ANNUAL REPORT
2017

DÄTWYLER

HIGHLIGHTS

1'291 mn
Revenue in CHF

12.6%
EBIT margin

124 mn
Net result in CHF

KEY FIGURES DATWYLER GROUP

in CHF millions	2017	2016
Net revenue	1'291.4	1'215.8
Year-on-year change (%)	6.2%	4.3%
Operating result before depreciation and amortisation (EBITDA)	219.8	204.3
EBITDA as % of net revenue	17.0%	16.8%
Operating result before interest and tax (EBIT)	162.6	146.1
EBIT as % of net revenue	12.6%	12.0%
Net result	123.7	57.6
Net result as % of net revenue	9.6%	4.7%
ROCE in %	22.4%	21.4%
Capital employed	725.7	682.0
Net cash from operating activities	112.7	90.7
Net cash used in investing activities	–110.0	–51.3
Free cash flow	2.7	39.4
Net cash (used in) / provided by financing activities	–41.2	37.4
Net change in cash and cash equivalents	–38.5	76.8
Cash and cash equivalents	281.8	317.5
Net cash surplus	127.5	313.5
Capital expenditures	117.9	77.8
Total assets	1'299.6	1'217.1
Equity	898.5	805.5
Equity as % of total assets	69.1%	66.2%
Number of employees (at year-end)	7'614	7'312
Full-time equivalents (at year-end)	7'469	7'068

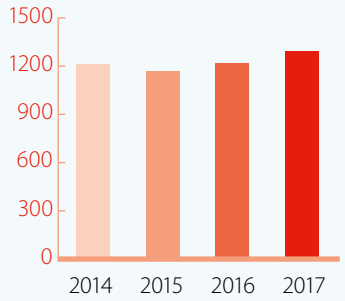
PER SHARE DATA

in CHF	2017	2016
Earnings per bearer share	7.28	3.47
Dividend per bearer share	3.00[1]	2.20
Distribution yield at 31 December	1.6%	1.6%
Market price (high / low) per bearer share	190 / 139	153 / 111

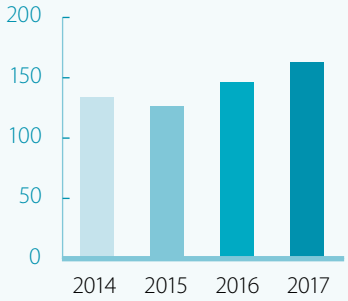
[1] Board of Directors' proposal to the Annual General Meeting

118 mn
Capital expenditure in CHF

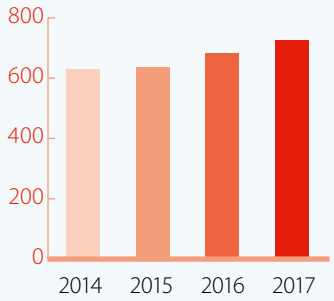
NET REVENUE
in CHF million



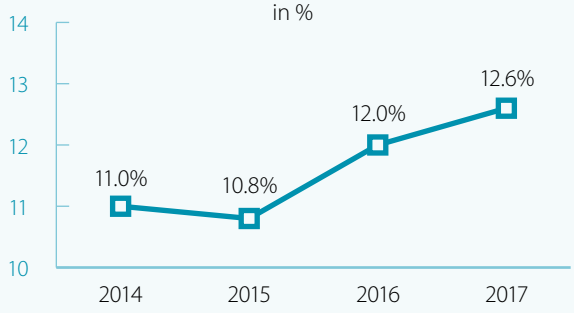
EBIT
in CHF million



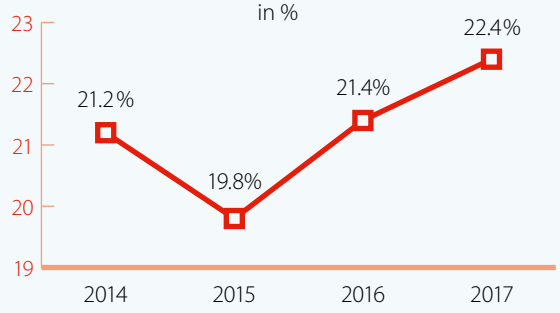
CAPITAL EMPLOYED
in CHF million



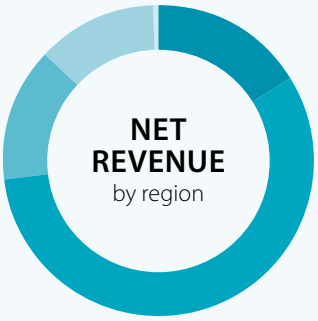
EBIT MARGIN
in %



ROCE
in %



7'600
Employees



● Switzerland ● Rest of Europe ● North and South America ● Asia ● Other markets

2014 continuing operations (without Maagtechnic)

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STRATEGIC PRIORITIES

Drive profitable growth

We continuously grow our role as a valued partner and drive the expansion of our business into new regions, market segments and technologies.

Accelerate digitalisation

We increase efficiency in our production and warehouse processes through state-of-the-art technologies and intensify digital communications with customers and employees.

Increase agility

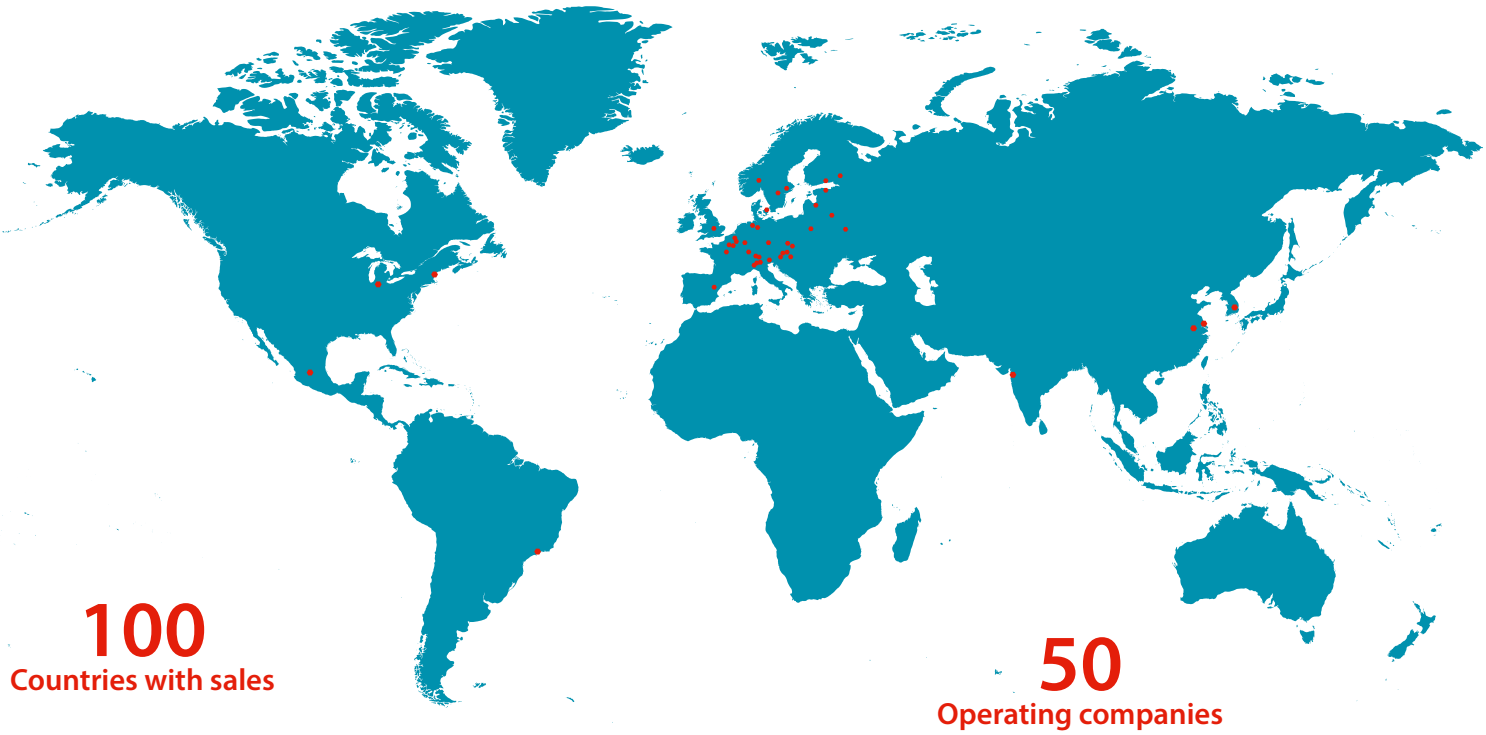
We are easy to do business with. Hence we commit to straightforward cooperation across departments, and foster innovation through employee empowerment.

DATWYLER GROUP – FOCUSED INDUSTRIAL SUPPLIER

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. With its technological leadership and customer specific solutions, the Group delivers added value to customers in the markets served. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. With some 50 operating companies, sales in over 100 countries and more than 7'000 employees, the Datwyler Group generates annual revenue of some CHF 1'300 million.

2
Divisions

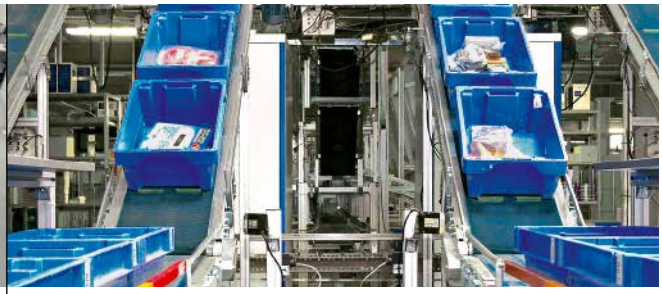
650'000
Customers



100
Countries with sales

50
Operating companies

Worldwide presence
The Datwyler Sealing Solutions division has a presence – with its own production facilities – in the three key business regions of Europe, Asia and the NAFTA area. The Technical Components division is focused on Europe and uses its local presence to stand out from the rest.



Sealing Solutions division		Technical Components division
Development and production of system-critical and customer-specific sealing components	**BUSINESS MODEL**	High-service distribution for time-critical electronic components
Automotive, Health Care, Civil Engineering, Consumer Goods	**MARKET SEGMENTS**	Maintenance, Repair, Operations (MRO), Automation, Electronic Design Engineers (EDE), Wholesale consumer electronics
Datwyler sealing components are used worldwide in every second car, in billions of syringes and medicine bottles, and in over 650 tunnels. They help keep drivers, patients and railway passengers safe, wherever in the world they may be.	**APPLICATIONS**	The electronic components of the Datwyler distribution companies make digitalisation possible. Examples include the industrial internet of things (Industry 4.0), industrial robots and home automation (smart home, security).
Leading expertise in materials, engineering and manufacturing processes	**CORE COMPETENCIES**	Up-to-date and comprehensive range of more than 250'000 electronic components, product management, competent technical advice, high availability and fast delivery
Worldwide presence with its own manufacturing plants in Europe, Asia and the NAFTA area	**GEOGRAPHY**	Europe, using its local presence to stand out
Datwyler	**BRANDS**	Distrelec, Reichelt, Nedis
833 million Swiss francs in annual revenue, 800 customers, 6'300 employees, 18 locations	**KEY FIGURES**	459 million Swiss francs in annual revenue, 650'000 customers, 1'100 employees, 30 locations

Future-proof – for more than 100 years

Healthy and sustainable growth for the benefit of our employees, customers and shareholders – this has distinguished Datwyler for more than 100 years. Our success story began with a small cable and rubber factory in Central Switzerland, which Adolf Dätwyler took over in 1915. With a visionary drive, he managed to expand his company and keep it aligned with the ever-changing market. Adolf Dätwyler took carefully considered, far-sighted management decisions. He placed great value on responsible business conduct. The values of our founder are the basis of our success to this day.

LETTER TO THE SHAREHOLDERS

Datwyler enjoys profitable growth and sharpens strategic priorities

- **The Datwyler Group accelerated profitable growth during 2017. Net revenue increased by 6.2% to CHF 1'291.4 million. The operating profit (EBIT) and EBIT margin reached record levels at CHF 162.6 million and 12.6% respectively.**
- **The Annual General Meeting will be asked to pay a cash dividend of CHF 3.00 per bearer share, which represents an increase of 36.4%.**
- **From a position of strength, Datwyler has sharpened its strategic priorities: as well as driving profitable growth, we want to accelerate digitalisation and increase our agility.**
- **The revenue target for 2018 is between CHF 1'350 million and CHF 1'400 million. For the second time in a row, Datwyler is increasing the target range for the EBIT margin, which will now rise to 12% to 15%.**

The Datwyler Group managed to accelerate profitable growth during 2017. Thanks to its leading positions in the two main segments of Health Care and Automotive, the Sealing Solutions division exceeded the growth achieved by those two markets. The Technical Components division managed to achieve encouraging revenue growth in the core business-to-business activity of online distribution, with an upward trend during the fourth quarter.

Further increase in operating profit and EBIT margin

In total, the Datwyler Group increased net revenue in 2017, compared with previous year, by 6.2% to CHF 1'291.4 million (previous year: CHF 1'215.8 million). Adjusted for positive currency and acquisition effects, the resulting organic revenue growth was 2.9%. The reported operating result (EBIT) was up by 11.3% to CHF 162.6 million (previous year: CHF 146.1 million). The reported EBIT margin increased to 12.6% (previous year: 12.0%). Before CHF 9.9 million in one-off costs (mainly related to the development of Distrelec's new enterprise hub in Manchester), adjusted EBIT climbed to CHF 172.5 million. This helped the adjusted EBIT margin to improve to 13.4% (previous year: 13.0%). The net result increased to CHF 123.7 million (previous year: reported CHF 57.6 million / adjusted CHF 116.9 million). Adjustments to deferred taxes had a positive impact on net result of CHF 8.5 million. In view of the sustained increase in profitability and given that prospects look promising, the Board of Directors is asking the Annual General Meeting to pay a cash dividend of CHF 3.00 per bearer share (previous year: CHF 2.20) and CHF 0.60 per registered share (previous year: 0.44), which represents an increase of 36.4%. This equates to a payout ratio of 41.2% of the net result.

Strong foundations for turning changes into opportunities

Following successful portfolio management, focusing on growth markets and the international expansion over recent years, Datwyler now enjoys strong foundations. From this position of strength, we want to make ourselves fit for the future and succeed in exploiting the opportunities that ongoing changes will bring our way. And to this end, the Datwyler Group has sharpened its strategic priorities: as well as continuing to drive profitable growth, we also want to accelerate digitalisation and increase our agility.

Driving profitable growth

Datwyler will only be able to satisfy the requirements of customers, employees and wider society if it continues to grow as a business. And some of the main prerequisites for profitable growth are a sharpening of focus on market positions and segmentation of both markets and customers. Our innovation efforts and our offering strategies need to be even more closely aligned with current and future customer needs. In addition to organic growth, Datwyler is continuing to target acquisitions that will allow us to tap into new regions, technologies or market segments.

Accelerating digitalisation

Datwyler wants to be proactive in exploiting new possibilities and opportunities associated with digitalisation and turn these into a competitive advantage. For this purpose, we are investing around CHF 50 million over the next few years. In doing so, we are looking to increase the efficiency of business processes, improve data quality, increase IT security and create a strong and flexible platform for future digital applications. This will also allow future acquisitions to be integrated more quickly and easily. Examples of where the two divisions are focusing their efforts in the digital domain can be found in the relevant sections below.

Increasing agility

With markets and general conditions changing faster than ever, there is a need for speed, flexibility and adaptability. The Datwyler corporate value of "We are entrepreneurs" is exactly the vision required when it comes to developing an agile and innovative organisation. By delegating decision-making powers as close to the market as possible, we make it easy for our customers to do business with us. The idea is to make our organisation even more agile and exploit fast decisions and short response times as additional opportunities to stand out from the crowd. Our systematic talent management set-up and Group-wide leadership programmes are both critical to raising awareness among our managers.

Sealing Solutions focusing on growth segments

Thanks to our focus on fast-growing market segments and leading global positions, we are able to accelerate profitable organic growth in the Sealing Solutions division by investing in expanded capacity for high-quality sealing components. Good examples of this are the new contract with Nespresso or the investments in the construction of a new Health Care plant in the USA and the expansion of the existing Health Care plant in India. With this additional state-of-the-art production capacity, Datwyler is well positioned to benefit from the rapidly growing demand for high-quality components for pre-filled syringes and modern drug delivery systems. In the Automotive market segment, Datwyler is introducing a new production concept at its Swiss site known as "Lean-and-Clean". For the first time, we will be producing high-quality automotive components in clean rooms and thereby further increasing our competitiveness, particularly in terms of electromobility. In terms of digitalisation, the focus within the Sealing Solutions division is on Industry 4.0 in the form of automated, networked and intelligent production equipment, ongoing optimisation of processes and forward-looking maintenance. And in keeping with this approach, Datwyler is introducing a uniform production system at all its plants across three continents. This will help us, among other things, to respond quickly and with agility to the regional needs of our customers and thereby ensure the global capacity made available is of consistent quality. This gives us a distinct selling point in the market

Repositioning of online distribution

In the Technical Components division, we continue to sharpen our focus in terms of both market and customer segmentation. For example, Distrelec is generating potential for new growth by focusing increasingly on maintenance, automation and robotics. With a view to offering target customers added value, Distrelec is adapting its value proposition, optimising the online shops, employing specialists, promoting its RND house brand and optimising the range. With the new Distrelec enterprise hub in Manchester, we are exploiting the advantages associated with an agile organisation by managing

products, procurement, and digital marketing efficiently at a single site. The pleasing revenue growth in the core business-to-business activity of online dstribution, with an upward trend during the fourth quarter, is giving us confidence. Through the accelerated international expansion of Reichelt, with the focus on business-to-business customers right across Europe, we are looking to promote profitable growth. At Nedis, we are implementing a comprehensive optimization program to halt the decline in revenue, increase efficiency and create a stronger presence in sales terms. In future, Datwyler intends to adopt a targeted approach in the context of online distribution when it comes to exploiting the possibilities of big data and artificial intelligence. We want to analyse and use the data of online customers in a way which allows us to offer them specific packages that are tailored to their needs and give them added value.

Reasons to be optimistic – target range for EBIT margin to be increased to 12% to 15%

Datwyler is confident the Group can accelerate the profitable growth path during 2018. In the Sealing Solutions division, we are expecting to enjoy profitable dynamic growth in 2018 too based on the positive market environment, the leading positions occupied, the healthy order book, the new Nespresso contract and the capacity levels available. The Technical Components division (which is mainly focused on Europe) should – with the economic climate looking favourable – manage in the new year to accelerate the revenue growth achieved in the fourth quarter of 2017 and continue to improve the EBIT margin. For 2018, we are aiming at Group level for revenue of between CHF 1'350 and CHF 1'400 million. For the second time in succession, we are increasing the target range for the EBIT margin, which will now rise to 12% to 15%. From the current perspective, there should not be any more one-off costs during 2018.

Changes on the Board of Directors and change of auditor

The Annual General Meeting to be held on 6 March 2018 will see Ernst Odermatt step down from the Board of Directors after 14 years for age-related reasons. To succeed him, Claude R. Cornaz is being recommended for election as a new member of the Board of Directors. Claude R. Cornaz (56 years old) is the CEO of the Vetropack Group, where he has spent 18 years driving sustainable development in a challenging environment. He is also a member of the family which owns the majority of shares. The Board of Directors will also be proposing that KPMG be appointed as the new auditor at the Annual General Meeting.

We are convinced that, by sharpening our strategic priorities, we will remain on track in future too in our drive to create added value for all stakeholders. We thank our employees for their great dedication and for their willingness to keep developing themselves and view changes as opportunities. Special thanks also to our customers and suppliers, some of who have backed our capacity for innovation for years or even decades. We thank our shareholders for the solidarity they show towards our business.

On behalf of the Board of Directors

Dr. Paul J. Hälg, Chairman

On behalf of the Executive Management

Dirk Lambrecht, CEO

DIVISIONS

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Technical Components 15

SEALING SOLUTIONS

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

Target groups

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

Geographical markets

- Europe
- North and South America
- Asia
- Australia

Products and services

Automotive

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

Health Care

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

Civil Engineering

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

Consumer Goods

- Innovative sealing solutions for portioned food and drinks

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

Accelerated profitable growth

Revenue and earnings

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

Important developments in 2017

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

Current priorities

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

Outlook

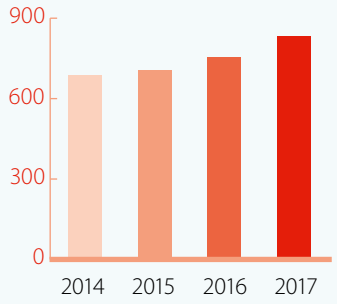
- Based on the positive environment in the markets served, the leading positions occupied, the healthy order book, the new Nespresso contract and the capacity levels available, Datwyler is expecting the Sealing Solutions division to enjoy dynamic profitable growth in 2018 too.
- Additional capacity expansion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

KEY FIGURES OF SEALING SOLUTIONS

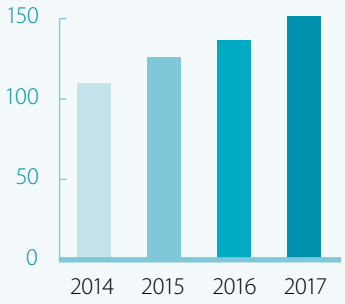
in CHF millions	2017	2016
Net revenue	832.8	753.3
EBIT	151.6	136.7
EBIT as % of net revenue	18.2%	18.1%
ROCE in %	30.1%	29.2%
Capital employed	503.3	468.2
Capital expenditures	109.4	71.6
Number of full-time equivalents (at year-end)	6'321	5'917

833 mn
Net revenue in CHF

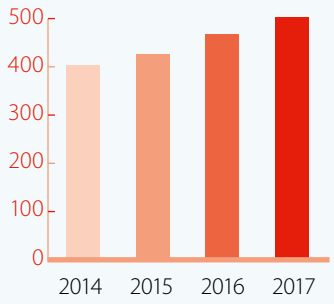
NET REVENUE
in CHF million



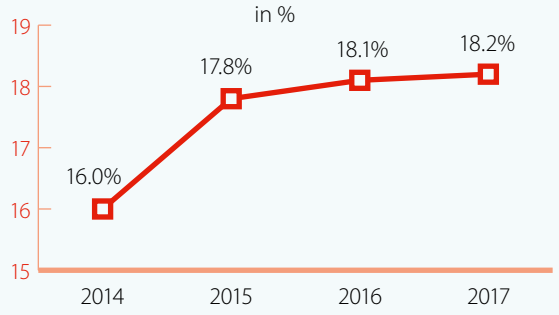
EBIT
in CHF million



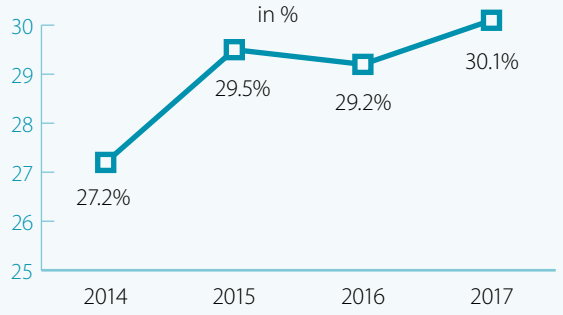
CAPITAL EMPLOYED
in CHF million



EBIT MARGIN
in %



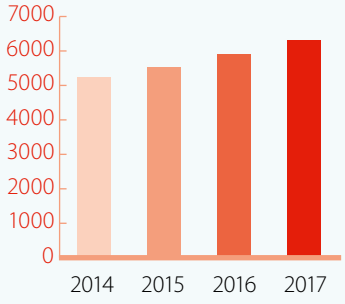
ROCE
in %



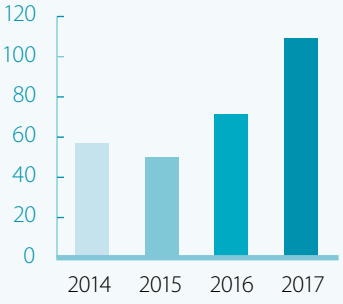
16 bn
Components for the Health Care industry

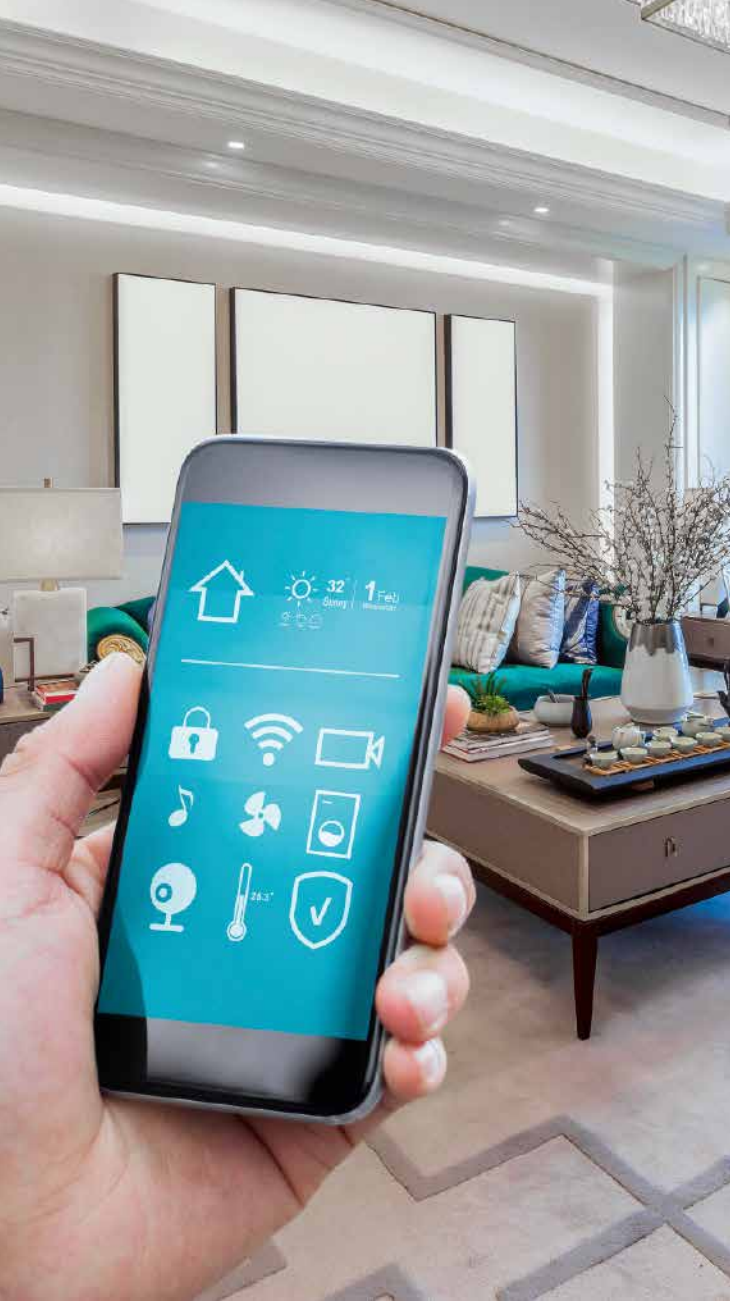
6'300
Employees

FULL-TIME EQUIVALENTS
at year-end



CAPITAL EXPENDITURE
in CHF million





TECHNICAL COMPONENTS

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

Target groups

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

Geographical markets

- Europe

Products and services

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

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

Revenue growth in online distribution

Revenue and earnings

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

Important developments in 2017

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

Current priorities

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

Outlook

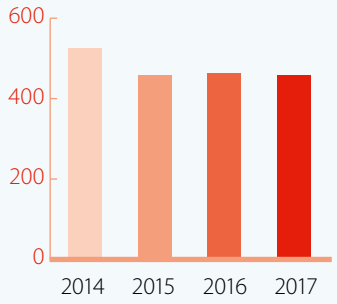
- With the measures already implemented and given their current priorities, the Datwyler distributors are continuously looking to improve how they tailor their offer to customers' current needs.
- Datwyler is confident therefore that – with the economic climate looking favourable – the Technical Components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

KEY FIGURES OF TECHNICAL COMPONENTS

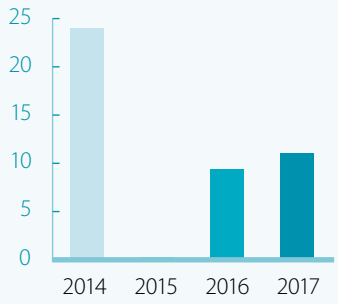
in CHF millions	2017	2016
Net revenue	458.6	462.6
EBIT	11.0	9.4
EBIT as % of net revenue	2.4%	2.0%
ROCE in %	5.0%	4.5%
Capital employed	218.9	209.5
Capital expenditures	7.1	15.8
Number of full-time equivalents (at year-end)	1'112	1'116

459 mn
Net revenue in CHF

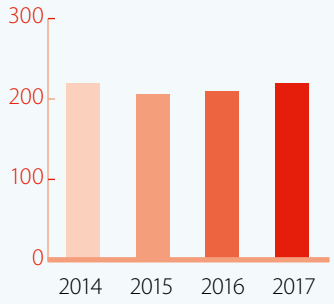
NET REVENUE
in CHF million



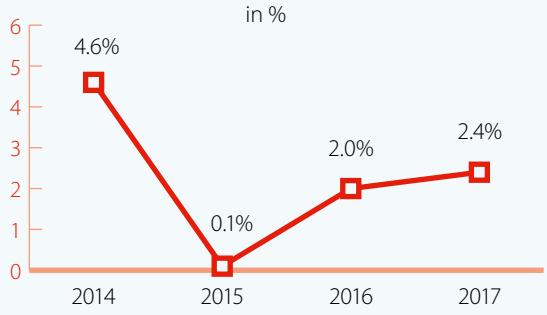
EBIT
in CHF million



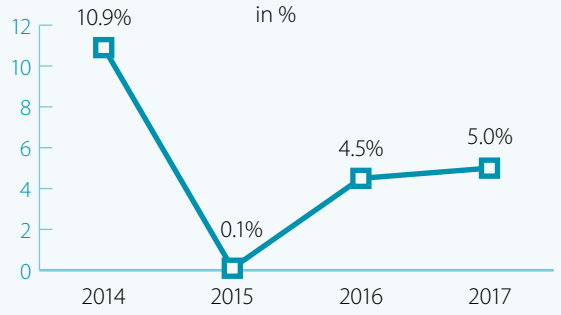
CAPITAL EMPLOYED
in CHF million



EBIT MARGIN
in %



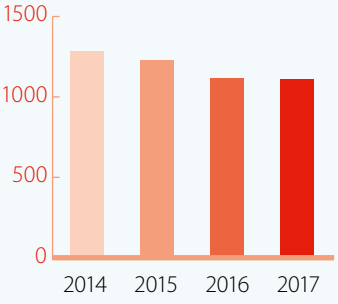
ROCE
in %



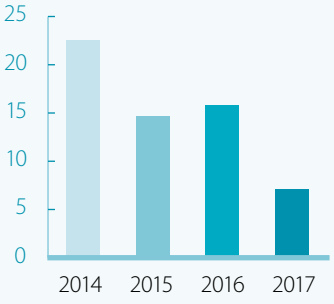
250'000
Products in stock

1'100
Employees

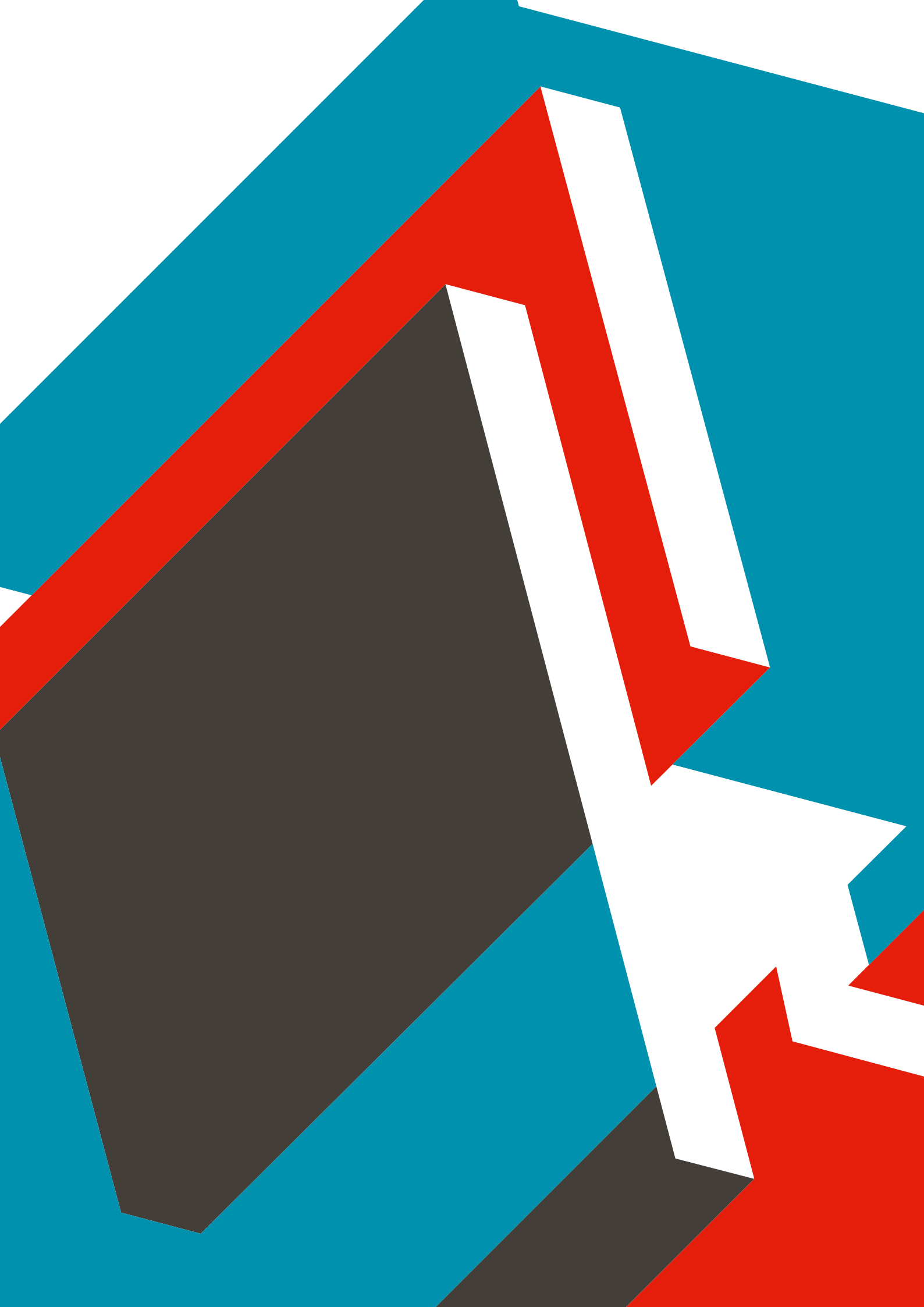
FULL-TIME EQUIVALENTS
at year-end



CAPITAL EXPENDITURE
in CHF million



2014 continuing operations (without Maagtechnic)



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SUSTAINABILITY

Long-term values

More than 100 years of innovation for the benefit of our customers, employees, shareholders and the community – that is the hallmark of the Datwyler Group. Over this period, Datwyler has evolved from a family-owned Swiss company into an international group. Building on our strong roots, we have developed our own style with high standards and unique values:

- We are entrepreneurs.
- We bring value to our customers.
- We excel in what we do.
- We have respect for others.

We strive to deliver sustainable profitable growth for the benefit of our stakeholders as the foundation for adding long-term value and preserving the corporate independence of the Datwyler Group. In our efforts, we are addressing the challenges of our times. As early as 2008, we voluntarily adopted the standards of the Global Reporting Initiative (GRI) for the sustainability section of our Annual Report, and in 2009 we joined the UN Global Com-pact. This is an initiative launched by the United Nations stating ten principles in the areas of human rights, labour, the environment and in combating corruption. As a UN Global Compact participant, Datwyler commits to follow the ten principles and to accept its responsibility within society. This endeavour is based on the Datwyler values and the Code of Conduct that lay down globally binding rules for all Datwyler Group employees.

As far as our suppliers are concerned, we have set out our requirements in a dedicated code of conduct based on the UN Global Compact since the beginning of 2014. The systematic customer satisfaction survey was continued in 2017. The next employee satisfaction survey is planned in autumn of 2018. Since 2013, the Datwyler Group has also reported its greenhouse gas emissions to the Carbon Disclosure Project (CDP). In this way, we live up to our social responsibility every day as a reliable partner to our stakeholders.

Selected objectives and visions related to the relevant topics of sustainability

Economic performance
Above-average long-term profitable growth in the markets we serve; revenue target 2018 CHF 1'350 million to CHF 1'400 million with an EBIT margin of 12% to 15%.

High client satisfaction
Continuous improvement in customer satisfaction (measured on the basis of annual customer surveys); reduction in customer complaints; specific targets in terms of acquiring new customers and orders.

High-quality, sustainable products/services
Reduction in packaging material; increase in the share of reusable containers and in the percentage of recycled content in materials used; integration of Ecodesign as a standard process in the development of new products.

Attractive employer
Strengthening of talent management; more detailed documentation of fluctuation; comprehensive development discussions; global onboarding processes for new employees.

Safe workplace
Reduction in work-related accidents, injuries and illnesses – towards the long-term goal of an accident and injury-free working environment.

Sustainable use of natural resources
Decrease in resource consumption (electricity, energy, water) and in waste per revenue unit.

Fair business practices
No cases of corruption; no cases of legal actions against Datwyler; compliance with the Datwyler Code of Conduct by each and every employee.

Sustainable supply chain management
Binding code of conduct for suppliers; principles of the UN Global Compact as the minimum standard for suppliers; integration and monitoring of sustainability criteria in the sourcing process.

Employee engagement
Continuous improvement in employee commitment (measured on the basis of an employee survey conducted every two years).

Prioritisation of sustainability topics relevant to the Datwyler Group

Sustainability as part of the company strategy

Sustainability is about balancing economic, social and environmental responsibility. Within the Datwyler Group, sustainability is an important strategic objective, embedded in all we do from product development, customer support, human resources management and production to social engagement. Taking the issue's significant importance into account, Datwyler's sustainability report for the 2016 reporting year was published as a separate document for the first time. This document meets the latest GRI standards on sustainability reporting. Datwyler launched a comprehensive process to this end in 2016, aimed at defining material sustainability topics for the company while determining objectives in each main area of focus.

As part of a multi-stage process, Datwyler first interviewed representatives of the management teams and experts from both divisions on the topic of sustainability. We also performed a benchmark analysis of peer companies. The Executive Management structured the identified material topics by order of strategic relevance, and approved them for the group accordingly.

In a workshop attended by over 70 managers from both divisions and all key subsidiaries, Datwyler subsequently drew up objectives, visions and priorities related to these topics in terms of strategic focus and strategic development. Datwyler will continue to develop the sustainability objectives over the next few years in addition to establishing and communicating quantitative goals.

As a responsible company, Datwyler wants to contribute to achieving the UN Sustainable Development Goals. We still want to grow as a company, but we also want to reduce our consumption per revenue unit of resources such as heating energy, electricity and water. The same applies to the volume of waste produced at our plants.

In future, the ideal of sustainable processes and products must be engrained in our mindset – just as innovation and quality have been for many years. Through a responsible management of resource use and other sustainability issues, Datwyler believes that it will create added value for its customers, stand out from its competitors, become more attractive to employees and meet societal requirements.

The 2017 Datwyler Sustainability Report will be available from the second quarter of 2018 via the following link:
www.datwyler.com/en/company/sustainability/

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CORPORATE GOVERNANCE

at 31 December 2017

As a company committed to creating long-term value, Datwyler 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* and the Rules of Organisation and Business Conduct of Dätwyler Holding Inc. They are presented below following the applicable Directive issued by the SIX Swiss Exchange. Where appropriate, reference is made to issues that are discussed in detail in the notes to the financial statements and in the Remuneration Report. Where information required under a section of the SIX Directive has been omitted, it is either not applicable to Datwyler or the corresponding situation does not exist at Datwyler or does not apply to Datwyler.

* www.datwyler.com > Governance > Articles of Association

Group structure and shareholders

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. The Sealing Solutions division is a leading supplier of customer specific sealing solutions to global market segments, such as the health care, automotive, civil engineering and consumer goods industries. The Technical Components division is one of Europe's foremost high-service distributors of maintenance, electronic, automation and ICT components and accessories.

Substantial shareholders and shareholder structure

The ownership structure of the Datwyler Group (see chart, p. 23) is the result of the Dätwyler family succession arrangements of 1990. The family's primary objective was to ensure the long-term independence of the Company.

Following the 1986 IPO, Peter and Max Dätwyler's interest had been reduced to roughly 50% of capital and just below 80% of votes. They placed this ownership interest without compensation in a company they had founded, Pema Holding AG (PeMa = Peter and Max). Today, the Board of Directors of Dätwyler Holding Inc. controls these assets and the associated voting rights on a fiduciary basis and without beneficial ownership. It does so through Dätwyler Führungs AG, likewise founded by the Dätwyler brothers in 1990. The members of the Board of Directors of Dätwyler Holding Inc. (see p. 30, Members of the Board of Directors) are concurrently members of the Board of Directors of Pema Holding AG and hold equal interests of CHF 0.1 million in the share capital of Dätwyler Führungs AG. A shareholders' agreement requires departing Board members to pass their shares in Dätwyler Führungs AG on to their successors at par value and without financial gain.

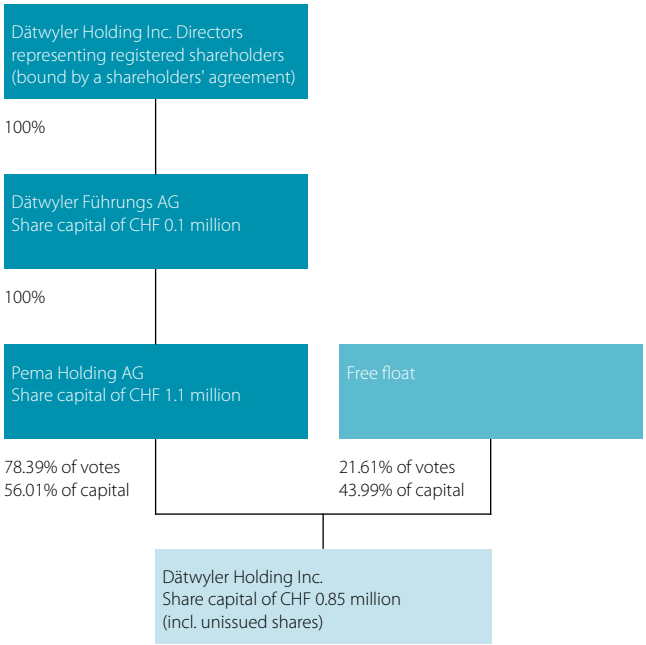
The Board members are likewise not entitled to receive dividend payments from Dätwyler Holding Inc. Dividends are retained by Pema Holding AG and can be reinvested in Dätwyler Holding Inc.

Under the shareholders' agreement, Pema Holding AG may invest only in the Datwyler Group and its spin-offs. It therefore has no conflicts of interest with other shareholdings and completely reflects the interests of the bearer shareholders. Disposal of a majority of votes is permitted only by a qualified majority, and only in the event that it is no longer economically feasible to maintain Dätwyler Holding Inc. as an independent going concern. In this case, Dätwyler Führungs AG and Pema Holding AG are to be liquidated, with the proceeds going to the Datwyler Foundation. Pema Holding AG may be compared to a family of entrepreneurs who hold the majority of the capital and voting rights in a listed company. The restriction relating to Dätwyler Holding Inc., as set out in the shareholders' agreement, allows Pema Holding AG a management mandate with an obligation to create long-term value.

The representative of bearer shares on the Board of Directors of Dätwyler Holding Inc. is not member of the Boards of Directors of Pema Holding AG or of Dätwyler Führungs AG. Concluded in 1990, these Dätwyler family succession arrangements entailed a waiver of claims to substantial assets and are unique.

Pema Holding AG currently owns all 22 million registered shares and 5'121'232 of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 78.39% of the voting rights and 56.01% of the share capital.

The Board of Dätwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold 3% or more of the total voting rights. No disclosure notices were received in the year under review.



Group structure and companies

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

- Page 68: segment reporting.
- Page 87: detailed list of subsidiaries and investments.
- Page 110: details of Dätwyler Holding Inc., the listed company, in the Share Information and General Information sections on page 112.
- Page 113: directory of Group operations.

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

Capital structure

Composition of share capital in CHF at 31 December 2017:

22'000'000 registered shares of CHF 0.01 each	220'000
12'600'000 bearer shares of CHF 0.05 each	630'000
Total ordinary share capital	850'000
Authorised additional share capital	84'999.94
Authorised contingent 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 and – irrespective of their value – are entitled to vote and rank for dividend. Information about changes in equity for 2017 and 2016 is presented in the statement of changes in equity on page 60. Changes in equity for 2016 and 2015 are shown in the statement of changes in equity on page 57 of the Annual Report 2016 (www.datwyler.com > Investors > Publications > Annual Reports).

Convertible bonds and share options

As at 31 December 2017, Datwyler did not have any outstanding convertible bonds or options. In 2012 a fixed-rate bond was issued in the amount of CHF 150 million (see page 79, Note 18, Bond).

Internal organisation

Role of the Board of Directors

The Board of Directors is the ultimate decision-making, management and governing body of the Datwyler Group. The Board consists of no fewer than five and no more than eleven members. At 31 December 2016, the Board comprised nine Directors. The roles of the Chairman and Chief Executive Officer (CEO) are separate. The Directors or companies and organisations which they influence have no executive functions in the Group and do not have any business relationship with the Datwyler Group. The current Chairman, Paul Hälg, was the CEO of the Datwyler Group from 2004 to 2016. The other members of the Board never served in executive functions for the Datwyler Group. No Director holds cross-directorships with other Directors through involvement in other listed companies.

When members are appointed to the Board of Directors, care is taken to ensure that the kinds of competencies important to the Datwyler Group with regard to the various industries, technologies and markets are suitably represented.

Since the annual general meeting 2014, Directors are elected for one-year terms. They are eligible for re-election for further periods, with no limit on the number of terms they may serve. 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 62 and their average tenure is five 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 Dätwyler Holding Inc. to appoint Committees from among its members to deal with specific matters. There are currently two Committees: the Audit Committee and the Remuneration Committee.

In accordance with the Rules of Organisation, the Board holds at least five 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 in good time 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 Management 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. Resolutions may also be adopted by telephone conference or by circular letter.

During 2017, the Board held six meetings. One member of the Board of Directors was excused from one meeting. The CEO and CFO and the other members of the Executive Management were present at each meeting for the discussion of items relating to them. In 2017, no external specialists were called in.

Operation of the Committees

The Committees have written terms of reference specifying their responsibilities. In addition to these written terms, the Audit Committee has defined its tasks and responsibilities in a detailed checklist. 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, but at least once a year. Their meetings usually last half a day. All Directors, Executive Management 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, 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 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: Jürg Fedier (Chairman), Paul Hälg and Ernst Odermatt. In 2017, the Audit Committee held three meetings with all members present, each of which was attended by the CEO and CFO. Internal audit as well as representatives of the external auditors attended all the meetings for the discussion of selected items. In 2017, other external specialists were not called in.

Responsibilities of the Audit Committee

- To ensure a comprehensive and effective audit programme for Dätwyler Holding Inc. and the Datwyler Group.
- To comment on the annual and consolidated financial statements.
- To comment on the audit plan and results of audits.
- To receive recommendations from the external auditors, discuss the recommendations with the Executive Management and provide a summary for the Board of Directors.
- To present the Executive Management's proposal for the appointment of Dätwyler Holding Inc.'s external auditors to the Board of Directors for consideration by the Annual General Meeting of Shareholders.

Remuneration Committee

The responsibilities of the Remuneration Committee are recorded in the Remuneration Report on page 39.

Division of responsibilities between the Board of Directors and Executive Management

The authority and responsibilities delegated to the Board of Directors and Executive Management are laid down in the "Rules of Organisation" as provided in Article 20 of the Articles of Association of Dätwyler Holding Inc. These rules are updated on a regular basis. They describe the duties and responsibilities of the Board of Directors and define the duties and responsibilities of the Executive Management, presided over by the CEO. In addition to the non-delegable functions reserved for the Board of Directors by law, the Rules of Organisation delegate the following duties, among others, to the Board:

- To determine the principles of corporate strategy.
- To make decisions on financial policy.
- To adopt resolutions on the establishment of new business units and discontinuation of existing ones.
- To adopt resolutions on the setting up of new sites and closure of existing ones.
- To adopt resolutions on the acquisition and disposal of equity holdings.
- To adopt resolutions on the acquisition, encumbrance and disposal of land and buildings.
- To review the risk management system.

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 CHF 3 million must be approved by the full Board of Directors.

The policies set out in the "Rules of Organisation" are detailed for all business and functional areas in the following written documents: "Division of Responsibilities of the Executive Management" and "Investment Manual". The Datwyler 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.

Information and control systems for monitoring the Executive Management

The Board has an internal control system in place to monitor and control the Executive Management. This is based on an institutionalised, annual management process cycle, of which the key elements available to the full Board of Directors 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.
- 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 Management members at Board and Committee meetings.

In addition to these institutionalised information and control systems, 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.

Internal Audit

Internal Audit reports to the Audit Committee and is under the direct administrative line management of the CFO. Every year it draws up a risk-based audit plan, which is approved by the Audit Committee. The interval between audits of Group companies varies between two and five years, depending on the size and importance of the individual company. To optimise cooperation, the head of Internal Audit meets regularly with the representatives of the external auditors. At their meetings they harmonise audit plans and audit priorities and exchange useful information.

Internal Audit verifies compliance with the division of responsibilities and monitors the internal control system, risk management and the efficiency of the structures and processes. The findings and recommendations of Internal Audit are recorded in written reports. Following completion of the audit, the findings are reviewed and discussed with the local management. In coordination with Internal Audit, the local management defines specific corrective measures and a timetable for implementation. Division management and local management each issue an opinion. The report (including the corrective measures, the timetable for implementation and the opinions) is sent to the line managers, the external auditors, Executive Management and the Audit Committee. The head of Internal Audit presents the significant findings contained in the audit reports at the respective next meeting of the Audit Committee. Comments and suggestions of the Audit Committee and the external auditors are taken into consideration in planning and conducting audits. Internal Audit also ensures that all discrepancies raised by its audits are addressed within the prescribed period and submits a report on such matters to Executive Management and the Audit Committee.

Risk Management

The Datwyler Group is aware of the importance of systematic risk management for lasting corporate success. Final responsibility in assessing risks lies with the Board of Directors. The head of Internal Audit is responsible for the Group-wide coordination of risk management. He is supported by risk officers in both divisions.

As part of a standard process, the division managements hold an annual workshop to evaluate significant risks. A record of the results is kept in a risk-management system. To ensure uniform valuation methods, the CFO of the Datwyler Group and the head of Internal Audit conduct annual reviews with the division managements and the risk officers. These reviews guarantee the same treatment of similar risks across all divisions. The head of Internal Audit is responsible for the consolidation of risks and the presentation of the annual risk management report to the Board of Directors. In addition to this standardised risk management process, ongoing risk assessment is an integral part of all operational planning and management processes. Division managements and Executive Management regularly assess risks in particular in their joint business review meetings.

Datwyler distinguishes in principle between two categories of risk: risks arising from the business environment and risks arising from business processes. The business environment category includes risks associated with the industry and the market, the external stakeholder groups, laws and regulations and catastrophic events. The business process category in turn includes risks along the value-added chain, in IT, the planning and reporting process, finances and human resources. Risks are assessed on the basis of probability of occurrence and the potential loss on occurrence. After identifying and assessing the individual risks, it is the task of the division managements to draw up for each risk a number of measures to reduce the danger of occurrence and the potential damage. The implementation of these measures is monitored as part of the systematic risk management process and taken into consideration at the next risk assessment.

Board of Directors

The Directors of Dätwyler Holding Inc. are all – with the exception of Jürg Fedier – also Directors of Pema Holding AG and Dätwyler Führungs AG. Pema Holding AG is the majority owner of Dätwyler Holding Inc. (see p. 25, Substantial shareholders and ownership).

Pursuant to Article 14 of the Dätwyler Holding Inc. Articles of Association, the number of mandates members of the Board of Directors may hold on management and supervisory boards of legal entities outside the Group is restricted as follows:

- Four mandates in exchange-listed enterprises.
- Ten mandates in unlisted enterprises.
- Fifteen mandates in other legal entities such as foundations and associations

Paul J. Hälg (1954, Swiss)
Chairman – term expires in 2018

Paul Hälg was appointed to the Board and Chairman of Dätwyler Holding Inc. at the 2017 Annual General Meeting. He is a member of the Audit Committee and a Director of Dätwyler Cabling Solutions AG, a sister company of publicly listed Dätwyler Holding Inc. From 2004 until the end of 2016 Paul Hälg had managed the Datwyler Group as CEO. Before joining Datwyler, he served on Forbo Group'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 the Swiss Aluminium Group. Paul Hälg is Chairman of Sika Ltd. and Director of Sonceboz Automotive SA and Baumann Springs Ltd. He is also a member of the Foundation Board of the ETH Foundation and Swisscontact. He studied chemistry at the Swiss Federal Institute of Technology Zurich, graduating with a doctorate (DSc).

Hanspeter Fässler (1956, Swiss)
Director (term expires in 2018)

Hanspeter Fässler has been a Director of Dätwyler Holding Inc. since 2004. He is Vice Chairman (since 2017), Chairman of the Remuneration Committee, and Chairman of the Board of Directors of Dätwyler Cabling Solutions AG, a sister company of the publicly listed Dätwyler Holding Inc. He is also a member of the board of Axpo Holding AG and Hatebur Metalforming Equipment Ltd. As Executive Chairman of the robotics spinoff ANYbotics AG, he brings valuable digital competence to the Datwyler Board of Directors. Hanspeter Fässler held various national and international management positions within the ABB Group, including the position of Country Manager Switzerland. From 2006 to 2010 he was responsible for ABB's Mediterranean Region and Country Manager of ABB Italy. From 2010 until 2011 he was CEO of the Implenia Construction Services Group. He earned a doctorate specialising in mechatronics / robotics from the Swiss Federal Institute of Technology Zurich and also holds an Engineer's degree from Stanford University (USA).

Jürg Fedier (1955, Swiss)
Director (term expires in 2018)
Bearer Shareholders' Representative

Jürg Fedier was appointed to the Board of Dätwyler Holding Inc. at the 2015 Annual General Meeting. He is Chairman of the Audit Committee and a Representative of the Bearer Shareholders. Since 2009, he serves as Chief Financial Officer of the world wide operating and stock quoted Oerlikon Group. From 2007 to 2008 he acted as CFO of Ciba Group. Between 2006 and 2007, he was Head of Finance of Dow Europe and a Member of the Executive Board. From 2002 to 2006, Jürg Fedier served as Vice President Finance for Dow Chemical, Performance Chemicals, USA, between 2000 and 2002 as Global Business Finance Director for Dow Chemical, Thermosets. From 1978 to 2000, he filled several management positions with Dow Chemical in the USA and in Asia. Jürg Fedier is Director of the Ascom Holding Inc. He holds a Commercial Diploma from the College of Commerce in Zurich, Switzerland, and completed international executive management programs at the IMD, Switzerland, and the University of Michigan, USA.

Gabi Huber (1956, Swiss)
Director (term expires in 2018)

Gabi Huber was appointed to the Board of Dätwyler Holding Inc. in 2013 and is a member of the Remuneration Committee and Chairwoman of the Board of Directors of Dätwyler Immobilien AG, a sister company of the publicly listed Dätwyler Holding Inc. Co-owner of the law firm of Bachmann & Huber in Altdorf, she has practised as an independent lawyer and notary public since 1982 and was certified as a mediator in 2006. She represented the Canton of Uri in the National Council from 2003 to 2015 and was the "FDP. The Liberals" parliamentary group leader from 2008 to 2015. Prior to her election to the National Council, Gabi Huber served as a member of the cantonal government and head of the Finance Department of the Canton of Uri from 1996 to 2004. From 2002 to 2004, she was president of the Uri cantonal executive. She is Vice Chairwoman of the Board of Directors of UBS Switzerland AG and a delegate of Swiss Mobiliar Cooperative Company. Gabi Huber graduated 1980 from the University of Fribourg, completed a course of study at Columbia University, New York and did a doctorate in law 1990.

Ernst Odermatt (1948, Swiss)
Director (term expires in 2018)
Ernst Odermatt was appointed to the Board of Dätwyler 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, Düsseldorf, having held a number of management positions with Oerlikon Contraves since 1978. He is Chairman of Hofstetter PCB AG. He holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich and a degree in business administration from the University of Zurich.

Hanno Ulmer (1957, Austrian)
Director (term expires in 2018)
Hanno Ulmer was appointed to the Board of Dätwyler Holding Inc. at the 2015 Annual General Meeting. He is a member of the Remuneration Committee. He has served on the Executive Board of Doppelmayr Holding AG, the parent company of the world's leading ropeway manufacturer based in Austria, since 1994. Hanno Ulmer has held various finance and management positions within the Doppelmayr Group since 1976. He is also Chairman of Garaventa AG and of Ropetrans AG and a Supervisory Board member of Bank für Tirol und Voralberg AG. Hanno Ulmer holds an accounting diploma from WIFI Voralberg and completed university studies in export and international management.

Zhiqiang Zhang (1961, Chinese)
Director (term expires in 2018)
Zhiqiang Zhang was appointed to the Board of Dätwyler Holding Inc. at the Annual General Meeting 2016. The Chinese national has been with the Swedish Sandvik Group since 2012, where he is President of Sandvik China and Regional Holding Officer of APAC. From 2005 to 2012 he was President of Nokia Siemens Networks Greater China Region and from 1999 to 2005 he served as President of Siemens VDO Automotive China. Prior to that, Zhiqiang Zhang supported the development of the Chinese market since 1987 in various management positions at Siemens. Since 2005 he has been a member of the Board of Directors at the Georg Fischer Group. Zhiqiang Zhang holds a Bachelor of Sciences of Northern Jiatong University, Beijing (China) and an MBA of Queen's University, Kingston (Canada).

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 Datwyler into a Group of international dimensions. After the IPO, he circumspectly transformed Datwyler from a family-owned business into a public company. In appreciation of his services to the Datwyler 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 Dätwyler 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.

Max Dätwyler (1929, Swiss)
Honorary Director (since 1999)
Max Dätwyler was Chairman of Dätwyler 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 Dätwyler, Max Dätwyler was instrumental in building Dätwyler Holding Inc. into a diversified international corporation and, in 1990, ensured the Group's long-term independence through the shareholders' agreement of Dätwyler Führungs 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.

Changes in the composition of the Board of Directors
At the ordinary Annual General Meeting for 2017, Ulrich Graf stepped down as Chairman for age-related reasons after 12 years in the post. The 2017 Annual General Meeting also saw long-standing Directors Hans R. Rüegg and Ernst Lienhard step down from the Board on account of their age. At this same 2017 Annual General Meeting, long-standing Datwyler CEO Paul Hälg was newly elected as Director and Chairman.

Claude R. Cornaz will be recommended for election as a new Director at the 2018 Annual General Meeting.

Board of Directors

Paul J. Hälg, Chairman

Hanspeter Fässler, Vice Chairman

Jürg Fedier

Gabi Huber

Ernst Odermatt

Hanno Ulmer

Zhiqiang Zhang

Executive Management

Pursuant to Article 19 of the Dätwyler Holding Inc. Articles of Association, the number of mandates members of the Executive Management may hold on management and supervisory boards of legal entities outside the Group is restricted as follows:

- Two mandates in exchange-listed enterprises.
- Five mandates in unlisted enterprises.
- Ten mandates in other legal entities such as foundations and associations.

Dirk Lambrecht (1960, German)
Chief Executive Officer (CEO)
Dirk Lambrecht was appointed CEO of the Datwyler Group at the beginning of 2017. Previously, he led the Sealing Solutions Division, in which the divisions previously known as Sealing Technologies and Pharma Packaging are combined. He was head of the Sealing Technologies division from 2005 to 2012. Before joining the Datwyler Group, 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 is a Director of Dätwyler Cabling Solutions AG, a sister company of publicly listed Dätwyler Holding Inc. He earned a degree in mechanical engineering, specialising in apparatus engineering, from Hamburg University of Applied Sciences and completed further studies, including programmes at the Management School St. Gallen.

Reto Welte (1959, Swiss)
Chief Financial Officer (CFO)
Reto Welte was appointed Chief Financial Officer and Member of the Datwyler Executive Management from 2009. Before joining Datwyler, he for two years held the same function with the Kardex Remstar Group, also a SIX Swiss Exchange-listed Group of companies. Between 2003 and 2006, he was CFO and member of Group Management of the Feintool Group. Previously Reto Welte was CFO of the Gretag Imaging Group and of co.don AG in Berlin. From 1991 to 2000, he held various management positions in finance with the Alstom group and was head of the Medium-Voltage Technology unit. Reto Welte is Vice Chairman of Pfister Arco Holding AG. He also is a Director of Dätwyler Cabling Solutions AG, a sister company of publicly listed Dätwyler Holding Inc. He holds a degree in business administration from the University of St. Gallen.

Neil Harrison (1967, GB)
Head of Technical Components division
Neil Harrison, as a member of the Executive Management, is heading the Technical Components division. Before joining the Datwyler Group, he was, since 2009, the President of Premier Farnell Europe, a UK-based company, where he was responsible for the European business. In addition, as the global head of eCommerce, he was responsible for the continuous upgrading and expansion of the worldwide e-business offering. Neil Harrison has held several international management functions for Premier Farnell since 1995. He has completed various international management programmes at the universities of Harvard (USA) and Cranfield (GB).

Torsten Maschke (1969, German)
Head of Sealing Solutions division
Torsten Maschke is since 1 October 2016 head of the Sealing Solutions division and member of the Executive Management. Before joining the Datwyler Group, he was responsible for the worldwide distribution of sealing and damping solutions for the automotive industry at the Freudenberg Group since 2011. Prior to this – having completed his education in 1996 – he was employed in various international management roles within the automotive business of the Freudenberg Group. Torsten Maschke earned degrees in mechanical engineering from Münster University of Applied Sciences and in industrial engineering from Bochum University of Applied Sciences.

Executive Management

Dirk Lambrecht, CEO

Reto Welte, CFO

Neil Harrison, Head of Technical Components division

Torsten Maschke, Head of Sealing Solutions division

Management contracts
There are no management contracts with external individuals or companies to perform management tasks for the Datwyler Group.

Remuneration, shareholdings and loans

The information on remuneration, shareholdings and loans is recorded in the Remuneration Report on page 39 ff.

Shareholders' participation rights

The shareholders' participation rights comply with the provisions of Swiss Corporation Law, subject to the one-share-per-vote principle presented below. 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 Dätwyler 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 also appoint and instruct an independent proxy to represent them. To do so, an electronic solution has been provided since 2014. The independent proxy is elected annually by the Annual General Meeting for the next ordinary Annual General Meeting.

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 Dätwyler Holding Inc. in accordance with the Swiss Code of Obligations (Art. 699 f.). Shareholders holding no less than 10% of the share capital are entitled to submit agenda items in writing. The deadline for submitting agenda items is published in advance in the Swiss Official Gazette of Commerce.

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. Dätwyler Holding Inc. does not have any change of control clauses which benefit Directors or Executive Management members.

Statutory auditors

PricewaterhouseCoopers AG has audited the financial statements of Dätwyler Holding Inc. since its inception in 1958. It was first engaged to audit the consolidated financial statements in 1986. The auditors are appointed by the Annual General Meeting of Shareholders for a period of one year. In accordance with the Swiss Code of Obligations, the normal rate of rotation for the auditor in charge is seven years. There was a change in the lead audit partner in 2014. Some of the Group companies are audited by other firms of accountants.

At the ordinary Annual General Meeting 2018, KPMG will be recommended for election as statutory auditor.

Fees paid in 2017 to the statutory and other auditors:

in CHF	Statutory auditors	Other auditors
Auditing services, total	1'200'000	237'000
Additional services, total	467'000	201'000
Tax consulting	456'000	152'000
Legal consulting	7'000	38'000
Transaction services	–	–
Other advisory services	4'000	11'000

Representatives of the statutory auditors attend all meetings of the Audit Committee for the discussion of certain items. Three meetings were held in 2017. At each meeting, the statutory auditors present a written 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 auditors is the overall Board of Directors. It conducts an annual evaluation of the statutory auditors. This is based on the following criteria:
- Professional competence.
- Scope and quality of their written reports and verbal statements.
- Practicability of recommendations.
- Priority setting.
- Transparent and effective communication and coordination.
- Ability to meet deadlines.
- Independence.
- Fees.

The members of the Board of Directors rely on the competencies and experience they have gained in similar roles with other companies, on the statutory auditors' reports as well as on the comments made by the Audit Committee. The responsibilities of the Audit Committee are defined on page 28.

Information policy

The Datwyler Group maintains an open dialogue with all stakeholders. In the interests of shareholders, Datwyler especially fosters relationships with investors, banks and media representatives. Communication takes place through the Annual Report, Interim Report, Annual General Meeting and at least one press and analyst conference every year. Through press releases and on its website (www.datwyler.com), Datwyler provides up-to-the-minute information on all important projects as required by the ad hoc publicity rules of SIX Swiss Exchange. The archive of ad hoc press releases can be found at www.datwyler.com > Media > Press Releases. A facility for signing up to receive ad hoc press releases is provided at www.datwyler.com > Media > Email Alerts. Contact details and important dates are given in the "General Information" section on page 112. Official notices concerning Datwyler are published in the Swiss Official Gazette of Commerce. Notices and invitations to registered shareholders are made in writing.

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REMUNERATION REPORT

The Remuneration Report describes the governance framework and principles of remuneration of the Board of Directors and Executive Management of the Datwyler Group. It also provides information on remuneration plans and remuneration paid for the 2017 fiscal year.

The Remuneration Report is written in accordance with the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange and the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

Remuneration governance framework

Remuneration Committee

The Remuneration Committee generally consists of three members of the Board of Directors who are elected individually each year by the Annual General Meeting. The Remuneration Committee appoints its chairman. As at the end of 2016, the members of the Remuneration Committee were: Hanspeter Fässler (Chairman), Gabi Huber and Hanno Ulmer. In 2017 the Remuneration Committee met five times. One member was excused from a meeting.

Responsibilities of the Remuneration Committee:

- Basic human resource matters (e.g. talent management, succession planning, etc.) of the Datwyler Group.
- Nominations to the Board of Directors and Executive Management.
- Preparation of the maximum compensation amounts to the Board of Directors and Executive Management to be submitted to shareholders' vote at the Annual General Meeting
- Determination of remuneration for members of the Board of Directors within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association.
- Terms of employment for members of the Executive Management.
- Determination of performance-based remuneration for members of the Executive Management within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association.
- Monitoring of structure and development of remuneration.
- Oversight of compliance by the members of the Board of Directors and Executive Management with the provisions of the Articles of Association concerning the number of mandates in top management and supervisory bodies of legal entities out- side the Datwyler Group (Art. 14 section 5 and Art. 19 section 3 of the Articles of Association) including any necessary measures.
- Compliance with regulations concerning the disclosure of remuneration of members of the Board of Directors and Executive Management.
- Preparation of the remuneration report.

The Remuneration Committee has written terms of reference setting out its responsibilities. The Committee generally prepares the groundwork for proposals and decision-making by the full Board. It has executive authority only within the remuneration framework already approved in principle by the Annual General Meeting or Board of Directors and where expressly provided in the Articles of Association or a policy. It meets upon invitation of its Chairman as often as necessary, but at least once a year. When the business to be transacted so requires, meetings are attended by the CEO and CFO, by invitation and in an advisory capacity. At the agenda points, where their own performance and remuneration are being discussed, the CEO and CFO do not attend. The members of the Committee receive documentation before meetings to enable them to prepare for the individual agenda items. At least two members must be present to adopt decisions. The committees pass resolutions by an absolute majority of the votes cast. In the event of a tie, the Chairman casts the deciding vote. The Remuneration Committee keeps a record of its decisions and recommendations in minutes submitted to the full Board of Directors and reports the results of its activities at the next Board meeting.

Approval levels

	Proposal	Review	Approval
Remuneration principles (articles of incorporation)	Remuneration Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration models for the Board of Directors and Executive Management	Remuneration Committee		Board of Directors
Remuneration Report	Remuneration Committee	Board of Directors	Annual General Meeting (consultative vote)
Maximum aggregate amount of remuneration for Board of Directors	Remuneration Committee	Board of Directors	Annual General Meeting (binding vote)
Individual remuneration of Board of Directors members	Remuneration Committee		Board of Directors
Maximum aggregate amount of remuneration for Executive Management	Remuneration Committee	Board of Directors	Annual General Meeting (binding vote)
Remuneration CEO	Remuneration Committee		Board of Directors
Individual remuneration other members of Executive Management	CEO	Remuneration Committee	Board of Directors

Determination procedure for the remuneration system
The remuneration system is normally reviewed every three years by the Remuneration Committee and may be adjusted to reflect the evolving business environment. Such a regular review has taken place in 2015.

The Datwyler Group's remuneration policy is compared against common standards for similar positions at comparable companies. The process for determining the elements and levels of remuneration for the Board of Directors and Executive Management is based on a periodic benchmarking analysis on the basis of remuneration surveys and of remuneration disclosures published by comparable companies in their annual reports. Comparable companies are defined as international industrial companies listed on the SIX Swiss Exchange with similar geographic scope, revenue, complexity, capitalisation and employee headcount. They include: Bucher Industries, Feintool, Forbo, Geberit, Georg Fischer, Dormakaba, Lonza, Oerlikon, Sika, Sonova and Sulzer.

The Annual General Meeting approves the proposals of the Board of Directors concerning the maximum aggregate amount for remuneration of the Board of Directors each year for the period up to the next ordinary Annual General Meeting pursuant to Art. 21b of the Articles of Association, and of remuneration for the Executive Management for the following fiscal year pursuant to Art. 21c of the Articles of Association.

The amount of remuneration for members of the Board of Directors is based on service on the individual committees. It is determined annually by the Remuneration Committee within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association. The full Board of Directors approves the result. Members of the Board of Directors have a right to be consulted at these meetings of the Board of Directors.

The effective performance-based remuneration of members of the Executive Management is determined annually by the Remuneration Committee within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association. The full Board of Directors approves the result.

Under Art. 21a section 5 of the Articles of Association, the Company is authorised to pay an additional amount of up to 50% of the applicable aggregate amount of the applicable maximum total remuneration of the Executive Management to members of the Executive Management who join the Executive Management or assume additional duties during a period for which Executive Management remuneration has already been approved in the event that the approved maximum aggregate amount of remuneration is insufficient for this period.

The Remuneration Report is submitted to the Annual General Meeting for approval in an advisory vote.

Remuneration philosophy and principles

The remuneration philosophy, as set forth in the Articles of Association, is aligned with the business strategy of sustainable, profitable growth and aims to promote and support the four core values of the Datwyler Group:

- We are entrepreneurs.
- We excel at what we do.
- We bring value to our customers.
- We have respect for others.

Remuneration principles

Pay for performance

The variable incentive plan for Executive Management rewards the collective performance of the company and the individual contributions.

Reward long-term and sustainable value creation

Part of the remuneration of the Board of Directors and Executive Management is delivered in the form of blocked shares in order to encourage a long-term view and to create alignment with the interests of the shareholders. For the Executive Management, the share-based remuneration will change from 2018 to a long-term incentive plan in the form of performance share units (see page 49). Furthermore, the variable incentive plan for Executive Management has no excessive leverage and therefore does not encourage inappropriate risk-taking.

Market competitiveness

Remuneration levels are in line with competitive market practice and are designed to attract, retain and develop the best talent.

Fairness and transparency

Remuneration programs are straightforward, transparent and fair.

The framework for implementing these remuneration principles is set forth in the Articles of Association.

Remuneration structure of the Board of Directors

Remuneration model for members of the Board of Directors

Base fee for Board membership	
CHF 50'000	**1'100 shares**

Additional fee for special functions

	Cash (CHF)	Stock (units)
Board chairmanship	80'000	1'300
Board vice-chairmanship	20'000	600
Committee chairmanship	40'000	
Committee membership	20'000	
Representation of minority shareholders	40'000	
Additional functions (per diem)	5'000	

The remuneration of members of the Board of Directors is determined based on the responsibility and time requirements of their function and includes a base fee for Board membership and additional fees for special functions such as committee chairmanship and membership. The additional fees are cumulative in the case of multiple functions. Members of the Board of Directors receive their remuneration in the form of a fixed fee in cash and a grant of a predefined number of bearer shares of Dätwyler Holding Inc., blocked for five years. In the event of death or disability of a Board member, the shares may be subject to early un-blocking if the participant or his or her beneficiaries so choose. They remain blocked in all other instances.

Fees are paid and shares allocated in June for the current year of Board service. They are subject to regular social security contributions but are not pensionable. Members of the Board of Directors receive no additional reimbursement of business expenses beyond actual expenditures for business travel.

Remuneration structure of the Executive Management

Remuneration model for the Executive Management

	Instrument	Purpose
Fixed base salary	Monthly cash payments	To compensate for performance of duties and for qualifications required to perform the role
Variable incentive	Annual cash payment	To reward collective business performance and achievement of individual objectives in the reporting year
Share participation	Annual granting of shares blocked for five years	To drive sustainable results and create long-term alignment with shareholders' interests
Employer social insurance contributions and perquisites	Retirement pension, insurance & perquisites	To protect against risks and reimburse business expenses

The remuneration of Executive Management members is determined based on the scope and responsibilities of their position and consists of a fixed base salary, a variable incentive, the grant of a predefined number of bearer shares of Dätwyler Holding Inc. and benefits such as retirement pension, insurance and perquisites.

Fixed base salary
The amount of the fixed base salary depends on the scope of the position, the qualifications and experience required to perform the role together with the market environment. The objective is to pay fixed salaries in line with those offered by comparable companies for similar positions.

Variable incentives
The variable incentive plan rewards the collective performance of the company and the individual contributions over a time horizon of one year. It is split into a collective performance component and an individual performance component. The variable incentives are capped at 180% of the annual fixed base salary for the CEO and 120% for the other members of Executive Management.

In alignment with the overall strategy of sustainable profitable growth, the collective performance will be measured on the basis of two performance indicators weighted equally:
- Net sales growth compared to previous year, relative to a peer group of companies;
- EBIT improvement (earnings before interest and tax) compared to previous year, relative to the same peer group of companies.

Relative net sales growth and EBIT improvement are measured by an independent consulting firm that compares and ranks the performance of Datwyler against the performances of similar companies. For each of the two Datwyler divisions, a specific peer group of more than 30 companies has been determined, including industrial and distribution firms that have a comparable base of products, technology, customers, suppliers or investors and thus are exposed to similar market cycles as the corresponding Datwyler division (for the list of peer companies, please refer to page 44). The intention of measuring the performance relatively to peer companies is to neutralize the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralized, the true performance of the company can be better assessed.

The objective of the collective performance component will be to achieve the median performance of the peer group on both indicators (net sales growth and EBIT improvement), which provides for a 100% payout. The maximum payout of 200% can only be achieved if the division achieves the best ranking amongst all peer companies on both net sales growth and EBIT improvement. Should a Datwyler division perform below all peer companies on both indicators, the collective performance component of this division will be set at zero. The payout percentage for any point between the last ranking (0% payout), the median (100%) and the best ranking (200%) is determined by linear interpolation.

The Board of Directors may decide to adjust both performance indicators to reflect currency effects, extraordinary effects such as one-time costs or sale of real estate and structural changes

Overview of calculation and payout of the variable incentive

Target values in % of annual fixed base salary		CEO	CFO	COO (division heads)
Collective performance	Net sales growth relative to peers	37.5% average of both divisions	25% average of both divisions	25% own division
	EBIT improvement relative to peers	37.5% average of both divisions	25% average of both divisions	25% own division
Individual performance	Individual objectives	15%	10%	10%
Total (at target)		90%	60%	60%
Total (at maximum)		180%	120%	120%

such as acquisitions or divestments affecting divisional net sales by more than 10% of the previous year figure. In case of a negative net result of a division or the Datwyler Group, the Board of Directors reserves the right to deviate from the above mentioned calculation approach.

The assessment of the individual performance is based on personal objectives that are set as part of the annual performance evaluation process. The personal objectives are clearly measurable and may include financial indicators such as net working capital in percent of net sales, but also non-financial metrics such as customer satisfaction and employee commitment. The level of achievement for each objective corresponds to a payout percentage, which ranges from 0% to 200%.

The illustration above summarizes the performance objectives and their respective weighting in percentage of the annual fixed base salary for the CEO and the other members of Executive Management.

Share participation

The share participation programme established in 2007 gives Executive Management members an ownership interest in Dätwyler Holding Inc. and participation in the long-term performance of the Datwyler Group. The number of shares granted depends on the respective role and may reach up to 100% of the fixed base salary, pursuant to Art. 21c section 3 of the Articles of Association. The shares are granted at their market value on the first trading day of the month of June and are blocked for five years. In the event of termination due to death or disability, the shares may be subject to early un-blocking if the participant or his or her beneficiaries so choose. They remain blocked in all other instances.

The share participation programme for Executive Management has been reviewed and amended effective from the 2018 business year. The new long-term incentive plan will be entirely based on future performance of Datwyler. The changes are described on page 49 in the section "Remuneration outlook".

Peer groups of companies to measure the collective performance

Technical Components division

Company	Country
ams AG	AT
Analog Devices (Europe)	US
Arrow Electronics (EMEA)	US
ASBISc Enterprises Plc	CY
Atea ASA (Products)	NO
Avnet (Europe)	US
Bechtle (IT e-commerce)	DE
CML Microsystems plc	UK
Concurrent Technologies plc	UK
Densitron Technologies plc	UK
Eaton Corporation (Electrical Production)	IE
Electrocomponents (Continental Europe)	UK
Elektronikgruppen BK AB	SE
Elma Electronic AG	CH
ELMOS Semiconductor AG	DE
Esprinet SpA	IT
Flextronics	US
Ingram Micro Inc.	US
Logitech International SA	CH
LPKF Laser & Electronics AG	DE
Metro AG (Europe)	DE
S&T AG	AT
Scanfil Oyj	FI
Schweizer Electronic AG	DE
Sequans Communications S.A.	FR
Solid State Plc	UK
Sonel SA	PL
STMicroelectronics NV (Embedded Processing Solutions)	CH
Texas Insturments	US
Vivanco	DE
Würth (Industry)	DE
Yleiselektroniikka Oyj	FI

Sealing Solutions division

Company	Country
Anhui Zhongding Sealing Parts	CN
Antares Pharma Inc.	US
Aptargroup (Food & Beverages)	US
Aptargroup (Pharma)	US
Atrion Corp.	US
Becton Dickinson & Company (Diagnostics)	US
Becton Dickinson & Company (Medical)	US
Bioteque Corp.	TW
Bridgestone Corporation	JP
Continental (Chassy & Safety)	DE
Continental (ContiTech)	DE
Continental (Interior)	DE
Continental (Powertrain)	DE
Delphi Automotive	UK
Fukoku Company Limited	JP
Gerresheimer (Plastics & Devices)	DE
Gerresheimer (Primary Packaging Glass)	DE
Hexpol AB	SE
Johnson Control	US
Parker-Hannifin (Diversified Industrial, America and International)	US
Retractable Technologies Income	US
RPC Group PLC	UK
Semperit AG Holding	AT
Shandong Pharmaceutical Glass Company	CN
Shandong Weigao Group Medical (Single Use Medical Device Products)	CN
Stomil Sanok SA	PL
Terumo (General Hospital Use Products)	JP
Trelleborg (Sealing Solution)	SE
Valeo SA	FR
West Pharmaceutical (Pharmaceutical Packaging Systems)	US
ZF Friedrichshafen	DE

Employer social insurance contributions

Members of the Executive Management participate in the regular employee pension plan provided by Datwyler to all employees in Switzerland. The retirement plan consists of a basic plan covering annual earnings up to the sixfold of the maximal retirement pension of the Swiss Governmental Old-Age, Survivors' and Disability Insurance (AHV) and a supplementary plan in which earnings in excess of this limit are insured up to a maximum of the tenfold of the upper limiting amount according to the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG). The benefits provided under the pension fund exceed the legal requirements of the Swiss Federal Law on Occupational Retirement, Survivors and Disability Pension Plans (BVG) and are in line with typical market practice of other industrial companies in Switzerland.

Perquisites

Members of Executive Management do not receive any particular executive benefits. They are entitled to a company car and a fiscally approved entertainment allowance, in accordance with the expense rules applicable to all employees at management levels employed in Switzerland. Since representation allowance represent a reimbursement of expenses, they are not included in the remuneration tables on page 43.

Employment contracts

Employment contracts with members of Executive Management stipulate a notice period of 6 to 12 months and of 12 months for the CEO. They contain neither a severance provision in the event of termination of employment, nor any change of control clauses. The employment contracts of Executive Management members contain a clawback clause allowing the company, where necessary under applicable Swiss law and the Articles of Association, to recover remuneration already paid, insofar as and to the extent that such remuneration was paid before approval by the Annual General Meeting and the next Annual General Meeting fails to approve the proposals of the Board of Directors.

Remuneration in 2017

The remuneration to current and former members of the Board of Directors and Executive Management and persons connected with them are presented below. Tables 1 and 2 have been audited by the statutory auditors.

Table 1: Remuneration in 2017

in CHF								
Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross[1]	Share participation[2]		Employer social insurance contributions[1]	Perquisites	Total remuneration
				Number	Fair value			
Directors								
Hälg Paul J. [3]	Chairman	150'000	0	2'400	397'920	33'992	0	581'912
Fässler Hanspeter	Deputy Chairman	110'000	0	1'700	281'860	24'375	0	416'235
Fedier Jürg	Director	130'000	0	1'100	182'380	20'395	0	332'775
Huber Gabi	Director	70'000	0	1'100	182'380	16'000	0	268'380
Odermatt Ernst	Director	70'000	0	1'100	182'380	12'933	0	265'313
Ulmer Hanno	Director	70'000	0	1'100	182'380	13'385	0	265'765
Zhang Zhiqiang	Director	50'000	0	1'100	182'380	14'535	0	246'915
Total for Directors		**650'000**	**0**	**9'600**	**1'591'680**	**135'615**	**0**	**2'377'295**
Executive Management								
Dirk Lambrecht[3]	CEO	726'000	888'624	4'000	663'200	353'699	9'120	2'640'643
Total for Executive Management		**2'080'509**	**2'187'992**	**8'500**	**1'409'300**	**1'128'326**	**54'914**	**6'861'041**

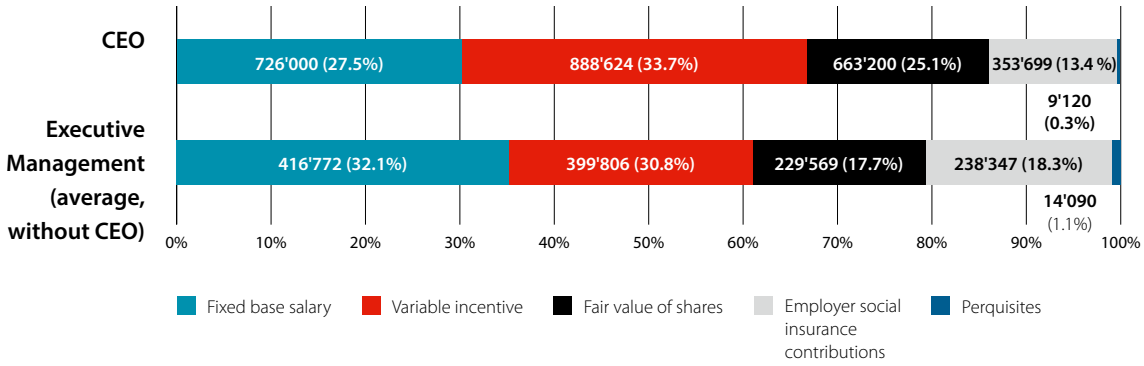
[1] Best estimate at the time of publication of the annual report.
[2] The shares were awarded on 1 June 2017 at a daily closing price of CHF 165.80.
[3] Highest remuneration.

Table 1: Remuneration in 2016

in CHF								
Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross[1]	Share participation[2]		Employer social insurance contributions	Perquisites	Total remuneration
				Number	Fair value			
Directors								
Graf Ulrich[3]	Chairman	150'000	0	2'400	355'440	27'786	0	533'226
Rüegg Hans R.	Deputy Chairman	110'000	0	1'700	251'770	19'199	0	380'969
Fässler Hanspeter	Director	90'000	0	1'100	162'910	16'397	0	269'307
Fedier Jürg	Director	110'000	0	1'100	162'910	17'862	0	290'772
Huber Gabi	Director	70'000	0	1'100	162'910	14'932	0	247'842
Lienhard Ernst	Director	90'000	0	1'100	162'910	13'303	0	266'213
Odermatt Ernst	Director	70'000	0	1'100	162'910	11'938	0	244'848
Ulmer Hanno	Director	70'000	0	1'100	162'910	13'295	0	246'205
Zhang Zhiqiang	Director	50'000	0	1'100	162'910	13'235	0	226'145
Total for Directors		**810'000**	**0**	**11'800**	**1'747'580**	**147'947**	**0**	**2'705'527**
Executive Management								
Hälg Paul J.[3]	CEO	770'004	1'072'626	3'300	488'730	361'209	6'720	2'699'289
Total for Executive Management		**2'046'004**	**2'184'479**	**7'800**	**1'155'180**	**1'089'676**	**37'860**	**6'513'199**

[1] The variable incentives paid to the CEO and the Executive Management in the 2017 reporting year and relating to the 2016 fiscal year were in total CHF 141'426 and CHF 318'199 higher respectively than the estimate published in the previous year. Employer social insurance contributions for the CEO and the Executive Management increased accordingly by CHF 11'950 and CHF 26'888 respectively compared with the estimate published in the previous year.
[2] The shares were awarded on 1 June 2016 at a daily closing price of CHF 148.10.
[3] Highest remuneration.

Structure of 2017 remuneration for members of Executive Management



Remuneration mix

The chart above illustrates the remuneration mix for members of Executive Management for the remuneration related to 2017 and includes the fixed cash salary in 2017, the variable incentive that will be paid out in 2018 related to performance year 2017, the number of shares granted in 2017, and the value of benefits received in 2017.

Remuneration paid to members of the Board of Directors and Executive Management

The fixed remuneration for members of the Board of Directors remained unchanged compared to the previous year. For the CEO position the fixed remuneration was reduced by 5.7%. For the members of the Board of Directors, the fixed base salary depends on membership of the various committees. One member of the Board of Directors (representatives in accordance with SCO 709) received higher remuneration in consideration of his efforts in favour of bearer shareholders.

The Executive Management's variable incentive for the 2017 reporting year was calculated according to the model described in detail on pages 43 and 44.

The following provisional figures for the collective performance component are based on the available revenue and profit figures of the peer group and the Datwyler Group as at mid-December 2017. The Sealing Solutions division outperformed 100% of the peer group in net revenue growth and 75.4% in EBIT improvement. The Technical Components division outperformed 8.1% of the peer group in net revenue growth and 64.9% in EBIT improvement. Both indicators – net revenue growth and EBIT improvement – are afforded the same weighting as far as their aggregate value is concerned, taking into account the operational performance of the two divisions excluding one-time effects.

An external, independent specialist calculated the provisional figures for net revenue growth and EBIT improvement relative to peer groups of similar companies. Based on the annual reports published by peer companies, the same specialist will ascertain the definitive figures in April 2018 before the date on which the collective performance component is paid out.

In terms of the individual performance component for members of the Executive Management, the Board of Directors envisages achievements between 65.8% and 100% for the year under review, with the definitive figures to be calculated on the basis of the annual financial statements.

Overall, this equates to a variable incentive of 122.4% of the annual fixed base salary for the CEO in 2017 (target: 90%; maximum rate: 180%). For the members of the Executive Management excluding the CEO, the average variable incentive corresponds to 95.9% of the annual fixed base salary (target: 60%; maximum rate: 120%). In absolute terms, the variable incentive for the entire Executive Management remained unchanged at CHF 2.2 million in 2017 (best estimate on the date of publication of this remuneration report). Another factor to take into account in this regard, other than the favourable business performance within the Sealing Solutions division, is that, owing to the succession plan, the Executive Management comprised an extra person for three months each in the year under review and in the previous year.

If the variable incentive that is ultimately paid out differs significantly from the amount shown in the remuneration table on p. 46, the Remuneration Report of the following year will state this.

The share participation for the year 2017 was determined by the Remuneration Committee and approved by the Board of Directors in accordance with the maximum aggregate amount approved by the Annual General Meeting and Art. 21b of the Articles of Association. The shares awarded on 1 June 2017 at the then market value of CHF 165.80 are blocked over a period of five years. After the end of this period, the shares are at the free disposal of the beneficiary or his or her legal successor regardless of death, disability or termination. The number of shares granted per functional level remained unchanged for the Board of Directors in the year under review. For the CEO position the number of shares granted was increased from 3'300 to 4'000. The market value of the share in the year under review was CHF 17.70 higher than in the previous year, which increased the fair value of the equity participation accordingly.

The heading employer social insurance contributions includes all employer expenditures for pension plans and social security contributions. Perquisites reflect the employer's contribution to private use of business vehicles and child allowances.

The total remuneration of the Board of Directors and the Executive Management is below the maximum total remuneration figures of CHF 3.1 million and CHF 7.7 million respectively, which the shareholders approved for the 2017 fiscal year at the 2016 Annual General Meeting.

Remuneration of former members of the Board of Directors and Executive Management

No remuneration was paid to former members of the Board of Directors or Executive Management in the year under review, nor was any non-arm's length remuneration paid to persons connected with current or former members of the Board of Directors or Executive Management.

Loans and credits

The Articles of Association do not allow for the possibility to grant loans and/or credits to current or former members of the Board of Directors or Executive Management or persons connected with them.

Remuneration outlook

The Board of Directors will propose the following maximum total sums to the 2018 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2019 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2019 fiscal year:

- Board of Directors (unchanged seven members): CHF 2'400'000, of which CHF 800'000 for cash remuneration plus CHF 1'600'000 for granting of Dätwyler Holding Inc. bearer shares.
- Executive Management (unchanged four members): CHF 8'800'000, of which CHF 6'500'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 2'300'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

Change in the definition of the share participation for the Board of Directors

With the price of Datwyler bearer shares continuing to increase, the Board of Directors has conducted a revision of the share participation, which was introduced in 2007 based on significantly lower prices. As a result, the Board of Directors has decided that awarding of Datwyler bearer shares to members of the Board of Directors will now, as of the 2018 fiscal year, be based on a fixed monetary amount rather than a fixed number of shares. The fixed amount is significantly below the value of the Datwyler bearer shares granted in 2017. Thanks to this change, share-based remuneration for the Board of Directors will be broadly similar to that of comparable businesses. As before, any shares awarded will be blocked for five years.

New long-term incentive plan for Executive Management

The Remuneration Committee reviewed the remuneration system applicable to the Executive Management and proposed amendments to the share-based remuneration which were approved by the Board of Directors and will enter into force as of fiscal year 2018. The performance is now measured relative to comparable peer companies. This is intended to neutralize the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralized, the true performance of the company can be better assessed.

Share-based remuneration will be awarded under a long-term incentive plan in future in the form of performance share units (PSUs). A PSU is a conditional right to receive shares of the company subject to the fulfilment of certain conditions during a vesting period. The vesting conditions will include both the achievement of predetermined performance objectives (performance conditions) and continuous employment at the end of the vesting period (service condition).

The following is a summary of how the long-term incentive plan works.

At grant date, a target long-term incentive amount will be determined for each member of the Executive Management on the basis of two factors. Firstly, the value delivered under the current share-based remuneration plan will be taken into account in order to ensure a smooth transition from the existing plan to the new plan. Secondly, the relevant remuneration benchmarks will be considered.

Again at grant date, the target incentive amount will be converted to a number of PSUs on the basis of the average closing share price during the twenty trading days before the grant date. The PSUs will be subject to a three-year vesting period, conditional on continued service within the company and on the following performance targets being achieved:

- Relative net sales growth, with one-third weight
- Relative ROCE growth, with one-third weight
- Relative total shareholder return (TSR), with one-third weight

Datwyler's performance on all three indicators will be compared with a peer group of companies. The peer group is a consolidation of the peer companies that are already considered for the calculation of the annual variable incentive.

Peer group

The peer group consists of the following companies:

Amgen	Ingram Micro Inc.
ams AG	Johnson Controls International plc
Aptargroup	Logitech International SA
ASBISc Enterprises Plc	LPKF Laser & Electronics AG
Atea ASAAtrion Corp.Avnet, Inc.	Parker-Hannifin
Bechtle	Sanok Rubber Company
Becton, Dickinson and Company	Scanfil Oyj
Bridgestone Corporation	Schweizer Electronic AG
Continental	Semperit AG Holding
Delphi Automotive	STMicroelectronics NV
Eaton Corporation	S&T AG
Elma Electronic AG	Texas Instruments Inc.
ELMOS Semiconductor AG	Trelleborg AB
Esprinet SpA	Valeo SA
Flex Gerresheimer AG	West Pharmaceutical Services, Inc.
Hexpol AB (Publ)	ZF Friedrichshafen AG

The peer group is confirmed by the Board prior to the annual grant of PSUs and may be adjusted if required due to corporate events such as mergers, acquisitions, business combination transactions, delistings or bankruptcy of peer companies.

The total number of shares transferred to the participant after the vesting period will be calculated as follows:

Reward for long-term performance

Datwyler's relative performance will be expressed as a percentile rank, which determines a payout factor between 0% and 200%:

- Ranking < 25% of the peer group (threshold): 0% payout
- Ranking at the median of the peer group: 100% payout
- Ranking > 75% of the peer group (cap): 200% payout
- Linear interpolation between those points

The combined payout factor is a weighted average of the payout factors for relative sales growth (one-third weight), relative ROCE growth (one-third weight) and relative TSR (one-third weight) over the three-year vesting period. An independent external specialist will calculate the level of relative performance achievement and the combined payout factor. If Datwyler reports a negative profit after tax (i.e. a loss) from continuous operations during the last year of the three-year vesting period, or if the Board of Directors believes that an adequate dividend cannot be paid out to shareholders, the Board of Directors reserves the right to determine whether and to what extent the PSUs for this period should be forfeited, irrespective of the combined payout factor achieved.

In the case of someone leaving, the unvested PSUs are usually forfeited, except in the case of retirement, death, disability or change of control of the company where they are converted into shares for the number of months up to the time of leaving based on the payout factor achieved (pro-rata vesting).

In the event of death, the pro-rata payout is made at the time of leaving (accelerated vesting). It follows the regular vesting schedule in the other cases.

If Datwyler is required to prepare an accounting/financial restatement, clawback and malus provisions will apply to PSUs or shares awarded under the long-term incentive plan. Datwyler shall have the right to forfeit (malus provision) and/or or to obtain reimbursement (claw-back provision) of any PSU or shares that were granted or allocated to the participant in the case of fraud or misconduct by the participant.

The new long-term incentive plan rewards Datwyler's long-term performance and sustained success, and is well aligned to the interests of shareholders.

Transition rules

In order to facilitate the transition from the former long-term incentive plan (fixed number of restricted shares) to the new long-term incentive plan that is fully performance-based, specific transition rules have been determined for current members of the Executive Management.

First of all, the individual grant value in the transition years 2018, 2019 and 2020 will be multiplied by a factor of 1.75, 1.5 and 1.25 respectively. This is to compensate for the fact that in each of those years, neither shares will be allocated under the former share participation programme (discontinued) nor under the new long-term incentive plan (no vesting before the year 2020).

Secondly, the vesting schedule for the awards granted in the transition years 2018, 2019 and 2020 is subject to an upper limit, but also a lower limit as follows:

- PSUs granted in 2018: the vesting in 2020 will range from a minimum of 80% to a maximum of 120%
- PSUs granted in 2019: the vesting in 2021 will range from 50% to 150%
- PSUs granted in 2020: the vesting in 2022 will range from 25% to 175%

The Board of Directors has decided to introduce a lower upper limit during the transition period. This is due to the introduction of the above mentioned factor, which could lead to all too high payout values. However, the Board of Directors also decided that the introduction of an upper limit would at the same time be supplemented by a symmetrical lower limit for reasons of fairness. This ensures that the payout values remain in a reasonable band within the transitional phase between the two systems. PSUs granted to current Executive Management members from 2021 onwards will follow the regular plan rules. The same applies to new Executive Management members who are hired after January 1, 2018.

Report of the statutory auditor on the Remuneration Report

pwc

Report of the statutory auditor

to the General Meeting of Dätwyler Holding Inc.

Altdorf

We have audited the remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 1 and 2 on page 46 and pages 47 and 48 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2017 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zürich, 2 February 2018

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Group Financial Review

CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

In 2017, the Datwyler Group generated net revenue of CHF 1'291.4 million (previous year CHF 1'215.8 million), representing an increase of 6.2%. The effect of subsidiaries acquired amounted to CHF 25.0 million or 2.0%. The positive impact from foreign currency translation to Swiss francs on consolidation was 1.3%. Adjusted for these factors, organic growth was 2.9%.

Change in net revenue

in CHF millions	2017	%	2016	%
Acquisition/disposal of subsidiaries	25.0	2.0%	23.8	2.0%
Foreign currency translation to CHF	15.4	1.3%	10.3	0.9%
Organic change	35.2	2.9%	16.5	1.4%
Total change in net revenue	**75.6**	**6.2%**	**50.6**	**4.3%**

The gross profit margin decreased to 25.5% (previous year 26.3%). Gross profit was impacted by positive foreign currency translation effects of 1.0% and by raw material prices up 1.0%. Other organic change of gross profit amounted to 1.9%.

Change in gross profit

in CHF millions	2017	%	2016	%
Acquisition/disposal of subsidiaries	3.6	1.1%	4.2	1.5%
Foreign currency translation to CHF	3.3	1.0%	1.4	0.5%
Impact raw material purchases	–3.3	–1.0%	9.3	3.2%
Other organic change	5.9	1.9%	16.3	5.6%
Total change in gross profit	**9.5**	**3.0%**	**31.2**	**10.8%**

Personnel expenses and operating expenses were continually adjusted to the changed operating environment.

In 2017, the Group's operating result (EBIT) reached CHF 162.6 million (previous year CHF 146.1 million) and the EBIT margin was 12.6% (previous year 12.0%) with the following factors contributing to this change:

Change in EBIT

in CHF millions	2017	%	2016	%
Acquisition/disposal of subsidiaries	0.4	0.2%	2.1	1.7%
Foreign currency translation to CHF	2.9	2.0%	–0.1	–0.1%
Organic change	13.2	9.1%	18.0	14.3%
Total change in EBIT	**16.5**	**11.3%**	**20.0**	**15.9%**

EBIT includes a gain of CHF 0.1 million (previous year CHF 0.6 million) on sale of property, plant and equipment and in the previous year one-time costs related to the planned acquisition of Premier Farnell of CHF 3.9 million.

Net finance costs decreased to CHF 7.8 million (previous year CHF 50.4 million), with comparable interest expense of CHF 2.3 million (previous year CHF 2.4 million), net foreign exchange gains on financing activities of CHF 0.6 million (previous year losses of CHF 51.5 million). In the previous year 2016, net finance costs included one-time hedging and financings costs related to the planned acquisition of Premier Farnell of CHF 44.1 million. Income tax expense decreased to CHF 31.1 million (previous year CHF 38.1 million). Accordingly, the tax ratio decreased to 20.1% (previous year 39.8%). The Group's weighted average income tax rate for 2017 was 24.1% (previous year 33.8%).

With the lower income tax expenses and lower net finance costs, a net result of CHF 123.7 million (previous year CHF 57.6 million) or 9.6% (previous year 4.7%) of net revenue was achieved.

CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets increased by CHF 82.5 million during the year to CHF 1'299.6 million (previous year CHF 1'217.1 million). Trade accounts receivable increased to CHF 201.9 million (previous year CHF 191.0 million) and inventories increased to CHF 215.8 million (previous year CHF 178.7 million). With trade accounts payable of CHF 78.5 million (previous year CHF 63.7 million), net working capital increased by 10.8% to CHF 339.2 million (previous year CHF 306.0 million). Cash and cash equivalents decreased by CHF 35.7 million.

Compared to the previous year, equity increased by CHF 93.0 million to CHF 898.5 million (previous year CHF 805.5 million), maintaining a solid equity ratio of 69.1% (previous year 66.2%). The significant changes in equity include the net result of CHF 123.7 million (previous year CHF 57.6 million), the dividend payment of CHF –37.4 million (previous year CHF –36.2 million), the offset of goodwill from acquisitions of CHF –0.4 million (previous year CHF –11.2 million), in the previous year the proceeds from sales of treasury shares of CHF 68.0 million and positive currency translation differences of CHF 7.0 million (previous year CHF –2.1 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debts increased slightly by CHF 0.1 million during the year to CHF 11.6 million (previous year CHF 11.5 million). The Group's liquidity situation remains good, with cash and cash equivalents amounting to CHF 281.8 million (previous year CHF 317.5 million) at the end of the year under review. Including the bond of CHF 150.0 million, the net cash position has changed to CHF 120.2 million (previous year CHF 156.1 million).

Current assets grew by 1.8% to CHF 733.7 million (previous year CHF 720.8 million). Non-current assets increased by 14.0% to CHF 565.9 million (previous year CHF 496.3 million).

CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF 123.7 million (previous year CHF 57.6 million), net cash from operating activities amounted to CHF 112.7 million (previous year CHF 90.7 million). These cash flows were used to pay for investments in property, plant and equipment totalling CHF 99.7 million (previous year CHF 71.5 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 7.7% versus 5.9% a year earlier. In addition, in the previous year operating cash flow was used for the acquisition of subsidiaries in the amount of CHF 28.5 million. Repayments of bank debt amounted to CHF 0.5 million net (previous year net increase of CHF 0.1 million). In the previous year, proceeds from the sale of money market investments and treasury shares amounted to CHF 60.0 million and CHF 73.8 million, respectively. Overall cash outflows and inflows led to a net change in cash and cash equivalents of CHF –38.5 million (previous year CHF 76.8 million), resulting in a cash and cash equivalents balance of CHF 281.8 million (previous year CHF 317.5 million) at year-end.

ADDITIONAL INFORMATION

The commentary of the significant events during the year under review is presented on pages 1 to 18 of this annual report.

Full-time equivalents
The annual average of full-time equivalents was 7'357 (previous year 7'056).

Risk assessment
As part of its duties to oversee the management of the Group, the Board of Directors of Dätwyler Holding Inc. conducts a systematic risk assessment at least once a year. At its meeting held on 12 October 2017, the Board of Directors acknowledged management's report on group-wide risk management and approved the proposed actions included therein.

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

Liquidity reserves

in CHF millions	2017	2016
Cash and cash equivalents	281.8	317.5
Available credit lines	362.1	343.9
Total liquidity reserves	**643.9**	**661.4**

Net cash surplus

in CHF millions	2017	2016
Cash and cash equivalents	281.8	317.5
Less short-term bank debt and bond repayable in 2018	-154.3	–4.0
Net cash surplus	**127.5**	**313.5**

Order intake and backlog
For Datwyler Group overall no meaningful order intake or backlog data can be presented because the business in the Technical Components division is mostly executed on a daily basis with no significant order intake and backlog existing.

Research and development expenses
The research and development expenses are disclosed in the consolidated income statement. The research and development activities relate to various projects primarily for customers or products in the Sealing Solutions division.

Exceptional events
In the previous year 2016, one-time costs related to the planned acquisition of Premier Farnell of CHF 48.0 million in total are included in the income statement. Acquisition and sale of subsidiaries are disclosed in note 31, other business transactions are presented in note 2 of the notes to the consolidated financial statements.

Future outlook
The estimates relating to the future outlook are presented on pages 4 to 18 of this annual report.

Consolidated Income Statement

in CHF millions

	Note	2017	2016
Net revenue	3	1'291.4	1'215.8
Cost of goods sold		–961.7	–895.6
Gross profit		329.7	320.2
Research and development expenses		–26.1	–23.6
Marketing and selling expenses		–88.4	–87.9
General and administrative expenses		–70.3	–76.8
Other operating income	4	18.2	14.8
Other operating expenses		–0.5	–0.6
Operating result before interest and taxes (EBIT)	3	162.6	146.1
Net finance result	8	–7.8	–50.4
Earnings before tax (EBT)		154.8	95.7
Income tax expenses	9	–31.1	–38.1
Net result		123.7	57.6
Net result per bearer share entitled to dividend (in CHF)	24	**7.28**	**3.47**

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

The accowmpanying notes on pages 61 to 88 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	31.12.2017	31.12.2016
Cash and cash equivalents	10	281.8	317.5
Trade accounts receivable	11	201.9	191.0
Inventories	12	215.8	178.7
Other receivables	13	23.2	25.3
Prepayments made and accrued income		11.0	8.3
Current assets		733.7	720.8
Property, plant and equipment	14	491.9	412.8
Intangible assets	15	21.7	19.5
Deferred income tax assets	22	48.8	60.8
Miscellaneous financial assets	16	3.5	3.2
Non-current assets		565.9	496.3
Total assets		**1'299.6**	**1'217.1**

Liabilities and equity

in CHF millions	Note	31.12.2017	31.12.2016
Trade accounts payable	19	78.5	63.7
Short-term bank debt	17	4.3	4.0
1.125% bond 2012–2018	18	150.0	–
Current provisions	21	18.0	24.6
Other current liabilities	20	66.3	69.3
Accrued expenses and deferred income		45.1	46.9
Current liabilities		362.2	208.5
Long-term bank debt	17	7.3	7.5
1.125% bond 2012–2018	18	–	149.9
Long-term provisions	21	10.3	12.1
Deferred income tax liabilities	22	14.9	27.9
Pension liabilities	6	4.6	3.9
Other long-term liabilities	20	1.8	1.8
Long-term liabilities		38.9	203.1
Total liabilities		401.1	411.6
Share capital	23	0.9	0.9
Treasury shares	25	–	–
Additional paid-in capital		205.1	205.0
Goodwill offset against equity		–656.2	–655.8
Retained earnings		1'440.7	1'354.4
Cumulative translation adjustments		–92.0	–99.0
Equity		898.5	805.5
Total liabilities and equity		**1'299.6**	**1'217.1**

The accompanying notes on pages 61 to 88 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF millions	Note	2017	2016
Net result		123.7	57.6
Income tax expenses	9	31.1	38.1
Depreciation and amortisation	7	57.2	58.2
Share award plan		3.3	3.2
Exchange differences		–25.8	0.2
Loss on sale of property, plant and equipment, net		0.3	0.0
Change in long-term provisions and pension liabilities		–2.1	–2.3
Interest income	8	–0.1	–0.2
Interest expense	8	2.4	2.4
Operating cash flow before changes in working capital		190.0	157.2
Change in trade accounts receivable		–1.5	–11.2
Change in other receivables, prepayments made and accrued income		3.0	–6.5
Change in inventories		–30.1	–6.1
Change in trade accounts payable		12.1	–0.2
Change in other current liabilities, accrued expenses and deferred income		–3.1	6.1
Change in current provisions		–7.5	–7.0
Interest received		0.1	0.2
Interest paid		–2.1	–2.2
Income tax paid		–48.2	–39.6
Net cash from operating activities		112.7	90.7
Disbursements relating to purchases of / investments in:			
Property, plant and equipment		–99.7	–71.5
Intangible assets		–7.9	–9.6
Subsidiaries (net of cash and cash equivalents acquired)	31	–	–28.5
Additional earn-out payments		–2.6	–4.4
Financial assets		–0.3	–0.6
Proceeds from sale of:			
Property, plant and equipment		0.5	3.2
Financial assets		0.0	0.1
Money market investments		–	60.0
Net cash used in investing activities		–110.0	–51.3
Proceeds from short-term bank debt		6.2	5.4
Repayment of short-term bank debt		–6.7	–5.3
Decrease in finance lease and other long-term liabilities		–0.1	–0.3
Purchase / (proceeds from sale) of treasury shares		–3.2	73.8
Dividend paid to shareholders		–37.4	–36.2
Net cash (used in) / provided by financing activities		–41.2	37.4
Net change in cash and cash equivalents		–38.5	76.8
Cash and cash equivalents at 1 January	10	317.5	242.0
Effect of exchange rate changes on cash and cash equivalents		2.8	–1.3
Cash and cash equivalents at 31 December	10	**281.8**	**317.5**

The accompanying notes on pages 61 to 88 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in CHF millions	Share capital[1]	Treasury shares	Additional paid-in capital	Goodwill offset against equity	Retained earnings	Market valuation cash flow hedges	Cumulative translation adjustments[2]	**Total equity[3]**
At 1 January 2016	**0.9**	**–0.0**	**134.0**	**–644.6**	**1'333.0**	**–0.3**	**–96.9**	**726.1**
Net result	–	–	–	–	57.6	–	–	57.6
Share award plan (see note 26)	–	0.0	3.0	–	–	–	–	3.0
Dividends	–	–	–	–	–36.2	–	–	–36.2
Offset of goodwill from acquisitions (see note 15)	–	–	–	–11.2	–	–	–	–11.2
Proceeds from sale of treasury shares (see note 25)	–	0.0	68.0	–	–	–	–	68.0
Changes in market valuation of cash flow hedges	–	–	–	–	–	0.3	–	0.3
Currency translation differences	–	–	–	–	–	–	–2.1	–2.1
At 31 December 2016	**0.9**	**–**	**205.0**	**–655.8**	**1'354.4**	**–**	**–99.0**	**805.5**
Net result	–	–	–	–	123.7	–	–	123.7
Dividends	–	–	–	–	–37.4	–	–	–37.4
Purchase of treasury shares (see note 25)	–	–3.2	–	–	–	–	–	–3.2
Share award plan (see note 26)	–	3.2	0.1	–	-	–	–	3.3
Offset of goodwill from acquisitions (see note 15)	–	–	–	–0.4	–	–	–	–0.4
Currency translation differences	–	–	–	–	–	–	7.0	7.0
At 31 December 2017	**0.9**	**–**	**205.1**	**–656.2**	**1'440.7**	**–**	**–92.0**	**898.5**

[1] *Holding company's share capital of CHF 850'000 (previous year CHF 850'000).*
[2] *Arising on translation of subsidiaries' equity and income statements denominated in foreign currencies.*
[3] *At 31 December 2017 shareholders' equity includes legal reserves of CHF 171.5 million (previous year CHF 180.0 million), of which CHF 38.8 million (previous year CHF 37.7 million) are not distributable.*

In the previous year, net proceeds from sale of treasury shares of CHF 68.0 million equate gross proceeds of CHF 73.8 million, less income taxes of CHF 5.8 million, which at year-end 2016 were not paid yet, increasing the proceeds from sale of treasury shares reported in the cash flow statement accordingly.

The accompanying notes on pages 61 to 88 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Datwyler Group. They have been prepared in accordance with the complete set of Swiss GAAP Accounting and Reporting Recommendations (Swiss GAAP ARR) and are based on the subsidiaries' annual financial statements at 31 December which are prepared using uniform classification and accounting policies. The consolidated financial statements are prepared under the going concern assumption, based on the historical cost principle, and also comply with the Listing Rules of the SIX Swiss Exchange and the provisions of Swiss Corporation Law. The Board of Directors of Dätwyler Holding Inc. approved the consolidated financial statements at its meeting on 2 February 2018 for submission to the Annual General Meeting on 6 March 2018.

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

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

A list of the subsidiaries included in the consolidation is presented in note 34.

Consolidation method
The financial statements of subsidiaries are prepared using uniform classification and accounting policies. The reporting date for Dätwyler Holding Inc., all subsidiaries and the consolidated financial statements is 31 December.

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

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

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

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

Foreign currency translation

TRANSLATION FOR CONSOLIDATION PURPOSES

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

	2017		2016	
	Closing rate at 31.12.	Average rate for the year	Closing rate at 31.12.	Average rate for the year
100 CNY	14.99	14.57	14.66	14.85
1 EUR	1.17	1.11	1.07	1.09
1 USD	0.98	0.99	1.02	0.99

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

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

TRANSLATION OF BALANCES AND TRANSACTIONS IN THE ACCOUNTS OF SUBSIDIARIES

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

Income statement and balance sheet

REVENUE RECOGNITION

In the Sealing Solutions division revenues are mainly generated from the sale of products from own production and in the Technical Components division from distribution of goods for resale. Revenue arising from the sale of manufactured products and goods for resale is recognised when the significant risks and rewards of ownership have passed to the buyer, which generally coincides with their delivery. Revenue under long-term multiple supply contracts is recorded when each instalment is delivered, according to the quantity delivered. Revenue from services rendered is recognised by reference to the stage of completion in the period in which the services were rendered.

GROSS PROFIT

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

RESEARCH AND DEVELOPMENT

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

INCOME TAX EXPENSE

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

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

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

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

CASH AND CASH EQUIVALENTS AND MONEY MARKET INVESTMENTS

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

TRADE ACCOUNTS RECEIVABLE AND OTHER CURRENT RECEIVABLES

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

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

INVENTORIES

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

PROPERTY, PLANT AND EQUIPMENT

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

The estimated useful lives and depreciation periods are as follows:

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

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

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

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

LEASES

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

INTANGIBLE ASSETS

Intangible assets mainly include software as well as licences, patents and other intangible assets which are capitalised at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives of software are between 3 and 5 years.

GOODWILL

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

IMPAIRMENT OF NON-CURRENT ASSETS AND GOODWILL

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives used to hedge purchases of raw materials with physical settlement (delivery) are excluded from fair value measurement. The Group does not enter into any commodity contracts for speculative purposes.

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

MISCELLANEOUS FINANCIAL ASSETS

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

TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognised at nominal value.

PROVISIONS

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

BANK DEBT

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

BONDS

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

DIVIDENDS

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

PENSION BENEFITS

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

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

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

SHARE AWARD PLAN

A share award plan for Directors and senior executives has been in place since 2007, see note 26. Share-based payments to Directors and senior executives are measured at market value at the issue date and recognised as personnel expenses. The shares awarded may not be sold for a period of 5 years after issue date. Voting and dividend rights of shares awarded are transferred to beneficiaries at issue date.

CAPITAL MANAGEMENT

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

- Where possible and economically viable, the Group finances its operations through equity, the objective being to maintain an equity ratio of approximately 60%.
- A portion of profits generated is paid out to owners as dividends, taking into account current financing needs and compliance with legal requirements. The current dividend policy is generally to maintain a payout ratio of some 40 percent of the Group's net result for the year.

2 / BUSINESS ACQUISITIONS AND DISPOSALS

Acquisitions and disposals during 2017 and 2016 are shown below, see also note 31. The percentages in brackets indicate the percentage voting rights held in each company.

Transactions 2017

COMPANIES ESTABLISHED

Datwyler IT Services India LLP, Magarpatta, Pune, India (100%). The company started its operation at the beginning of 2018.

MERGERS

In December 2017 Distrelec Group AG (100%) was merged with Dätwyler Schweiz AG.

Transactions 2016

ACQUISITIONS

Ott GmbH & Co. KG and Ott Geschäftsführungs GmbH, both domiciled in Cleebronn, Germany (100%)

MERGERS

At the beginning of August 2016 Elfa Distrelec AB (100%) and Nordic Power i Strömstad AB (100%) were merged with Distrelec Sweden AB, which thereafter was renamed Elfa Distrelec AB.

3 / SEGMENT INFORMATION

in CHF millions	Sealing Solutions	Technical Components	Elimi-nations	Total Group
2017				
Revenue from external customers	832.8	458.6	–	1'291.4
Inter-segment revenue	0.0	0.0	–0.0	–
Total net revenue	832.8	458.6	–0.0	1'291.4
EBIT	151.6	11.0	–	162.6
EBIT as % of net revenue	18.2%	2.4%	–	12.6%

in CHF millions	Sealing Solutions	Technical Components	Elimi-nations	Total Group
2016				
Revenue from external customers	753.3	462.5	–	1'215.8
Inter-segment revenue	0.0	0.1	–0.1	–
Total net revenue	753.3	462.6	–0.1	1'215.8
EBIT	136.7	9.4	–	146.1
EBIT as % of net revenue	18.1%	2.0%	–	12.0%

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. The Group is organised into two divisions.

The result of the Group management functions is allocated to the divisions using a revenue-based key. The divisions are managed independently and their business performance is measured separately.

The Sealing Solutions division offers customised sealing solutions in global market segments including automotive, civil engineering, consumer goods and health care. The significant manufacturing and distribution companies are located in Switzerland, Germany, Belgium, Italy, the Czech Republic, Ukraine, China, South Korea, India, the USA, Brazil and Mexico.

The Technical Components division is a high-service distributor of electronic, automation and ICT components and accessories with about 30 distribution and service companies across Europe. Significant operations are located in Switzerland, Germany, the Netherlands as well as in Scandinavia.

Net revenue by geographical region

in CHF millions	2017	2016
Switzerland	210.6	213.1
Rest of Europe	735.1	672.5
North and South America	180.3	179.6
Asia	160.7	145.4
Other markets	4.7	5.2
Total Group	**1'291.4**	**1'215.8**

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

4 / ADDITIONAL INCOME STATEMENT DISCLOSURES

Material expense of CHF 566.5 million (previous year CHF 527.5 million) is included in the income statement.

Other operating income includes gain on sale of property, plant and equipment of CHF 0.1 million (previous year CHF 0.6 million) as well as ancillary revenues and rental income.

5 / PERSONNEL EXPENSES

in CHF millions	2017	2016
Wages and salaries	263.8	242.7
Benefit costs	55.7	53.9
State social security contributions	35.4	34.1
Pension costs (see note 6)	10.2	10.1
Other benefit costs	10.1	9.7
Other employee costs	15.6	15.3
Total personnel expenses	**335.1**	**311.9**

A share award plan for Directors and senior executives has been in place since 2007, see note 26.

6 / EMPLOYEE BENEFIT SCHEMES

Economic benefit / obligation and pension costs

in CHF millions	Funding surplus/deficit according to Swiss GAAP ARR 26	**Economic impact Group**	Economic impact Group	Changes not affecting income[1]	Change to prior year or charge to income current year	Contributions for the period	**Pension costs in personnel expenses**	Pension costs in personnel expenses
	31.12.2017	**31.12.2017**	31.12.2016				**2017**	2016
Welfare funds Switzerland	0.4	–	–	–	–	–	–	–
Pension schemes without funding surplus/deficit Switzerland	–	–	–	–	–	–	–	6.5
Pension schemes with funding surplus Switzerland	8.4	–	–	–	–	6.2	6.2	–
Pension schemes without funding surplus/deficit abroad	–	–	–	–	–	3.1	3.1	2.6
Unfunded pension schemes abroad	–	-4.6	–3.9	0.4	0.3	0.6	0.9	1.0
Total	**–**	**-4.6**	**–3.9**	**0.4**	**0.3**	**9.9**	**10.2**	**10.1**

[1] *Translation differences and acquisition/disposal of subsidiaries.*

At year-end 2017, as at the end of the previous year, no employer contribution reserves (ECR) existed. The Swiss pension schemes calculate their pension benefit obligations using the statistical assumptions of the VZ 2015 mortality tables and a discount rate of 1.75 %. The pension conversion rate was 6.0 % in the current year.

Summary of pension costs

in CHF millions	Switzerland	Abroad	**Total**
	2017	2017	**2017**
Contributions to pension schemes expensed at Group companies	6.2	3.7	9.9
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	6.2	3.7	9.9
+/– Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	6.2	3.7	9.9
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	0.3	0.3
Total change in economic impact from excess/insufficient coverage	–	0.3	0.3
= Pension costs included in personnel expenses for the period	**6.2**	**4.0**	**10.2**

in CHF millions	Switzerland	Abroad	Total
	2016	2016	**2016**
Contributions to pension schemes expensed at Group companies	6.5	3.2	9.7
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	6.5	3.2	9.7
+/– Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	6.5	3.2	9.7
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	0.4	0.4
Total change in economic impact from excess/insufficient coverage	–	0.4	0.4
= Pension costs included in personnel expenses for the period	**6.5**	**3.6**	**10.1**

7 / DEPRECIATION AND AMORTISATION

in CHF millions	2017	2016
Depreciation of property, plant and equipment	50.9	51.8
Amortisation of intangible assets	6.1	6.4
Impairment charges	0.2	–
Total depreciation and amortisation	**57.2**	**58.2**

8 / NET FINANCE RESULT

in CHF millions	2017	2016
Interest expense on bond, bank and other loans	2.3	2.4
Interest expense on finance leases	0.0	0.0
Fair value loss on forward exchange contracts	5.2	0.0
Net foreign exchange loss on financing activities	–	51.5
Finance charges	1.1	5.6
Total interest and finance expenses	8.6	59.5
Interest income on bank deposits and loans receivable	-0.1	–0.2
Fair value gain on forward exchange contracts	-0.1	–8.9
Net foreign exchange gain on financing activities	-0.6	–
Total interest and finance income	-0.8	–9.1
Net finance result (expenses, net)	**7.8**	**50.4**

In the previous year 2016, net finance result includes one-time hedging and financings costs related to the planned acquisition of Premier Farnell of CHF 44.1 million.

9 / INCOME TAX EXPENSES

in CHF millions	2017	2016
Current income tax expense	31.8	36.1
Deferred income tax expense/(credit)	–0.7	2.0
Total income tax expenses	**31.1**	**38.1**

The effective tax charge on earnings before tax, using the weighted average income tax rate of 24.1% (previous year 33.8%) of the Group, can be analysed as follows:

in Mio. CHF	2017	2016
Earnings before tax	154.8	95.7
Income tax expense calculated at the weighted average tax rate	37.3	32.3
Effect of current year tax losses not recognised and reassessment of tax loss carryforwards	10.5	5.2
Effect of previously unrecognised tax loss carryforwards used against taxable profits	0.0	–0.2
Other new assessments of temporary differences	–12.7	–
Change in tax rates for deferred income taxes	–2.0	–0.2
Expense and income items treated differently for tax purposes	–1.0	–0.8
Non-refundable taxes on intra-group charges and dividends	1.1	1.1
Prior year tax adjustments	–2.1	0.2
Other effects	0.0	0.5
Total (current and deferred) income tax expenses	**31.1**	**38.1**

Other new assessments of temporary differences include the release of deferred income tax liabilities of CHF 13.3 million to income, because after the merger of Distrelec Group AG with Dätwyler Schweiz AG in December 2017 the respective temporary valuation differences ceased to exist. On the other hand, capitalised tax loss carryforwards amounting to CHF 10.5 million were written down among others at Nedis. Taxable results differing by region are responsible for changes in the weighted average tax rate, which in 2016 was also influenced by the one-time costs related to the planned acquisition of Premier Farnell.

10 / CASH AND CASH EQUIVALENTS

in CHF millions	2017	2016
Cash in hand and at bank	181.2	206.0
Money market investments (original maturities up to 90 days)	100.6	111.5
Total cash and cash equivalents	**281.8**	**317.5**

11 / TRADE ACCOUNTS RECEIVABLE

in CHF millions	2017	2016
Trade accounts receivable from third parties, gross	204.2	192.9
Provision for impairment of trade accounts receivable	-3.0	–2.9
Total trade accounts receivable from third parties, net	201.2	190.0
Trade accounts receivable from related parties	0.7	1.0
Total trade accounts receivable, net	**201.9**	**191.0**

Aging analysis of gross trade accounts receivable from third parties

in CHF millions	2017	2016
Not yet due	164.2	162.3
Past due 1–30 days	25.5	19.3
Past due 31–60 days	6.6	4.0
Past due 61–90 days	1.8	1.0
Past due 91–180 days	2.7	2.4
Past due more than 180 days	3.4	3.9
Total trade accounts receivable from third parties, gross	**204.2**	**192.9**

Movements in provision for impairment of trade accounts receivable

in CHF millions	2017	2016
At 1 January	2.9	4.4
Charge for the year	2.3	1.5
Unused amounts reversed	-1.8	–1.6
Receivables written off as uncollectible	-0.6	–1.4
Acquisition/disposal of subsidiaries	–	0.0
Exchange differences	0.2	–0.0
At 31 December	**3.0**	**2.9**
Of which specific provisions for impairment	2.7	2.7

12 / INVENTORIES

in CHF millions	2017	2016
Raw material, gross	30.7	22.7
Consumables, gross	17.1	16.6
Work in progress, gross	16.0	11.5
Finished goods, gross	45.1	38.6
Goods for resale, gross	132.1	116.6
Provision for impairment of inventories	-25.2	–27.3
Total inventories	**215.8**	**178.7**

13 / OTHER RECEIVABLES

in CHF millions	2017	2016
Withholding, capital and value added tax receivable	9.1	9.5
Current income tax assets	6.4	3.9
Prepayments made, advances given and deposits made	2.6	3.1
Derivative assets: forward exchange contracts (see note 28)	0.4	3.9
Miscellaneous receivables	4.7	4.9
Total other receivables	**23.2**	**25.3**

14 / PROPERTY, PLANT AND EQUIPMENT

in CHF millions	Real estate	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total property, plant and equipment
PROPERTY, PLANT AND EQUIPMENT 2017					
At cost					
At 1 January 2017	285.4	554.6	42.0	56.3	938.3
Additions	1.2	12.5	4.4	91.9	110.0
Disposals	–3.4	–4.8	–2.9	–	–11.1
Transfers	4.8	19.2	0.8	–24.8	–
Exchange differences	10.6	26.4	2.9	3.8	43.7
At 31 December 2017	**298.6**	**607.9**	**47.2**	**127.2**	**1'080.9**
Accumulated depreciation					
At 1 January 2017	–114.5	–380.5	–30.5	–	–525.5
Depreciation expense	–9.3	–38.1	–3.7	–	–51.1
Disposals	3.2	4.5	2.7	–	10.4
Exchange differences	–3.5	–16.6	–2.7	–	–22.8
At 31 December 2017	**–124.1**	**–430.7**	**–34.2**	**–**	**–589.0**
Net book values					
At 1 January 2017	170.9	174.1	11.5	56.3	412.8
At 31 December 2017	**174.5**	**177.2**	**13.0**	**127.2**	**491.9**

in CHF millions	Real estate	Machinery and production equipment	Office equipment, computer systems, vehicles	Assets under construction	Total property, plant and equipment
PROPERTY, PLANT AND EQUIPMENT 2016					
At cost					
At 1 January 2016	260.2	519.0	38.8	40.3	858.3
Additions	2.2	17.6	2.7	55.3	77.8
Disposals	–2.6	–7.6	–1.4	–0.0	–11.6
Transfers	14.9	22.7	1.1	–38.7	–
Reclassification from current assets	0.7	–	–	–	0.7
Acquisition/disposal of subsidiaries	10.7	6.0	1.1	–	17.8
Exchange differences	–0.7	–3.1	–0.3	–0.6	–4.7
At 31 December 2016	**285.4**	**554.6**	**42.0**	**56.3**	**938.3**
Accumulated depreciation					
At 1 January 2016	–106.5	–349.3	–28.4	–	–484.2
Depreciation expense	–8.4	–39.8	–3.6	–	–51.8
Disposals	0.3	7.0	1.2	–	8.5
Acquisition/disposal of subsidiaries	–	–	–	–	–
Exchange differences	0.1	1.6	0.3	–	2.0
At 31 December 2016	**–114.5**	**–380.5**	**–30.5**	**–**	**–525.5**
Net book values					
At 1 January 2016	153.7	169.7	10.4	40.3	374.1
At 31 December 2016	**170.9**	**174.1**	**11.5**	**56.3**	**412.8**

Acquisition/disposal of subsidiaries include the additions from acquisitions and the disposals on sale of subsidiaries, see also notes 2 and 31. In 2017, impairment charges of CHF 0.2 million (previous year none) were recognised.

Other details of property, plant and equipment

in CHF millions	2017	2016
Leased property, plant and equipment, at cost	4.0	3.8
Accumulated depreciation	–1.9	–1.1
Net book value of property, plant and equipment under finance leases	**2.1**	**2.7**

At year-end, property, plant and equipment in the amount of CHF 1.6 million (previous year CHF 2.3 million) were pledged or assigned to secure own liabilities. Assets under construction include prepayments made in the amount of CHF 19.5 million (previous year CHF 12.2 million). Additions to property, plant and equipment include no capitalised borrowing costs (previous year none). At balance sheet date, commitments for capital expenditure on property, plant and equipment amounted to CHF 45.1 million (previous year CHF 24.3 million).

15 / INTANGIBLE ASSETS

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2017			
At cost			
At 1 January 2017	38.9	2.2	41.1
Additions	6.9	1.0	7.9
Disposals	–0.1	–	–0.1
Exchange differences	0.6	0.3	0.9
At 31 December 2017	**46.3**	**3.5**	**49.8**
Accumulated amortisation			
At 1 January 2017	–20.5	–1.1	–21.6
Amortisation expense	–5.7	–0.4	–6.1
Disposals	0.1	–	0.1
Exchange differences	–0.2	–0.3	–0.5
At 31 December 2017	**–26.3**	**–1.8**	**–28.1**
Net book values			
At 1 January 2017	18.4	1.1	19.5
At 31 December 2017	**20.0**	**1.7**	**21.7**

in CHF millions	Software	Other intangible assets	Total intangible assets
INTANGIBLE ASSETS 2016			
At cost			
At 1 January 2016	29.4	2.2	31.6
Additions	9.6	–	9.6
Disposals	–0.2	–	–0.2
Acquisition/disposal of subsidiaries	0.2	–	0.2
Exchange differences	–0.1	–0.0	–0.1
At 31 December 2016	**38.9**	**2.2**	**41.1**
Accumulated amortisation			
At 1 January 2016	–14.5	–0.8	–15.3
Amortisation expense	–6.2	–0.2	–6.4
Disposals	0.2	–	0.2
Exchange differences	0.0	–0.1	–0.1
At 31 December 2016	**–20.5**	**–1.1**	**–21.6**
Net book values			
At 1 January 2016	14.9	1.4	16.3
At 31 December 2016	**18.4**	**1.1**	**19.5**

Intangible assets include no assets under finance leases (previous year none). Additions to software include capitalised cost in the amount of CHF 2.3 million (previous year CHF 3.0 million). In 2017, no impairment charges (previous year none) were recognised.

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

Theoretical movement schedule for goodwill

in CHF millions	**2017**	2016
At cost		
At 1 January	655.8	644.6
Additions from acquisition of subsidiaries	–	11.0
Adjustments from earn-out agreements	0.4	0.2
At 31 December	**656.2**	**655.8**
Accumulated amortisation		
At 1 January	–594.9	–547.6
Amortisation expense	–36.3	–47.3
Impairment charges	–	–
At 31 December	**–631.2**	**–594.9**
Theoretical net book values		
At 1 January	60.9	97.0
At 31 December	**25.0**	**60.9**

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

Impact on income statement

in CHF millions	**2017**	2016
Operating result (EBIT) according to income statement	162.6	146.1
Amortisation of goodwill	–36.3	–47.3
Theoretical operating result (EBIT) incl. amortisation of goodwill	126.3	98.8
Net result according to income statement	123.7	57.6
Amortisation of goodwill	–36.3	–47.3
Theoretical net result incl. amortisation of goodwill	87.4	10.3

Impact on balance sheet

in CHF millions	2017	2016
Equity according to balance sheet	898.5	805.5
Theoretical capitalisation of goodwill (net book value)	25.0	60.9
Theoretical equity incl. net book value of goodwill	923.5	866.4
Equity according to balance sheet	898.5	805.5
Equity as % of total assets	69.1%	66.2%
Theoretical equity incl. net book value of goodwill	923.5	866.4
Theoretical equity incl. net book value of goodwill as % of total assets	69.7%	67.8%

16 / MISCELLANEOUS FINANCIAL ASSETS

in CHF millions	2017	2016
Long-term loans to third parties	0.3	0.3
Other financial investments	3.2	2.9
Total miscellaneous financial assets	**3.5**	**3.2**

17 / BANK DEBT

in CHF millions	2017	2016
Bank overdrafts	4.2	3.9
Current portion of long-term bank loans	0.1	0.1
Total short-term bank debt	**4.3**	**4.0**
Long-term bank loans	7.3	7.5
Total bank debt	**11.6**	**11.5**
Secured portion of short-term and long-term bank debt	1.6	2.3

The average interest rate was 7.8 percent for the bank overdrafts in Indian rupees, US dollars and euros and 2.7 percent for the long-term bank loans in euros.

Maturity of long-term bank debt

in CHF millions	2017	2016
Within 2 years	0.3	2.5
Within 3 years	6.7	2.6
Within 4 years	–	1.8
Within 5 years	–	0.0
Beyond 5 years	0.3	0.6
Total long-term bank debt	**7.3**	**7.5**

18 / BOND

On 7 December 2012 a 1.125% CHF 150.0 million bond was placed at an issue price of 100.5%. Interest payments are due annually on 7 June and the bond is repayable on 7 June 2018.

19 / TRADE ACCOUNTS PAYABLE

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

20 / OTHER LIABILITIES

Other current liabilities

in CHF millions	**2017**	2016
Customer advances received	4.6	5.1
Social security liabilities	3.7	3.3
Current income tax liabilities	18.7	31.8
Capital and value added tax liabilities	8.9	7.2
Current finance lease liabilities (see notes 14 and 15)	0.6	0.8
Other short-term loans payable and financial liabilities	26.7	17.5
Deferred earn-out obligations	–	2.1
Derivative liabilities: forward exchange contracts (see note 28)	2.4	0.7
Miscellaneous current liabilities	0.7	0.8
Total other current liabilities	**66.3**	**69.3**

Other long-term liabilities
Other long-term liabilities include long-term finance lease liabilities of CHF 1.1 million (previous year CHF 1.5 million).

21 / PROVISIONS

in CHF millions	Employees and social security	Restructuring	Warranty and liability claims	Other	Total
PROVISIONS 2017					
At 1 January 2017	25.4	0.4	0.3	10.6	36.7
Charges	18.0	5.0	0.1	1.2	24.3
Uses	–19.8	–3.3	–0.0	–7.8	–30.9
Unused amounts reversed	–1.5	–0.8	–0.1	–0.9	–3.3
Exchange differences	1.5	0.0	0.0	0.0	1.5
At 31 December 2017	**23.6**	**1.3**	**0.3**	**3.1**	**28.3**
Thereof current provisions	13.4	1.3	0.3	3.0	18.0
Thereof long-term provisions	10.2	–	–	0.1	10.3

in CHF millions	Employees and social security	Restructuring	Warranty and liability claims	Other	Total
PROVISIONS 2016					
At 1 January 2016	35.0	5.0	3.9	2.5	46.4
Charges	32.5	–	0.9	9.7	43.1
Uses	–40.0	–3.9	–0.7	–1.6	–46.2
Unused amounts reversed	–2.3	–0.5	–3.8	–	–6.6
Acquisition/disposal of subsidiaries	0.6	–	0.1	–	0.7
Exchange differences	–0.4	–0.2	–0.1	–0.0	–0.7
At 31 December 2016	**25.4**	**0.4**	**0.3**	**10.6**	**36.7**
Thereof current provisions	15.2	0.4	0.3	8.7	24.6
Thereof long-term provisions	10.2	–	–	1.9	**12.1**

Discounting
Long-term provisions amounting to CHF 3.1 million were discounted using discount rates between 1.2% and 4.2%.

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

Restructuring
The restructuring provisions of CHF 1.3 million at the end of 2017 concern the Technical Components division and include obligations relating to headcount reductions.

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

Other provisions
Other provisions among others include provisions for rental contracts of redundant facilities.

22 / DEFERRED INCOME TAX ASSETS / LIABILITIES

in CHF millions	2017	2016
At 1 January		
Deferred income tax assets	60.8	60.3
Deferred income tax liabilities	27.9	29.5
Deferred income tax (assets)/liabilities, net	**–32.9**	**–30.8**
Deferred income tax expense/(credit)	–0.7	2.0
Changes directly affecting equity	1.1	–
Acquisition/disposal of subsidiaries (see note 31)	–	–4.5
Exchange differences	–1.4	0.4
At 31 December		
Deferred income tax assets	48.8	60.8
Deferred income tax liabilities	14.9	27.9
Deferred income tax (assets)/liabilities, net	**–33.9**	**–32.9**

Deferred income taxes are calculated at every subsidiary using the local effective income tax rates (weighted average around 18%, previous year around 19%) applicable.

Tax loss carryforwards
Total available tax loss carryforwards result in deferred income tax assets, gross, of CHF 40.2 million (previous year CHF 62.9 million), of which a net amount of CHF 25.3 million (previous year CHF 29.9 million) was capitalised. Deferred income tax assets were impacted by valuation allowances for and non-capitalisation of tax loss carryforwards in the amount of CHF 14.9 million (previous year CHF 33.0 million).

23 / SHARE CAPITAL

Composition

in CHF	2017	2016
22 million registered shares of CHF 0.01 each	220'000	220'000
12.6 million bearer shares of CHF 0.05 each	630'000	630'000
Total share capital	**850'000**	**850'000**

Per share data

	2017	2016
Bearer shares		
Par value (CHF)	0.05	0.05
Number issued	12'600'000	12'600'000
Number with voting rights and ranking for dividend	12'600'000	12'600'000
Proposed/approved dividend per bearer share (CHF)	3.00[1]	2.20
Registered shares		
Par value (CHF)	0.01	0.01
Number issued	22'000'000	22'000'000
Number ranking for dividend	22'000'000	22'000'000
Proposed/approved dividend per registered share (CHF)	0.60[1]	0.44
Total par value of shares ranking for dividend (CHF)	850'000	850'000
Authorised additional share capital (until 9 August 2018)	84'999.94	84'999.94
Authorised contingent share capital	none	none
Registration/voting restrictions	none	none
Opting-out and opting-up provisions	none	none

[1] *See Board of Directors' proposed appropriation of retained earnings.*

24 / NET RESULT PER SHARE

Net result per share is calculated by dividing net result by the weighted average number of shares in issue and ranking for dividend, excluding the weighted average number of treasury shares. The weighted value of the 22'000'000 registered shares represents 4'400'000 bearer shares. In 2017, the weighted average number of bearer and registered shares outstanding was 17 million shares (previous year 16'621'167 shares). The short-time purchase and subsequent award of treasury shares, see notes 25 and 26, had no noticeable impact on the calculation of earnings per share. The net result per share of CHF 7.28 thus arises from the simple division of the net result of CHF 123.7 million by the weighted average number of 17 million shares.

25 / TREASURY SHARES

In 2017, 19'750 shares (previous year none) were purchased on the stock exchange as well as from the related party Pema Holding AG at market prices averaging CHF 161.12. In the previous year, 307'092 treasury shares were sold to Pema Holding AG at current stock exchange prices averaging CHF 139.99 and the remaining 221'250 treasury shares were sold on the stock exchange at an average price of CHF 139.42. At the end of 2017 as at the end of the previous year, the Group held no treasury shares.

26 / SHARE AWARD PLAN

Since 2007, Directors and senior executives have received a portion of their remuneration in the form of bearer shares of Dätwyler Holding Inc. Share-based payments to Directors and senior executives are measured at market value and recognised as personnel expenses at issue date. The shares awarded may not be sold for a period of 5 years after issue date. Voting and dividend rights of shares awarded are transferred to beneficiaries at issue date. In June 2017, Directors were awarded a total of 9'600 (previous year 11'800) bearer shares and senior executives were awarded a total of 10'150 (previous year 9'900) bearer shares of Dätwyler Holding Inc., see note 25. Personnel expenses relating to the share award plan amount to CHF 3.3 million (previous year CHF 3.2 million) and the net increase in additional paid-in capital was CHF 0.1 million (previous year CHF 3.0 million), net of applicable income taxes.

27 / SHAREHOLDERS

At year-end 2017, Pema Holding AG holds as in the previous year all 22'000'000 registered shares, plus 5'121'232 (previous year 5'125'592) of the total of 12'600'000 bearer shares of Dätwyler Holding Inc. This represents 78.39% (previous year 78.40%) of the voting rights and 56.01% (previous year 56.03%) of the share capital. The entire share capital of Pema Holding AG is held by Dätwyler Führungs AG, thereby indirectly possessing the majority of the voting rights in Dätwyler Holding Inc.

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

28 / DERIVATIVE FINANCIAL INSTRUMENTS

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

Unsettled forward exchange contracts

in CHF millions	31.12.2017	31.12.2016
Positive fair value	0.4	3.9
Notional amounts	41.9	274.8
Negative fair value	2.4	0.7
Notional amounts	300.8	93.7

These forward exchange contracts have maturities until May 2018. Positive fair values are recorded as other receivables (note 13), while negative fair values have been recognised in other current liabilities (note 20).

29 / CONTINGENT LIABILITIES

In the ordinary course of business, the Group is exposed to a number of risks among others in connection with litigation cases and outstanding or disputed tax assessments which can lead to possible obligations (contingent liabilities). For most actual cases the amounts involved are insignificant. The case disclosed in the previous year amounting to CHF 10 million was closed in 2017. No provisions have been made where the outcome of such matters is uncertain or the risk is not quantifiable or an outflow of resources is not probable. Provisions have been recognised to the extent that the outcome can be reliably estimated and an outflow of resources is probable.

At year-end 2017, guarantees amounting to CHF 0.3 million (previous year none) in favour of third parties existed. The Datwyler Group has not given any other guarantees in respect of its business relationships with third parties. Performance bonds and guarantees within the Group have been eliminated on consolidation. There are no subordination agreements with third parties.

30 / COMMITMENTS

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

in CHF millions	2017	2016
Less than 1 year	20.9	15.4
Between 2 and 5 years	33.8	28.6
Over 5 years	6.2	0.0
Total commitments	**60.9**	**44.0**

Total commitments include CHF 37.8 million (previous year CHF 31.2 million) relating to IT outsourcing contracts for the years 2018 to 2022. Operating lease payments recognised as an expense in the income statement amounted to CHF 6.2 million (previous year CHF 4.6 million). There are no individually significant operating leases.

31 / ACQUISITION AND SALE OF SUBSIDIARIES

In the previous year, acquisitions of subsidiaries had the following effect on the Group's assets and liabilities:

Acquisitions in 2016
At the end of September 2016, Ott GmbH & Co. KG together with Ott Geschäftsführungs GmbH, both domiciled in Cleebronn, Germany, were fully acquired by the Sealing Solutions division. Since October until the end of 2016, the acquired business employing an average of 217 people generated net revenue of CHF 7.6 million. The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from this transaction.

in CHF millions	Carrying amount	Fair value adjustments	Fair value on acquisition
Cash and cash equivalents	–	–	–
Trade accounts receivable	3.9	–	3.9
Inventories	4.0	0.1	4.1
Other current assets	0.2	–	0.2
Property, plant and equipment	16.5	1.3	17.8
Intangible assets	0.2	–	0.2
Deferred income tax assets	–	4.5	4.5
Current liabilities	–5.5	–0.4	–5.9
Long-term liabilities	–6.4	–0.9	–7.3
Net assets acquired at fair value			**17.5**
Goodwill including directly attributable transaction costs			11.0
Total			28.5
Less cash and cash equivalents acquired			–
Net cash outflow on acquisition			**28.5**

32 / RELATED PARTY TRANSACTIONS

Pema Holding AG
Transactions between the companies include the dividend payments to Pema Holding AG of CHF 21.0 million (previous year CHF 20.3 million) and administrative costs of CHF 20'000 (previous year CHF 20'000) for administration and accounting services provided by Alvest AG. In addition, the following transactions with Pema Holding AG and its subsidiaries occurred in 2017: Net revenue of CHF 0.2 million (previous year CHF 0.0 million), material expense of CHF 0.9 million (previous year CHF 0.9 million), IT and trademark service revenues and other service revenue of CHF 8.6 million in total (previous year CHF 6.9 million) and service expenses of CHF 0.6 million (previous year CHF 0.6 million). In June 2017, 4'360 shares of Dätwyler Holding AG were purchased from Pema Holding AG at current market prices averaging CHF 165.80, see notes 25 and 26. In the previous year, Pema Holding AG had acquired 307'092 treasury shares of Dätwyler Holding AG at current stock exchange prices averaging CHF 139.99. Accounts receivable and payable with Pema Holding AG and its subsidiaries are disclosed as items with related parties in notes 11 and 19.

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

Remuneration of Directors and Executive Board members
Except for the remuneration as disclosed in the remuneration report on pages 39 to 51 of this annual report, no further relations or transactions existed in 2017 and 2016 with the members of the Board of Directors and the Executive Board.

33 / EVENTS AFTER BALANCE SHEET DATE

The Board of Directors and the Executive Board are not aware of any other significant events occurring up to the date of approval of the consolidated financial statements on 2 February 2018 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

34 / SUBSIDIARIES

Dätwyler Holding Inc. directly or indirectly owned the following fully consolidated subsidiaries at 31 December 2017, all with a capital and voting interest of 100%. There are no minority interests.

		Registered office	Original currency	Capital in original currency (in millions)	Technical Components	Sealing Solutions	Service and financial companies
SWITZERLAND	Alvest AG *	Altdorf	CHF	15.000			●
	Dätwyler AG *	Altdorf	CHF	0.100			●
	Dätwyler IT Services AG *	Altdorf	CHF	0.100			●
	Dätwyler Schweiz AG *	Schattdorf	CHF	32.000		○	
	Dätwyler Sealing Solutions International AG	Schattdorf	CHF	0.100		●	
	Dätwyler Teco Holding AG *	Altdorf	CHF	9.900	●		
	Datwyler Technical Components AG	Altdorf	CHF	0.100	●		
	Distrelec AG *	Altdorf	CHF	0.090			●
	Pohl Immobilien AG	Schattdorf	CHF	1.600		●	
	Nedis Proditec AG	Nänikon	CHF	0.300	□		
	Teco Immobilien AG	Altdorf	CHF	0.500	●		
BELGIUM	Datwyler Pharma Packaging Belgium NV	Alken	EUR	17.693		○	
	Datwyler Pharma Packaging International NV	Alken	EUR	107.330		●	
	Nedis NV	Geel	EUR	0.062	□		
BRAZIL	Datwyler Sealing Solutions do Brasil Ltda	São Paulo	BRL	1.674		□	
CHINA	Datwyler Sealing Technologies (Anhui) Co., Ltd.	Ningguo	USD	5.000		○	
	Datwyler Sealing Technologies (Wuxi) Co., Ltd.	Wuxi	USD	5.000		○	
	TeCo Asia Technology (Shenzhen) Co. Ltd	Shenzhen	CNY	0.500	●		
DENMARK	Elfa Distrelec A/S	Glostrup	DKK	1.000	□		
GERMANY	Dätwyler Pharma Packaging Deutschland GmbH	Karlsbad	EUR	2.600		○	
	Dätwyler Sealing Technologies Deutschland GmbH	Waltershausen	EUR	0.256		○	
	Dätwyler Teco Holding (Deutschland) GmbH	Sande	EUR	3.100	●		
	Distrelec GmbH	Bremen	EUR	0.800	□		
	Nedis GmbH	Willich	EUR	0.026	□		
	Ott GmbH & Co. KG	Cleebronn	EUR	1.000		○	
	Reichelt Elektronik GmbH & Co. KG	Sande	EUR	3.000	□		
UK	Distrelec Ltd.	Manchester	GBP	0.002	●		
	Nedis (UK) Limited	Leicester	GBP	0.009	□		
ESTONIA	Elfa Distrelec OÜ	Tallinn	EUR	0.079	□		
FINLAND	Elfa Distrelec Oy	Helsinki	EUR	0.020	□		
	Nedis Oy	Savonlinna	EUR	0.017	□		
FRANCE	Nedis SAS	Nantes	EUR	0.100	□		
HONG KONG	Teco Asia Limited	Hong Kong	HKD	0.010	●		

		Registered office	Original currency	Capital in original currency (in millions)	Technical Components	Sealing Solutions	Service and financial companies
INDIA	Datwyler IT Services India LLP	Magarpatta, Pune	INR	0.100			●
	Datwyler Pharma Packaging India Private Limited	Kesurdi, Satara	INR	656.233		○	
ITALY	Datwyler Pharma Packaging Italy srl	Milano	EUR	2.000		○	
	Distrelec Italia srl	Milano	EUR	1.275	□		
	Nedis Italia srl	Milano	EUR	0.100	□		
	Datwyler Sealing Solutions Italy S.p.A.	Viadanica	EUR	1.300		○	
LATVIA	Elfa Distrelec SIA	Riga	EUR	0.008	□		
LITHUANIA	Elfa Distrelec UAB	Vilnius	EUR	0.003	□		
MEXICO	Datwyler Sealing Technologies Mexico S DE RL DE CV	Silao	MXN	82.000		○	
NETHERLANDS	Datwyler TeCo Holding B.V.	Amsterdam	EUR	51.768	●		
	Distrelec B.V.	Utrecht	EUR	0.064	□		
	Nedis B.V.	's-Hertogenbosch	EUR	0.045	□		
	Nedis Group B.V.	's-Hertogenbosch	EUR	0.018	●		
	TeCo CDC B.V.	Amsterdam	EUR	0.018	●		
NORWAY	Elfa Distrelec AS	Trollåsen	NOK	0.200	□		
AUSTRIA	Distrelec Gesellschaft m.b.H.	Wien	EUR	0.145	□		
	Nedis Elfogro GmbH	Wien	EUR	0.035	□		
POLAND	Elfa Distrelec Spz oo	Warschau	PLN	0.100	□		
SWEDEN	Elfa Distrelec AB	Stockholm	SEK	0.100	□		
	Nedis AB	Jönköping	SEK	3.575	□		
SLOVAKIA	Nedis Slovakia a.s.	Bratislava	EUR	0.325	□		
SPAIN	Nedis Iberia SL	Mataró	EUR	0.153	□		
SOUTH KOREA	Datwyler Korea Inc.	Daegu	KRW	1'131.000		○	
CZECH REPUBLIC	Datwyler Sealing Technologies CZ s.r.o.	Novy Bydzov	CZK	20.000		○	
	Nedis Kerr s.r.o.	Trutnov	CZK	0.100	□		
UKRAINE	Datwyler Sealing Technologies Ukraine JSC	Malyn	UAH	12.500		○	
HUNGARY	Nedis Kft.	Budapest	HUF	13.040	□		
USA	Datwyler Sealing Solutions USA Inc.	Dayton	USD	0.153		○	
	Datwyler Pharma Packaging USA Inc.	Pennsauken	USD	9.130		○	

○ *Manufacturing and sales*
□ *Distribution*
● *Services/finance/real estate*

* *= Held directly by Dätwyler Holding Inc.*

Report of the Statutory Auditor on the Consolidated Financial Statements

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Report of the statutory auditor

to the General Meeting of Dätwyler Holding AG

Altdorf

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Dätwyler Holding AG and its subsidiaries (the Group) which comprise the consolidated balance sheet as at 31 December 2017 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

In our opinion, the accompanying consolidated financial statements (pages 57 to 88) give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall Group materiality CHF 7,700,000

We concluded full scope audit work at 17 Group companies in 10 countries. These group companies represented 77% of the net revenue, 72% of the assets and 77% of the profit of the Group. In addition, specified procedures were performed on a further 5 Group companies in 4 countries, which contribute a further 6% of the net revenue, 13% of the assets and 10% of the profit of the Group.

As key audit matters, the following areas of focus were identified:

- Valuation of deferred tax assets
- Valuation of inventories in the Technical Components Division

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Audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The audit strategy for the audit of the consolidated financial statements was determined taking into account the work performed by the Group auditor and the component auditors in the PwC network. Where audits were performed by component auditors, we ensured that, as Group auditor, we were adequately involved in the audit in order to assess whether sufficient appropriate audit evidence was obtained from the work of the component auditors to provide a basis for our opinion. Our involvement as Group auditors was based on auditing instructions and standardised reporting. It comprised written and oral communications as well as on-site visits of selected components.

Materiality
The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 7,700,000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose earnings before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark for materiality considerations.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Valuation of deferred tax assets

Key audit matter	*How our audit addressed the key audit matter*
Please refer to note 1, page 63 (Summary of significant accounting policies: Income tax expense) and note 22 (Deferred income tax assets/liabilities) in the notes to the consolidated financial statements. As of 31 December 2017, deferred tax assets amounted to CHF 48.8 million, of which CHF 25.3 million stemmed from tax loss carryforwards and CHF 23.5 million from other temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. According to Swiss GAAP FER 11, tax losses carried forward may be recognised as deferred tax assets only to the extent that it is probable that future taxable profits will be available against which they can be utilised. We consider the recognition and measurement of deferred tax assets as a key audit matter because their realisation depends on the future economic and financial development of individual Group companies. This assessment involves significant scope for judgement.	For all Group companies that disclosed material deferred tax assets, we performed the following procedures: • We discussed with Management the recognition and measurement of specific deferred tax assets in relation to the requirements of Swiss GAAP FER and tax law. • On the basis of the current and the expected future taxable profits, we assessed whether the recognition of the deferred tax assets is justified and whether the amount recognised is recoverable. In doing so, we reviewed whether the expected future results are supported by the latest strategic plans approved by the Board of Directors, taking into consideration the reorganisation measures. • We checked the plausibility of the budget figures on the basis of our historical experience, taking into account the planned measures and their impact. In order to assess the appropriateness of the prior-year assumptions, we compared the forecasts made for the year under review with the actual results realised. • In addition, we tested whether the deferred tax assets had been calculated correctly, taking into account the applicable tax rates and any time limits on the utilisation of tax losses carried forward. The information provided to us by Management during our audit and the assumptions used by Management support the accounting treatment of deferred tax assets as of the balance sheet date.

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Valuation of inventories in the Technical Components Division

Key audit matter	*How our audit addressed the key audit matter*
Please refer to note 1, page 63 (Summary of significant accounting policies: Inventories) and note 12 (Inventories) in the notes to the consolidated financial statements. We consider the assessment of the valuation of inventories in the Technical Components Division as a key audit matter for two reasons: Inventories in the total amount of CHF 215.8 million represent a significant share of the assets of the Dätwyler Group. Of these inventories, CHF 108.3 million are accounted for by the Technical Components Division. Inventories are stated at the lower of cost and net realisable value. Write-downs of inventory are principally due to the application of this principle. They are for example required in the case of obsolete and surplus inventory. The business model of the Technical Components Division aims to offer customers a ready supply of a broad range of products. This model can lead to the risk of surplus or technically obsolete stocks. The need for and extent of a write-down of inventories in order to cover such risks is therefore of particular importance. The write-down is determined based on inventory levels, expected sales volumes and an estimate of the technical currency of individual products. The calculation of the valuation adjustments leaves significant scope for judgement.	We assessed the method used to calculate the Technical Components Division inventory write-downs in accordance with the accounting policies described in note 1 to the consolidated financial statements, and the consistency of their application. With regard to determining the write-downs, we also examined the following: • the design of the internal controls relating to inventory management, inventory valuation and the calculation of the amount of the write-down, • the appropriateness of the assumptions used by Management in calculating the write-downs, • on a sample basis, whether the criteria used for the calculation of the write-down, especially the inventory level, the inventory value, the age and the sales information by product were correctly extracted from the ERP system, and • for selected products, the computational accuracy of the write-down. The audit evidence we obtained regarding the inventories in the Technical Components Division corroborates the decisions taken by the Dätwyler Group and the calculations performed to determine the inventory write-downs.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a

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material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zurich, 2 February 2018

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Dätwyler Holding Inc.

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Income Statement

in CHF	Notes	2017	2016
Dividend income from subsidiaries	2.1	52'000'000	124'670'127
Gain on sale of treasury shares	2.2	–	73'810'929
Trademark income	2.3	–	6'104'000
Other income		3'653	28'210
Personnel expenses		–2'380'418	–2'681'146
Other operating expenses	2.4	–2'786'974	–6'749'217
Income before interest and taxes		46'836'261	195'182'903
Financial income	2.5	9'539'231	9'339'557
Financial expenses	2.6	–1'795'214	–55'481'490
Income before taxes		54'580'278	149'040'970
Direct taxes		–267'736	–2'677'742
Annual profit		**54'312'542**	**146'363'228**

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

Balance Sheet

Assets

in CHF	Notes	31.12.2017	31.12.2016
Cash and cash equivalents		65'147'763	102'139
Other current receivables		45'809	651'367
Due from third parties		45'809	131'367
Due from subsidiaries		–	520'000
Total current assets		65'193'572	753'506
Financial assets: Long-term receivables from subsidiaries	2.7	958'785'653	1'008'505'026
Investments in subsidiaries	2.8	145'965'148	145'965'148
Intangible assets: Trademarks	2.3	1	1
Total non-current assets		1'104'750'802	1'154'470'175
Total assets		**1'169'944'374**	**1'155'223'681**

Liabilities and shareholders' equity

in CHF	Notes	31.12.2017	31.12.2016
Other current liabilities third parties		249'038	35'681
Accrued expenses and deferred income		1'163'564	3'568'770
Interest-bearing liabilities: Bonds	2.9	150'000'000	–
Total current liabilities		151'412'602	3'604'451
Interest-bearing liabilities: Bonds	2.9	–	150'000'000
Total long-term liabilities		–	150'000'000
Total liabilities		151'412'602	153'604'451
Share capital	2.10	850'000	850'000
Statutory capital reserves		83'000'000	83'000'000
Statutory retained earnings		4'000'000	4'000'000
Voluntary retained earnings	2.12	305'263'318	305'263'318
Retained earnings available for distribution		625'418'454	608'505'912
Profit carried forward		571'105'912	462'142'684
Annual profit		54'312'542	146'363'228
Total shareholders' equity		1'018'531'772	1'001'619'230
Total liabilities and shareholders' equity		**1'169'944'374**	**1'155'223'681**

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

Notes to the Financial Statements

1 / VALUATION PRINCIPLES

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

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

Measurement of liabilities/bonds
Liabilities including bonds are carried at nominal value.

2 / EXPLANATIONS CONCERNING THE FINANCIAL STATEMENTS

Dätwyler Holding Inc. is domiciled in Altdorf.
The average number of full-time equivalents in the course of a year does not exceed ten employees.

2.1 / DIVIDEND INCOME FROM SUBSIDIARIES
Dividend income from subsidiaries comprises profit distributions from subsidiaries.

2.2 / GAIN ON SALE OF TREASURY SHARES
In the previous year 2016, 528'342 treasury shares were acquired from Alvest AG, which subsequently were sold to Pema Holding AG at current stock exchange prices and on the stock exchange respectively, see also note 2.11.

2.3 / TRADEMARK INCOME
The right to use the trademark Dätwyler is invoiced to subsidiaries and related companies. In 2017 and until mid 2016, these revenues were transferred to Alvest AG, which was responsible for trademark management.

2.4 / OTHER OPERATING EXPENSES
This item comprises Dätwyler Holding Inc.'s general costs of doing business. Dätwyler Holding Inc. has no operating costs, as these are charged in full to Alvest AG and then in turn to the subsidiaries. “Stewardship costs” (Dätwyler Holding Inc. administrative expenses) are charged to Dätwyler Holding Inc. In the previous year 2016, other operating expenses include one-time costs related to the planned acquisition of Premier Farnell of CHF 3.9 million.

2.5 / FINANCIAL INCOME
Financial income is derived primarily from interest-bearing assets of subsidiaries.

2.6 / FINANCIAL EXPENSES
Financial expenses comprise interest expenses for bond coupon payments together with commissions and bank fees. In the previous year 2016, financial expenses include one-time hedging and financings costs related to the planned acquisition of Premier Farnell of CHF 44.1 million and a waiver of debt of CHF 9.5 million.

2.7 / LONG-TERM RECEIVABLES FROM SUBSIDIARIES

These are Swiss franc-denominated long-term loans receivable from subsidiaries. Most of the change from the previous year is due to dividend and interest payments by subsidiaries. At the end of 2017, a subordination agreement in the amount of CHF 120 million was declared. Based on a current valuation of the respective investment, no impairment write-down was considered necessary.

2.8 / INVESTMENTS IN SUBSIDIARIES

Dätwyler Holding Inc.'s direct and indirect subsidiaries are disclosed in note 34 to the consolidated financial statements.

2.9 / BONDS

Fixed-interest bonds were issued for CHF 150 million with a pay-in date of 7 December 2012 and an issue price of 100.50%. The bonds pay an interest rate of 1.125% and mature in five and a half years (on 7 June 2018).

2.10 / SHARE CAPITAL

in CHF	31 Dec. 2017	31 Dec. 2016
22'000'000 registered shares at CHF 0.01 par	220'000	220'000
12'600'000 bearer shares at CHF 0.05 par	630'000	630'000
Share capital	850'000	850'000

Shares in Dätwyler Holding Inc. are listed on the SIX Swiss Exchange. Each registered share and each bearer share, regardless of nominal value, carries one vote at the General Meeting of Shareholders, with the exception of bearer treasury shares. According to a resolution passed by the Extraordinary General Meeting on 10 August 2016 to authorize additional share capital, the Board of Directors is allowed to increase the share capital of the company at any time until 9 August 2018 in the maximum amount of CHF 84'999.94 by issuing a maximum of 2'199'999 fully paid-in registered shares (voting right shares) with a par value of CHF 0.01 and a maximum of 1'259'999 fully paid-in bearer shares with a par value of CHF 0.05. No new shares were issued in the current year.

All 22'000'000 registered shares along with 5'121'232 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 56.01% and its percentage of voting shares is 78.39%.

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

2.11 / EMPLOYEE SHARE OWNERSHIP PLAN / TREASURY SHARES

In the current year, a total of 19'750 bearer shares were acquired by Alvest AG at current stock exchange prices averaging CHF 161.12 and then used for Group employees under the Employee Share Ownership Plan. 9'600 bearer shares with a total value of CHF 1'591'680 were allocated to members of the Board of Directors and a total of 8'500 bearer shares with a total value of CHF 1'409'300 to the Executive Management (see Remuneration Report). 1'650 bearer shares with a total value of CHF 273'570 (previous year: 2'100 bearer shares with a total value of CHF 311'010) were allocated to other employees.

In the previous year 2016, all remaining 528'342 treasury shares had been acquired at nominal value from Alvest AG. Subsequently, 307'092 treasury shares were sold to Pema Holding AG at current stock exchange prices averaging CHF 139.99 and the remaining 221'250 treasury shares were sold on the stock exchange at an average price of CHF 139.42. At the end of 2017 and 2016, no treasury shares were held.

2.12 / VOLUNTARY RETAINED EARNINGS

The voluntary retained earnings represent a free reserve at the disposal of the General Meeting of Shareholders. Pursuant to Art. 659a para. 2 and Art. 671a of the Swiss Code of Obligations, the Company is required to maintain a separate reserve for treasury shares held by a subsidiary in an amount equal to their purchase cost. The Board of Directors forms this reserve by transfers to and from the voluntary retained earnings.

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

On a basis of joint and several liability, lines of credit were granted to various subsidiaries in the amount of CHF 136.3 million (previous year: CHF 150.2 million), of which CHF 13.9 million (previous year: CHF 32.1 million) was used to secure bank debt and unsettled forward exchange contracts. In addition, Dätwyler Holding Inc. has issued a guarantee in the amount of CHF 7.3 million until the end of 2027 for future rental commitments in favour of a subsidiary.

2.14 / JOINT AND SEVERAL LIABILITY

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

2.15 / CONTINGENT LIABILITIES

In the normal course of business, risks arise in connection with such matters as legal disputes and pending or disputed tax assessments that could potentially lead to liabilities (contingent liabilities). The amount involved in most current cases is immaterial. The case disclosed in the previous year amounting to CHF 10 million was closed in 2017. Where the outcome of such cases is unclear or the risk is unquantifiable or the likelihood of an outflow of funds is unlikely, no provisions are being made. Provisions are being made where the outcome can be estimated or an outflow of funds is probable.

2.16 / LOANS AND CREDITS

No loans and/or credits were granted to individual current or former members of the Board of Directors or Executive Management (including persons connected with them) in the year under review. Likewise, no non-arm's length loans and/or credits were granted to current or former members of the aforementioned bodies or persons connected with them in the year under review.

2.17 / BOARD OF DIRECTORS AND EXECUTIVE BOARD SHAREHOLDINGS

As at 31 December 2017, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the Company's equity securities:

Board of Directors shareholdings 2017

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2018	2019	2020	2021	2022
Hälg, Paul J.	Chairman	29'915	0.086460	3'300	3'300	3'300	3'300	2'400
Fässler, Hanspeter	Vice-Chairman	12'964	0.037468	1'100	1'100	1'100	1'100	1'700
Fedier, Jürg	Member	3'300	0.009538	0	0	1'100	1'100	1'100
Huber, Gabi	Member	5'669	0.016384	1'100	1'100	1'100	1'100	1'100
Odermatt, Ernst	Member	12'364	0.035734	1'100	1'100	1'100	1'100	1'100
Ulmer, Hanno	Member	3'300	0.009538	0	0	1'100	1'100	1'100
Zhang, Zhiqiang	Member	2'200	0.006358	0	0	0	1'100	1'100

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

Executive Management shareholdings 2017

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2018	2019	2020	2021	2022
Lambrecht, Dirk	CEO	10'000	0.028902	1'500	1'500	1'500	1'500	4'000
Welte, Reto	CFO	7'100	0.020520	1'100	1'500	1'500	1'500	1'500
Harrison, Neil	Division CEO	4'500	0.013006	0	0	1'500	1'500	1'500
Maschke, Torsten	Division CEO	1'500	0.004335	0	0	0	0	1'500

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

Board of Directors shareholdings 2016

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2017	2018	2019	2020	2021
Graf, Ulrich	Chairman	25'134	0.072642	2'400	2'400	2'400	2'400	2'400
Rüegg, Hans R.	Vice-Chairman	14'706	0.042503	1'700	1'700	1'700	1'700	1'700
Fässler, Hanspeter	Member	11'264	0.032555	1'100	1'100	1'100	1'100	1'100
Fedier, Jürg	Member	2'200	0.006358	0	0	0	1'100	1'100
Huber, Gabi	Member	4'569	0.013205	0	1'100	1'100	1'100	1'100
Lienhard, Ernst	Member	11'264	0.032555	1'100	1'100	1'100	1'100	1'100
Odermatt, Ernst	Member	11'264	0.032555	1'100	1'100	1'100	1'100	1'100
Ulmer, Hanno	Member	2'200	0.006358	0	0	0	1'100	1'100
Zhang, Zhiqiang	Member	1'100	0.003179	0	0	0	0	1'100

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

Executive Management shareholdings 2016

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2017	2018	2019	2020	2021
Hälg, Paul J.	CEO	32'453	0.093795	3'300	3'300	3'300	3'300	3'300
Welte, Reto	CFO	6'700	0.019364	1'100	1'100	1'500	1'500	1'500
Lambrecht, Dirk	COO	6'753	0.019517	700	1'500	1'500	1'500	1'500
Harrison, Neil	Division CEO	3'000	0.008671	0	0	0	1'500	1'500
Maschke, Torsten	Division CEO	–	–	0	0	0	0	0

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

2.18 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

Proposed Appropriation of Retained Earnings

Retained earnings carried forward

in CHF	2017	2016
Profit carried forward	571'105'912	462'142'684
Annual profit	54'312'542	146'363'228
Retained earnings at disposal of General Meeting of Shareholders	625'418'454	608'505'912

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

in CHF	2017 Proposal of the Board of Directors	2016 Resolution of the General Meeting of Shareholders
Retained earnings at disposal of General Meeting of Shareholders	625'418'454	608'505'912
Distribution of cash dividend	–51'000'000	–37'400'000
Registered shares: CHF 0.60 (previous year: CHF 0.44)	–13'200'000	–9'680'000
Bearer shares: CHF 3.00 (previous year: CHF 2.20)	–37'800'000	–27'720'000
To be carried forward	574'418'454	571'105'912

Report of the Statutory Auditor on the Financial Statements

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Report of the statutory auditor

to the General Meeting of Dätwyler Holding AG

Altdorf

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dätwyler Holding AG, which comprise the balance sheet as at 31 December 2017, income statement and notes for the year then ended, including a summary of significant accounting policies

In our opinion, the accompanying financial statements (pages 95 to 101) as at 31 December 2017 comply with Swiss law and the articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview

Overall materiality: CHF 5,800,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As key audit matter the following area of focus has been identified:

Recoverability of investments in subsidiaries and long-term receivables from subsidiaries in the Technical Components Division

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future

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events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 5,800,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because the Company primarily holds equity investments in and grants loans to subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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Recoverability of investments in subsidiaries and long-term receivables from subsidiaries in the Technical Components Division

Key audit matter	*How our audit addressed the key audit matter*
Please refer to pages 97 and 98 (Valuation principles) in the notes to the financial statements. The investments in subsidiaries (CHF 30 million) and long-term loans receivable from subsidiaries (CHF 425 million) in the Technical Components Division are significant items on the company's balance sheet. The recoverability of these items depends on the economic substance and the future results or cash flows of the direct and indirect investments relating to this division of the Group. In determining the assumptions with regard to future results, the Board of Directors and Management have considerable scope to apply their judgement. The investments and loans were stated individually at historical cost less any necessary impairment provisions in accordance with the Swiss accounting requirements. The assessment of the recoverability of the investments in subsidiaries and long-term loans receivable from subsidiaries in the Technical Components Division is based on a comparison of the carrying amounts with the value of the Company's share of the equity. The economic value of equity is based on the net asset values of the Group companies and on their expected future results or cash flows. The assessments are made separately for the Nedis, Distrelec and Reichelt sub-groups. The Group companies generate their forecasts of future results based on a budgeting process defined by the Board of Directors. Management and the Board of Directors monitor this process and challenge the assumptions used.	We focussed our audit of the recoverability of investments in subsidiaries and long-term loans receivable from subsidiaries in the Technical Components Division on the following areas: • We checked whether the results and cash flows underlying the valuations were based on the budget approved by the Board of Directors for the following year and the strategic planning for the subsequent years. • We performed a plausibility check based on our experience, taking into account the planned measures and their impacts. In order to assess the appropriateness of the prior-year assumptions, we compared the forecasts made for the year under review with the actual results realised. • We compared the capitalisation rates used with the cost of capital of the Nedis, Distrilec and Reichelt sub-groups. • We checked the arithmetical and technical correctness of the valuations. We consider the valuation process to be an appropriate and adequate basis for the testing of the recoverability of investments in subsidiaries and long-term loans receivable from subsidiaries in the Technical Components Division. The results of our audit support the reasonableness of the assumptions applied by the Board of Directors and Management.

Responsibilities of the Board of Directors for the financial statements

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

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

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

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zurich, 2 February 2018

Shareholder Information

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Five Year Summary

Datwyler Group

in CHF millions	2017	2016	2015	2014	2013
Net revenue	1'291.4	1'215.8	1'165.2	1'251.9	1'382.0
Year-on-year change (%)	6.2	4.3	–6.9	–9.4	–2.3
EBITDA	219.8	204.3	179.4	185.8	194.4
Depreciation and amortisation	57.2	58.2	53.3	53.6	58.4
As % of net revenue	4.4	4.8	4.6	4.3	4.2
Year-on-year change (%)	–1.7	9.2	–0.6	–8.2	12.1
Operating result before interest and tax (EBIT)	162.6	146.1	126.1	132.3	136.0
As % of net revenue	12.6	12.0	10.8	10.6	9.8
Year-on-year change (%)	11.3	15.9	–4.7	–2.7	–9.9
Net result	123.7	57.6	82.2	97.9	120.2
As % of net revenue	9.6	4.7	7.1	7.8	8.7
Year-on-year change (%)	114.8	–29.9	–16.0	–18.6	–5.7
Net cash from operating activities	112.7	90.7	172.5	110.8	166.3
As % of net revenue	8.7	7.5	14.8	8.9	12.0
Year-on-year change (%)	24.3	–47.4	55.7	–33.4	33.7
Free cash flow (based on Consolidated Cash Flow Statement)	2.7	39.4	126.9	180.7	–39.6
Non-current assets	565.9	496.3	453.4	459.7	429.2
Year-on-year change (%)	14.0	9.5	–1.4	7.1	–3.7
Current assets	733.7	720.8	675.7	700.1	693.9
Year-on-year change (%)	1.8	6.7	–3.5	0.9	9.6
Total assets	1'299.6	1'217.1	1'129.1	1'159.8	1'123.1
Equity	898.5	805.5	726.1	753.2	660.8
Year-on-year change (%)	11.5	10.9	–3.6	14.0	19.9
As % of total assets	69.1	66.2	64.3	64.9	58.8
Total liabilities	401.1	411.6	403.0	406.6	462.3
Year-on-year change (%)	–2.6	2.1	–0.9	–12.0	–12.5
Thereof current liabilities	362.2	208.5	196.3	206.0	259.8
Thereof long-term liabilities	38.9	203.1	206.7	200.6	202.5
Capital expenditures	117.9	87.4	64.5	81.6	57.9
Year-on-year change (%)	34.9	35.5	–21.0	40.9	–28.0
Personnel expenses	335.1	311.9	296.6	329.5	367.6
Year-on-year change (%)	7.4	5.2	–10.0	–10.4	2.5
Number of employees (at year-end)	7'614	7'312	7'013	6'760	7'047
Year-on-year change (%)	4.1	4.3	3.7	–4.1	2.0

Dätwyler Holding Inc.

in CHF mio.	2017	2016	2015	2014	2013
Finance and investment income	61.5	207.8	79.7	91.3	70.0
Annual profit	54.3	146.4	72.8	102.9	64.7
Equity	1'018.5	1'001.6	891.4	961.6	903.3
Equity as % of total assets	87.1	86.7	85.5	86.3	85.6
Share capital	0.9	0.9	0.9	0.9	0.9
Distribution	51.0[1]	37.4	36.2	142.9	44.6

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

Share Information

	Currency	**2017**	2016	2015	2014	2013
Share capital	in CHF mio.	0.85	0.85	0.85	0.85	0.85
Eligible for a dividend	in CHF mio.	0.85	0.85	0.82	0.80	0.80
Number of shares						
Bearer shares of CHF 0.05 each		12'600'000	12'600'000	12'600'000	12'600'000	12'600'000
Unissued shares		–	–	550'042	1'047'673	1'066'423
Bearer shares in issue		12'600'000	12'600'000	12'049'958	11'552'327	11'533'577
Registered shares of CHF 0.01 each		22'000'000	22'000'000	22'000'000	22'000'000	22'000'000
Market price SIX (high/low)						
Bearer share – high	CHF	189.60	153.00	148.70	147.20	125.00
Bearer share – low	CHF	138.80	111.00	102.00	111.00	86.35
Trading volume						
Number of shares		4'009'272	3'385'022	3'559'931	4'058'475	3'613'451
Value	in CHF mio.	634	463	454	525	386
Gross dividend						
Bearer share	CHF	3.00[1]	2.20	2.20	8.96	2.80
Registered share	CHF	0.60[1]	0.44	0.44	1.79	0.56
Net result per share						
Bearer share	CHF	7.28	3.47	5.04	6.14	7.60
Registered share	CHF	1.46	0.69	1.01	1.23	1.52
Net cash from operating activities per share						
Bearer share	CHF	6.63	5.46	10.59	6.95	10.51
Registered share	CHF	1.33	1.09	2.12	1.39	2.10
Price/earnings ratio (average)		21.7	39.4	25.3	21.1	14.1
Equity per share						
Bearer share	CHF	53	47	44	47	41
Registered share	CHF	11	9	9	9	8
Market capitalisation						
Average for the year	in CHF mio.	2'688	2'273	2'078	2'062	1'690
As % of equity		299	282	286	274	256
At 31 December	in CHF mio.	3'203	2'353	2'359	2'037	1'974
As % of equity		356	292	325	270	299

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

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

Share Price Performance

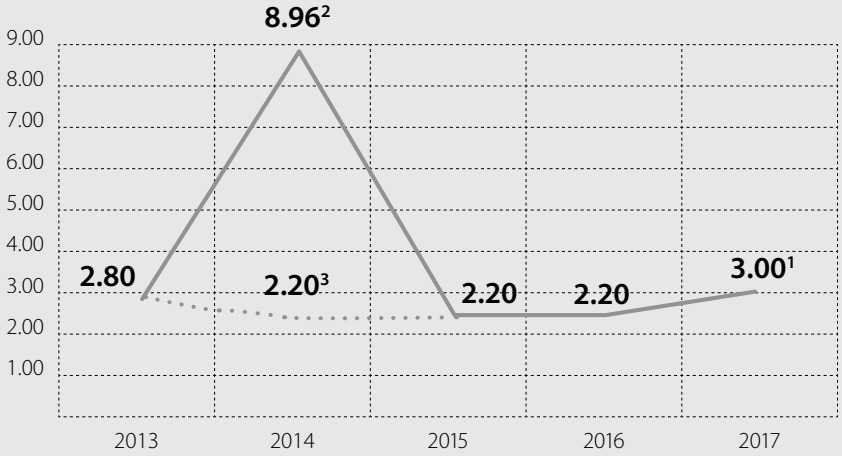
in CHF

Datwyler bearer share
SPI

Dividend History

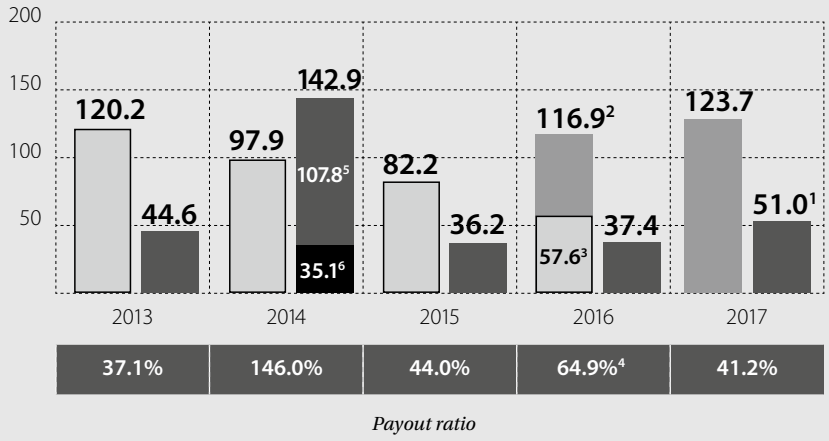
Dividend per share in CHF

Dividend per share in CHF
1 *Proposal to the Annual General Meeting.*
2 *Anniversary dividend (stock dividend plus cash dividend).*
3 *Cash dividend business year 2014.*



Dividend in CHF millions

Net result in CHF millions
Dividend in CHF millions
1 *Proposal to the Annual General Meeting.*
2 *Adjusted net result 2016.*
3 *Reported net result 2016.*
4 *Corresponds to 32.0% of the adjusted net result.*
5 *Stock dividend on the occasion of the 100 years anniversary.*
6 *Cash dividend business year 2014.*



General Information

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

Incorporated
Dätwyler Inc.: 1915
Dätwyler Holding Inc.: 1958
publicly listed since 1986

Share trading
Bearer shares traded on the SIX Swiss Exchange

Ticker symbols

Security	Security No.	Investdata	ISIN	Common Code	Reuters
Datwyler bearer share	3 048 677	DAE	CH003 048677 0	XS030821700	DAEZ
Datwyler bond	20 029 554	DAE12	CH020 029554 8	085652214	DAE

Taxable value set by the Swiss Federal Tax Administration at 31 December 2017
Bearer share: CHF 188.40
1.125% Bond 2012–2018: 100.51%

Important dates
2018
Annual General Meeting: 6 March 2018
Interim Report: 10 August 2018

2019
Annual Press Conference and Analyst Conference: 8 February 2019
Annual General Meeting: 12 March 2019
Interim Report: 13 August 2019

Annual General Meetings are held at 5.00 p.m. at the theater(uri), Tellspielhaus, Altdorf

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

DATWYLER GROUP

at 6 February 2018

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Disclaimer

This Annual Report contains forward-looking statements that reflect the Group's current expectations regarding market conditions and future events and are therefore subject to a number of risks, uncertainties and assumptions. Unanticipated events could cause actual results to differ from those predicted and from the information published in this report. All forward-looking statements contained in this report are qualified in their entirety by the foregoing.

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

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