losses) on benefit obligation		
Arising from changes in actuarial assumptions	-	-
Arising from experience adjustments	-14.4	-30.3
Experience adjustments on plan assets	15.6	32.3
Total actuarial gains/(losses) in the current year	1.2	2.0
Cumulative amount recognised in equity at 31 December	-18.2	-19.4

Plan assets consisted of the following asset classes at the year-end (as a percentage):

Asset class	2006	2005
Bonds	25.0	29.3
Property	27.2	29.1
Equities	32.1	29.7
Mixed assets	4.7	6.8
Other	11.0	5.1
Total	100.0	100.0

The actual rate of return on plan assets was 7.6 % (CHF 36.6 million) in 2006 and 11.7 % (CHF 51.2 million) in 2005.

Pension plan assets do not include any equity instruments issued by Daetwyler Holding Inc. or properties occupied by Group companies. However, they include loans of CHF 4.1 million to the employer (2005: 4.3 million), of which CHF 3.4 million (2005: CHF 3.4 million) is secured by mortgages.

The assumptions used to determine the benefit obligation and expected return on plan assets were as follows (%):

Actuarial assumptions

	2006	2005
Discount rate	3.5 %	3.5 %
Estimated rate of salary increases	3.0 %	3.0 %
Expected rate of pension increases	1.0 %	1.0 %
Expected return on plan assets	4.3 %	4.3 %
Average life expectancy of males after retirement (65)	17.3 J.	17.3 J.
Average life expectancy of females after retirement (64)	22.6 J.	22.6 J.

The expected rate of return on plan assets is based on the average return of common benchmarks over the past 10 years less 1 %. In the year under review, the underlying returns on each asset class were: 7.0 % for equities, 2.8 % for bonds, 3.7 % for property and 3.5 % for mixed assets. Weighted by asset class at 1 January 2006, the expected return for 2006 is 4.3 %.

7 Operating expenses

This item comprises expenses for factory supplies used, energy, repairs, maintenance, logistics, insurance, administration and marketing, rentals, leases and capital taxes. The Group does not incur any significant royalty expenses. In 2005 and 2006, this item also included additional expenditure in the aftermath of the unusual events in the Rubber Division (see note 2).

Quality assurance costs are included in production overheads, while expenditure on non-chargeable custom developments used are included in operating expenses. Approximately 5 % of gross revenue in the industrial units is spent on this. Apart from the costs mentioned, no other operating expense categories represented more than 5 % of revenue.

8 Depreciation, amortisation and impairment

In CHF millions	2006	2005
Depreciation		
Buildings	10.7	9.3
Machinery and production equipment	36.7	35.8
Other plant and equipment	7.5	9.0
Total depreciation of property, plant and equipment	54.9	54.1
Amortisation of intangible assets	1.1	0.5
Total depreciation and amortisation of non-current assets	56.0	54.6
Impairment		
Land and buildings	1.9	2.0
Machinery and production equipment	9.6	4.5
Other plant and equipment	0.1	9.3
Total impairment of property, plant and equipment ⁽¹⁾	11.6	15.8
Impairment of goodwill	–	7.5
Total impairment of intangible assets	–	7.5
Total impairment of non-current assets	11.6	23.3
Total depreciation, amortisation and impairment	67.6	77.9

¹⁾ Impairment charges on property, plant and equipment relate to the Cable, Rubber and Technical Components Divisions (see note 16).

9 Interest and finance costs and income

In CHF millions	2006	2005
Interest expense on loans	6.6	5.0
Loss on securities	–	1.5
Loss on sale of investments	0.6	–
Finance charges	0.9	0.8
Foreign exchange loss on financing activities	7.0	2.6
Total interest and finance costs	15.1	9.9
Interest income on loans	–3.2	–1.9
Income from securities	–0.5	–0.4
Foreign exchange gain on financing activities	–2.0	–1.8
Total interest and finance income	–5.7	–4.1
Net interest and finance costs	9.4	5.8

10 Foreign exchange gains and losses

In CHF millions	2006	2005
Foreign exchange gain on financing activities	–2.0	–1.8
Foreign exchange loss on financing activities	7.0	2.6
Foreign exchange gains/losses on sales and other	–1.2	–2.3
Net foreign exchange gains/losses	3.8	–1.5

The foreign exchange loss in 2006 includes cumulative translation losses of CHF 4.9 million that arose from exchange differences related to subsidiaries and affiliates and were recognised in the income statement on deconsolidation.

11 Income tax expense

In CHF millions	2006	2005
Current income tax	14.0	16.9
Deferred tax	-9.9	1.7
Total	4.1	18.6

The actual tax charge on the Group's profit before tax using the 23% tax rate applicable in Altdorf, Switzerland, where Daetwyler Holding Inc. is domiciled, can be analysed as follows:

In CHF millions	2006	2005
Profit before tax	80.6	59.0
Income tax calculated at a tax rate of 23%	18.5	13.6
Effect of different tax rates within the Group	-1.0	1.2
Effect of current losses for which no deferred tax asset was recognised	3.8	6.7
Effect of utilisation of tax losses not previously recognised as deferred tax assets	-0.2	-2.2
Effect of reassessment of tax loss carryforwards	-15.9	-
Expenses not deductible or only partially deductible for tax purposes and income not subject or only partially subject to tax	-1.9	-
Change in tax rates for deferred tax	-0.1	-
Adjustments in respect of prior years and other effects	0.9	-0.7
Total (current and deferred) income tax expense	4.1	18.6

On 1 April 2006, the Swiss companies Daetwyler Inc., Maag Technic AG and Distrelec Inc. merged to form Daetwyler Switzerland Inc. incorporated in Altdorf. This merger will allow tax benefits to be realised in the future from Daetwyler Inc.'s accumulated loss carryforwards. As a result, deferred tax assets were reassessed by CHF 15.9 million.

12 Cash, cash equivalents and money market investments

In CHF millions	2006	2005
Cash in hand and at bank	70.1	180.7
Money market investments		
<90 days	68.2	-
Cash and cash equivalents	138.3	180.7
Money market investments		
<360 days	68.5	-
Total cash, cash equivalents and money market investments	206.8	180.7

The average interest rate on money market investments was 1.9%.

13 Trade receivables

In CHF millions	2006	2005
Receivables from customers	175.2	167.9
Provision for impairment	-12.0	-11.8
Total	163.2	156.1

Provisions of CHF 1.4 million (2005: CHF 33.4 million) were charged to the income statement for bad and doubtful debts. The carrying amounts of receivables approximate to their fair values.

14 Inventories

In CHF millions	2006	2005
Raw materials and consumables	53.3	42.9
Goods for resale	25.3	31.2
Work in progress	47.7	40.0
Finished goods	95.8	84.8
Total ¹	222.1	198.9

¹ Of the total, inventories purchased within the Group accounted for CHF 10.7 million (2005: CHF 10.4 million).

The cost of inventories recognised as an expense and included in the income statement as the cost of raw materials and consumables used amounted to CHF 595.4 million (2005: CHF 535.7 million).

In 2006, the Group wrote inventories down by CHF 33.6 million (2005: CHF 31.5 million) to their net realisable value. The carrying amount of inventories stated at net realisable value was CHF 92.7 million (2005: CHF 81.3 million).

The Group reversed CHF 8.5 million (2005: CHF 0.8 million) of a previous inventory write-down during the year. This amount was reversed due to changes in market conditions.

15 Assets held for sale

Gains and losses on assets held for sale are recorded in operating profit (EBIT) retrospectively from 2005. The assets presented below have been classified as "held for sale" and are stated at the lower of carrying amount and fair value less costs to sell. These assets are available for immediate sale in their present condition and are expected to be sold within the next 12 months.

In CHF millions	Property, plant and equipment	Other current assets	Total
Changes in 2005			
Total assets at 1 January	–	–	–
Additions	13.0	0.9	13.9
Impairment charges	–4.8	–0.8	–5.6
Total assets at 31 December	8.2	0.1	8.3
Payables			0.1
Other current liabilities			0.2
Provisions			0.1
Total liabilities at 31 December			0.4
Changes in 2006			
Total assets at 1 January	8.2	0.1	8.3
Additions	1.8	–	1.8
Disposals	–0.4	–0.1	–0.5
Impairment charges	–2.1	–	–2.1
Total assets at 31 December	7.5	–	7.5
Payables			–
Other current liabilities			0.2
Provisions			0.4
Total liabilities at 31 December			0.6

Financial and service companies

Residential property / Switzerland

At the end of January 2006, a non-operating property in Switzerland was sold to a general contractor at a gain of CHF 1.4 million for a major development project. In connection with the major development project, another property carried at CHF 1.1 million was reclassified as held for sale in 2006. A loss of CHF 0.5 million arose on remeasurement to fair value.

Cables Division

Manufacturing facilities / Switzerland

Facilities in Switzerland that were no longer required for the internal manufacturing process were classified as a disposal group and sold on 1 January 2007. In 2005, a loss of CHF 4.8 million arose on remeasurement to fair value less costs to sell, of which CHF 4.0 million was recognised as impairment of property, plant and equipment and CHF 0.8 million as inventory write-downs. In 2006, an additional impairment loss of CHF 1.8 million had to be recognised. This disposal group does not constitute a discontinued operation..

Rubber Division

Two plots of land no longer required are for sale and carried at an amount of CHF 0.7 million.

Pharmaceutical Packaging Division

Discontinued manufacturing facility / USA

A manufacturing facility was shut down after two plants in the USA were combined at one location.

The disused property will be sold and was stated at a carrying amount of CHF 1.3 million at the end of 2005. The sale is expected to take place in the first half of 2007.

Technical Components Division

Commercial property / Switzerland

An office and commercial building that is no longer required in the Greater East Zurich area is for sale. In 2005, a loss CHF 0.8 million arose on remeasurement to fair value less costs to sell. As the property situation in this area remains difficult, an additional impairment loss of CHF 1.6 million had to be recognised in 2006 to write the property down to fair value of CHF 4.9 million.

16 Property, plant and equipment

An analysis of capital expenditure on property, plant and equipment by division and geographical

region is presented in the segment information in note 1.

<i>Movements in property, plant and equipment</i>	Land	Buildings	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total
In CHF millions						
At 1 January 2005						
Cost	37.2	320.2	673.0	113.0	26.8	1 170.2
Accumulated depreciation	–	–191.7	–496.0	–92.2	–	–779.9
Net book amount	37.2	128.5	177.0	20.8	26.8	390.3
Year ended 31 December 2005						
Opening net book amount	37.2	128.5	177.0	20.8	26.8	390.3
Exchange differences	0.3	1.3	3.1	0.3	0.7	5.7
Additions	0.1	7.9	9.5	5.8	37.9	61.2
Disposals and transfers	–5.7	–12.8	9.3	–0.7	–13.7	–23.6
Acquisition / disposal of subsidiaries	–	–0.1	–	–	–	–0.1
Depreciation charge	–	–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
Closing net book amount	31.9	109.2	158.2	16.9	42.6	358.8
At 31 December 2005						
Cost	31.9	319.7	661.3	89.5	51.7	1 154.1
Accumulated depreciation	–	–210.5	–503.1	–72.6	–9.1	–795.3
Net book amount	31.9	109.2	158.2	16.9	42.6	358.8
Year ended 31 December 2006						
Opening net book amount	31.9	109.2	158.2	16.9	42.6	358.8
Exchange differences	–	0.2	1.2	0.3	0.2	1.9
Additions	–	21.5	30.0	11.0	11.0	73.5
Disposals and transfers	–0.1	9.5	17.9	–0.9	–30.0	–3.6
Acquisition / disposal of subsidiaries	–	2.9	–0.1	–0.6	–0.2	2.0
Depreciation charge	–	–10.7	–36.7	–8.1	0.6	–54.9
Impairment charges	–	–1.9	–9.6	–0.1	–	–11.6
Closing net book amount	31.8	130.7	160.9	18.5	24.2	366.1
At 31 December 2006						
Cost	31.8	333.7	669.1	84.8	25.3	1 144.7
Accumulated depreciation	–	–203.0	–508.2	–66.3	–1.1	–778.6
Net book amount	31.8	130.7	160.9	18.5	24.2	366.1

The following impairment losses totalling CHF 11.6 million were recognised in 2006:

Cables Division

Manufacturing facilities / China

Due to the difficult business situation of Shanghai-based Daetwyler Cables+Systems (Shanghai) Co. Ltd in this market, the company will be extensively reorganised and completely realigned. This resulted in impairment losses of CHF 3.1 million on facilities because they no longer had a value in use at the date of the financial statements.

Rubber Division

Manufacturing facilities / France

The Rubber Division's manufacturing facility in France burned to the ground in November 2006. This facility had been completely reconstructed after the first fire in 2005, with new purchases made to replace all the machinery and equipment. An impairment loss of CHF 6.7 million had to be recognised on buildings and equipment (see note 2).

Manufacturing facilities / USA

As a manufacturing facility engaged in the automotive business in the USA continued to face a difficult market environment, it became necessary to review its property, plant and equipment for impairment. For this purpose, the future cash flows of the cash-generating unit were discounted at an interest rate of 8%. The calculated value in use resulted in an impairment charge of CHF 0.9 million on the manufacturing facilities and property.

Technical Components Division

Commercial property / Germany

In 2006, another impairment charge of CHF 0.9 million was required for a Group-occupied commercial property in Germany. Following the optimisation of the organisation and structures of the German Group company renting the premises, there was no longer any need for part of the property, which is the cash-generating unit. This reduced the rental income earned by the Swiss property company leasing out the premises, which is also a member of the Daetwyler Group. In order to assess impairment, the fair value less costs to sell and the value in use were determined for the cash-generating unit, the

German property. The recoverable amount is the fair value less costs to sell and is based on a valuation by an external valuer.

Other details of property, plant and equipment

The carrying amount of property, plant and equipment includes a warehouse in Italy leased to a company acquired by the Pharmaceutical Packaging Division in 2004.

In CHF millions	2006	2005
Cost of leased property, plant and equipment	1.6	1.4
Accumulated depreciation	0.2	0.1
Net book amount of leased property, plant and equipment	1.4	1.3

Assets pledged or assigned to secure Group liabilities:

Carrying amount / nominal value in CHF millions	2006	2005
Land and buildings	31.3	24.4
Used to secure bank and mortgage loans	28.6	22.8

Fire insurance value of property, plant and equipment:

In CHF millions	2006	2005
Buildings	605.1	568.0
Machinery, equipment and vehicles	971.2	1030.6
Total	1576.3	1598.6

The assets are insured at replacement value. Business interruption risks are insured throughout the Group.

17 Investment property

In CHF millions

	Residential and commercial buildings	Reserve land	Total
At 1 January 2005			
Cost	9.0	3.6	12.6
Accumulated depreciation	-1.6	-	-1.6
Net book amount	7.4	3.6	11.0
Year ended 31 December 2005			
Opening net book amount	7.4	3.6	11.0
Depreciation charge	-0.2	-	-0.2
Impairment charges	-0.5	-	-0.5
Closing net book amount	6.7	3.6	10.3
At 31 December 2005			
Cost	9.0	3.6	12.6
Accumulated depreciation and impairment charges	-2.3	-	-2.3
Net book amount	6.7	3.6	10.3
Fair value	6.7	12.3	19.0
Rental income	0.7	-	0.7
Repair and maintenance costs	0.1	-	0.1
Year ended 31 December 2006			
Opening net book amount	6.7	3.6	10.3
Additions	0.1	-	0.1
Depreciation charge	-0.2	-	-0.2
Closing net book amount	6.6	3.6	10.2
At 31 December 2006			
Cost	9.1	3.6	12.7
Accumulated depreciation and impairment charges	-2.5	-	-2.5
Net book amount	6.6	3.6	10.2
Fair value	6.7	12.3	19.0
Rental income	0.7	-	0.7
Repair and maintenance costs	0.1	-	0.1

The fair value of the Daetwyler Group's investment property is determined by an in-house certified property specialist using generally acceptable methods for determining the fair value of properties.

There are no restrictions on a sale of the investment properties recorded in the balance sheet. Neither does the Group have any contractual obligations to purchase or construct investment property or to carry out repairs, maintenance or improvements.

Impairment of a commercial and residential property in 2005

(Financial and service segment)

In 2005, an impairment loss of CHF 0.5 million had to be recognised for a commercial and residential property in Switzerland due to the low rental income. No impairment charges were required last year.

18 Intangible assets

In CHF millions

	Goodwill	Other intangible assets	Total
At 1 January 2005			
Cost	40.2	10.9	51.1
Accumulated amortisation and impairment charges	–	–4.5	–4.5
Net book amount	40.2	6.4	46.6
Year ended 31 December 2005			
Opening net book amount	40.2	6.4	46.6
Exchange differences	0.5	0.1	0.6
Amortisation charge	–	–0.5	–0.5
Impairment charges	–7.5	–	–7.5
Closing net book amount	33.2	6.0	39.2
At 31 December 2005			
Cost	40.4	11.1	51.5
Accumulated amortisation and impairment charges	–7.2	–5.1	–12.3
Net book amount	33.2	6.0	39.2
Year ended 31 December 2006			
Opening net book amount	33.2	6.0	39.2
Exchange differences	1.0	0.2	1.2
Acquisition / disposal of subsidiaries	1.5	1.7	3.2
Disposals and transfers	–	0.5	0.5
Amortisation charge	–	–1.1	–1.1
Closing net book amount	35.7	7.3	43.0
At 31 December 2006			
Cost	43.3	14.4	57.7
Accumulated amortisation and impairment charges	–7.6	–7.1	–14.7
Net book amount	35.7	7.3	43.0

Other intangible assets include assets of CHF 7.1 million (2005: CHF 6.0 million) recognised for customer relationships acquired in business combinations in accordance with IFRS 3 as well as capitalised software of CHF 0.2 million.

All goodwill in the Daetwyler Group is allocated to cash-generating units (CGUs). A CGU is generally a Group company.

The carrying amount of goodwill is tested for impairment at the beginning of the fourth quarter of each year. The recoverable amount, which is the value in use, is determined using discounted cash flow analysis (DCF analysis). The cash flow projections are based on the budget (year 1) and medium-term plan (years 2 and 3). Subsequent years (years 4 and 5) are calculated using cash flow projections and the years beyond are calculated in perpetuity without growth. Cash flow projections are based on historical experience and management's expectations of future performance.

The average interest rate used in discounting the projected cash flows (WACC) is calculated using the capital asset pricing model (CAPM), taking into account country-specific risks. A post-tax discount rate is applied because tax expense is included in the cash flow projections.

The following table shows the carrying amounts of goodwill for each CGU and the assumptions used for DCF analysis:

In CHF millions	Carrying amount	WACC	Growth rate
Rubber Division			
Daetwyler Rubber (CZ) Production sro, Czech Republic	1.5	8.9%	0.6%
Pharmaceutical Packaging Division			
Helvoet Pharma Deutschland GmbH, Germany	4.9	7.9%	2.8%
Seal Line SpA, Italy	4.8	8.6%	9.0%
Technical Components Division			
Maag Technic / Wachendorf, Switzerland	1.4	8.9%	3.8%
Schuricht Distrelec GmbH, Germany	23.1	7.9%	2.7%
Daetwyler Group	35.7		

The 2006 review of the carrying amounts did not give rise to any value adjustments. In a sensitivity analysis, variations were made in the underlying data used for the DCF analysis, which also showed

that the assets' value in use exceeds their carrying amount and no value adjustments are necessary, barring exceptional circumstances.

19 Investments in associates

In CHF millions	2006	2005
At 1 January	1.0	2.4
Transfer	–	–1.5
Disposals	–1.1	–
Share of net profit	–	0.1
Dividends received	–	–0.1
Exchange differences	0.1	0.1
At 31 December	–	1.0

The Daetwyler Group's share of its associates' assets and liabilities and its share of their revenue and profit are as follows:

In CHF millions	2006	2005
Balance sheet items		
Assets	–	2.5
Liabilities	–	1.5
Net assets	–	1.0
Revenue	2.8	5.0
Profit	0.0	0.1

A wholly-owned interest in the associate was acquired on 1 June 2006 (see note 35).

20 Deferred income tax

Movements

Deferred tax assets and liabilities are calculated using the liability method on all temporary differences.

In CHF millions	2006	2005
	netto	netto
At 1 January before IAS 19 restatement		-25.6
Restatement of opening balance under IAS 19		4.9
Restated opening balance at 1 January	-22.8	-20.7
Deferred tax credit (charge)	9.9	-1.7
Deferred tax recognised in equity on IAS 19 actuarial gains/losses	-1.0	-0.4
Acquisition/disposal of subsidiaries	-0.2	-
Exchange differences	-0.5	-0.0
At 31 December	-14.6	-22.8

Analysis of deferred tax balances

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right and intends to settle its current tax assets and liabilities on a net basis.

In CHF millions	2006	2005
Deferred tax assets	9.7	7.1
Deferred tax liabilities	-24.3	-29.9
Deferred income tax liabilities (net)	-14.6	-22.8

Tax loss carryforwards

Deferred tax assets are recognised for tax loss carryforwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Deferred tax assets have been recognised in respect of tax losses carried forward by companies whose results have been subject to cyclical fluctuations or that have incurred start-up losses and where there are clear indications that they will generate sufficient taxable profits in the foreseeable future. Furthermore, additional tax loss carryforwards are available for offset against future taxable profits due to the 2006 merger to

form Daetwyler Switzerland Inc. As a result, deferred tax assets were reassessed by CHF 15.9 million.

At 31 December 2006, the Daetwyler Group did not recognise tax losses totalling CHF 57.5 million (2005: CHF 179.3 million) carried forward by individual Group companies because it seems unlikely at present that future taxable profits will be available against which the benefits from these tax loss carryforwards can be utilised. Tax losses available for offset against future taxable profits expire as follows:

In CHF millions	2006	2005
Expiring in		
1 year	1.5	2.5
2 years	1.2	2.2
3 years	-	1.4
4 years	0.7	3.5
5 years or more	54.1	169.7
Total	57.5	179.3

The change in unrecognised tax loss carryforwards is mainly due to the recognition of a deferred tax asset in respect of loss carryforwards in connection with the merger into Daetwyler Switzerland Inc. and to the sale of the Daetwyler i/o Devices Group.

Analysis

Deferred tax assets and liabilities are attributable to temporary differences in the recognition of the following balance sheet items and to loss carryforwards:

In CHF millions	2006	2005
Property, plant and equipment	-21.1	-22.9
Inventories	-5.1	-4.3
Other assets and liabilities	-3.5	0
Tax loss carryforwards	15.1	4.4
Total	-14.6	-22.8

At 31 December 2006, the aggregate amount of temporary differences associated with investments in Group companies for which deferred tax liabilities have not been recognised was CHF 249.2 million (2005: CHF 205.5 million).

21 Financial investments

In CHF millions	2006		2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans to third parties	3.9	3.9	4.4	4.4
Securities	15.5	15.5	16.2	16.2
Investments in third parties (net)	0.0	0.0	0.0	0.0
Other financial investments	10.4	10.4	0.4	0.4
Total financial investments	29.8	29.8	21.0	21.0

The securities included in financial investments comprise bonds and units in investment funds held as long-term investments. They are classified as available-for-sale financial assets. The unrealised gain for the period (2006: CHF 1.9 million; 2005: CHF 2.0 million) and the cumulative gain or loss (2006: CHF 0.8 million; 2005: CHF –1.1 million) are recognised in equity and not in the income statement until the securities are disposed of.

Other financial investments include an advance payment of CHF 10.0 million for the purchase of Proditec AG at 1 January 2007.

22 Borrowings

Current borrowings

In CHF millions	2006	2005
Bank current accounts	111.9	101.0
Total current borrowings	111.9	101.0

Non-current borrowings

In CHF millions	2006	2005
Bank loans	21.4	27.6
Total non-current borrowings	21.4	27.6
Total borrowings	133.3	128.6
<i>Secured borrowings</i>	<i>31.3</i>	<i>24.4</i>

In CHF millions	CHF millions 2006	% of total 2006	Ø interest rate 2006	CHF millions 2005	% of total 2005	Ø interest rate 2005
Borrowings by currency						
CHF	15.5	11.6	2.9	38.7	30.1	2.5
EUR	70.4	52.8	4.4	57.3	44.6	3.1
USD	39.4	29.6	5.7	27.8	21.6	4.9
Other	8.0	6.0	4.5	4.8	3.7	4.5
Total	133.3	100.0	4.6	128.6	100.0	3.4
Borrowings by maturity						
Current	111.9	83.9	4.8	101.0	78.5	3.4
Non-current	21.4	16.1	3.6	27.6	21.5	3.3
Total	133.3	100.0	4.6	128.6	100.0	3.4
Borrowings by region						
Switzerland	31.5	23.6		33.8	26.3	
Other countries	101.8	76.4		94.8	73.7	
Total	133.3	100.0		128.6	100.0	

Maturity of non-current borrowings

In CHF millions	2006	2005
Within 2 years	5.9	16.0
Within 3 years	5.6	5.4
Within 4 years	8.3	5.3
Within 5 years	0.2	0.2
After 5 years	1.4	0.7
Total	21.4	27.6

Given the current interest rate environment and maturities, the fair values of borrowings approximate their carrying amounts.

23 Other current liabilities, accruals and deferred income

In CHF millions	2006	2005
Customer advances	3.4	2.9
Social insurance	3.3	3.6
Capital and value added tax	3.6	2.3
Accruals and deferred income	18.6	20.6
Other current liabilities	4.8	4.1
Total	33.7	33.5

24 Provisions

In CHF millions	1 January	Currency	Charged	Utilised	Reversed	Reclas- sified	31 De- cember
Short-term provisions for:							
Employees and social security	22.5	0.3	25.3	-18.3	-1.9	0.3	28.2
Warranty and liability claims	5.0	0.0	2.6	-0.9	-1.9	0.2	5.0
Restructuring	0.4	-	2.7	-0.5	-0.5	-	2.1
Environment and infrastructure	2.8	-	1.1	-1.3	0.0	2.8	5.4
Other	5.7	0.1	8.0	-7.2	-1.5	-	5.1
Total short-term provisions	36.4	0.4	39.7	-28.2	-5.8	3.3	45.8
Long-term provisions for:							
Employees and social security	7.4	0.3	1.0	-1.1	-	-0.3	7.3
Warranty and liability claims	5.3	0.0	1.1	-0.1	-0.3	-0.2	5.8
Environment and infrastructure	7.8	0.0	-	-0.3	-0.1	-2.8	4.6
Other	1.8	0.0	0.2	-0.9	-	-	1.1
Total long-term provisions	22.3	0.3	2.3	-2.4	-0.4	-3.3	18.8
Total provisions for 2006	58.7	0.7	42.0	-30.6	-6.2	-	64.6
Total provisions for 2005	62.3	0.6	28.4	-25.7	-6.9	-	58.7

Discounting

The effect of the time value of money is not material for the long-term provisions.

Employees and social security

This provision covers holidays, overtime, bonuses, premium pay and similar liabilities. The provision is calculated based on actual data. The expected payments generally become due within 24 months.

Warranty and liability claims

The Daetwyler Group gives warranties in connection with the products and services it provides. These are based on local legislation or contractual arrangements. The provision is calculated from past experience. The short-term provision for liability claims is based on actual claims reported, which are generally settled within one year. The long-term provision for multi-year warranties is based on past experience.

Restructuring

This provision relates to restructuring measures that have been decided upon and announced for Group companies and are generally implemented within one year.

Environment and infrastructure

This provision relates to liabilities for the clean-up of long-used contaminated manufacturing sites and costs expected to be incurred in the restoration and repair of infrastructure. The provision is determined based on detailed cost estimates. The projects are carried out over a period of several years.

25 Share capital

Composition of share capital (unchanged):

In CHF millions	2006	2005
220 000 registered shares of CHF 100 each	22.0	22.0
136 000 bearer shares of CHF 500 each	68.0	68.0
Total share capital	90.0	90.0

Per share data

	2006	2005
Bearer shares (of CHF 500 each)		
Number issued	136 000	136 000
Number ranking for dividend	110 000	110 000
Proposed / approved dividend per bearer share	175	90
Registered shares (of CHF 100 each)		
Number issued	220 000	220 000
Number ranking for dividend	220 000	220 000
Proposed / approved dividend per registered share	35	18
Total par value of shares ranking for dividend (CHF millions)	77.0	77.0
Authorised share capital	none	none
Authorised but unissued share capital	none	none
Registration / voting restrictions	none	none
Opting-out and opting-up provisions	none	none

26 Earnings per share

Earnings per share is calculated by dividing net profit for the year by the weighted average number of shares in issue and ranking for dividend, excluding shares held in treasury. The weighted value of the 220 000 registered shares represents 44 000 bearer shares.

	2006	2005
Net profit reported in the income statement (CHF millions)	76.5	40.4
Weighted average number of shares	153 695	153 680
Basic earnings per bearer share ranking for dividend (CHF)	497.8	262.8
Diluted number of shares	153 695	153 910
Diluted earnings per bearer share ranking for dividend (CHF)	497.8	262.4

The average market price of the shares during 2005 was CHF 3 481, thus exceeding the option exercise price of CHF 2 500. This had a dilutive effect on 2005 earnings per bearer share ranking for dividend. All outstanding options expired on 9 January 2006 so there were no dilutive effects in 2006.

27 Treasury shares

26 000 bearer shares of CHF 500 each were created by a resolution passed by the General Meeting on 18 November 1989, disapplying the pre-emption rights of shareholders and participation certificate holders, to provide for the exercise of options, warrants or conversion rights and for other purposes in the Company's interest. These shares are not entitled to vote and do not rank for dividend until they are used.

At 31 December 2006, 26 000 unissued bearer shares were still held by the Company. The par value of these shares totalling CHF 13.0 million (26 000 unissued shares x CHF 500.- each) is deducted from the CHF 90.0 million share capital of Daetwyler Holding Inc.

Executive share option plan

Of the total of 2 000 share options originally granted under the executive share option plan, 1 700 options (of which 20 in 2006) were exercised before the expiry of the exercise period on 9 January 2006. The remaining 300 options lapsed, and the shares reserved for them are held in treasury and may be used freely. Their value of CHF 0.2 million has been deducted from share capital.

28 Shareholders

Pema Holding AG owns all 220 000 registered shares and 44 000 (2005: 42 000) of the total of 136 000 bearer shares of Daetwyler Holding Inc. This represents 80.00 % (2005: 79.39 %) of the voting rights and 48.89 % (2005: 47.78 %) of the share capital. The entire share capital of Pema Holding AG was contributed to Daetwyler Fuehrungs AG, indirectly giving it a majority of the voting rights in Daetwyler Holding Inc.

The Board of Daetwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold more than 5 % of the total voting rights.

29 Reserves

Group reserves

Group reserves comprise both restricted reserves set aside to comply with national requirements, which are not available for distribution, and distributable reserves set aside from retained earnings.

30 Minority interests

In 2005 and 2006, no subsidiaries of the Daetwyler Group had minority shareholders.

31 Risk management and financial instruments

Derivative financial instruments are used primarily to hedge exposure to foreign exchange risk. Contracts are entered into only with highly rated financial institutions. Policy decisions on currency risk management are taken strategically at Group level. Short- and medium-term decisions are made operationally in the divisions or individual companies. At operational level, the ultimate objectives of strategic currency management are pursued and monitored in the light of the liquidity, return and risk targets.

Foreign exchange risk

A substantial portion of the Group's operating cash flows is in foreign currencies. The Group hedges part of its foreign exchange risk on trade receivables, trade payables and intra-group loans. Forward exchange contracts and currency options, which generally have maturities of less than 12 months, are used as hedging instruments. Hedge accounting as defined in IAS 39 was not applied in 2005 or 2006.

Forward exchange contracts

In CHF millions (at 31 December)	2006	2005
Positive fair value	0.0	0.9
Contractual amounts	3.4	10.8
Negative fair value	0.6	0.3
Contractual amounts	26.9	21.7

Forward exchange contracts by currency

In CHF millions (at 31 December)	2006	2005
EUR	13.8	17.2
USD	9.6	9.0
SGD	0.3	0.3
CZK	6.6	6.0
Total	30.3	32.5

The contractual amounts represent the full extent of the Group's exposure to financial instruments on the balance sheet date. However, these amounts are not indicative of the level of losses that could be incurred as a result of fluctuations in financial markets.

Credit risk

The Daetwyler Group has not used any derivative financial instruments to hedge credit risk. Short-term bank deposits are held with financial institutions with high credit ratings. Trade receivables are stated net of provisions for bad and doubtful debts. The credit risk associated with these receivables is limited because the customer base consists of a large number of geographically dispersed customers in different industries. The Group therefore has no significant concentrations of credit risk.

The credit risk within the Daetwyler Group is limited as the Group only enters into contracts with highly rated counterparties.

Interest rate risk

The Group has not hedged its exposure to interest rate risk. The Group's policy is principally to arrange its medium- and long-term borrowings at fixed interest rates and its short-term borrowings at variable interest rates.

Market price risk

Forward and futures contracts are used selectively to hedge commodity price risk. Equity investments are not hedged.

32 Contingent liabilities

The Group has a number of risks arising in the ordinary course of business from contingent or probable liabilities in connection with litigation and outstanding tax assessments. Provisions have been recognised to the extent that the outcome of such matters can be estimated reliably. No provisions have been made where the outcome is uncertain or the risk is not quantifiable.

The Daetwyler Group has not given any guarantees in respect of its business relationships with third parties. Intra-group bonds and guarantees have been eliminated on consolidation. There are no subordination agreements with third parties.

33 Leases

Maturity of rental and lease payments

In CHF millions	2006	2005
Finance leases		
Less than one year	0.2	0.4
Between two and five years	0.4	0.5
More than five years	–	–
Total lease payments	0.6	0.9
Less future finance charges	0.0	0.1
Total finance lease commitments	0.6	0.8
Operating leases		
Less than one year	0.8	0.5
Between two and five years	1.4	0.8
More than five years	–	–
Total operating lease commitments	2.2	1.3

The operating lease expenditure charged to the income statement for 2006 amounted to CHF 1.5 million (2005: CHF 0.8 million). There are no individually significant operating leases.

34 Research and development costs

In CHF millions	2006	2005
Employee costs	3.4	3.5
Amortisation	0.1	0.1
Other operating expenses	1.3	1.3
Total research and development costs	4.8	4.9

35 Effect of acquisitions and disposals

Investments acquired and consolidated for the first time and disposals had the following effect on the Group's assets and liabilities in 2006 and 2005:

In CHF millions	Carrying amount	Fair value adjustments	Acquisitions 2006	Disposals 2006	Acquisitions 2005
Property, plant and equipment	4.6	0.4	5.0	-3.0	0.1
Other non-current assets	0.0	1.7	1.7	-0.1	0.3
Current assets	8.8	-0.2	8.6	-9.4	5.1
Liabilities	-8.0	-0.4	-8.4	11.9	-1.1
Net assets	5.4	1.5	6.9	-0.6	4.4
20% minority interest			-1.1	-	
Net assets acquired / disposed of			5.8	-0.6	
Cash and cash equivalents acquired / disposed of			-0.7	0.3	-3.0
Net assets acquired / disposed of net of cash and cash equivalents			5.1	-0.3	1.4
Goodwill			1.5	-	-
Net loss arising from acquisitions and disposals			0.0	0.6	-
Net cash outflow on acquisitions and disposals			6.6	0.3	1.4

Acquisitions in 2006

The Daetwyler Group is reinforcing the Rubber Division's Czech manufacturing operations at the site in Novy Bydzov. On 1 June 2006, Daetwyler Inc. acquired all outstanding interests in its former manufacturer and local joint venture partner, Prokes & Co., raising its stake from 20% to 100%. As a result, Daetwyler now employs about 325 people in the Czech Republic. In 2006, the company contributed CHF 4.3 million in revenue to the consolidated financial statements; its share of profit was immaterial.

Maagtechnic, a member of the Daetwyler Group, acquired Elastoform E. Hildebrand, a German sole proprietorship, on 1 July 2006. This acquisition is allowing Maag Technic in Germany to accelerate expansion in the core area of rubber technology. Elastoform employs 2 people and generates annual revenue of approximately CHF 3 million.

Disposals in 2006

On 1 July 2006, the Daetwyler Group's Technical Components Division sold its keypad business to a group of investors led by the management which had successfully run the company since 2003. The keypad business, organised in Daetwyler i/o

devices, generated approximately CHF 23 million in annual revenue. The range of products included silicone keypads and keyboard moulds for applications in automotive engineering, instrumentation and telecommunications. At the time of disposal, the company employed 620 people.

The purchase and sale agreements for the above transactions contain a confidentiality clause in respect of the purchase consideration and other relevant data.

36 Post balance sheet events

The Daetwyler company Maagtechnic acquired four operating companies from the Revol Group in France and the Czech Republic on 1 January 2007. The Revol Group, a manufacturing and distribution enterprise engaged in polymer and fluid technology, employs 190 people and generates annual revenue of approximately CHF 40 million. This acquisition increases Maagtechnic's market share in Europe, reinforces its range of products and services, and extends its machining capacity for polymer components. The Daetwyler Group acquired Proditex AG at

1 January 2007. Proditec, a specialist distributor of computer accessories, generates approximately CHF 25 million in revenue and employs 25 people. The acquisition of Proditec is further strengthening the Daetwyler Group's leading position as an industrial electronics, automation and computer equipment distributor.

The Daetwyler Group's Cables Division disposed of its fibre glass manufacturing facility on 1 January 2007 by selling all the shares in Daetwyler Fiber Optics SA in Boudry, NE, to Nextrom SA, Prévelengues, VD.

The purchase and sale agreements for the above transactions contain a confidentiality clause in respect of the purchase consideration and other relevant data.

Daetwyler Rubber (CZ) sro and Daetwyler Rubber (CZ) Production sro are accounted for separately in the consolidated financial statements for 2006. They were merged into Daetwyler Rubber (CZ) sro on 6 January 2007, which has no impact on the financial statements for 2006.

The Board of Directors and Executive Board are not aware of any significant events occurring up to the date of approval of the consolidated financial statements on 16 March 2007 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

37 Related party transactions

Pema Holding AG

There were no transactions between the companies other than dividend payments to Pema Holding AG and administrative costs of CHF 26 000 charged in 2006 (2005: CHF 24 000) for administration and accounting services provided by Alvest AG. At 31 December 2006 and 2005, there were no mutual receivables and payables.

Pension schemes

Alvest AG charged administrative costs of CHF 0.2 million (2005: CHF 0.2 million) to the pension schemes.

Remuneration of Directors

Directors of Daetwyler Holding Inc. receive a fixed fee in cash. Their remuneration in the year under review totalled CHF 0.609 million (2005: CHF 0.589 million), also including the remuneration paid to the Director who stepped down during the year.

Remuneration of Executive Board members

The remuneration paid to Executive Board members consists of a fixed salary and a variable bonus up to a maximum of 46% of base salary. Former Executive Board members have no form of remuneration other than benefits under the regular and supplementary pension schemes. Legally required severance payments of CHF 2.2 million (2005: CHF 0.0 million) were made last year. No equity-based payments in the form of option grants or share awards were made during the year.

The remuneration paid to Executive Board members for the year, excluding the above severance payments, totalled CHF 4.339 million (2005: CHF 4.037 million). This amount includes pension fund contributions of CHF 0.609 million (2005: CHF 0.464 million). Of the total, CHF 3.112 million was paid as fixed salary and CHF 1.227 million as cash bonuses.

Subsidiaries and Associates

Daetwyler Holding Inc. directly or indirectly owned the following companies at 31 December 2006:		Registered office	Local currency	Capital in local currency (in millions)	Group's percentage interest	Footnote	Cables	Rubber	Precision Tubes	Pharmaceutical Packaging	Technical Components	Service and financial companies
Switzerland	Alvest AG	Altdorf	CHF	15.000	100	C*						■
	Daetwyler Inc.	Altdorf	CHF	0.100	100	C*						■
	Daetwyler Electronics Ltd.	Altdorf	CHF	0.100	100	C*						■
	Daetwyler Fiber Optics Inc.	Boudry	CHF	4.000	100	C	□					
	Daetwyler Pharma Pack Holding AG	Altdorf	CHF	39.000	100	C*				■		
	Daetwyler Switzerland Inc	Altdorf	CHF	32.000	100	C*	□	□			■	
	Daetwyler Teco Holding AG	Altdorf	CHF	9.900	100	C*					■	
	Distrelec Inc.	Altdorf	CHF	0.100	100	C*						■
	Gummi Maag AG	Duebendorf	CHF	0.050	100	C						■
	Ilgenhof AG	St. Gallen	CHF	0.600	100	C*						■
	Kaved AG	Altdorf	CHF	1.500	100	C*	□					
	Maag Technic Inc.	Altdorf	CHF	0.100	100	C*						■
	Mader Technic AG	Duebendorf	CHF	0.100	100	C						■
	MTD-Immobilien AG	Duebendorf	CHF	2.000	100	C					■	
	Pohl Immobilien AG	Altdorf	CHF	1.600	100	C				■		
	RoRo Holding AG	Rothrist	CHF	15.000	100	C*			■			
	Rothrist Tube (Switzerland) Inc.	Rothrist	CHF	10.000	100	C			□			
	Wachendorf AG	Duebendorf	CHF	0.100	100	C						■

- Manufacturing and sales
 ■ Distribution
 ■ Services / finance / property

C = Consolidated at 31 December

F = Recorded as other financial investments at fair value or cost (less any impairment)

* = Held directly by Daetwyler Holding Inc

		Registered office	Local currency	Capital in local currency (in millions)	Group's percentage interest	Footnote	Cables	Rubber	Precision Tubes	Pharmaceutical Packaging	Technical Components	Service and financial companies
Austria	Daetwyler Kabel+Systeme GmbH	Vienna	EUR	0.037	100	C	■					
	Distrelec Gesellschaft mbH	Vienna	EUR	0.145	100	C					■	
Belgium	Helvoet Pharma NV	Alken	EUR	2.603	100	C				■		
	Helvoet Pharma Belgium NV	Alken	EUR	15.778	100	C				□		
	Pharma Packaging Int'l. Services NV	Alken	EUR	107.330	100	C				■		
China	Daetwyler (Suzhou) Cabling Syst.Co.Ltd.	Suzhou	USD	1.700	100	C	□					
	Daetwyler Cables+Systems (Shanghai) Co. Ltd.	Shanghai	USD	10.000	100	C	□					
Czech Republic	Daetwyler Rubber (CZ) sro	Novy Bydzov	CZK	20.000	100	C		■				
	Daetwyler Rubber (CZ) Production sro	Novy Bydzov	CZK	8.750	100	C		□				
Finland	Data-Glass Oy	Leppaevirta	EUR	0.048	10.1	F	■					
France	Daetwyler Elastomères (France) SAS	Trie-Château	EUR	0.873	100	C		□				
Germany	Daetwyler Inter GmbH	Springe	EUR	0.256	100	C		□				
	Daetwyler Kabel+Systeme GmbH	Neufahrn	EUR	1.600	100	C	■					
	Daetwyler Teco Holding (DE) GmbH	Goepingen	EUR	3.100	100	C					■	
	Helvoet Pharma Deutschland GmbH	Karlsbad	EUR	2.600	100	C				□		
	Maag Technic GmbH	Goepingen	EUR	2.600	100	C					□	
	Rothrist Rohr (Deutschland) GmbH	Bottrop	EUR	5.113	100	C			□			
	Schuricht Distrelec GmbH	Bremen	EUR	0.800	100	C					■	
	Wachendorf GmbH	Loerrach	EUR	0.030	100	C					■	
Italy	CIF srl	Veggiano	EUR	0.014	8	F				□		
	Distrelec Italia srl	Milan	EUR	1.275	100	C					■	
	Seal Line S.p.A.	Montegaldella	EUR	1.570	100	C				□		
Luxembourg	Helvoet Pharma International SA	Luxembourg	EUR	21.071	100	C				■		
Netherlands	Maro BV	Roosendaal	EUR	0.005	100	C				□		
Singapore	Daetwyler (Thelma) Cables&Systems Pte Ltd	Singapore	SGD	0.300	100	C	■					
UK	Daetwyler (UK) Ltd	Swindon	GBP	0.500	100	C	■					
Ukraine	CJSC Daetwyler Rubber Ukraine	Malyn	UAH	0.019	100	C		□				
USA	Daetwyler Rubber & Plastics Inc.	Marion, SC	USD	0.500	100	C		□				
	Helvoet Pharma Inc.	Pennsauken, NJ	USD	9.129	100	C				□		
	Rothrist Tube (USA) Inc.	Jackson, MI	USD	0.010	100	C			■			

Report of the Group Auditors

To the general meeting of Daetwyler 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 equity and notes; pages 44–83) of Daetwyler Holding Inc. for the year ended December 31, 2006.

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 16, 2007
PricewaterhouseCoopers AG



Frank Scharnagl
Auditor in charge

Josef Stadelmann

Daetwyler Holding Inc.

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Company Income Statement

For the year ended 31 December in CHF	*	2006	2005
Investment income		31 000 706	30 901 382
Finance income	1	+14 935 536	+25 850 898
Finance costs	1	-9 866	-11 407 191
Net finance income		14 925 670	14 443 707
Employee costs	2	-643 274	-622 344
Administrative expenses	3	-51 186	-52 326
Profit before tax		45 231 916	44 670 419
Tax expense		-471 034	-1 329 850
Profit for the year		44 760 882	43 340 569

* Notes 1 to 3, see page 86

Company Balance Sheet

Assets at 31 December in CHF	*	2006	2005
Investments	4	208 544 766	151 534 513
Receivables	5	302 210 290	328 211 829
Non-current assets		510 755 056	479 746 342
Other receivables		7 788	7 280
Current assets		7 788	7 280
Total assets		510 762 844	479 753 622
Equity and liabilities at 31 December in CHF			
Share capital	6	90 000 000	90 000 000
Statutory reserves	7	100 763 318	100 814 206
General reserve		87 000 000	87 000 000
Reserve for treasury shares	8	13 763 318	13 814 206
Special reserve	9	273 621 921	244 071 033
Retained earnings		45 159 811	43 758 928
Equity		509 545 050	478 644 167
Other liabilities	10	1217 794	1 109 455
Liabilities		1 217 794	1 109 455
Total equity and liabilities		510 762 844	479 753 622

* Notes 4 to 10, see pages 86 to 88

Notes to the Company Financial Statements

1 Net finance income

Amounts owed by Group companies bear interest in accordance with Group policies. In 2005, an investment was written down by CHF 11 400 000 (finance costs).

2 Employee costs

Employee costs include all expenses of the Board of Directors.

3 Administrative expenses

This item comprises general business expenses of Daetwyler Holding Inc.

4 Investments

At 31 December 2006, Daetwyler Holding Inc. directly held investments in the following companies (as in the previous year):

Company	Company activity	Share capital
Switzerland		in CHF
Distrelec Inc., Altdorf (formerly Abalec AG)	Finance	50 000
Alvest AG, Altdorf	Finance	15 000 000
Maag Technic Inc., Altdorf (formerly Basix AG)	Finance	90 000
Daetwyler Switzerland Inc., Altdorf	Manufacturing	32 000 000
Daetwyler Pharma Pack Holding AG, Altdorf	Investments	39 000 000
Daetwyler Teco Holding AG, Altdorf	Investments	9 900 000
Daetwyler Electronics Ltd, Altdorf (formerly Dimos AG)	Finance	100 000
Ilgenhof AG, St. Gallen	Property	600 000
Kaved AG, Altdorf	Manufacturing	1 500 000
Daetwyler Inc., Altdorf (formerly Parenteral Packaging AG)	Finance	100 000
RoRo Holding AG, Rothrist	Investments	15 000 000

All these investments are wholly owned by Daetwyler Holding Inc.

In 2006 Daetwyler Holding Inc., Altdorf, first acquired the investments in Distrelec Inc., Uster, and Maag Technic AG, Duebendorf, from its subsidiary Daetwyler Teco Holding AG, Altdorf, at book value. Then in a second step, these companies were merged by absorption with Daetwyler Inc., Altdorf, which was renamed Daetwyler Switzerland Inc., Altdorf.

5 Receivables

Receivables comprise long-term loans denominated in Swiss francs to Group companies, of which loans granted to Alvest AG, the Daetwyler Group's financial and management company, account for a total of CHF 150 225 295 (2005: CHF 132 765 678). The year-on-year change is largely the result of dividend and interest payments from Group companies and dividend payments to shareholders. In addition, the consideration to acquire the investments in Distrelec Inc., Uster, and Maag Technic AG, Duebendorf, was offset against the loan receivable from the seller, Daetwyler Teco Holding AG, Altdorf.

6 Share capital

In CHF	2006	2005
220 000 registered shares of CHF 100 each	22 000 000	22 000 000
136 000 000 bearer shares of CHF 500 each	68 000 000	68 000 000
Share capital	90 000 000	90 000 000
Per share data	2006	2005
Registered shares (of CHF 100 each)		
Number issued	220 000	220 000
Number ranking for dividend	220 000	220 000
Bearer shares (of CHF 500 each)		
Number issued	136 000	136 000
Number ranking for dividend	110 000	110 000
Total par value of shares ranking for dividend (CHF)	77 000 000	77 000 000

Authorised share capital	none	none
Authorised but unissued share capital	none	none
Voting restrictions	none	none
Opting-out and opting-up provisions	none	none

The bearer shares of Daetwyler Holding Inc. are listed on the Swiss Stock Exchange. With the exception of Company bearer shares held in treasury, each registered or bearer share entitles the holder to one vote at general meetings, regardless of its par value.

All 220 000 registered shares and 44 000 of the total of 136 000 bearer shares are owned by Pema Holding AG, Altdorf, which consequently holds 48.89% of the share capital and 80.00% of the voting rights.

The Board is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold more than 5% of the total voting rights.

Post balance sheet event

At the Annual General Meeting on 24 April 2007, the Board will propose resolutions to carry out a 100-for-1 share split and to reduce the share capital by CHF 5 000 000 from CHF 90 000 000 to CHF 85 000 000. The new share capital will be divided into 22 000 000 registered shares of CHF 1 each and 12 600 000 bearer shares of CHF 5 each.

7 Statutory reserves

In CHF	2006	2005
Transfer from profit	4 000 000	4 000 000
Share premium	83 000 000	83 000 000
General reserve	87 000 000	87 000 000
Reserve for treasury shares: unissued shares	13 000 000	13 000 000
Reserve for treasury shares: other	763 318	814 206
Reserve for treasury shares (according to Art. 659a par. 2 CO)	13 763 318	13 814 206
Total	100 763 318	100 814 206

Art. 659a par. 2 and Art. 671a of the Swiss Code of Obligations (CO) require the Company to recognise the cost of acquiring its own shares as a separate reserve.

8 Treasury shares

a) Unissued shares

26 000 bearer shares of CHF 500 each were created by a resolution passed by the General Meeting on 18 November 1989, disapplying the pre-emption rights of shareholders and participation certificate holders, to provide for the exercise of options, warrants or conversion rights and for other purposes in the Company's interest (market placements, consideration for acquisitions etc.). These shares are not entitled to vote and do not rank for dividend until they are used.

At 31 December 2006, 26 000 unissued bearer shares were still held and are recorded in the balance sheet of Alvest AG at par value of CHF 500 each, making a total of CHF 13 000 000. These bearer shares created before the new Swiss Corporation Law was enacted on 4 October 1991 represent 14.444% of the total share capital, thus exceeding the 10% limit which Art. 659 par. 1 of the Swiss Code of Obligations imposes on holdings of the Company's own bearer shares.

b) Other treasury shares

In addition to 320 Company bearer shares with a value of CHF 777 700 that were already held on 31 December 2000, another 1 680 own bearer shares valued at CHF 4 311 091 were repurchased in the open market in 2001. In accordance with Art. 659a par. 2 of the Swiss Code of Obligations, the Company recognised the acquisition cost of CHF 5 088 791 as a separate reserve for treasury shares. The purpose of these treasury shares was to meet the requirements for shares under the executive share option plan established on 9 January 2001. Each of the options entitled its holder to purchase one bearer share of Daetwyler Holding Inc. with a par value of CHF 500 at an exercise price of CHF 2 500. In 2004, 80 options were exercised so the Board decreased the above reserve by CHF 203 552 to CHF 4 885 239 to reflect the 80 shares issued, as prescribed by Art. 671a of the Swiss Code of Obligations. On the exercise of 1 600 options in 2005, the Board then reduced this reserve

by CHF 4 071 033 to CHF 814 206 to account for the 1 600 shares issued. Another 20 options were exercised in 2006. The Board therefore decreased the reserve by an amount of CHF 50 888 to CHF 763 318. The 300 unexercised options lapsed without compensation upon expiry of the exercise period on 9 January 2006.

The 300 bearer shares remaining after the above transactions are now held by the Daetwyler Group's financial and management company, Alvest AG in Altdorf, as treasury shares at market value with all rights and obligations attached. This has increased the number of the Company's own shares held from 26 000 (unissued shares) to 26 300, which represents a nominal amount of CHF 13 150 000 or 14.611 % of the total share capital.

Post balance sheet event

To comply with the requirements of Art. 659 par. 1 of the Swiss Code of Obligations, the Board will propose a resolution to the Annual General Meeting on 24 April 2007 to reduce the share capital by CHF 5 000 000 from CHF 90 000 000 to CHF 85 000 000 by decreasing the number of unissued bearer shares by 10 000 from a total of 26 000 to 16 000. Together with the other 300 bearer shares, the holdings will fall to 9.588 %, below the 10 % limit stipulated in Art. 659 par. 1 of the Swiss Code of Obligations. The remaining unissued bearer shares are primarily intended as potential consideration for future acquisitions and for other purposes in the Company's interest. They are not entitled to vote and do not rank for dividend until they are used, which is at the Board's discretion.

9 Special reserve

The special reserve is an unrestricted reserve available for distribution by the general meeting. It was increased by CHF 29 500 000 to CHF 273 571 033 by a resolution passed at the Annual General Meeting held on 25 April 2006.

Under Art. 659a par. 2 and Art. 671a of the Swiss Code of Obligations, the Company is required to recognise the cost of acquiring its own shares as a separate reserve. The Board adjusts that reserve by transfers from and to the special reserve. For this purpose, an amount of CHF 50 888 was trans-

ferred to the special reserve in 2006. As a result, the special reserve amounted to CHF 273 621 921 at 31 December 2006.

10 Other liabilities

In CHF	2006	2005
Accruals and deferred income	1 198 184	1 091 355
Uncashed dividend coupons	19 610	18 100
Total	1 217 794	1 109 455

Accruals and deferred income mainly comprise accrued interest and tax expense.

11 Bonds, guarantees and pledges in favour of third parties

Credit facilities of CHF 98.0 million (2005: CHF 111.4 million) backed by joint and several guarantees were extended to various Group companies, of which CHF 16.5 million (2005: CHF 19.3 million) was drawn.

12 Release of replacement reserves and excess hidden reserves

In CHF	2006	2005
Released	–	11 400 000
Total	–	11 400 000

Proposed Appropriation of 2006 Retained Earnings

In CHF	2006	2005
The Board of Directors proposes to the Annual General Meeting that retained earnings consisting of		
Profit for the year	44 760 882	43 340 569
Retained earnings brought forward	398 929	418 359
Retained earnings	45 159 811	43 758 928
be appropriated as follows:		
Transfer to general statutory reserve	–	–
Transfer to special reserve	17 878 079	29 500 000
Payment of a 35 % dividend (2005: 18%) on share capital of CHF 77 000 000 (2005: CHF 77 000 000) eligible for dividend ⁽¹⁾	26 950 000	13 860 000
Balance to be carried forward	331 732	398 928
Total	45 159 811	43 758 928

⁽¹⁾ 26 000 bearer shares reserved to provide for the exercise of options, warrants or conversion rights and for other purposes in the Company's interest at the Board's discretion pursuant to the resolution of the Annual General Meeting on 18 November 1989 do not rank for dividend.

Report of the Statutory Auditors

To the general meeting of Daetwyler Holding Inc., Altdorf

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes; pages 86–91) of Daetwyler Holding Inc. for the year ended December 31, 2006.

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 and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

We draw your attention to the fact that the company holds 26 300 own shares with a nominal value of CHF 13.15 million which exceed the limit of 10% prescribed by article 659 paragraph 1 of the Swiss Code of Obligations. The board of directors will apply for the reduction in capital by destroying 10 000 of own bearer shares at the general meeting of shareholders on April 24, 2007. In this connection we refer to Note 8 of the financial statements.

Zurich, March 16, 2007
PricewaterhouseCoopers AG



Frank Scharnagl
Auditor in charge

Nicole Grau

Value Added Statement

CHF '000	2006	%	2005	%
Origin of value added				
Total revenue ⁽¹⁾	1 299 960	100.0	1 197 482	100.0
Bought-in materials and services ⁽²⁾	-803 941	-61.8	-728 927	-60.9
Gross value added	496 019	38.2	468 555	39.1
Depreciation and amortisation	-67 535	-5.2	-83 432	-6.9
Total net value added	428 484	33.0	385 123	32.2
Distribution of net value added				
Employees = wages, salary and benefits	331 522	77.4	315 624	81.9
Lenders = interest paid	15 079	3.5	9 938	2.6
Shareholders = dividends	13 860	3.2	8 421	2.2
Government = taxes	5 368	1.3	19 946	5.2
Retained in business = profit – dividends	62 655	14.6	31 194	8.1
Total net value added	428 484	100.0	385 123	100.0
Net value added per employee	97	-	86	-

⁽¹⁾ Total revenue: invoiced sales plus incidental revenue, neutral income, other income less revenue deductions

⁽²⁾ Bought-in materials and services: raw materials, consumables, energy and services

Free Cash Flow

CHF '000	2006	%	2005	%
Profit for the year	76 515	53.1	40 387	34.2
+ Depreciation and other amortisation	67 535	46.9	70 387	59.5
+ Goodwill amortisation	0	-	7 458	6.3
Cash Flow	144 050	100.0	118 232	100.0
- Net capital expenditure ⁽¹⁾	-73 673	-51.1	-48 595	-41.2
+/- Change: Intangible assets	-4 888	-3.4	-516	-0.4
Other non-current assets	-14 481	-10.1	-10 082	-8.5
Current assets	-27 108	-18.8	-20 449	-17.3
Free cash flow after dividend	23 900	16.6	38 590	32.6

⁽¹⁾ Purchases, disposals, +/- exchange differences on property, plant and equipment

Five Year Summary

Daetwyler Group (amounts in CHF millions)	2006	2005	2004	2003	2002
Gross revenue	1226.8	1103.9	1063.0	1003.9	1037.1
Year-on-year change (%)	11.1	3.8	5.9	-3.2	-2.6
Net revenue	1214.8	1091.8	1049.1	991.0	1025.5
Year-on-year change (%)	11.3	3.8	5.9	-3.4	-2.5
EBITDA	157.5	141.4	106.0	97.9	99.9
Depreciation and amortisation	67.6	70.5	63.2	57.1	58.6
Goodwill amortisation	0.0	7.6	2.9	7.0	4.1
As % of net revenue	5.6	7.2	6.3	6.5	6.1
Year-on-year change (%)	-13.4	18.2	3.1	2.2	8.9
Operating profit (EBIT)	90.0	64.7	39.9	33.8	-4.5
As % of net revenue	7.4	5.9	3.8	3.4	-0.4
Exceptional charges	-	-	-	-	-41.8
Profit for the year	76.5	40.4	24.2	22.1	-16.9
As % of net revenue	6.3	3.7	2.3	2.2	-1.6
As % of equity	10.4	6.1	3.8	3.6	-2.8
Year-on-year change (%)	89.4	66.9	9.5	230.8	-148.3
Cash flow	144.1	117.6	90.3	86.2	87.6
As % of net revenue	11.9	10.8	8.6	8.7	8.5
Year-on-year change (%)	22.5	30.2	4.8	-1.6	-5.4
Free cash flow	23.9	38.6	-6.5	39.3	51.3
Non-current assets	458.9	437.4	462.1	439.6	467.9
Year-on-year change (%)	4.9	-5.3	5.1	-6.0	-8.6
Current assets	633.5	576.0	533.2	575.9	542.8
Year-on-year change (%)	10.0	8.0	-7.4	6.1	2.8
Total assets	1092.5	1013.4	995.3	1017.7	1010.7
Equity	736.9	659.9	633.8	618.8	596.9
Year-on-year change (%)	11.7	4.1	2.4	3.7	-5.8
As % of total capital	67.5	65.1	63.7	60.8	59.1
Minority interests	-	-	-	-	-
Total liabilities	355.6	353.5	361.5	398.9	413.8
Year-on-year change (%)	0.6	-2.2	-9.4	-3.6	1.9
Current liabilities	277.2	253.1	264.7	312.4	260.5
Non-current liabilities	78.4	100.4	96.8	86.5	153.3
Capital expenditure	73.5	61.2	54.2	42.5	65.8
Year-on-year change (%)	20.1	12.9	27.5	-35.4	-17.7
Employee costs	331.5	314.6	313.4	305.0	310.7
Year-on-year change (%)	5.0	0.7	2.8	-1.8	2.0
Number of employees	4510	4626	4480	4301	4334
Year-on-year change (%)	-2.5	3.3	4.2	-0.8	1.0
Daetwyler Holding Inc. (amounts in CHF millions)	2006	2005	2004	2003	2002
Finance and investment income	45.9	45.3	42.7	39.0	35.8
Profit for the year	44.8	43.3	40.8	27.2	34.0
Equity	509.5	478.7	443.8	410.7	381.2
Equity ratio (%)	99.8	99.7	97.3	81.6	80.5
Share capital	90.0	90.0	90.0	90.0	90.0
Dividend requirement	27.0 ⁽¹⁾	13.9	8.5	7.7	7.7

⁽¹⁾ Board of Directors' proposal to the Annual General Meeting

Selected Data in US Dollars

Daetwyler Group (in USD millions)	2006	2005
Gross revenue	976.8	878.9
Year-on-year change (%)	11.1 %	3.8 %
Net revenue	967.2	869.3
Year-on-year change (%)	11.3 %	3.8 %
Operating profit before depreciation and amortisation (EBITDA)	125.4	112.6
Margin (as % of net revenue)	13.0 %	13.0 %
Operating profit (EBIT)	71.7	51.5
Margin (as % of net revenue)	7.4 %	5.9 %
Profit for the year	60.9	32.2
Margin (as % of net revenue)	6.3 %	3.7 %
Cash flow	114.7	93.6
Margin (as % of net revenue)	11.9 %	10.8 %
Free cash flow	19.0	30.7
Capital expenditure	58.5	48.7
Total assets	869.8	806.8
Equity	586.7	525.4
Equity ratio (%)	67.5 %	65.1 %
Cash and cash equivalents	164.6	143.9
Net cash and liquid resources	55.9	38.6
Number of employees	4 510	4 626

Daetwyler Holding Inc. (in USD millions)	2006	2005
Finance and investment income	36.5	36.1
Profit for the year	35.7	34.5
Equity	405.7	381.1
Equity ratio (%)	99.8 %	99.7 %
Share capital ⁽¹⁾	71.7	71.7
Dividend requirement	21.5 ⁽²⁾	11.1

Per share data (in USD)	2006	2005
Basic earnings per bearer share ranking for dividend	396.3	209.2
Diluted earnings per bearer share ranking for dividend	396.3	208.9
Dividend per bearer share	139.3 ⁽²⁾	71.7

USD / CHF exchange rate used for both years: 1.256 (average rate for 2006)

⁽¹⁾ CHF 77.0 million eligible for a dividend

⁽²⁾ Board of Directors' proposal to the Annual General Meeting

Selected Data in Euros

Daetwyler Group (in Euro millions)	2006	2005
Gross revenue	779.6	701.5
Year-on-year change (%)	11.1 %	3.8 %
Net revenue	772.0	693.8
Year-on-year change (%)	11.3 %	3.8 %
Operating profit before depreciation and amortisation (EBITDA)	100.1	89.9
Margin (as % of net revenue)	13.0 %	13.0 %
Operating profit (EBIT)	57.2	41.1
Margin (as % of net revenue)	7.4 %	5.9 %
Profit for the year	48.6	25.7
Margin (as % of net revenue)	6.3 %	3.7 %
Cash flow	91.6	74.7
Margin (as % of net revenue)	11.9 %	10.8 %
Free cash flow	15.2	24.5
Capital expenditure	46.7	38.9
Total assets	694.3	644.0
Equity	468.3	419.4
Equity ratio (%)	67.5 %	65.1 %
Cash and cash equivalents	131.4	114.8
Net cash and liquid resources	44.6	30.8
Number of employees	4 510	4 626

Daetwyler Holding Inc. (in Euro millions)	2006	2005
Finance and investment income	29.2	28.8
Profit for the year	28.5	27.5
Equity	323.8	304.2
Equity ratio (%)	99.8 %	99.7 %
Share capital ⁽¹⁾	57.2	57.2
Dividend requirement	17.2 ⁽²⁾	8.8

Per share data (in EUR)	2006	2005
Basic earnings per bearer share ranking for dividend	316.3	167.0
Diluted earnings per bearer share ranking for dividend	316.3	166.8
Dividend per bearer share	111.2 ⁽²⁾	57.2

EUR/CHF exchange rate used for both years: 1.5736 (average rate for 2006)

⁽¹⁾ CHF 77.0 million eligible for a dividend

⁽²⁾ Board of Directors' proposal to the Annual General Meeting

Share Information

Year ended 31 December		2006	2005	2004	2003	2002
Share capital	CHF millions	90	90	90	90	90
Eligible for a dividend	CHF millions	77	77	77	77	77
Number of shares						
Bearer shares of CHF 500.– each		136 000	136 000	136 000	136 000	136 000
Unissued shares		26 000	26 000	26 000	26 000	26 000
Bearer shares in issue		110 000	110 000	110 000	110 000	110 000
Registered shares of CHF 100.– each		220 000	220 000	220 000	220 000	220 000
Market price (high / low) ⁽¹⁾						
Bearer share – high	CHF ⁽²⁾	7 100	4 300	2 698	2 200	2 439
Bearer share – low	CHF ⁽²⁾	4 210	2 500	1 970	1 620	1 630
Trading volume						
Number of shares		22 310	38 819	22 423	9 955	15 070
Value	CHF millions	104	135	54	19	32
Gross dividend						
Bearer share	CHF	175 ⁽³⁾	90	55	50	50
Registered share	CHF	35 ⁽³⁾	18	11	10	10
Group earnings per share ⁽⁴⁾						
Bearer share	CHF	498	263	159	144	–109
Bearer share – diluted	CHF	498	262	159	144	0
Registered share	CHF	100	53	32	29	–22
Group cash flow per share ⁽⁴⁾						
Bearer share	CHF	935	794	586	560	297
Registered share	CHF	187	159	117	112	59
Price / earnings ratio (average)		11	13	15	13	–19
Group net assets per share ⁽⁴⁾						
Bearer share	CHF	4 785	4 378	4 119	4 018	3 917
Registered share	CHF	957	876	824	804	783
Market capitalisation						
Average for the year	CHF millions	871	524	359	294	313
As % of equity		118	78	57	47	52
At 31 December	CHF millions	1 063	647	412	303	323
As % of equity		144	96	65	49	54

The Articles of Association of Daetwyler Holding Inc. do not contain any opting out or opting up provisions within the meaning of the Swiss Stock Exchange Act.

⁽¹⁾ Swiss Exchange (SWX)

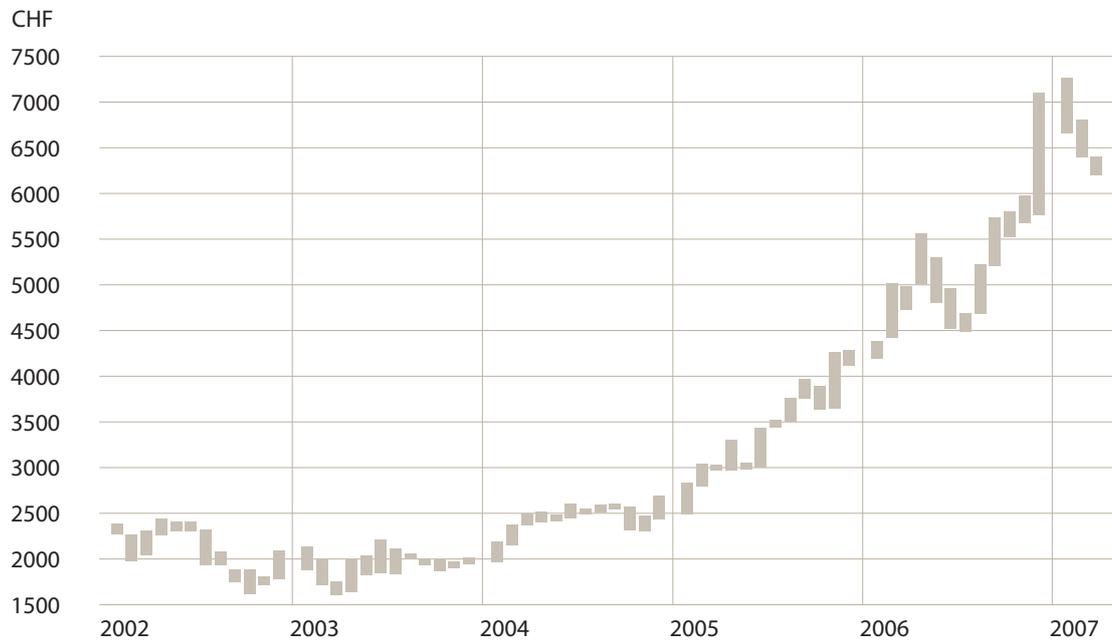
⁽²⁾ Issued at a price of CHF 2 250.– in October 1986

⁽³⁾ Board of Directors' proposal

⁽⁴⁾ As adjusted per share ranking for dividend

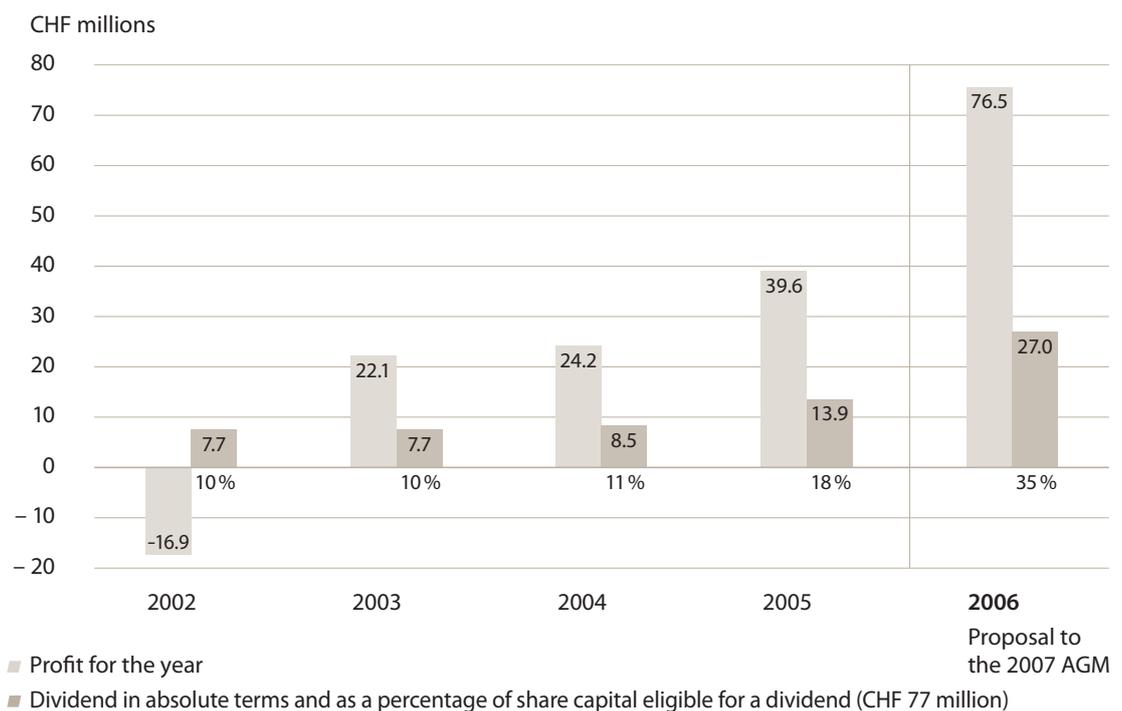
Share Price Performance

Daetwyler bearer share price



Dividend Performance

Dividend



General Information

Financial year

Daetwyler Group: 1 January to 31 December

Daetwyler Holding Inc.: 1 January to 31 December

Incorporated

Daetwyler Inc.: 1915

Daetwyler Holding Inc.: 1958

publicly listed since 1986

Share trading

Bearer shares traded on the SWX Swiss Exchange

Ticker symbols

Security	Security no.	Investdata	ISIN no.	Common Code	Reuters
Daetwyler bearer share	164991	DAE	CH 000 164 991 9	XS001260502	DAEZ

Taxable value set by the Swiss Federal Tax Administration at 31 December 2006

Bearer share: CHF 6900

Important dates

2007

Annual General Meeting 24 April 2007

Interim Report 28 August 2007

2008

Annual Press Conference 31 March 2008

Analyst Conference 31 March 2008

Annual General Meeting 22 April 2008

Annual General Meetings are held at 5:00 p.m. at the theater (uri), Tellspielhaus, Altdorf

Press office and investor relations

Telephone: +41 41 875 13 04

Fax: +41 41 875 12 05

info@daetwyler.ch

www.daetwyler.ch

This Annual Report is also available in German. In the event of any inconsistency, the German version will prevail.

Daetwyler Group at 31 March 2007

Chief Executive Officer: Paul J. Haelg

Chief Financial Officer: Silvio A. Magagna

Cables

Johannes Mueller

Daetwyler Cables

Unit of Daetwyler Switzerland Inc.
Gotthardstrasse 31
CH-6460 Altdorf
Telephone +41-41-875 11 22
Fax +41-41-875 18 70
info.ch@daetwyler-cables.com
www.daetwyler-cables.com

Kaved AG

Gotthardstrasse 31
CH-6460 Altdorf
Telephone +41-41-875 38 00
Fax +41-41-875 38 39
verkauf@kaved.ch
www.kaved.ch

Daetwyler Kabel+Systeme GmbH

Gottfried-von-Cramm-Strasse 1
DE-85375 Neufahrn
Telephone +49-8165-95 010
Fax +49-8165-95 01 130
info.de@daetwyler-cables.com
www.daetwyler-cables.com

Daetwyler Kabel+Systeme GmbH

Auf der Roos 4-12
DE-65795 Hattersheim
Telephone +49-6190-88 800
Fax +49-6190-88 80 80
info.de@daetwyler-cables.com
www.daetwyler-cables.com

Daetwyler Kabel+Systeme GmbH

Vienna Branch
Tenschertstrasse 8
AT-1230 Vienna
Telephone +43-1-810 16 41-0
Fax +43-1-810 16 41-35
info.at@daetwyler.net
www.daetwyler-cables.com
www.daetwyler-cables.com

Daetwyler (UK) Ltd

22 Marshall Road
Hillmead
GB-Swindon, Wiltshire SN5 5FZ
Telephone +44-1793-898 400
Fax +44-1793-898 401
info@datwyler.co.uk
www.daetwyler-cables.com

Daetwyler (Thelma)

Cables+Systems Pte Ltd

29 Tech Park Crescent
SG-638103 Singapore
Telephone +65-6863 1166
Fax +65-6897 8885
sales@datwyler.com.sg
www.daetwyler-cables.com

Daetwyler Cables+Systems

(Shanghai) Co. Ltd

Building 16, No. 1-111, Kang Qiao
Dong Road
Kang Qiao Industrial Zone, Pudong
CN-201319 Shanghai, P. R. China
Telephone +86-21-6813 0066
Fax +86-21-6813 0298
info@datwyler-china.com
www.datwyler-china.com

Daetwyler (Suzhou)

Cabling Systems Co. Ltd

Block 31, #15 Dong Fu Road
Suzhou Singapore Industrial Park
CN-215123 Suzhou, P. R. China
Telephone +86-512-6265 3600
Fax +86-512-6265 3649
sales.harnessing@datwyler-china.com
www.daetwyler-cables.com.cn

Rubber

Dirk Lambrecht

Daetwyler Rubber

Unit of Daetwyler Switzerland Inc.
Militaerstrasse 7
CH-6467 Schattdorf
Telephone +41-41-875 11 23
Fax +41-41-875 15 46
info.ch@daetwyler-rubber.com
www.daetwyler-rubber.com

Daetwyler Inter GmbH

Allerfeldstrasse 5
DE-31832 Springe
Telephone +49-5045-91 090
Fax +49-5045-91 09 11
info.de@daetwyler-rubber.com
www.daetwyler-rubber.com

Daetwyler Elastomères (France) SAS

2, rue de la Forge Féret
FR-76520 Boos
Telephone +33-344-49 40 80
Fax +33-344-47 86 25
contact.fr@daetwyler-rubber.com
www.daetwyler-rubber.com

Daetwyler Rubber CZ s.r.o.

Polni 224
CZ-50401 Novy Bydzov
Telephone +420-495 492 381
Fax +420-495 497 010
info.cz@daetwyler-rubber.com
www.daetwyler-rubber.com

CJSC Daetwyler Rubber Ukraine

Nemanykhina, 2 Str., Malyn 11602
Zhytomyr oblast, Ukraine
Telephone +38 04133 52622
Fax +38 04133 52622
druk@ml.zt.ukrtel.net
www.daetwyler-rubber.com

Daetwyler Rubber & Plastics Inc.

1790 Technology Place, P.O. Box 1230
US-Marion, SC 29571
Telephone +1-843-431 6180
Fax +1-843-431 9249
info@drp-us.com
www.daetwyler-rubber.com

Precision Tubes

René Trauffer

Rothrist Rohr (Schweiz) AG

Neue Industriestrasse 14
CH-4852 Rothrist
Telephone +41-62-785 51 11
Fax +41-62-785 51 12
info@rothrist.com
www.rothrist.com

Rothrist Rohr (Deutschland) GmbH

An der Knippenburg 65
DE-46238 Bottrop
Telephone +49-2041-69 040
Fax +49-2041-69 04 32
info@rothrist.de
www.rothrist.de

Rothrist Tube (USA) Inc.

950 W. Monroe
Suite 400
US-Jackson, MI 49202-1234
Telephone +1-517-789 7730
Fax +1-517-789 5340
infoUSA@rothrist.com
www.rothrist.com

Pharmaceutical Packaging

a.i. Willy Van de Poel

Helvoet Pharma N.V.

Industrieterrein Kolmen 1519
BE-3570 Alken
Telephone +32-11-59 08 00
Fax +32-11-59 08 05
info@helvoetpharma.be
www.helvoetpharma.com

Helvoet Pharma Belgium N.V.

Industrieterrein Kolmen 1519
BE-3570 Alken
Telephone +32-11-59 08 11
Fax +32-11-31 40 86
info@helvoetpharma.be
www.helvoetpharma.com

Helvoet Pharma Belgium N.V.

Italian Branch
Viale dell'Industria 7
IT-20010 Pregnana Milanese (MI)
Telephone +39-02-939 651
Fax +39-02-939 652 33
info@helvoetpharma.it
www.helvoetpharma.com

Helvoet Pharma Deutschland GmbH

Tornadostrasse 4
DE-76307 Karlsbad-Ittersbach
Telephone +49-7248-92 30
Fax +49-7248-92 31 70
info@helvoetpharma.de
www.helvoetpharma.com

Helvoet Pharma Inc.

9012 Pennsauken Highway
US-Pennsauken, NJ 08110
Telephone +1-856-663 2202
Fax +1-856-663 2636
info@helvoetpharma.com
www.helvoetpharma.com

Seal Line S.p.A.

Via Bernarde 11
IT-36040 Montegaldella (VI)
Telephone +39-0444-737 200
Fax +39-0444-737 221
info@sealline.it
www.helvoetpharma.com

Matrijzenmakerij Maro B.V.

Scherpdeel 30
NL-4703 RJ Roosendaal
Telephone +31-165-553 160
Fax +31-165-558 387
info@helvoetpharma.be
www.helvoetpharma.com

Technical Components

Paul J. Haelg

Specialist Distribution

Maagtechnic

Unit of Daetwyler Switzerland Inc.
Sonnentalstrasse 8
CH-8600 Duebendorf
Telephone +41-44-824 91 91
Fax +41-44-821 59 09
info@maagtechnic.ch
www.maagtechnic.ch

Daetwyler Electronics

Unit of Daetwyler Switzerland Inc.
Sonnentalstrasse 8
CH-8600 Duebendorf
Telephone +41-44-276 11 11
Fax +41-44-276 12 34
info@maagtechnic.ch
www.d-e.ch

Maagtechnic Kunststoffzentrum

Unit of Daetwyler Switzerland Inc.
Auf dem Wolf 10
CH-4002 Basel
Telephone +41-61-315 30 30
Fax +41-61-311 44 63
kunststoffzentrum@maagtechnic.ch
www.maagtechnic.ch

Maag Technic GmbH

Jahnstrasse 104-106
DE-73037 Goepfingen
Telephone +49-7161-97 710
Fax +49-7161-97 71 269
info@maagtechnic.de
www.maagtechnic.de

Revol Sonier SAS

118, avenue Franklin-Roosevelt
FR-69516 Vaulx-en-Velin Cedex
Telephone +33 (0)4 72 05 46 50
Fax +33 (0)4 72 05 46 62
revol@maagtechnic.fr
www.maagtechnic.fr

Buttin SAS

22, avenue du Pont-de-Tasset –
Z.I. de Meythet
FR-74000 Annecy
Telephone +33 (0)4 50 57 37 02
Fax +33 (0)4 50 67 82 91
buttin@maagtechnic.fr
www.maagtechnic.fr

Soded SAS

Z.A.C. Les Echavagnes – B.P. 150
FR-38164 Saint-Marcellin Cedex
Telephone +33 (0)4 76 64 60 30
Fax +33 (0)4 76 64 60 31
soded@maagtechnic.fr
www.maagtechnic.fr

Maagtechnic s.r.o.

Nachodska 145
CZ-59901 Nove Mesto nad Metuji
Telephone +420 491 470 930
Fax +420 491 487 661
soded@maagtechnic.fr
www.maagtechnic.fr

Mail Order Distribution

Distrelec

Unit of Daetwyler Switzerland Inc.
Grabenstrasse 6
CH-8606 Naenikon-Uster
Telephone +41-44-944 99 11
Fax +41-44-944 99 88
info@distrelec.com
www.distrelec.com

Distrelec Ges.m.b.H.

Leithastrasse 25
AT-1200 Vienna
Telephone +43-1-334 10 10
Fax +43-1-334 10 10 99
info-at@distrelec.com
www.distrelec.com

Distrelec Italia s.r.l.

Via Canova 40/42
IT-20020 Lainate (Milan)
Telephone +39-02-93 75 51
Fax +39-02-93 75 57 55
info-it@distrelec.com
www.distrelec.com

Schuricht Distrelec GmbH

Lise-Meitner-Strasse 4
DE-28359 Bremen
Telephone +49-180-522 34 35
Fax +49-180-522 34 36
scc@schuricht.de
www.schuricht.com

Proditec AG

Fabrikweg 2
CH-8306 Bruettisellen
Telephone +41 044 807 11 11
Fax: +41 044 807 11 12
info@proditec.ch
www.proditec.ch

Full-page illustrations

High quality and custom designed features make Daetwyler products stand out. While they may not always be visible as components in the classical sense, they play a critical role in the functioning of complete systems used in a variety of industries. The full-page illustrations in this Annual Report show a product or selection of products from each division depicted in the centre, while the images above and below shed light on their application and provide a glimpse into the manufacturing process.



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This Annual Report is available in English and German and can also be downloaded from our website at www.daetwyler.ch. The printed German version is binding.

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Dätwyler

Daetwyler Holding Inc.
Gotthardstrasse 31
CH-6460 Altdorf
Telephone +41-41-875 11 00
Fax +41-41-875 12 05
info@daetwyler.ch
www.daetwyler.ch