

ANNUAL REPORT
2011



Datwyler Group – international multi-niche player

The Datwyler Group is an international multi-niche player dedicated to industrial supply and distribution of engineering and electronic components. Our activities concentrate on attractive niches that offer opportunities to increase value added and sustain profitable growth. The Group's four divisions – Technical Components, Pharma Packaging, Cabling Solutions and Sealing Technologies – are focused on the manufacturing, pharmaceutical and datacom industries. Our strategy is built on delivering innovative solutions and positioning ourselves as a competent development partner for our customers. With more than 40 operating companies, sales in over 80 countries and more than 5'000 employees, the Datwyler Group generates approximately CHF 1'300 million in revenue. Datwyler has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).

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www.datwyler.com

Datwyler Group

<u>in CHF millions</u>	2011	2010
Net revenue	1'290.5	1'319.5
Year-on-year change (%)	-2.2%	17.6%
Operating result before depreciation and amortisation (EBITDA)	168.3	176.6
EBITDA as % of net revenue	13.0%	13.4%
Operating result before interest and tax (EBIT)	124.2	127.9
EBIT as % of net revenue	9.6%	9.7%
Net result	96.2	98.2
Net result as % of net revenue	7.5%	7.4%
Net cash from operating activities	149.6	142.8
Net cash used in investing activities	-66.5	-117.5
Free Cash Flow	83.1	25.3
Net cash used in financing activities	-60.4	-78.0
Net change in cash and cash equivalents	22.7	-52.7
Cash, cash equivalents, money market investments and securities	148.1	119.7
Net cash surplus	98.6	36.2
Capital expenditure on property, plant and equipment	64.1	34.8
Total assets	892.0	847.0
Equity	643.4	583.5
Equity as % of total assets	72.1%	68.9%
Number of employees (annual average)	5'226	4'922
Full time equivalents (annual average)	5'013	4'708

Dätwyler Holding Inc.

<u>in CHF millions</u>	2011	2010
Finance and investment income	69.8	81.9
Net result	65.6	79.0
Equity	823.4	791.8
Equity ratio (%)	99.7	99.8
Share capital ⁽¹⁾	0.9	0.9
Distribution	34.0 ⁽²⁾	34.0

Per share data

<u>in CHF</u>	2011	2010
Earnings per bearer share ranking for dividend	6.22	6.36
Dividend per bearer share	2.20 ⁽²⁾	2.20
Distribution yield at 31 December	3.9%	2.8%

⁽¹⁾ CHF 0.77 million eligible for a dividend.

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

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LETTER TO THE SHAREHOLDERS

Datwyler achieves profitable growth in a challenging environment

In the 2011 reporting period the Datwyler Group benefited from its strong position in global and regional niche markets. Despite the strength of the Swiss franc and the high cost of raw materials, the Group achieved further organic growth and was able to maintain profitability within its pre-defined EBIT target range. Good progress was made on various projects to expand the Group's global presence.

Organic revenue growth in all divisions

Owing to the European debt crisis and the resulting currency volatility, the Datwyler Group faced an uncertain operating environment in all markets and sectors. Although this raised challenges for planning, all four divisions were able to report astonishingly robust demand. By region, the markets in Germany, Eastern Europe and the emerging economies made the greatest contributions to organic revenue growth in all four divisions. Excluding exchange rate effects, the Datwyler Group as a whole achieved organic growth of 5.4%. The negative currency effect of presenting consolidated accounts in Swiss francs amounted to CHF 100.9 million or -7.6%. Thus, reported net revenue fell slightly by 2.2% year on year to CHF 1'290.5 million (previous year: CHF 1'319.5 million). There was no obvious uniform trend in seasonal developments in demand: whereas the Pharma Packaging and Sealing Technologies Divisions reported strong growth in the second half of the year, momentum in the Technical Components and Cabling Solutions Divisions slowed slightly.

Increase in operating profitability

The development in profitability was also impacted by the strength of the Swiss franc. While the average euro exchange rate in 2010 was CHF 1.38, the average rate in the year under review was CHF 1.24, a fall of 10.1%. This was not as extreme as in the case of the US dollar, which slumped by 14.4% over the past year. Excluding exchange rate effects, Datwyler's operating result (EBIT) for 2011 came to CHF 133.7 million, exceeding the figure for the previous year (CHF 127.9 million). The negative currency effect of presenting consolidated accounts in Swiss francs amounted to CHF 9.5 million. In addition to this so-called translation effect, the production sites at Altdorf and Schattdorf in Switzerland incurred a negative transaction effect of about CHF 8 million. Restructuring costs in the Cabling Solutions and Sealing Technologies Divisions and extraordinary income from the sale of property at the Schattdorf site were mutually offsetting. This slightly reduced the reported EBIT to CHF 124.2 million (previous year: CHF 127.9 million). Thanks to solid capacity utilisation and early implementation of measures to reduce dependence on the Swiss franc exchange rate, even in the challenging year under review the Datwyler Group met the target range for the EBIT margin that it set itself of between 9% and 12%. Despite significantly higher costs for raw materials, the EBIT margin of 9.6% was virtually unchanged from the result in the previous year (9.7%). Adjusted for exchange rate effects, the net result was also higher than in the previous year. Including a currency loss of CHF 8.0 million, the Datwyler Group reported a net result of CHF 96.2 million (previous year: CHF 98.2 million).

Unchanged dividend

In view of the intact perspectives, solid profitability, free cash flow of CHF 83.1 million and the further strengthening of the balance sheet with an equity ratio of 72.1% (previous year: 68.9%), the Board of Directors will propose an unchanged dividend of CHF 2.20 per bearer share and CHF 0.44 per registered share to the Annual General Meeting. This is equivalent to a slightly higher payout ratio of 35.3% (previous year: 34.6%).

Current growth projects

In the year under review Datwyler continued to systematically expand and consolidate its market position. Thus, progress on the various projects to expand the Group's global presence announced during the year continued according to plan: its own plant in India for the Pharma Packaging Division, its own plant in China for the Sealing Technologies Division and new sales offices in Dubai and Moscow for the Cabling Solutions Division. Furthermore, in China Datwyler is about to realise its goal of entering the market for pharmaceutical packaging components. In the Technical Components Division the planned acquisition of the Dutch company Display Elektronika BV as per beginning of April 2012 will provide further impetus for the regional expansion of Distrelec and Elfa Distrelec's on-line/catalogue distribution. In the Sealing Technologies Division Datwyler was able to substantially expand its successful collaboration with Nespresso. An additional five-year agreement will result in the creation of about 50 new jobs at the Schattdorf site in Switzerland. With the acquisition of the profile business of Phoenix Dichtungstechnik GmbH, Datwyler has become one of the leading providers in the global growth market for special seals and tunnelling gaskets.

Measures to improve efficiency

Besides expanding Datwyler's market position, the acquisition of the Phoenix profile business creates the opportunity to optimise production structures and improve efficiency. By mid-2012 Datwyler will have concentrated its extrusion production at the new German site in Waltershausen. This will enable us to further reduce our dependence on the exchange rate of the Swiss franc. The relocation of elevator cable production to China and cable assembly operations to the Czech Republic announced in early 2011 have already reduced the impact of the Swiss franc. Both projects are proceeding according to plan and should be completed by mid-2012. At the same time Datwyler is modernising the cable plant in Altdorf, for which the Group is investing CHF 30 million between 2011 and 2013 in a high-tech production plant for high-quality data and safety cabling. A major project in the year under review was the Group-wide introduction of the new corporate identity with a view to strengthening the Datwyler brand. As part of this development, the Pharma Packaging Division has also adopted the Datwyler brand (previously Helvoet Pharma), a step that has been well received internally and externally. Further synergies were achieved in the financial field with the introduction of a treasury platform and the hedging of loans.

Niche strategy drives above-average growth

Through consistent implementation of the niche strategy in Datwyler's divisions in the past few years the Group has generated above-average growth in profits and outperformed the trend of the respective overall markets. Excluding exchange rate effects, we are on course to achieve our long-term growth targets. On the one hand this is the result of our divisions' ability to execute their operative tasks (quality/innovation, cost/productivity, delivery time/supply chain) to their customers' satisfaction. On the other hand at the strategic level we have succeeded in focusing the Datwyler divisions on attractive niche markets that have the potential for above-average growth in the future as well.

- Thanks to Datwyler's strong position in Eastern Europe, the Technical Components Division will continue to benefit from the ongoing industrialisation in these growth markets. Furthermore, the importance of the Internet as procurement channel in the professional environment is growing rapidly, as is the importance of availability.
- In the Pharma Packaging Division the two fundamental market trends of aging societies in the industrialised countries and growing medical requirements of the emerging markets will ensure continued underlying growth. In addition to volume growth, the spread of drug products that have been manufactured using biotechnological

- methods as well as the preparation of liquid medicines in prefilled syringes have resulted in demands for higher standards in packaging components.
- The building of fibre-optic networks in many countries will continue to drive growth in the Cabling Solutions Division. Parallel to this development, there is a need on the part of network providers and professional property owners for a general contractor partner that can provide all products and services in a one-source package, from planning through realisation to maintenance.
 - Datwyler's Sealing Technologies Division is active in three mutually independent market niches. In the automotive industry, environmentally compatible drive systems and high safety standards mean that complex sealing requirements are becoming constantly more stringent. The same applies to tunnels, whose number in particular in emerging markets is rising exponentially. Through its partnership with Nespresso, Datwyler is participating in the growth of the coffee capsule market, whose international potential is far from exhausted.

The Datwyler divisions are well positioned to benefit from the growth potential in their respective market niches. In addition to organic development, Datwyler will take advantage of any available opportunities to make acquisitions that fit into its strategy. The focus thereby is on growing online/catalogue distribution in Europe and expanding the global presence of the Pharma Packaging and Sealing Technologies Divisions.

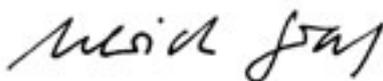
Equipped for all scenarios

Although visibility remains limited, Datwyler is fundamentally optimistic about the future. On the one hand the past three years have demonstrated that our Group's operations are healthy, continue to grow in challenging times and generate solid results. Packaging components for the pharmaceutical industry and the partnership with Nespresso provide the Datwyler Group with a non-cyclical basis for ongoing growth that is largely independent of general economic developments. On the other hand, we occupy a strong position in attractive niche markets. Sooner or later the general economy will recover, and we are convinced that when it does the Datwyler Group will benefit disproportionately.

Positive impulses for 2012

Working on the premise of a stable environment, we are confident that the Datwyler Group will continue to grow in 2012 and again fulfil its goal of an EBIT margin within the target band of between 9% and 12% that it has set itself. After implementation of all the measures agreed upon, less than 10% of Group revenues will be vulnerable to the transaction effect of the strong Swiss franc. Positive impulses are expected from the first-time consolidation of the Phoenix seals business and the expansion of our collaboration with Nespresso. In addition, the 2012 operating result will benefit from the planned sale of property in Canton Uri. Well aware that success does not happen on its own, we thank all our employees for the hard work and dedication that they show every day on behalf of the Datwyler Group. We are also very grateful to our customers and our shareholders for their trust and loyalty.

On behalf of the Board of Directors



Ulrich Graf, Chairman

On behalf of the Executive Management

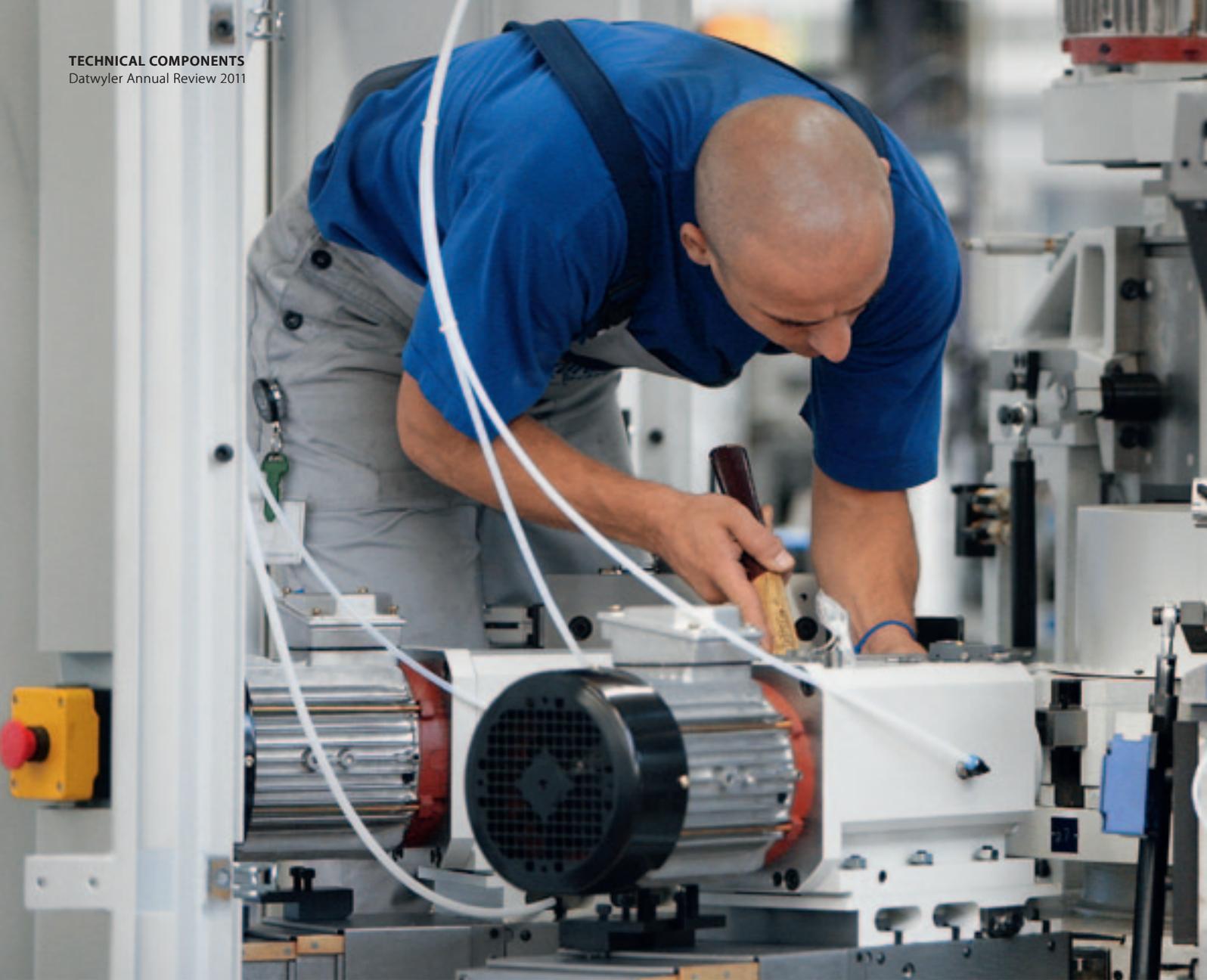


Dr. Paul J. Hälg, CEO



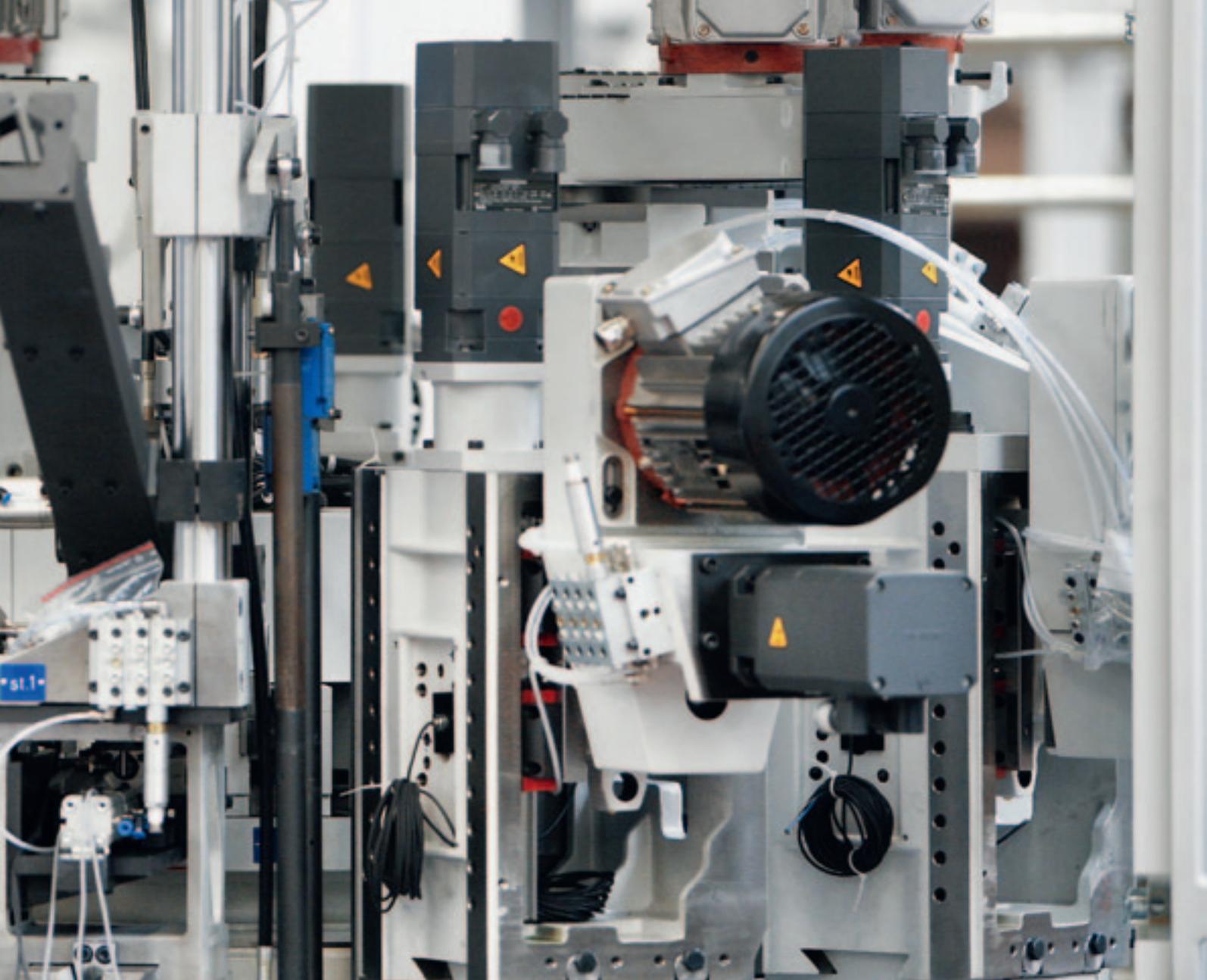
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TECHNICAL COMPONENTS

Together the four Datwyler brands Distrelec, Elfa Distrelec, Reichelt Elektronik and Maagtechnic form one of Europe's leading online/catalogue distributors. Focusing on electronics, we are a professional procurement partner to trade and industry. One good example is the Swiss-based Mikron Group. As a provider of production and automation solutions, Mikron has for many years valued the broad and deep range, high availability from stock and rapid delivery offered by the Datwyler distributors.



Strategy

Datwyler's Technical Components division is a leading European online/catalogue distributor. It has four brands: Distrelec, Elfa Distrelec, Reichelt Elektronik and Maagtechnic. The division uses its outstanding service and logistics expertise to manage a wide range comprising more than 500'000 electronic and technical products from more than 1'000 suppliers. As an acknowledged procurement and development partner Datwyler's online/catalogue distributors offer their business-to-business customers additional added value through high availability from stock, shorter time to market, leading engineering skills and the KatalogPlus service (procurement of medium-sized quantities at attractive conditions).

Target groups

- Industrial companies
- Small to medium-sized businesses
- Retailers/resellers
- Technical schools
- Government agencies
- Private customers

Geographical markets

- Europe

Products and services

- Electronics and automation
- Electronic components and connectors
- Computer accessories and peripherals
- Building technology and building automation
- Alarm and security technology
- Fluid and power systems
- Elastomer and plastic technology
- Work safety, tools and consumables
- Swiss distributor of Shell lubricants

Organic growth at a slower pace in the second half of the year

The Technical Components Division achieved currency-adjusted organic growth of 3% in 2011, although the pace slowed in the second half of the year. Consolidation in Swiss francs resulted in net sales declining 3.7% year on year to CHF 626.4 million (previous year CHF 650.5 million). The strong Swiss franc had a negative impact of CHF 43.5 million or 6.7%. Some areas of the online/catalogue distribution business (Distrelec, Elfa Distrelec and Reichelt Elektronik) grew substantially, while the specialist distribution business (Maagtechnic) struggled with declining order volumes from industrial and business customers in its home market of Switzerland as a result of the strong Swiss franc.

Profitability maintained

The strength of the Swiss franc also impacted on profitability. Currency-adjusted operating profit (EBIT) increased 3.9%. In Swiss francs, however, EBIT decreased 2.6% year on year to CHF 68.6 million (previous year CHF 70.4 million). The reported EBIT margin improved slightly to 11.0% (previous year 10.8%) as a result of efficient cost structures.

Strategy reviewed and refined

In the year under review the Division's new management team worked with senior management and the Group management to carefully review the Division's strategy and existing portfolio. Their analysis showed that the current organisation into three operative units is basically sensible but that the positioning of these units and their differentiation to the customer can be refined further:

- The Distrelec and Elfa brands, the second of which was acquired in 2008, form an integrated business unit with a comprehensive range that is positioned as a high-end provider of advisory, service and logistics expertise. Their focus on business-to-business customers has made them one of Europe's leading online/catalogue distributors of electronic components, automation and IT. At the end of the year under review, Elfa was renamed Elfa Distrelec as a further step in the process of integration and with the aim of boosting brand recognition.
- The Reichelt Elektronik brand also operates as an online/catalogue distributor of electronic components and devices, combining professional quality with price leadership. Reichelt Elektronik's carefully selected product range appeals to business customers, technical schools, government agencies and private customers. Supply capabilities are being continuously expanded throughout Europe.
- The Maagtechnic brand now has an updated market presence and is positioned as a competent partner for procurement and development activities with leading-edge advisory capabilities in elastomer and plastics technology and fluid and power systems. The geographical focus of the specialist distribution business for industrial and business customers comprises Switzerland, Germany and France.

Efforts to achieve greater brand differentiation were accompanied by more intensive collaboration amongst the three business units in procurement, product management and marketing management. Areas with potential for synergy have been identified and appropriate measures are being implemented on an ongoing basis.

Online/catalogue distribution (Distrelec, Elfa Distrelec, Reichelt Elektronik) remained on a growth trajectory

The online/catalogue distribution business continued to grow in 2011, with Distrelec and Elfa Distrelec achieving double-digit rates in Germany and the growth markets of eastern Europe. The major growth drivers were the expansion of the product range by more than 20% and the intensification and optimisation of marketing activities. The web shop and the joint catalogue are now available in twelve languages and local sales teams are active in most European markets. Distrelec and Elfa Distrelec explored a number of potential acquisitions during the past

Key figures of Technical Components

in CHF millions	2011	2010
Net revenue	626.4	650.5
EBIT	68.6	70.4
EBIT as % of net revenue	11.0%	10.8%
Total assets	301.7	310.4
Gross capital expenditure	4.3	2.4
Number of employees (FTEs year average)	1'509	1'478

year with the intention of accelerating their geographical expansion. The planned acquisition of the Dutch company Display Elektronika BV as per beginning of April 2012 will boost penetration of the Benelux market. Display Elektronika BV has an attractive position in the market and an interesting customer base which, in combination with the much wider range offered by Distrelec and Elfa Distrelec, offers attractive growth opportunities.

Reichelt Elektronik was also able to increase sales in its home market of Germany in 2011. Following its successful expansion into Austria, it moved into the Dutch market in the first quarter of 2012. By implementing an English-language web shop in the year under review, Reichelt Elektronik has created a platform for expansion into the entire European region.

Specialist distribution (Maagtechnic) struggling against a strong franc

The specialist distribution business operating under the Maagtechnic brand rejuvenated its management team as planned in the year under review and continued to optimise its business processes. The annual customer survey shows that these efforts have been well received by customers. Sales development in Germany, France and, in the first six months, Switzerland too confirm that Maagtechnic is on the right path. The franc grew even stronger in the second half of the year, leaving Maagtechnic struggling in its key market, Switzerland, to cope with declining order volumes from its industrial and business customers. Efficient cost structures enabled Maagtechnic to maintain its profitability despite the difficult business climate.

Outlook: only moderate growth in the short term

Datwyler is very optimistic about the medium- and long-range perspectives for its online/catalogue distribution business because of a number of positive trends in the market, in particular the unflagging trend towards online procurement. We are slightly more cautious about our shorter-term outlook, since it is difficult at the moment to assess how the economy is likely to develop. We expect growth in eastern Europe to continue and Distrelec and Elfa Distrelec to derive particular benefit from this development because of their strong positions in the relevant markets. We are also confident that the ongoing expansion of the product range and the intensification of sales and online marketing activities in central and northern Europe will enable both brands to gain additional market share. We expect Reichelt Elektronik to continue growing too as a result of geographical expansion. The situation is more difficult in the specialist distribution business, where Germany is the only country that offers Maagtechnic a friendly environment. We will continue to be faced with diminishing demand in Switzerland, our key market, in 2012 while the franc remains strong. In addition, the development of the French economy will be determined largely by the outcome of the euro crisis. However, provided the environment remains stable, the Technical Components Division should be able to achieve moderate organic growth in 2012 as well. In addition to driving organic growth, Datwyler will continue to grasp future opportunities to make acquisitions that are in line with its strategy for online/catalogue distribution.



PHARMA PACKAGING

More than a quarter of recently developed medicines are based on the state-of-the-art science of biotechnology, and the number is rising fast. The more complex medicines become, the higher the requirements to be satisfied by the closures that come into contact with the liquid active ingredients. As the world's number two in the market for pharmaceutical packaging components, Datwyler is extremely well positioned to benefit from this trend.



Strategy

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

Target groups

- Manufacturers and contract fillers of injectable drugs
- Manufacturers of diagnostic products
- Manufacturers of parenteral drug delivery systems

Geographical markets

- Europe
- North and South America
- Asia
- Australia

Products and services

- Rubber, aluminium and plastic products for pharmaceutical packaging (e.g. injection vials, prefilled syringes, pen systems)
- Rubber products for diagnostics and drug delivery systems (e.g. disposable syringes and IV administration sets)
- Value-added product benefits such as “Ready-for-Sterilisation”, “Ready-for-Use”, and Extractables and leachables studies

Growth course confirmed despite difficult procurement markets

In 2011 the Pharma Packaging Division once again confirmed its growth course despite the difficult conditions in the procurement markets. While consolidation in Swiss francs produced a 4.4% decline in net revenue to CHF 265.1 million (previous year CHF 277.4 million), organic revenue grew by 8.3% after adjustment for negative currency effects. The division's specific and clear positioning as a manufacturer of pharmaceutical packaging components was an important factor in enabling it yet again to grow faster than the market. Datwyler deliberately does not compete with manufacturers of diagnostic agents and drug delivery systems, and this position was rewarded with higher volumes and new projects. The division is also maintaining its sustained approach to the rapidly growing emerging markets, and this has already generated a significant increase in revenues in countries such as India and China. The changeover from the Helvoet Pharma brand to the Datwyler name was received well both inside and outside the company.

Pressure on margins from higher raw material prices

Conditions in the year under review were made difficult by capacity bottlenecks and substantial changes in the prices of raw materials which have not traditionally been volatile. The continuing economic upswing in the emerging markets led to unprecedented increases in the price of elastomer raw materials used for pharmaceutical packaging components. The shortage intensified in the second half of the year, but existing contracts and a long history of collaboration with certain suppliers enabled Datwyler to obtain the raw materials it needed to ensure uninterrupted supplies to customers. Higher prices exerted pressure on our margin and, despite intensive negotiations, could not be passed on to customers immediately or in full. Unplanned additional costs were also incurred during the merger of the two sites in the USA. Overall, the operating result (EBIT) declined 11.4% to CHF 30.3 million (previous year CHF 34.2 million). This is equivalent to an EBIT margin of 11.4% (previous year 12.3%). Profitability after adjustment for currency effects remained at practically the same level as the previous year despite the difficult circumstances.

Successful project work with interesting perspectives

In the growth segments of vaccines and diabetes therapy, Datwyler is working with key customers on joint projects to develop novel packaging components for modern injection systems. Decisive phases of projects were completed during the year under review and the agreed milestones were reached on schedule. This close collaboration with major customers offers Datwyler interesting perspectives in the rapidly growing markets for modern injection systems. These are high-precision metering and injection systems used to administer complex biopharmaceutical medicines. Packaging components made of pharmaceutical-grade rubber play a vital role in this context. The components are in constant contact with drug products that have been manufactured using biotechnological methods, so they have to be resistant to chemical reactions. At the same time these components must fulfil important mechanical functions to ensure that the injection systems work correctly.

Expansion in Asia on schedule

Construction work on the company's own production facility in India was completed on schedule during the year under review. Production of samples for customers will commence towards the end of the first quarter of 2012 so that validation can take place. Datwyler has worked closely with customers to produce a schedule for commissioning the facility. The local management team that will implement the schedule has been recruited and prepared for

Key figures of Pharma Packaging

in CHF millions	2011	2010
Net revenue	265.1	277.4
EBIT	30.3	34.2
EBIT as % of net revenue	11.4%	12.3%
Total assets	253.2	254.5
Gross capital expenditure	32.3	19.7
Number of employees (FTEs year average)	1'463	1'400

the task ahead at the facility in Belgium. A team of engineers with international experience will assist with the commissioning of the facility. In setting up its own production facility, Datwyler is aiming to underpin its claim to leadership in the Indian pharmaceutical market. While work was in progress in India, Datwyler reviewed a number of alternatives for setting up its own production and distribution facility in China. In the foreseeable future the Pharma Packaging Division will have its own factory in this promising market too.

More extensive automation in existing facilities

Datwyler intends to automate labour-intensive process steps in the production of packaging components made from pharmaceutical-grade rubber at its existing facilities in Europe and the USA. It has collaborated with specialised suppliers to develop a technology that both reduces production costs and increases product quality. As a result of the positive outcome of this work, Datwyler will be intensifying its use of robot technology. This will be introduced gradually and in compliance with customers' regulatory requirements.

Outlook: new phase of global expansion

The decisive factors for growth in our target markets are set to remain intact. The proportion of injectable biopharmaceutical drugs used to relieve chronic diseases is growing at an above-average rate. At the same time, rapidly growing population groups all over the world are increasingly gaining better access to modern healthcare. As the world's number two in the sector, Datwyler's Pharma Packaging Division is extremely well positioned to derive above-average benefit from these trends. We will be expanding our sector-leading FirstLine clean-room manufacturing system in Europe and the USA in response to the strong demand for high-quality components. We are also entering a new phase of global expansion with our own facilities in India and China. This combination of measures will enable us to maintain our leading position as a supplier of high-quality components while at the same time boosting the competitiveness of our standard products. The difficult situation in the raw material markets is likely to persist in the short term.



CABLING SOLUTIONS

Public buildings have to satisfy growing requirements as regards data communications, CCTV and fire safety. This is particularly true of football stadiums. With its end-to-end solutions for electrical and ICT infrastructures Datwyler is making an important contribution to ensuring that large-scale events pass off without incident – for example at the National Stadium in Warsaw, which will host the opening of the 2012 UEFA European Football Championship.



Strategy

The Datwyler Cabling Solutions Division is a leading provider of high quality end-to-end solutions for electrical and ICT infrastructures in public buildings and computer centres, as well as for FTTx networks. Datwyler covers the whole value chain: from site audits, design and system engineering, via materialisation, logistics and turnkey solutions through to the documentation and the system maintenance.

Applications

- Office buildings
- Shopping malls and exhibition centres
- Airports, railway stations
- Hotels, resorts, hospitals
- Sports stadiums, event arenas
- Schools, universities
- Public buildings
- Computer centres
- Tunnels
- Fibre-to-the-Home networks (FTTH)

Geographical markets

Europe, Near and Middle East, Asia

Products and services

Products

- ICT networks (copper and fibre optic systems)
- Fire safety cabling systems
- Elevator cabling systems
- Building automation and in-house energy supply

Services

- Site audits
- Standardisation of integrated solutions for multisite projects
- Specialist engineering for non-residential buildings and FTTx-networks
- Infrastructure design and materialisation
- Tender support
- Material delivery, logistics
- Turnkey implementation of complete networks
- Network servicing and maintenance (MAC: Move/Add/Change)
- Worldwide certified partner network for providing local-level services

Battling against the strong franc – competitiveness improving continuously

The Cabling Solutions Division achieved organic growth of 5.7% in 2011 despite difficult conditions in certain markets. Revenue in Swiss francs decreased slightly by 1.1% year on year to CHF 240.9 million (previous year CHF 243.6 million). The impact on sales of changes in the price of copper was negligible.

Strong franc and restructuring costs depress profit

The pressure on prices intensified in all markets irrespective of the way demand developed, most particularly in the global lift business and in safety cabling. Together with the persistently strong franc, this once again resulted in a tangible reduction in gross margins. Negative extraordinary items also impacted on operating profit (EBIT), which declined to CHF 4.6 million (previous year CHF 9.6 million). The EBIT margin was 1.9% (previous year 3.9%). EBIT contains restructuring and one-time costs of CHF 5.7 million at the Altdorf site and copper-related negative effects totalling CHF 2.9 million. In addition there was a negative net currency effect of some CHF 5 million (translation effect plus estimated transaction effect).

Strong growth in Switzerland and China

Datwyler achieved above-average growth in Switzerland thanks mainly to the expansion of its system business and the implementation of its first turnkey projects. By contrast, Germany and Austria stagnated at last year's level and price pressure was particularly evident in these countries. There was a tangible recovery in eastern Europe. In view of the great market potential and the need for customer proximity, Datwyler has opened a sales office in Moscow to liaise with the Russian Federation. The ongoing crisis was more than evident in southern Europe, where Italy was the only country in which business continued as usual. In the Middle East, Datwyler opened a sales office in Dubai during the year under review, and this new office has already acquired several major turnkey projects that will be implemented from early 2012. Datwyler once again achieved high double-digit sales growth in China and additionally gained further market share. The division's global lift business grew noticeably in Asia.

Transfers and new concept for Altdorf on course

Datwyler's Cabling Solutions Division has been affected particularly badly by the strength of the franc. At the same time, the lift business is increasingly concentrating in Asia. Datwyler decided in spring 2011 to move production of lift cables to China and its labour-intensive cable assembly operations to the Czech Republic in order to remain competitive in this changing environment. In addition, the company has launched an investment programme worth CHF 30 million to modernise its production facilities and buildings at the Altdorf site between 2011 and 2013. Both transfer projects and the implementation of the new concept for the Altdorf site are on schedule without any major complications or delays. By the end of 2011 Datwyler had effected 64 of the 100 job losses that had been announced. The employees concerned were taken care of successfully by a professional job centre. The transfer projects are scheduled for completion in mid-2012.

Key figures of Cabling Solutions

in CHF millions	2011	2010
Net revenue	240.9	243.6
EBIT	4.6	9.6
EBIT as % of net revenue	1.9%	3.9%
Total assets	124.5	125.9
Gross capital expenditure	6.7	3.1
Number of employees (FTEs year average)	848	766

Customer proximity is the key to success

It is becoming increasingly difficult to specialise in individual products in the global cable markets. Customers everywhere are looking for much more than good products alone. They expect Datwyler to be familiar with their business and to provide them with effective support. By internationalising the way it works the markets and its production operations, Datwyler is able to provide optimum local support for its customers. Sales, engineering and service employees in the new sales office in Dubai deal with customers' needs and requests locally. One specific example is the design of a new computer centre in Abu Dhabi. Datwyler delivers the required products directly from its new interim storage facility in the Dubai Jebel Ali Duty Free Zone. The company is already developing and manufacturing many of its lift cables in China, where most of the world's high-rise construction is taking place and lift customers need effective support. This proximity to the customer is an important factor for success, not least in the context of innovation.

Outlook: enhanced competitiveness in the medium term

The organic growth achieved by the Cabling Solutions Division in the year under review shows that Datwyler is in a strong position in the cable markets and that the measures it has implemented are underpinning its efforts to reposition. Assuming a stable operating environment, the Division should again turn in modest organic sales growth in 2012. The pressure on margins will be unrelenting as a result of the strong franc. The transfer projects and the new concept for the Altdorf site will generate additional costs in 2012. We are, however, confident that this repositioning will enhance the competitiveness of the Cabling Solutions Division substantially in the medium term. The Swiss facility, in particular, will be leaner and able to act faster and more flexibly. The new processes, the completely overhauled layout, the modernised machines and buildings, a pared-down high-end product portfolio, much lower current assets and a lower headcount should enable Datwyler to return to a sustainably profitable growth strategy in the future despite the strength of the franc. The turnkey orders that the division has already acquired in the Middle East represent an opportunity for it to further strengthen its position. In China, preparations are already under way to enable the company to manage its greatly expanding marketing and production activities professionally. By the end of 2012 about half of all employees in the Cabling Solutions Division should be working in China.



SEALING TECHNOLOGIES

Tunnels are a global growth market. As land reserves become ever scarcer, infrastructure is increasingly being built underground – from road, rail and underground railway tunnels to tunnels for waste water and energy supply systems. The acquisition of Phoenix's seals business is making Datwyler one of the leading providers of special seals and tunnelling gaskets. Datwyler and Phoenix sealing systems are currently in successful service in more than 450 tunnels on all five continents.



Strategy

Delivering high-quality, high-tech products, the Datwyler Sealing Technologies Division provides innovative, custom-designed sealing, insulation and vibration-control solutions. Datwyler is a global development partner and recognised component-maker for the automotive supply, construction and other industries.

Target groups

- Automotive system suppliers
- Construction industry
- Packaging industry
- Tools industry

Geographical markets

- Europe
- North and South America
- Asia

Products and services

Automotive (moulded rubber components)

- Brake systems
- Fuel and engine management
- Comfort and safety (air conditioning, airbags, etc.)

Industrial (moulded rubber components)

- Machinery, appliances and tools industry
- Packaging industry

Construction (extruded products)

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

Setting a strategic course for the future

In 2011 the Sealing Technologies Division reaped the rewards of ground work done in previous years and again reported higher levels of sales and profit. Sales grew 7.0% to CHF 162.0 million (previous year CHF 151.4 million) as a result of new serial products for the automotive industry and the expansion of collaboration with Nespresso. Adjusted for negative currency effects, this translated into organic growth of 10.7%. Despite unrelenting uncertainty about the development of the economy, Datwyler benefited from lively demand in the automotive and construction industries.

Extraordinary items affect profit

The reported EBIT of CHF 20.7 million (previous year CHF 13.7 million) contains one-time income from the sale of property in Schattdorf and the one-time costs of transferring extrusion manufacturing to Germany. Adjusted for these extraordinary items, EBIT came to CHF 16.5 million. The EBIT margin without extraordinary items increased to 10.2% (previous year 9.0%). Very good capacity utilisation, continuous process optimisation and facilities in low-cost countries enabled Datwyler to compensate for the pressure on margins in the Sealing Technologies Division caused by the strong franc and higher raw material prices. However, this should not be allowed to distract attention from the fact that the export-based automotive business at the Swiss site in Schattdorf is still suffering from the strong franc.

Strategic projects to enhance competitiveness

In the year under review, Datwyler launched a number of strategic projects in the Sealing Technologies Division with the aim of enhancing competitiveness. These include expansion of the Nespresso order, acquisition of the profile business from Phoenix and the associated transfer of extrusion manufacturing to Germany, and greater use of facilities in growth regions and low-cost countries to supply the automotive industry. These projects are intended to better meet the requirements of globally operating customers and to further reduce the company's dependence on the exchange rate of the franc.

Successful expansion of the Nespresso order

Datwyler substantially expanded its collaboration with Nespresso in November 2011. The new contract will run for the next five years to the end of 2016 and will be performed at Datwyler's Swiss site in Schattdorf, where it will create around 50 new jobs. This new contract with Nespresso runs in parallel to the contract communicated in December 2010, the purpose of which was to prolong existing collaboration.

Now one of the world's leading suppliers of special seals

Datwyler has further strengthened its position in the global niche market for special seals and tunnelling gaskets. The start of 2012 saw the acquisition of the profile business belonging to Phoenix Dichtungstechnik GmbH with annual revenue of around EUR 35 million (roughly CHF 43 million) and a headcount of about 170. This acquisition makes Datwyler one of the leading suppliers in the global growth market for special seals and, in particular, substantially improves its market penetration in tunnelling gaskets. The bundling of activities in the new railway product segment provides an opportunity to participate in a market that is expanding strongly worldwide. Growth here is being driven by the revitalisation of tram and regional rail systems and high-speed railway projects in various

Key figures of Sealing Technologies

in CHF millions	2011	2010
Net revenue	162.0	151.4
EBIT	20.7	13.7
EBIT as % of net revenue	12.8%	9.0%
Total assets	148.7	118.8
Gross capital expenditure	20.0	9.3
Number of employees (FTEs year average)	1'168	1'005

countries. The acquisition of the profile business from Phoenix will strengthen Datwyler's position in the market and present an opportunity to optimise production structures. Datwyler will concentrate extrusion manufacturing at its new German site in Waltershausen by mid-2012, a move that will further reduce the company's dependence on the franc exchange rate. Customer service will be provided by the existing regional engineering and sales centres. The German facility in Springe will be closed in the course of 2012. Thirteen of the 30 employees in Springe have accepted an offer to continue working in Waltershausen. The Swiss facility in Schattdorf will be repositioned with an even greater focus on automated processes and complex products. Fifty of the sixty affected employees in the extrusion section have been offered jobs on the new production line for Nespresso.

Greater utilisation of sites in low-cost countries

Developments in recent years have shown that competitive production facilities in growth regions and low-cost countries strengthen the centre of excellence in Switzerland as well. The setting up and systematic utilisation of the company's own facilities in the Czech Republic, Ukraine, Mexico and China in conjunction with the Swiss centre of excellence is definitely meeting with a positive response from customers. Datwyler is continuing to expand its existing site in the Czech Republic in line with market requirements. The additional production building, which will have a surface area of almost 2,500 m², will come into service in May 2012. Global supply capabilities backed up by production sites in all three of the world's major automotive markets – Europe, Asia and America – have enabled Datwyler to establish itself as a development partner and supplier to international automotive and system manufacturers. This standing is reflected not least in numerous new projects and the company's extremely well filled project pipeline.

Outlook: sustainable increase in revenue and profit

We are confident that the strategic projects outlined here will enable Datwyler's Sealing Technologies Division to become even more competitive on a sustainable basis. Consolidation of the Phoenix seals business for the first time, the new Nespresso contract and the good order backlog in the automotive business will boost sales potential by some CHF 70 million to over CHF 230 million during 2012. Provided that the business environment remains stable in the relevant markets, we are optimistic that the Sealing Technologies Division will also be able to further improve its profitability.



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SUSTAINABILITY

Long-term values

More than 90 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. Customer responsiveness, innovation capability and commitment are core values that guide the way we run our business over the long term. 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. We adopted the voluntary standards of the Global Reporting Initiative (GRI) for the sustainability section of our 2008 Annual Report, and in 2009 we joined the UN Global Compact. This is an initiative launched by the United Nations which espouses ten principles in the areas of human rights, labour, the environment and combating corruption. As a UN Global Compact participant, Datwyler undertakes to follow the ten principles and to accept its responsibility within society. In the 2011 reporting year the second progress report on the ten UN Global Compact principles was published. This endeavour is based on the Datwyler Code of Conduct that lays down globally binding rules for all Datwyler Group employees. The systematic surveys of customers and employees were continued and refined in 2011. In this way we live up to our social responsibility every day as a reliable partner to our stakeholders.

Dr. Paul J. Hälg, CEO

Sustainability as a strategic direction

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. Our aim is to communicate these efforts transparently in this Annual Report and, for that reason, we have adopted the voluntary Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI)*. This has been checked and confirmed by GRI.

The Datwyler Group places great emphasis on respecting and engaging in an open and honest dialogue with all stakeholders who play a role in our business success and who are significantly affected by our business operations. These include, first and foremost, customers, the environment, employees, suppliers and the communities in which the Datwyler Group companies have often been long established and promote regional development as reliable employers and partners. The following pages are dedicated to these stakeholders by disclosing a number of performance indicators based on the requirements of the GRI Guidelines, while clearly illustrating the long-term approach fundamental to responsible corporate citizenship.

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* The Global Reporting Initiative (GRI) based in Amsterdam has set itself the objective of improving the transparency and comparability of corporate reporting worldwide. The GRI Guidelines are the world's leading standard for sustainability reporting.

Quality for customers

Overview of certifications obtained

	Technical Components	Pharma Packaging	Cabling Solutions	Sealing Technologies
Quality				
ISO 9001	All facilities	All facilities	All facilities	All facilities
ISO/TS 16949	Saint-Marcellin Cedex/ France			Schattdorf/Switzerland Novy Bydzov/Czech Republic Malyn/Ukraine Silao/Mexico
ISO 15378		Alken/Belgium Pregnana/Italy		
Environment				
ISO 14001	Dübendorf/Switzerland Brabrand/Denmark Bremen/Germany Göppingen/Germany Helsinki/Finland Järfälla/Sweden Oslo/Norway Vaulx-en-Velin/France Warsaw/Poland	Alken/Belgium Karlsbad/Germany Montegaldella/Italy	Altdorf/Switzerland Suzhou/China	Schattdorf/Switzerland Springe/Germany Waltershausen/Germany
Occupational health and safety				
OHSAS 18001		Alken/Belgium Karlsbad/Germany	Altdorf/Switzerland	Schattdorf/Switzerland Springe/Germany Waltershausen/Germany

Policy of high quality and reliability

The Datwyler Group stands for more than its products alone. In all parts of our business, we focus on continuously improving the underlying processes, passing on the ever-growing pool of expertise to our customers. High quality standards and reliability are key factors that customers value in their working relationship with Datwyler.

Standardised processes assure quality

Datwyler Group companies invest continuously in even better materials and process engineering, production facilities and testing methods. Each product is measured against stringent quality standards several times before it reaches the customer. Business processes are based on internationally recognised quality management systems and a high commitment to innovation, which is also reflected in collaboration with universities, interna-

tional standards bodies and independent testing laboratories. Regular supplier audits are also carried out as part of the quality assurance systems.

Throughout development, certification and production, we also devote special attention to an analysis of the impact of all our products on users' health and safety. For this, we apply standardised processes and accepted industry standards, such as safety data sheets, when purchasing new substances and materials. A specific example are the fire safety standards applicable across Europe to safety cables from the Cabling Solutions Division. During the reporting year 2011, the Datwyler Group again recorded no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services on users.

Regulatory information requirements as minimum standards

Almost all of the Datwyler Group's products are subject to information requirements in the countries where they are used. Particularly relevant are the chemicals legislation in Switzerland and the EU as well as the EU REACH and RoHS regulations concerning the material composition of products. While requiring transparency about material composition, the laws and standards also ban the use of certain substances. REACH (EU Regulation No. 1907/2006) governs the registration, evaluation and authorisation of chemicals in the European Union and impacts all of Datwyler's divisions. RoHS (EC Directive 2002/95/EC) bans the use of certain substances in the manufacture and processing of electrical and electronic equipment and components. Within Datwyler, RoHS affects the Cabling Solutions and Technical Components Divisions. By using standardised processes in the selection of raw materials and with safety data sheets for all products, the manufacturing companies in the Datwyler Group (Cabling Solutions, Sealing Technologies and Pharma Packaging) meet the relevant regulatory requirements and standards for material composition and transparency in the countries in which they operate. Datwyler's online/catalogue distributors (Technical Components Division) take the responsibility for ensuring that imported products comply with national legislation and standards. They assume this responsibility by providing specifications and safety data sheets to suppliers and by monitoring the products.

Focus on delivering customer value

Through decentralised management, Datwyler fosters an entrepreneurial culture with short response times and decision-making authority close to the market. This makes Datwyler companies attractive development partners who contribute to their customers' success in the marketplace by providing leading materials and engineering expertise. Besides the products themselves, the complete solutions offered by Datwyler also encompass consulting, logistics and training services. A particularly well-developed programme of training and seminars has been established in the Cabling Solutions and Technical Components Divisions. In the Cabling Solutions Division, for example, over 600 people enhanced their specialist skills by attending courses in 2011. The companies in the Technical Components Division passed on their knowledge to over 2,000 customer representatives at no less than 130 courses during the year, and in so doing strengthened customer loyalty. The Sealing Technologies Division has been commended for its customer responsiveness with a number of Supplier of the Year Awards from renowned companies like Bosch and Continental Teves. To facilitate relations with customers, the Datwyler Group has established clearly positioned and well-managed company brands as the foundation for a consistent corporate identity in the marketplace. The framework for this is provided by centrally coordinated worldwide trademark protection and a clear Corporate Design Manual.

Systematic customer surveys

The Datwyler Group holds a Group-wide standardised customer survey twice a year. This web-based survey is conducted with the help of an external specialist. The response rate is between 10% and 30% depending on the division. The survey is designed around the concept of benchmarking. Customers selected at random are requested to name one of our competitors and to rate the particular Datwyler company against this benchmark. Datwyler also asks how significant the individual performance indicators are for the customer and allows individual qualitative comments. Most of the Datwyler Group companies score about the same as the external benchmarks. The survey results provide valuable inputs for developing and implementing improvements in all the divisions. Such improvements are part of the systematic management process, helping us to continuously enhance our performance for customers of the Datwyler Group.

Environment

Summary of environmental data by division

		Technical Components ⁽¹⁾		Pharma Packaging ⁽¹⁾		Cabling Solutions ⁽¹⁾		Sealing Technologies ⁽¹⁾	
	Unit	2011	2010	2011	2010	2011	2010	2011	2010
Energy consumption and CO₂									
Electricity	MWh	9'223	9'266	60'511	58'021	18'141	17'695	39'465	33'460
Per capita electricity	MWh/ employee	6.2	6.3	42.2	41.4	21.4	23.1	33.8	32.0
District heating	MWh	3'440	3'999	0	0	235	0	216	438
Natural gas	MWh	3'501	3'707	23'190	21'868	689	472	2'071	1'611
Butane, propane, ethane	MWh	0	0	0	0	7	5	0	0
Extra light fuel oil	MWh	1'713	2'029	0	0	6'148	7'087	471	822
Other fossil fuels	MWh	0	0	0	0	233	251	0	0
Renewable energy	MWh	0	0	0	0	0	0	4'427	4'565
CO ₂ emissions ⁽²⁾	tonnes	2'860	3'001	27'932	26'831	4'122	3'811	10'187	9'117
Direct (Scope 1) ⁽²⁾	tonnes	1'164	1'290	4'683	4'416	1'863	2'076	544	545
Indirect (Scope 2) ⁽²⁾	tonnes	1'696	1'711	23'248	22'415	2'259	1'735	9'643	8'572
Per capita CO ₂ emissions	tonnes/ employee	1.9	2.0	19.5	19.2	4.9	5.0	8.7	8.7
Water consumption									
Drinking/industrial water	m ³	19'063	19'661	474'406	372'285	814'235	701'918	1'405'630	1'420'981
Per capita water consumption	m ³ / employee	13	13	331	266	960	916	1'204	1'361
Waste									
Total waste	tonnes	1'616	1'367	5'736	5'430	2'618	2'436	2'068	1'951
of which regular waste	tonnes	1'593	1'349	5'206	5'080	2'558	2'378	1'938	1'833
of which special waste	tonnes	23	18	530	350	60	58	130	118
Per capita total waste	tonnes/ employee	1.1	0.9	4.0	3.9	3.1	3.2	1.8	1.9
Employees⁽³⁾		1'487	1'478	1'435	1'400	848	766	1'168	1'044

⁽¹⁾ The figures for the reporting year 2011 and the previous year include all the sites in all four Divisions. There were no changes in the scope of consolidation in the year under review.

⁽²⁾ CO₂ emissions are divided into direct (Scope 1) emissions, e.g. due to burning natural gas at the company's own sites, and indirect (Scope 2) emissions, e.g. due to the consumption of electricity.

⁽³⁾ In full-time equivalents (annual average, including temporary contracts).

Focus on the environment

For the companies in the Datwyler Group, environmental protection is an important mission and, as such, is embodied in the Group's Code of Conduct. This encompasses both environmentally friendly production with efficient use of resources and the development of products that are made of the most environmentally sound components possible and, in many cases, directly help to protect the environment. One example is the new rubber gaskets for environmentally friendly natural gas engines or for technologies to reduce nitrogen-oxide emissions from diesel-powered vehicles in the automotive industry.

Certified environmental management

As part of the internal, certified environmental management system, Datwyler is continually improving its environmental performance and endeavouring to minimise significant impacts on the environment. In 2011 the Group spent around CHF 1.5 million on environmental activities. This included some CHF 0.7 million on investments, CHF 0.7 million on staff and CHF 0.1 million on certification.

Environmental performance at a glance

Since 2010 the environmental data in the table on page 29 have included all sites in all four divisions. There were no changes in the scope of consolidation in the year under review. As is to be expected, the Pharma Packaging, Cabling Solutions and Sealing Technologies Divisions consume more resources than the trade- and distribution-centred Technical Components Division. In absolute terms, resource consumption tended to increase compared to the previous year. This is a reflection of growth in volumes and the associated higher utilisation of production capacities in the 2011 reporting year. Per capita consumption of most resources remained more or less stable.

The significant rise in electricity consumption in the Sealing Technologies Division is due to the expansion of the fully automatic assembly systems used for the Nespresso order at the Swiss site in Schattdorf. These systems are very electricity-intensive and run round the clock in four-shift operation. In addition, a new ventilation infrastructure was commissioned at the site in the Czech Republic. This ventilation system also accounts for the increase in natural gas consumption in the Sealing Technologies Division.

Repurposing at Cabling Solutions' warehouse in Hattersheim, Germany, resulted in higher natural gas consumption but lower heating oil consumption. The Division's Vienna branch was hooked up to the district heating network. The general decline in heating energy stems from the lower number of heating days in 2011. All in all, the different factors influencing energy consumption balance each other out, and per capita greenhouse emissions remained more or less constant in all four divisions.

Per capita water consumption reflects particularly clearly the differences between the various divisions' processes. Sealing Technologies was able to reduce water consumption by installing a closed cooling and water circuit at its site in the Ukraine. The commissioning of a new clean room production operation using more intensive washing processes at Pharma Packaging's US site resulted in heavier water consumption in the division. The rise in water consumption at Cabling Solutions is due to a new air conditioning system in a large factory building at the Swiss site in Altdorf. In this context, industrial water is used consistently, especially at the Cabling Solutions and Sealing Technologies Divisions' Swiss production facilities (more than 2 million m³ or some 80% of the entire Group's water consumption), to minimise consumption of high quality drinking water.

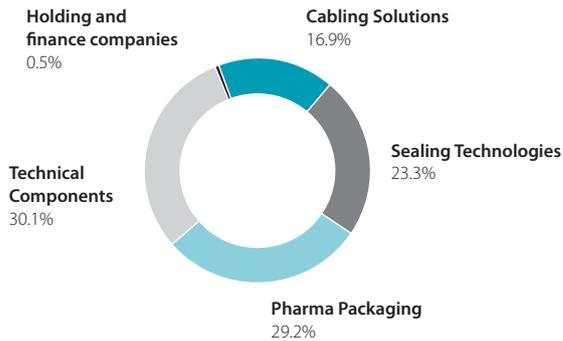
Another significant aspect is the combination of electricity sources used at the Swiss production sites operated by the Cabling Solutions and Sealing Technologies Divisions. Located in the Swiss Alps, these sites are able to meet around two-thirds of their power requirement with hydroelectricity. The two sites use some 35'000 MWh, almost 30% of the electricity consumed by the entire Group. This means that roughly 20% of the Group's electricity is provided by environmentally compatible hydroelectricity. A wood-fired electricity generating plant has been in operation at the Sealing Technology Division's Swiss site since October 2008 to supply process and heat energy. The use of renewable energy sources enables Datwyler to save around 500'000 litres of heating oil annually and to reduce CO₂ emissions by some 1'300 tonnes.

Per capita waste production remained virtually constant in 2011. Some two thirds of the waste produced by the Datwyler Group companies go for recycling. In the year under review, the Mexico and Shanghai sites started working with a recycling company that handles the disposal of their production waste. The site in the Czech Republic is searching for a new recycling partner, since its current partner has ceased its recycling activities.

Our people

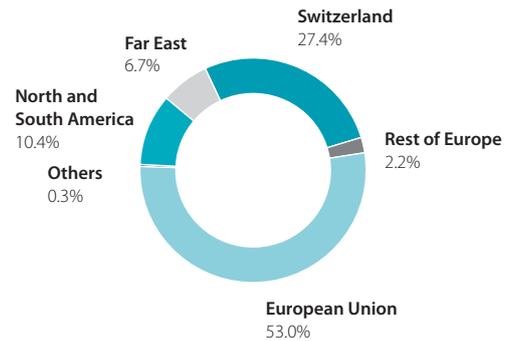
Employees by division

(full-time equivalents, annual average)



Employees by region

(full-time equivalents, annual average)



Clear core values and processes

Qualified and committed employees are particularly critical to the Datwyler Group's future success in international industrial markets. For this reason, the company attaches special importance to fair and safe working conditions, thorough training and development, and a corporate culture with a high level of identification. A decentralised structure promotes personal responsibility and close contact with customers.

Workforce demographics

In 2011 the Datwyler Group employed an average of 5'226 people – including those on temporary contracts – in 22 countries. This represents 5'013 full-time equivalents, and thus 305 FTEs or 6.5% more than in the previous year. This increase is firstly a result of robust demand and organic growth, and secondly due to Datwyler increasing its number of sites in low-wage countries. Based on the average headcount of 5'013 FTEs, revenue per full-time equivalent was –8.1% lower than the previous year at CHF 257'430. This downturn is almost entirely due to the negative currency effect of consolidating sales in Swiss francs. The Datwyler Group's employee turnover rate in the year under review was 14.2%. This turnover rate is due to a number of factors, including the establishment of production sites in low-wage countries, where staff turnover is generally higher. Turnover is calculated by dividing the number of voluntary employee departures by the average headcount for the year (excluding fixed-term contracts). In total, the Group had 4'778 full-time employees and 448 part-time employees, with 360 people, or 6.9% of the workforce, on temporary contracts. Women accounted for 34.3% of the total workforce, while the proportion of women in

senior positions was 20.1%. Unless otherwise stated, the human resources indicators are based on averages for the year.

Fair employment conditions

Datwyler Group companies ensure equal opportunities, equal treatment and fair employment conditions, pay fair wages and salaries, and offer employee benefits in line with national and industry standards. Employee costs, including social security and pension costs, amounted to CHF 329.7 million in the reporting year. In business reorganisation programmes, we consider the needs of the employees, engaging in a constructive dialogue with company employee representatives. In 2011, the Compliance Officer (currently the CFO) received no complaints of alleged discrimination in Datwyler companies. By continuously raising awareness and supporting managers, Datwyler helps to promote equality of men and women generally in the work process. Participation in the pay comparison survey conducted by Swissmem, the Association of Swiss Mechanical and Electrical Engineering Industries, has shown that men and women working at the Cabling Solutions and Sealing Technologies Divisions' two main manufacturing facilities in Switzerland receive equal pay.

Training promotes competence and safety

Datwyler Group companies are committed to ensuring a safe and healthy working environment. This applies both to technical planning of workplaces, equipment and processes and to safety management and personal behaviour in everyday working life. Throughout the Group, occupational injuries resulted in 1'824 lost days, which represents 0.14% of the total days worked. In total, 39'448 days were lost due to sickness, occupational injuries and non-occupational injuries, representing an absentee rate of 3.1%.

The markets in which the Datwyler Group operates call for highly trained employees undergoing continuous development and improvement. Some of our initiatives to train young people are reflected in the 132 apprenticeships offered by Datwyler Group companies worldwide. Our apprentices regularly receive top rankings in national competitions, which are testimony to the high quality of technical instruction in the training workshops. We support training and retraining programmes to develop the technical and social skills of employees at all levels in the hierarchy. One example can be seen in the Pharma Packaging Division, which invested more than CHF 1 million in training and development during 2011.

To develop up-and-coming managers, the Datwyler Group has been holding a four-day intensive young managers programme every year since 2010. Participants are drawn from the second management tier of all divisions. An annual group seminar is held for top management.

Employee survey also based on benchmarking

The Datwyler Group holds a Group-wide standardised employee survey every year. The survey consisting of a written questionnaire in 17 languages is conducted annually with the help of an external specialist. This guarantees anonymity for employees. The average response rate in 2011 was 76%, in line with the previous year's rate. The survey is designed around the concept of benchmarking. The external specialist's experience enables Datwyler's results to be compared with a pool of around 20'000 Swiss employees. Most of the Datwyler facilities score about the same as the external benchmarks. In 2011 the results achieved by all divisions in comparison with the previous year either improved or remained at the previous year's level. The survey results provide valuable inputs for developing and implementing improvements in all the divisions. The measures to increase the commitment of employees are part of the systematic management process.

Community

Fair and responsible partner

The Datwyler Group is committed to sharing responsibility for general community affairs. In mid-2008, Datwyler put in place a Code of Conduct that is binding for the entire Group and also sets out rules for proper interaction with business partners and competitors. Collusion, bribery and corruption are accordingly strictly forbidden. The Code of Conduct is reiterated to employees constantly during internal training sessions. Once again, no legal actions for anti-competitive behaviour, anti-trust or monopoly practices were brought against Datwyler during 2011. Nor were any significant fines or non-monetary sanctions imposed on Datwyler for non-compliance with laws and regulations during the reporting year.

In accordance with the Code of Conduct, the Datwyler Group does not provide financial support to political parties, organisations or office holders.

Important contribution to regional development

Many of the Datwyler Group's production facilities have been based at the same location for several decades, giving them strong local ties. This is reflected, among other things, in local suppliers being accorded preference in purchasing where possible, as long as their price-performance ratio is competitive. A good example of this can be seen at the two manufacturing facilities in the Swiss Canton of Uri where Datwyler is the largest employer, providing a total of some 950 jobs. With the exception of basic production feedstock, such as copper and raw materials for rubber (which cannot be purchased locally), the two facilities in Uri sourced 27.5% of their purchases locally in 2011. The Datwyler Group has had its roots in the Swiss Canton of Uri ever since its inception and intends to preserve industrial jobs in this peripheral region where economically viable and practical.

Social responsibility

The charitable Datwyler Foundation, established in 1990 by brothers Peter and Max Datwyler, is endowed with a capital of CHF 29.8 million. It does not own any shares in Datwyler Holding Inc. or have any influence over the management of the Datwyler Group. The purpose of the Datwyler Foundation is to support charitable initiatives. Since its beginnings, the foundation has awarded CHF 7.3 million in grants. Of the total amount distributed, CHF 6.1 million or about 83.0% has gone to applicants in the Swiss Canton of Uri. In this spirit, a sum of CHF 0.4 million was awarded last year.



Statement GRI Application Level Check

GRI hereby states that **Dätwyler Holding Inc.** has presented its report "Annual Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 1st 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on February 24th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.



CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

at 31 December 2011

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 Datwyler 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 consolidated financial statements. 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 > Our Company > Organisation

Group structure and shareholders

The Datwyler Group is an international multi-niche player dedicated to industrial component supply and distribution of engineering components. Through its four divisions – Technical Components, Pharmaceutical Packaging, Cabling Solutions and Sealing Technology – the Group focuses on attractive niches in the manufacturing, pharmaceutical and datacom industries.

Substantial shareholders and ownership

Pema Holding AG owns all 22 million registered shares and 4.55 million of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 80.30% of the voting rights and 52.65% of the share capital. Treasury shares have been included in calculating the percentage of capital held but excluded in calculating the percentage of voting rights held. The reason is that unissued shares carry no votes.

Dätwyler Führungs AG wholly owns Pema Holding AG, indirectly giving it a majority of the voting rights in Dätwyler Holding Inc. Dätwyler Führungs AG is owned by its Directors who are elected by co-optation and are also Directors of Pema Holding AG and Dätwyler Holding Inc. (cf. p. 42, Board of Directors). They acquired equal shares in the CHF 0.1 million share capital of Dätwyler Führungs AG at par value and are subject to clear rules under a shareholders' agreement. On leaving the Board, they transfer their shares to their successors at par value. This arrangement was made to provide a sound legal framework to ensure that the majority of votes in Dätwyler Holding Inc. are controlled by the top management. The Bearer Shareholders' Representative on the Board of Dätwyler Holding Inc. is not a Director of Pema Holding AG or Dätwyler Führungs AG.

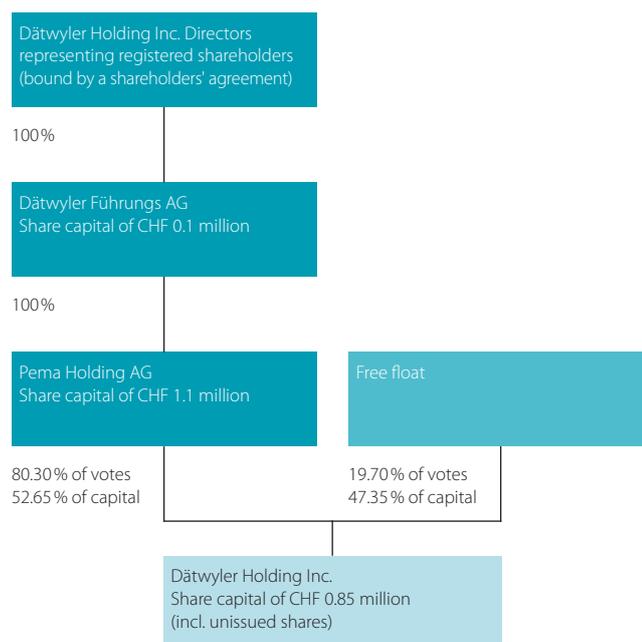
The Board of Dätwyler Holding Inc. is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold 3% or more of the total voting rights. No disclosure notices were received in the year under review.

Group structure and companies

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

- Page 64 f.: segment reporting.
- Page 84 f.: detailed list of subsidiaries and investments.
- Page 101 ff.: details of Dätwyler Holding Inc., the listed company, in the Share Information and General Information sections.
- Page 104 ff.: 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 millions at 31 December 2011:

22'000'000 registered shares of CHF 0.01 each	0.22
12'600'000 bearer shares of CHF 0.05 each (including 1'534'600 treasury shares)	0.63
Total ordinary share capital	0.85
Authorised additional share capital	none
Authorised but unissued share capital	none
Participation certificates	none
Profit-sharing certificates	none
Registration and voting restrictions	none
Opting-out and opting-up provisions	none

All shares are fully paid-up. With the exception of treasury shares (1'534'600 bearer shares, see note 8 [treasury shares] on page 95), all shares irrespective of their value are entitled to vote and rank for dividend. Information about changes in equity for 2011 and 2010 is presented in the statement of changes in equity on page 55. Changes in equity for 2010 und 2009 are shown in the statement of changes in equity on page 53 of the Annual Report 2010 (www.datwyler.com > Media > Publications).

Convertible bonds and share options

Datwyler had no bonds or convertible bonds outstanding at 31 December 2011.

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 2011, the Board comprised seven 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, do not have any business relationship with the Datwyler Group and are all independent. Directors are deemed to be independent if they have neither served on Datwyler's Executive Management or the management of a Group company during the three financial years preceding the period under review nor have significant connections with any Datwyler Group company. No Director holds cross-directorships with other Directors through involvement in other listed companies.

Directors are elected for staggered four-year terms. They are eligible for re-election for further periods, with no limit on the number of terms they may serve. Directors retire at the Annual General Meeting following their 70th birthday. Each class of shares is entitled to nominate at least one representative to the Board. The average age of the Directors currently in office is 64 and their average tenure is ten 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 Human Resources 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 at least five days in advance of meetings to allow them to prepare for discussion of each item. Depending on the nature of the business to be transacted, the Chairman may invite members of the Executive 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 2011, the Board held six meetings attended by the CEO and CFO. There was also one telephone conference. The other members of the Executive Management were present at each meeting for the discussion of items relating to them. In 2011, 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, by a representative of the external auditors or a specialist in an advisory capacity. The agendas for Committee meetings are set by the respective chairmen in agreement with the CEO and CFO. Committee members receive papers and information in advance of meetings to allow them to prepare for discussion of each item. At least two members must be present to constitute a quorum. The Committees pass their resolutions by an absolute majority of the votes cast. In the event of a tie, the chairman has the casting vote. The Committees keep a record of their decisions and recommendations in minutes submitted to the Board and report the results of their activities at the next following Board meeting.

Audit Committee

The Audit Committee consists of at least three Directors, each of whom has experience in finance and accounting, who are appointed by the Board from among its members for a period of one year. The Audit Committee appoints its chairman. Members of the Audit Committee are: Hans R. Rüegg (Chairman), Ulrich Graf and Ernst Odermatt. In 2011, the Audit Committee held three meetings attended by the CEO and CFO. The internal auditor as well as representatives of the external auditors attended all the meetings for the discussion of selected items. In 2011, 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.

Human Resources Committee

The Human Resources Committee consists of at least three Directors: the Chairman of the Board and two other members to be appointed by the Board from among its members. Members of the Human Resources Committee are: Hanspeter Fässler (Chairman), Ulrich Graf and Werner Inderbitzin. In 2011, the Human Resources Committee held two meetings with the CEO and CFO. During 2011, no external specialists were called in.

Responsibilities of the Human Resources Committee

- To support the Board of Directors on matters of personnel and compensation policy.
- To deal with fundamental human resources issues at the Datwyler Group.
- Preparation of proposals for the appointment of members of the Board and the Executive Management.
- Preparing conditions of employment for members of the Executive Management.
- To decide performance-related payments for members of the Executive Management.
- To monitor wage structure and development.
- To comply with the regulations concerning the disclosure of emoluments of the members of the Board of Directors and Executive Management.

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 to 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 chairman of the Audit Committee and is under the direct functional and 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 four years, depending on the size and importance of the individual company. To optimize cooperation, the head of Internal Audit meets regularly with the representatives of the external auditors. At their meetings they harmonize 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 audit reports. Following completion of the audit the findings are reviewed, recorded in a written report and discussed in detail with the local management. In coordination with its division management, the local management defines specific corrective measures and a timetable for implementation and issues an opinion. Copies of the report are 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 each of the four 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 specific, web-based risk-management system. To ensure uniform valuation methods, the CFO of the Datwyler Group and the risk management coordinator 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 standardized 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

Ulrich Graf (1945, Swiss)

Chairman (term expires in 2012)

Ulrich Graf has served on the Board of Dätwyler Holding Inc. since 2004. He was appointed Chairman in 2005 and is a member of the Audit Committee and the Human Resources Committee. Between 1989 and 2006, he was CEO of the Kaba Group, where he had held a number of management positions since 1976. In addition to his appointment in Datwyler, Ulrich Graf is Chairman of Kaba Holding Ltd., Griesser Ltd. and Fr. Sauter Ltd. He is also a Director of Georg Fischer Ltd. and Feller Ltd., a member of the Foundation Board of REGA Swiss Air Ambulance (Chairman from 1 January 2012) and a Supervisory Board member of DEKRA e.V, Stuttgart. He has a degree in electrical engineering from the Swiss Federal Institute of Technology.

Hans R. Rüegg (1946, Swiss)

Deputy Chairman (term expires in 2014)

Hans R. Rüegg has served Dätwyler Holding Inc. as a Director since 1991. He took office as Deputy Chairman in 2002. He is Chairman of the Audit Committee. Hans R. Rüegg was Chief Operating Officer of Baumann Springs Ltd. from 1983 to 2011. He has been Chairman of Baumann Springs Ltd. since 1993. He is also Chairman of Vetropack Holding AG. Hans R. Rüegg holds a degree in electrical engineering from the Swiss Federal Institute of Technology and an MBA from the University of Florida, Gainesville (USA).

Hanspeter Fässler (1956, Swiss)

Director (term expires in 2012)

Hanspeter Fässler has been a Director of Dätwyler Holding Inc. since 2004 and is chairman of the Human Resources Committee. He is currently responsible for the global integration of the Thomas & Betts Group and for the combined low voltage business in North America at ABB. From 2010 to 2011 he was the CEO of the building services group Implenia. Previously, Hanspeter Fässler held various management positions with the ABB Group both in and outside Switzerland. Latterly, from 2006 to 2010, he was responsible for ABB's Mediterranean Region and Country Manager of ABB Italy. Prior to that, he was ABB's Country Manager in Switzerland. Hanspeter Fässler earned a doctorate (Ph.D.) from the Swiss Federal Institute of Technology Zurich specialising in mechatronics/robotics and also holds an engineering degree from Stanford University (USA).

Werner Inderbitzin (1946, Swiss)

Director (term expires in 2014)

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

Ernst Lienhard (1946, Swiss)

Director (term expires in 2014),

Bearer Shareholders' Representative

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

Ernst Odermatt (1948, Swiss)

Director (term expires in 2012)

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 Markus Hofstetter AG, and a Director of Colibrys (Suisse) S.A. Ernst Odermatt is also a member of the Advisory Board of CGS Private Equity Partnership. 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.

Franz Steinegger (1943, Swiss)Director (term expires in 2014)

Franz Steinegger has been a Director of Dätwyler Holding Inc. since 1994. He was President of the Free Democratic Party of Switzerland for 12 years until 2001 and a member of the National Council from 1980 to 2003. Since 1981, he has practised as an independent lawyer and notary in Altdorf. Franz Steinegger is currently Chairman of SUVA (the Swiss Accident Insurance Fund), Baryon AG, HIG-Immobilien-Anlage-Stiftung, CSC Impresa Costruzioni SA and Andermatt Gotthard Sportbahnen AG. He is also a member of the Board of Directors of Neue Zürcher Zeitung AG (interim Chairman since 9 February 2012), Chairman of the Swiss Museum of Transport and Deputy Chairman of REGA Swiss Air Ambulance. He graduated in law from the University of Zurich and is a member of the Bar of the Canton of Uri.

Honorary DirectorsRoland 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.

Executive Management

Paul J. Hälg (1954, Swiss)

Chief Executive Officer (CEO)

Paul J. Hälg was appointed CEO of the Datwyler Group from August 2004. Before joining the Datwyler Group, he served on the 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 J. Hälg is Chairman of publicly listed Gurit Holding Ltd. and a member of the Board of Directors of Sika Ltd. He is also a member of the Board of Swissmem (Swiss mechanical and electrical engineering association). He studied chemistry at the Swiss Federal Institute of Technology Zurich, graduating with a doctorate (DSc).

Reto Welte (1959, Swiss)

Chief Financial Officer (CFO)

Reto Welte was appointed Chief Financial Officer and Member of the Datwyler Executive Management from June 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 holds a degree in business administration from the University of St. Gallen.

Markus Heusser (1966, Swiss)

Head of Technical Components Division

Markus Heusser has headed the Technical Components Division since August 2010 and is a member of the Datwyler Executive Management. Before joining Datwyler he was with the Sulzer Group for seven years, where he held various international management positions, including chief of staff, head of the globally active Metco Thermal Spray business and head of the Group-wide 2009 restructuring programme. Prior to that he was a strategy consultant and integration manager with McKinsey & Co. from 1996 to 2003. During this period, he was based in Hong Kong for one year. Markus Heusser has an MBA from the University of St. Gallen and a PhD in finance from the University of Fribourg.

Guido Wallraff (1963, Belgian)

Head of Pharma Packaging Division

Guido Wallraff became head of the Pharma Packaging Division in July 2007, and became a member of the Executive Management at the same time. Prior to that, he gained experience in the pharmaceutical packaging market as sales and marketing director of Capsugel, a Pfizer subsidiary. Between 1994 and 2005, Guido Wallraff held a number of international management positions with Fisher Scientific, having previously worked as a sales engineer for 3M and BF Goodrich Chemical. Guido Wallraff studied chemistry in Aachen and Wuppertal, graduating as a chemical engineer. He completed his qualifications with additional studies in business administration, IT and pharmacology.

Johannes Müller (1958, Swiss)

Head of Cabling Solutions

Johannes Müller has been a member of the Executive Management and headed the Cabling Solutions Division since August 2004. He was previously CEO of the consulting firm Brainforce AG for three years. Before joining Brainforce in 2001, he ran a division of Cellpack Ltd. for more than four years. From 1987 to 1996, he held various international management positions with telecommunications group Alcatel. Johannes Müller is a member of the Board of the German-Swiss Chamber of Commerce. He has a degree in electrical engineering from the Swiss Federal Institute of Technology Zurich and completed additional studies, including a programme at Insead (France).

Dirk Lambrecht (1960, German)

Head of Sealing Technologies Division

Dirk Lambrecht has headed the Sealing Technologies Division since May 2005 and in that capacity is a member of the Executive Management. 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 on the Management Board of the German Rubber Society. He earned a degree in mechanical engineering, specialising in apparatus engineering, from Hamburg University of Applied Sciences and completed further studies, including a programme at the Management School St. Gallen.

Management contracts

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

Remuneration, shareholdings and loans

Elements and determination of remuneration

The elements of remuneration for Directors of the Board are determined annually by the Human Resources Committee and approved by the full Board. The Directors have a voice at the meetings of the Board of Directors. The remuneration for members of the Executive Management is determined annually by the Human Resources Committee and brought to the attention of the full Board of Directors.

Directors receive remuneration in the form of a fixed fee in cash and an award of a fixed number of bearer shares of Dätwyler Holding Inc.

The remuneration of Executive Management members consists of a fixed cash salary, an award of a fixed number of bearer shares of Dätwyler Holding Inc. as well as a variable salary component. The amount of the fixed remuneration is based on function, duties, qualifications, experience and market environment. In the case of the CEO and CFO, the variable salary component is made up of a share in the Group's net result. This share is multiplied by a growth factor, which is determined according to the year-on-year change in the net result. The maximum amount of the bonus for the CEO is 150% and for the CFO 100% of the fixed fee in cash.

In the case of the divisional heads, the variable salary component is based both on business performance and on the attainment of individual goals. Approximately 80% of the variable salary component is made up of a share in the economic profit of the respective division, factoring in year-on-year change. The economic profit is arrived at by taking EBIT less the cost of average capital employed. This share is multiplied by a growth factor, which is determined according to the year-on-year change in sales. In addition to the share in economic profit, around 20% of the salary component is dependent on the attainment of individual goals. These are strategic, business and personal goals agreed at the beginning of the year. Goal attainment is assessed by the CEO. The maximum amount of the salary component for the divisional heads is 80% to 100% of the fixed fee in cash, depending on the size of the division.

The remuneration system is reviewed annually by the Human Resources Committee and every three years adjusted in line with changed circumstances.

The share award plan established in 2007 gives Directors and Executive Management members an ownership interest in Dätwyler Holding Inc. and a share in the long-term performance of the Datwyler Group. The number of shares awarded is dependent on the respective role. The shares awarded vest over a period of five years, which still applies even if a member leaves the Board of Directors or Executive Management.

The elements of remuneration for the Board of Directors and the Executive Management are consistent with common standards for international industrial companies. Club surveys led by a neutral institution, which Datwyler regularly participates in, serve as benchmark. When determining the components of remuneration, the members of the Human Resources Committee and the Board of Directors rely on the competencies and experiences they have gained from similar roles with other companies.

More information about remuneration, shareholdings and loans is presented in note 2 to the financial statements of Dätwyler Holding Inc. on page 90.

Shareholders' participation rights

The shareholders' participation rights comply with the provisions of Swiss Corporation Law, subject to the one share one 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 a member of a corporate agent of the Company or an independent proxy to represent them.

Calling of general meetings and additions to the agenda

The procedures for calling general meetings and adding items to the agenda are set out in the Articles of Association of Dätwyler Holding Inc. in accordance with the Swiss Code of Obligations (Art. 699 f.). Shareholders holding shares of at least CHF 85'000 in par value 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 lead auditor is seven years. The last change occurred in 2007. Some of the Group companies are audited by other firms of accountants.

Fees paid in 2011 to the statutory and other auditors:

in CHF	Statutory auditors	Other auditors
Auditing services, total	792'000	648'000
Additional services, total	435'000	254'000
Tax advice	393'000	56'000
Legal advice	23'000	61'000
Transaction advice	–	9'000
Other advisory services	37'000	128'000

Representatives of the external auditors attend all meetings of the Audit Committee for the discussion of certain items. Three meetings were held in 2011. At each meeting, the external 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 39.

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 the 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 103. Official notices concerning Datwyler are published in the Swiss Official Gazette of Commerce. Notices and invitations to registered shareholders are made in writing.



Consolidated Financial Statements

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Group Financial Review

CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

On a comparable basis, the Datwyler Group generated net revenue of CHF 1'290.5 million (previous year CHF 1'319.5 million) in 2011, representing a slight decrease of 2.2%. The negative impact from foreign currency translation to Swiss francs on consolidation was 7.6%. Adjusted for this factor, organic growth was 5.4%.

Change in net revenue

<u>in CHF millions</u>	2011	%	2010	%
Acquisition of subsidiaries	–	–	149.4	13.3%
Foreign currency translation to CHF	–100.9	–7.6%	–61.4	–5.5%
Organic change	71.9	5.4%	109.3	9.8%
Total change in net revenue	–29.0	–2.2%	197.3	17.6%

The gross profit margin decreased to 49.5% (previous year 50.1%). Gross profit was negatively impacted by foreign currency effects of 8.6% and by higher raw material prices of 2.6%. Organic growth of gross profit amounted to 7.8%.

Change in gross profit

<u>in CHF millions</u>	2011	%	2010	%
Acquisition of subsidiaries	–	–	46.6	7.8%
Foreign currency effects	–56.6	–8.6%	–33.2	–5.6%
Impact raw material purchases	–17.3	–2.6%	–3.6	–0.6%
Other organic change	51.6	7.8%	57.5	9.7%
Total change in gross profit	–22.3	–3.4%	67.3	11.3%

Personnel expenses and operating expenses were continually adjusted to the changed operating environment, and the year under review again includes certain restructuring costs.

In 2011, the Group's operating result (EBIT) reached CHF 124.2 million (previous year CHF 127.9 million) and the EBIT margin was 9.6% (previous year 9.7%) with the following factors contributing to this minor change:

Change in EBIT

<u>in CHF millions</u>	2011	%	2010	%
Acquisition of subsidiaries	–	–	21.6	27.0%
Foreign currency translation to CHF	–9.5	–7.5%	–5.1	–6.4%
Organic change	5.8	4.6%	31.4	39.2%
Total change in EBIT	–3.7	–2.9%	47.9	59.8%

Net finance costs decreased to CHF 2.6 million (previous year CHF 9.4 million), due to lower interest expense of CHF 1.9 million (previous year CHF 4.9 million) and minor net foreign exchange losses of CHF 0.3 million (previous year net foreign exchange losses of CHF 5.9 million). Income tax expense grew to CHF 25.4 million (previous year CHF 20.3 million), and the tax ratio increased to 20.9% (previous year 17.1%). The Group's average income tax rate for 2011 was 19.8% (previous year 20.7%).

With the higher income tax charges and the better net finance result, the net result of CHF 96.2 million (previous year CHF 98.2 million) or 7.5% (previous year 7.4%) of net revenue remained almost unchanged.

CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets increased by CHF 45.0 million during the year to CHF 892.0 million (previous year CHF 847.0 million). Trade accounts receivable were slightly higher, while inventories remained almost unchanged. Due to the higher level of trade accounts payable, net working capital of CHF 256.3 million (previous year CHF 262.1 million) could be reduced by 2.2%. Cash, cash equivalents, money market investments and securities rose by around CHF 28 million. The available funds were again used to repay bank debt.

Compared to the previous year, equity increased by CHF 59.9 million to CHF 643.4 million (previous year CHF 583.5 million), maintaining a solid equity ratio of 72.1% (previous year 68.9%). The significant changes of equity include the net result of CHF 96.2 million (previous year CHF 98.2 million), the dividend payment of CHF -34.0 million (previous year CHF -18.5 million) and negative currency translation differences of CHF -5.2 million (previous year CHF -24.4 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debts were reduced by CHF 27.9 million during the year to CHF 55.6 million (previous year CHF 83.5 million). The Group's liquidity situation remains good, with cash, cash equivalents and money market investments amounting to CHF 144.8 million (previous year CHF 115.8 million). In total, the net cash position of CHF 89.2 million (previous year CHF 32.3 million) has improved by CHF 56.9 million.

Current assets rose by 7.5% to CHF 507.1 million (previous year CHF 471.6 million), and non-current assets increased by 2.5% to CHF 384.9 million (previous year CHF 375.4 million).

CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF 96.2 million (previous year CHF 98.2 million), operating cash flow before changes in working capital amounted to CHF 159.3 million, from CHF 169.4 million. These cash flows were used to pay for investments in property, plant and equipment totalling CHF 64.1 million (previous year CHF 33.0 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 5.0% versus 2.5% a year earlier. In addition, operating cash flow was used to repay bank debt of CHF 43.0 million (previous year CHF 85.7 million) and in the previous year for the acquisition of subsidiaries in the amount of CHF 112.8 million. Overall cash outflows and inflows led to a net change in cash and cash equivalents of CHF 22.7 million (previous year CHF -52.7 million), resulting in a cash and cash equivalents balance of CHF 134.8 million (previous year CHF 113.4 million) at year-end.

Consolidated Income Statement

in CHF millions	Note	2011	2010
Net revenue	4, 15	1'290.5	1'319.5
Change in inventories		-3.2	6.9
Material costs		-647.9	-664.7
Gross profit		639.4	661.7
Other operating income	5	58.6	43.0
Personnel expenses	6, 7	-329.7	-333.0
Operating expenses	8	-200.0	-195.1
Operating result before interest, taxes, depreciation and amortisation (EBITDA)		168.3	176.6
Depreciation of property, plant and equipment	17	-41.0	-46.7
Amortisation of intangible assets	18	-3.1	-2.0
Impairment charges	17	-	-0.0
Operating result before interest and taxes (EBIT)	4	124.2	127.9
Net finance result	9	-2.6	-9.4
Earnings before tax (EBT)		121.6	118.5
Income tax expenses	10	-25.4	-20.3
Net result		96.2	98.2
Net result per bearer share entitled to dividend (in CHF)	25	6.22	6.36

The accompanying notes on pages 56 to 85 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

Assets

in CHF millions	Note	31.12.2011	31.12.2010
Cash and cash equivalents	11	134.8	113.4
Money market investments	11	10.0	2.4
Securities	12	3.3	3.9
Trade accounts receivable	13	140.0	133.8
Inventories	14	188.4	188.1
Net assets from long-term contracts	15	0.6	1.5
Other receivables	16	19.6	19.7
Prepayments made and accrued income		10.4	8.8
Current assets		507.1	471.6
Property, plant and equipment	17	343.9	328.0
Intangible assets	18	6.8	7.2
Financial assets	19	34.2	40.2
Non-current assets		384.9	375.4
Total assets		892.0	847.0

Liabilities and equity

in CHF millions	Note	31.12.2011	31.12.2010
Trade accounts payable		72.7	61.3
Short-term bank debt	20	49.5	83.5
Net liabilities from long-term contracts	15	0.0	–
Current provisions	22	33.0	33.4
Other current liabilities	21	28.7	24.4
Accrued expenses and deferred income		23.4	21.2
Current liabilities		207.3	223.8
Long-term bank debt	20	6.1	–
Long-term provisions	22	10.0	15.3
Deferred income tax liabilities	23	23.3	21.8
Pension liabilities	7	1.9	1.9
Other long-term liabilities		0.0	0.7
Long-term liabilities		41.3	39.7
Total liabilities		248.6	263.5
Share capital	24	0.9	0.9
Treasury shares	26	–0.1	–0.1
Additional paid-in capital		87.2	85.7
Retained earnings		656.9	593.3
Cumulative translation adjustments		–101.5	–96.3
Equity		643.4	583.5
Total liabilities and equity		892.0	847.0

The accompanying notes on pages 56 to 85 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

in CHF millions	Note	2011	2010
Net result		96.2	98.2
Income tax expenses	10	25.4	20.3
Depreciation and amortisation	17, 18	44.1	48.7
Impairment charges	17	–	0.0
Share award plan		1.5	1.1
Exchange differences		1.9	9.1
Gain on sale of property, plant and equipment, net		–6.4	–2.4
Securities valuation loss	9	0.6	0.2
Change in long-term provisions and pension liabilities		–5.2	–9.9
Interest income	9	–0.7	–0.8
Interest expense	9	1.9	4.9
Operating cash flow before changes in working capital		159.3	169.4
Change in trade accounts receivable		–8.4	–6.7
Change in other receivables, net assets from long-term contracts, prepayments made and accrued income		2.7	–6.3
Change in inventories		–2.2	–9.1
Change in trade accounts payable		12.5	10.3
Change in other current liabilities, accrued expenses and deferred income		1.7	–0.0
Change in current provisions		0.1	2.8
Interest received		0.7	0.8
Interest paid		–1.8	–5.1
Income tax paid		–15.0	–13.3
Net cash from operating activities		149.6	142.8
Purchases of:			
Property, plant and equipment		–64.1	–33.0
Intangible assets		–2.8	–1.9
Subsidiaries (net of cash and cash equivalents acquired)	32	–	–112.8
Additional earn-out payment		–0.3	–
Money market investments		–10.0	–2.6
Proceeds from sale of:			
Property, plant and equipment		7.8	9.2
Financial assets		0.6	0.6
Money market investments		2.3	23.0
Net cash used in investing activities		–66.5	–117.5
Proceeds from short-term bank debt		10.6	29.0
Repayment of short-term bank debt		–43.0	–85.7
Proceeds from long-term bank debt		6.6	–
Decrease in finance lease and other long-term liabilities		–0.6	–2.8
Dividend paid to shareholders		–34.0	–18.5
Net cash used in financing activities		–60.4	–78.0
Net change in cash and cash equivalents		22.7	–52.7
Cash and cash equivalents at 1 January	11	113.4	172.3
Effect of exchange rate changes on cash and cash equivalents		–1.3	–6.2
Cash and cash equivalents at 31 December	11	134.8	113.4

The accompanying notes on pages 56 to 85 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

in CHF millions

	Share capital ⁽¹⁾	Treasury shares ⁽¹⁾	Additional paid-in capital	Retained earnings	Cumulative translation adjustments ⁽²⁾	Total equity ⁽³⁾
At 1 January 2010	0.9	-0.1	84.6	582.8	-71.9	596.3
Net result	-	-	-	98.2	-	98.2
Share award plan (see note 27)	-	0.0	1.1	-	-	1.1
Dividends	-	-	-	-18.5	-	-18.5
Offset of goodwill from acquisitions (see note 18)	-	-	-	-69.9	-	-69.9
Change in valuation of interest rate swap, net of income taxes	-	-	-	0.7	-	0.7
Currency translation differences	-	-	-	-	-24.4	-24.4
At 31 December 2010	0.9	-0.1	85.7	593.3	-96.3	583.5
Net result	-	-	-	96.2	-	96.2
Share award plan (see note 27)	-	0.0	1.5	-	-	1.5
Dividends	-	-	-	-34.0	-	-34.0
Offset of goodwill from acquisitions (see note 18)	-	-	-	1.3	-	1.3
Change in valuation of interest rate swap, net of income taxes	-	-	-	0.1	-	0.1
Currency translation differences	-	-	-	-	-5.2	-5.2
At 31 December 2011	0.9	-0.1	87.2	656.9	-101.5	643.4

⁽¹⁾ Holding company's share capital of CHF 850'000 (previous year CHF 850'000), less par value of treasury shares of CHF 76'730 (previous year CHF 77'680).

⁽²⁾ Arising on translation of Group companies' equity and income statements denominated in foreign currencies.

⁽³⁾ At 31 December 2011 shareholders' equity includes legal reserves of CHF 167.5 million (previous year CHF 164.6 million), of which CHF 41.6 million (previous year CHF 41.3 million) are not distributable.

The accompanying notes on pages 56 to 85 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 (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 12 March 2012 for submission to the Annual General Meeting on 24 April 2012.

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 which 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. In the Datwyler Group, this is achieved when more than 50% of a Group company's share capital or voting rights is unconditionally owned directly or indirectly by Dätwyler Holding Inc.

A list of the subsidiaries included in the consolidation is presented in note 35.

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. In 2011 and 2010, 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 Group companies 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:

	2011		2010	
	Closing rate at 31.12.	Average rate for the year	Closing rate at 31.12.	Average rate for the year
100 CNY	14.76	13.68	14.23	15.39
1 EUR	1.22	1.24	1.25	1.38
100 SEK	13.63	13.67	13.98	14.47
1 USD	0.94	0.89	0.94	1.04

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 Group companies are taken directly to reserves (currency translation reserve in equity) and not recognised in the income statement.

TRANSLATION OF BALANCES AND TRANSACTIONS IN THE ACCOUNTS OF SUBSIDIARIES

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

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, which generally coincides with their delivery. Revenue under long-term multiple 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 a nature of expense format where gross profit represents net revenue less material costs and changes in inventories.

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 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 Group companies, mainly comprising non-refundable withholding tax and income tax in the parent company, if it is intended to remit such profits in the form of dividends.

CASH AND CASH EQUIVALENTS

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

MONEY MARKET INVESTMENTS

Money market investments with an original maturity of 91 to 360 days are stated at nominal value.

SECURITIES

Securities are initially recognised at cost including transaction costs. All purchases and sales are recognised on the trade date. Securities are subsequently remeasured to their current fair value at each balance sheet date with unrealised gains and losses recognised in the income statement and classified as current assets. Foreign exchange gains and losses on securities are also recognised in the income statement.

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.

LONG-TERM CONTRACTS

Since 2010, in the Cabling Solutions Division certain customer orders, normally for large projects, are accounted for using the percentage of completion method. The respective stage of completion is determined for every individual project by measuring costs incurred to date as percentage of estimated total costs. Costs incurred to date and revenues realised according to the stage of completion are continuously recognized in the income statement. In the balance sheet, costs incurred to date plus the proportionate share in profits less customer advances received are recognised as net assets or net liabilities from long-term contracts. Existing and foreseeable future losses of projects in progress are immediately provided for in full.

PROPERTY, PLANT AND EQUIPMENT

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

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

	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. Leased assets where substantially all the risks and rewards of ownership are transferred to the Datwyler Group at the inception of the lease are classified as finance leases. 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. 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 of 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 as well as interest rate swaps to hedge its exposure to interest rate risk.

FINANCIAL ASSETS

Financial assets include loans to third parties, minority shareholdings as well as deferred income tax assets. 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 an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

DIVIDENDS

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

PENSION BENEFITS

Pension benefit obligations of Group companies 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

Since 2007, a share award plan for Directors and senior executives is in place, see note 27. 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 about one-third of the Group's profit for the year.

2 / RISK MANAGEMENT

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 23 September 2011, 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 may be used occasionally to hedge risks and exposures.

Liquidity reserves

<u>in CHF millions</u>	2011	2010
Cash and cash equivalents	134.8	113.4
Money market investments	10.0	2.4
Securities	3.3	3.9
Available credit lines	290.5	254.8
Total liquidity reserves	438.6	374.5

Net cash surplus

<u>in CHF millions</u>	2011	2010
Cash and cash equivalents	134.8	113.4
Money market investments	10.0	2.4
Securities	3.3	3.9
Less short-term bank debt	-49.5	-83.5
Net cash surplus	98.6	36.2

Some short-term bank debt, together with corresponding bank deposits, is part of a notional cash pool arrangement, but all of these assets and liabilities are reported gross.

3 / BUSINESS ACQUISITIONS AND DISPOSALS

Acquisitions and disposals during 2011 and 2010 are shown below. The percentages in brackets indicate the percentage voting rights held in each company.

Transactions 2011

COMPANIES ESTABLISHED

Datwyler Sealing Technologies (Wuxi) Co. Ltd., Wuxi, Jiangsu, China (100%)

MERGERS

In September 2011 Nordic Power i Strömstad AB, Strömstad, Sweden (100%) was merged with Nordic P Consulting AB, Stockholm, which was subsequently renamed to Nordic Power i Strömstad AB.

Transactions 2010

ACQUISITIONS

Reichelt Elektronik GmbH & Co. KG, Sande, Germany (100%)

Reichelt Elektronik Verwaltungsgesellschaft mbH, Sande, Germany (100%)

COMPANIES ESTABLISHED

Dätwyler Pharma Packaging Group AG, Dübendorf, Switzerland (100%)

Helvoet Pharma India Operations Private Limited, New Delhi, India (100%)

Dätwyler IT Services AG, Altdorf, Switzerland (100%)

LIQUIDATIONS

Daetwyler Rubber & Plastics Inc., Marion, SC, USA (100%)

MERGERS

In October 2010 ELFA Intressenter AB, Järfälla, Sweden (100%) was merged with Distrelec Sweden AB, Järfälla, and Nordic Power Norge, Fredrikstad, Norway (100%) was merged with ELFA Elektronikk AS, Oslo.

4 / SEGMENT INFORMATION

in CHF millions						
	Technical Components	Pharma Packaging	Cabling Solutions	Sealing Technologies	Eliminations	Total Group
2011:						
Revenue from external customers	624.3	265.1	240.0	161.1	–	1'290.5
Inter-segment revenue	2.1	–	0.9	0.9	–3.9	–
Total net revenue	626.4	265.1	240.9	162.0	–3.9	1'290.5
EBIT	68.6	30.3	4.6	20.7	–	124.2
EBIT as % of net revenue	11.0%	11.4%	1.9%	12.8%	–	9.6%

in CHF millions						
	Technical Components	Pharma Packaging	Cabling Solutions	Sealing Technologies	Eliminations	Total Group
2010:						
Revenue from external customers	648.9	277.4	242.9	150.3	–	1'319.5
Inter-segment revenue	1.6	–	0.7	1.1	–3.4	–
Total net revenue	650.5	277.4	243.6	151.4	–3.4	1'319.5
EBIT	70.4	34.2	9.6	13.7	–	127.9
EBIT as % of net revenue	10.8%	12.3%	3.9%	9.0%	–	9.7%

The Datwyler Group is an international multi-niche player organised into four divisions. The costs of the Group management functions are allocated to the divisions using a revenue-based key. The divisions are managed independently and their business performance is measured separately.

The Technical Components Division engages in specialist and online/catalogue distribution. Its distribution and service companies are located in Switzerland, Germany, Austria, Italy, France, Scandinavia, Poland, the Czech Republic, the Baltic States and the Ukraine.

The Pharma Packaging Division focuses on manufacturing rubber and aluminium/plastic components for pharmaceutical packaging as well as rubber components for diagnostics and drug delivery systems. Products are manufactured and distributed by Group companies in Belgium, Italy, Germany, the Netherlands and the USA.

The Cabling Solutions Division is a provider of end-to-end solutions in the areas data networks, safety cabling systems, building automation, elevator cabling systems and in-house energy provision. There are manufacturing and distribution facilities in Switzerland, Germany, Austria, the UK and Asia.

The Sealing Technologies Division develops and produces moulded components and extruded products and distributes them primarily in the automotive, construction and industrial sectors. Its manufacturing and distribution companies are located in Switzerland, Germany, the Czech Republic, the Ukraine and Mexico.

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.

Net revenue by geographical region

<u>in CHF millions</u>	2011	2010
Switzerland	368.3	360.4
European Union	687.6	715.6
Rest of Europe	40.4	40.9
North and South America	94.6	103.3
Far East	73.7	70.3
Other markets	25.9	29.0
Total Group	1'290.5	1'319.5

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

5 / OTHER OPERATING INCOME

Other operating income includes revenue from services, scrap sales, gain on sale of property, plant and equipment as well as packaging and freight costs invoiced to customers.

6 / PERSONNEL EXPENSES

<u>in CHF millions</u>	2011	2010
Wages and salaries	249.7	253.6
Benefit costs	62.4	62.7
State social security contributions	35.1	32.9
Pension costs (see note 7)	12.9	12.4
Other benefit costs	14.4	17.4
Other employee costs	17.6	16.7
Total personnel expenses	329.7	333.0

Since 2007, a share award plan for Directors and senior executives is in place, see note 27.

7 / EMPLOYEE BENEFIT SCHEMES

Employer contribution reserves (ECR)

in CHF millions								
	Nominal value ECR	Waiver of usage	Value adjustments	Charge/ (Reversal)	Balance sheet	Balance sheet	Result from ECR in personnel expenses	Result from ECR in personnel expenses
	31.12.11	31.12.11	31.12.11	2011	31.12.11	31.12.10	2011	2010
Pension schemes without funding surplus/deficit Switzerland	–	–	–	–	–	–	–	0.1
Total	–	–	–	–	–	–	–	0.1

Economic benefit/obligation and pension costs

in CHF millions								
	Funding surplus/deficit according to Swiss GAAP ARR 26	Economic impact Group	Economic impact Group	Exchange differences not affecting income	Change to prior year or charge to income current year	Contributions for the period	Pension costs in personnel expenses	Pension costs in personnel expenses
	31.12.11	31.12.11	31.12.10				2011	2010
Welfare funds Switzerland	0.3	–	0.0	–	–	–	–	0.0
Pension schemes without funding surplus/deficit Switzerland	–	–	0.0	–	–	11.7	11.7	10.4
Pension schemes without funding surplus/deficit abroad	–	–	0.0	–	–	1.0	1.0	1.2
Unfunded pension schemes abroad	–	–1.9	–1.9	0.0	0.0	0.2	0.2	0.7
Total	–	–1.9	–1.9	0.0	0.0	12.9	12.9	12.3

Summary of pension costs

in CHF millions	Switzerland	Abroad	Total
	2011	2011	2011
Contributions to pension schemes expensed at Group companies	11.7	1.2	12.9
Contributions to pension schemes made from employer contribution reserves (ECR)	–	–	–
Total contributions	11.7	1.2	12.9
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	11.7	1.2	12.9
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–	0.0	0.0
Total change in economic impact from excess/insufficient coverage	–	0.0	0.0
= Pensions costs included in personnel expenses for the period	11.7	1.2	12.9

in CHF millions	Switzerland	Abroad	Total
	2010	2010	2010
Contributions to pension schemes expensed at Group companies	20.0	1.4	21.4
Contributions to pension schemes made from employer contribution reserves (ECR)	0.1	–	0.1
Total contributions	20.1	1.4	21.5
+/- Changes in ECR due to asset performance, value adjustments, discounting, etc.	–	–	–
Contributions and changes in employer contribution reserves	20.1	1.4	21.5
Increase/reduction economic benefit Group from excess coverage	–	–	–
Reduction/increase economic obligation Group from insufficient coverage	–9.6	0.5	–9.1
Total change in economic impact from excess/insufficient coverage	–9.6	0.5	–9.1
= Pensions costs included in personnel expenses for the period	10.5	1.9	12.4

8 / OPERATING EXPENSES

in CHF millions	2011	2010
Supplies, packaging materials, freight and storage costs	60.0	57.5
Repairs and maintenance	34.3	35.5
Energy	21.8	21.8
Operating lease and rental expense	12.7	13.1
Capital tax, administrative and selling expenses	55.8	48.6
Other operating expenses	15.4	18.6
Total operating expenses	200.0	195.1

9 / NET FINANCE RESULT

<u>in CHF millions</u>	2011	2010
Interest expense on bank and other loans	1.9	4.9
Interest expense on finance leases	0.0	0.0
Securities valuation loss	0.6	0.2
Fair value loss on forward exchange contracts	0.0	0.1
Realised loss on interest rate swap	0.3	1.2
Net foreign exchange loss on financing activities	0.3	5.9
Finance charges	0.8	0.8
Total interest and finance expenses	3.9	13.1
Interest income on bank deposits and loans receivable	-0.7	-0.7
Securities income	-0.0	-0.1
Fair value gain on forward exchange contracts	-0.6	-2.9
Total interest and finance income	-1.3	-3.7
Net finance result (expenses, net)	2.6	9.4

Foreign exchange gains and losses

<u>in CHF millions</u>	2011	2010
Net foreign exchange losses on financing activities	0.3	5.9
Net foreign exchange losses on purchase and sale of goods and other	1.0	4.8
Total net foreign exchange losses	1.3	10.7

10 / INCOME TAX EXPENSES

<u>in CHF millions</u>	2011	2010
Current income tax expense	18.0	14.7
Deferred income tax expense	7.4	5.6
Total income tax expenses	25.4	20.3

The Group's average income tax rate was 19.8% (previous year 20.7%).

Tax loss carryforwards

Total available tax loss carryforwards result in deferred income tax assets, gross, of CHF 10.5 million (previous year CHF 12.3 million), of which a net amount of CHF 8.5 million (previous year CHF 10.0 million) was capitalised. The reassessment of tax loss carryforwards impacted deferred income tax assets in the amount of CHF 0.0 million (previous year increase of CHF 2.7 million). Deferred income tax assets are recognised for tax loss carryforwards to the extent that according to current estimates it appears probable that future taxable profits will be available against which tax loss carryforwards can be utilised. Deferred tax assets have been recognised in respect of tax losses carried forward by companies whose results have been subject to cyclical fluctuations or that have incurred start-up losses and where there are clear indications that they will generate sufficient taxable profits in the foreseeable future.

11 / CASH, CASH EQUIVALENTS AND MONEY MARKET INVESTMENTS

<u>in CHF millions</u>	2011	2010
Cash in hand and at bank	127.8	57.1
Money market investments (original maturities up to 90 days)	7.0	56.3
Total cash and cash equivalents	134.8	113.4
Money market investments (original maturities 91 to 360 days)	10.0	2.4
Total cash, cash equivalents and money market investments	144.8	115.8

12 / SECURITIES

Securities comprise equity funds with a fair value of CHF 3.3 million (previous year CHF 3.9 million).

13 / TRADE ACCOUNTS RECEIVABLE

<u>in CHF millions</u>	2011	2010
Trade accounts receivable, gross	144.8	137.7
Provision for impairment of trade accounts receivable	-4.8	-3.9
Total trade accounts receivable, net	140.0	133.8

Aging analysis of gross trade accounts receivable

<u>in CHF millions</u>	2011	2010
Not yet due	113.9	107.7
Past due 1–30 days	17.9	16.3
Past due 31–60 days	4.8	5.6
Past due 61–90 days	1.8	1.5
Past due 91–180 days	1.2	3.0
Past due more than 181 days	5.2	3.6
Total trade accounts receivable, gross	144.8	137.7

Movements in provision for impairment of trade accounts receivable

<u>in CHF millions</u>	2011	2010
At 1 January	3.9	4.8
Charge for the year	2.4	1.3
Unused amounts reversed	-0.3	-0.9
Receivables written off as uncollectible	-1.0	-0.9
Acquisition / disposal of subsidiaries	-	0.2
Exchange differences	-0.2	-0.6
At 31 December	4.8	3.9
Of which specific provisions for impairment	4.4	3.5

14 / INVENTORIES

<u>in CHF millions</u>	2011	2010
Raw material, gross	26.5	23.2
Consumables, gross	11.5	11.5
Work in progress, gross	26.6	28.4
Finished goods, gross	53.8	58.5
Goods for resale, gross	100.9	97.9
Less provision for impairment of inventories	-30.9	-31.4
Total inventories	188.4	188.1

15 / LONG-TERM CONTRACTS

<u>in CHF millions</u>	2011	2010
Costs incurred to date of projects in progress	5.4	4.4
Proportionate realised profits/(losses) of projects in progress	-0.7	-0.5
Less customer advances received of projects in progress	-4.1	-2.4
Total net assets/liabilities from long-term contracts	0.6	1.5
Net assets from long-term contracts	0.6	1.5
Net liabilities from long-term contracts	0.0	-
Total net assets/liabilities from long-term contracts	0.6	1.5

Net revenue includes revenues from long-term contracts of CHF 3.1 million (previous year CHF 4.3 million). At year-end 2011, there were five projects in progress (previous year two projects in progress) with an average volume of CHF 1.4 million (previous year CHF 2.6 million). The stage of completion of these projects, calculated as costs incurred to date in percent of estimated total costs, was approximately 72% (previous year 86%) at 31 December 2011. There were no retentions by customers at balance sheet date.

16 / OTHER RECEIVABLES

<u>in CHF millions</u>	2011	2010
Withholding, capital and value added tax receivable	6.1	8.9
Current income tax assets	6.0	2.3
Prepayments made, advances given and deposits made	4.7	3.6
Accrued interest receivable	0.0	0.0
Derivative assets: forward exchange contracts (see note 29)	0.2	1.2
Miscellaneous receivables	3.0	3.9
Provision for impairment of other receivables	-0.4	-0.2
Total other receivables	19.6	19.7

17 / PROPERTY, PLANT AND EQUIPMENT

in CHF millions						Total property, plant and equipment
	Unbuilt land lots	Real estate	Machinery and production equipment	Office equip- ment, compu- ter systems, vehicles	Assets under construction	
PROPERTY, PLANT AND EQUIPMENT 2011:						
At cost						
At 1 January 2011	3.7	338.5	534.2	56.3	15.3	948.0
Additions	–	2.6	20.8	4.2	36.5	64.1
Disposals	–	–3.8	–20.7	–4.9	–	–29.4
Transfers	–	5.5	6.1	0.2	–11.8	–
Exchange differences	–	–2.5	–7.0	–1.0	–1.5	–12.0
At 31 December 2011	3.7	340.3	533.4	54.8	38.5	970.7
Accumulated depreciation						
At 1 January 2011	–	–190.0	–383.6	–46.4	–	–620.0
Depreciation expense	–	–9.0	–28.3	–3.7	–	–41.0
Disposals	–	3.5	19.9	4.6	–	28.0
Exchange differences	–	–0.2	5.6	0.8	–	6.2
At 31 December 2011	–	–195.7	–386.4	–44.7	–	–626.8
Net book values						
At 1 January 2011	3.7	148.5	150.6	9.9	15.3	328.0
At 31 December 2011	3.7	144.6	147.0	10.1	38.5	343.9

in CHF millions						Total property, plant and equipment
	Unbuilt land lots	Real estate	Machinery and production equipment	Office equip- ment, compu- ter systems, vehicles	Assets under construction	
PROPERTY, PLANT AND EQUIPMENT 2010:						
At cost						
At 1 January 2010	3.8	342.7	540.1	66.5	56.6	1'009.7
Additions	–	2.9	11.3	3.3	17.3	34.8
Acquisition/disposal of subsidiaries	–	7.7	1.8	0.5	–	10.0
Disposals	–0.1	–20.3	–10.0	–9.3	–0.0	–39.7
Transfers	–	21.5	31.7	1.4	–54.6	–
Exchange differences	–	–16.0	–40.7	–6.1	–4.0	–66.8
At 31 December 2010	3.7	338.5	534.2	56.3	15.3	948.0
Accumulated depreciation						
At 1 January 2010	–	–201.4	–389.7	–53.0	–	–644.1
Depreciation expense	–	–9.2	–30.7	–6.8	–	–46.7
Impairment charges	–	–	–0.0	–0.0	–	–0.0
Disposals	–	14.6	9.4	9.3	–	33.3
Exchange differences	–	6.0	27.4	4.1	–	37.5
At 31 December 2010	–	–190.0	–383.6	–46.4	–	–620.0
Net book values						
At 1 January 2010	3.8	141.3	150.4	13.5	56.6	365.6
At 31 December 2010	3.7	148.5	150.6	9.9	15.3	328.0

In 2011, no impairment charges (previous year CHF 0.0 million) were recognised.

Other details of property, plant and equipment

In the previous year, the carrying amount of property, plant and equipment included a manufacturing building in France leased to a company in the Technical Components Division.

<u>in CHF millions</u>	2011	2010
Leased property, plant and equipment, at cost	–	3.1
Accumulated depreciation	–	–0.9
Net book value of property, plant and equipment under finance leases	–	2.2

At year-end, property, plant and equipment with a net book value of CHF 15.3 million (previous year CHF 0.2 million) were pledged or assigned to secure own liabilities. Assets under construction include prepayments made of CHF 7.9 million (previous year CHF 1.0 million). Additions to property, plant and equipment include capitalised borrowing costs of CHF 0.0 million (previous year CHF 0.0 million). At balance sheet date, commitments for capital expenditure on property, plant and equipment amounted to CHF 15.5 million (previous year CHF 14.5 million).

Fire insurance value of property, plant and equipment:

<u>in CHF millions</u>	2011	2010
Buildings	537.1	514.2
Machinery, equipment and vehicles	900.7	901.6
Total fire insurance value of property, plant and equipment	1'437.8	1'415.8

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

18 / ACQUIRED INTANGIBLE ASSETS

in CHF millions			
	Software	Other intangible assets	Total intangible assets
ACQUIRED INTANGIBLE ASSETS 2011:			
At cost			
At 1 January 2011	25.7	0.2	25.9
Additions	2.8	0.0	2.8
Disposals	-0.4	-	-0.4
Exchange differences	-0.3	-0.0	-0.3
At 31 December 2011	27.8	0.2	28.0
Accumulated amortisation			
At 1 January 2011	-18.6	-0.1	-18.7
Amortisation expense	-3.1	-0.0	-3.1
Disposals	0.4	-	0.4
Exchange differences	0.2	0.0	0.2
At 31 December 2011	-21.1	-0.1	-21.2
Net book values			
At 1 January 2011	7.1	0.1	7.2
At 31 December 2011	6.7	0.1	6.8

in CHF millions			
	Software	Other intangible assets	Total intangible assets
ACQUIRED INTANGIBLE ASSETS 2010:			
At cost			
At 1 January 2010	23.7	0.2	23.9
Additions	4.1	0.0	4.1
Acquisition / disposal of subsidiaries	0.0	-	0.0
Disposals	-0.8	-	-0.8
Exchange differences	-1.3	-0.0	-1.3
At 31 December 2010	25.7	0.2	25.9
Accumulated amortisation			
At 1 January 2010	-18.4	-0.1	-18.5
Amortisation expense	-2.0	-0.0	-2.0
Disposals	0.8	-	0.8
Exchange differences	1.0	0.0	1.0
At 31 December 2010	-18.6	-0.1	-18.7
Net book values			
At 1 January 2010	5.3	0.1	5.4
At 31 December 2010	7.1	0.1	7.2

Intangible assets include software under finance leases of CHF 1.7 million (previous year CHF 2.2 million).

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

<u>in CHF millions</u>	2011	2010
At cost		
At 1 January	411.7	341.8
Additions from acquisition of subsidiaries	–	69.9
Adjustments from earn-out agreements	–1.3	–
Elimination of fully amortised goodwill items	–42.3	–
At 31 December	368.1	411.7
Accumulated amortisation		
At 1 January	–206.6	–124.3
Amortisation expense	–81.8	–82.3
Impairment charges	–	–
Elimination of fully amortised goodwill items	42.3	–
At 31 December	–246.1	–206.6
Theoretical net book values		
At 1 January	205.1	217.5
At 31 December	122.0	205.1

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 and 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

<u>in CHF millions</u>	2011	2010
Operating result (EBIT) according to income statement	124.2	127.9
Amortisation of goodwill	–81.8	–82.3
Theoretical operating result (EBIT) incl. amortisation of goodwill	42.4	45.6
Net result according to income statement	96.2	98.2
Amortisation of goodwill	–81.8	–82.3
Theoretical net result incl. amortisation of goodwill	14.4	15.9

Impact on balance sheet

<u>in CHF millions</u>	2011	2010
Equity according to balance sheet	643.4	583.5
Theoretical capitalisation of goodwill (net book value)	122.0	205.1
Theoretical equity incl. net book value of goodwill	765.4	788.6
Equity according to balance sheet	643.4	583.5
Equity as % of total assets	72.1%	68.9%
Theoretical equity incl. net book value of goodwill	765.4	788.6
Theoretical equity incl. net book value of goodwill as % of total assets	75.5%	75.0%

19 / FINANCIAL ASSETS

<u>in CHF millions</u>	2011	2010
Long-term loans to third parties	1.1	1.7
Minority shareholdings	0.0	0.0
Deferred income tax assets (see note 23)	32.1	37.5
Other financial investments	1.0	1.0
Total financial assets	34.2	40.2

20 / BANK DEBT

<u>in CHF millions</u>	2011	2010
Bank overdrafts	43.8	67.3
Current portion of long-term bank loans	5.7	16.2
Total short-term bank debt	49.5	83.5
Long-term bank loans	6.1	–
Total bank debt	55.6	83.5
Secured portion of short-term and long-term bank debt	6.1	–

Certain short-term bank debt, together with corresponding bank deposits, is part of a notional cash pool arrangement, but all of these assets and liabilities are reported gross.

Maturity of long-term bank debt

<u>in CHF millions</u>	2011	2010
Within 2 years	–	–
Within 3 years	2.0	–
Within 4 years	2.0	–
Within 5 years	2.1	–
Total long-term bank debt	6.1	–

21 / OTHER CURRENT LIABILITIES

in CHF millions	2011	2010
Customer advances received	2.7	3.6
Social security liabilities	4.5	4.0
Current income tax liabilities	13.3	6.5
Capital and value added tax liabilities	4.2	4.7
Current finance lease liabilities (see note 18)	0.7	0.8
Other short-term loans payable and financial liabilities	2.6	4.4
Derivative liabilities: forward exchange contracts (see note 29)	0.7	0.1
Derivative liabilities: interest rate swap (see note 29)	–	0.3
Miscellaneous current liabilities	0.0	0.0
Total other current liabilities	28.7	24.4

Other long-term liabilities include no long-term finance lease liabilities (previous year CHF 0.6 million), see note 18.

22 / PROVISIONS

in CHF millions	Employees and social security	Restruc- turing	Warranty and liability claims	Environment and infra- structure	Other	Total
PROVISIONS 2011:						
At 1 January 2011	28.6	2.2	7.0	6.7	4.2	48.7
Charges	23.9	5.3	0.7	–	2.1	32.0
Uses	–22.5	–3.9	–0.2	–0.5	–1.9	–29.0
Unused amounts reversed	–1.1	–0.3	–2.8	–2.5	–1.3	–8.0
Discounting effects	–	–	–	–	–	–
Exchange differences	–0.5	–0.1	–0.0	–	–0.1	–0.7
At 31 December 2011	28.4	3.2	4.7	3.7	3.0	43.0
Thereof current provisions	23.3	3.2	1.4	2.5	2.6	33.0
Thereof long-term provisions	5.1	–	3.3	1.2	0.4	10.0

in CHF millions	Employees and social security	Restructuring	Warranty and liability claims	Environment and infrastructure	Other	Total
PROVISIONS 2010:						
At 1 January 2010	26.1	6.8	8.0	6.7	3.1	50.7
Charges	30.0	1.3	0.9	–	3.4	35.6
Uses	–24.4	–4.7	–0.3	–0.0	–1.3	–30.7
Unused amounts reversed	–0.1	–0.7	–1.4	–0.0	–0.7	–2.9
Acquisition/disposal of subsidiaries	0.2	–	–	–	0.0	0.2
Discounting effects	–	–	–	–	–	–
Exchange differences	–3.2	–0.5	–0.2	–	–0.3	–4.2
At 31 December 2010	28.6	2.2	7.0	6.7	4.2	48.7
Thereof current provisions	23.1	2.2	1.7	2.6	3.8	33.4
Thereof long-term provisions	5.5	–	5.3	4.1	0.4	15.3

Discounting

There are no material discounting effects for the long-term provisions.

Employees and social security

This provision covers holiday pay, overtime, bonuses, incentive pay and similar liabilities. The provisions are calculated based on actual data. The expected payments generally become due within 12 months.

Restructuring

The restructuring provisions charged to income in the Technical Components, Cabling Solutions and Sealing Technologies Divisions include obligations relating to headcount reductions and to non-cancellable rental commitments of redundant locations. In the Cabling Solutions Division the relocation of the lift cable production to China and the relocation of the cable harnessing operations to the Czech Republic account for CHF 4.2 million of restructuring charges totalling CHF 5.3 million.

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. The provision is calculated from past experience. The current provision for liability claims is based on actual claims reported, which are generally settled within one year. The long-term provision is based on historical experience for normally five- to ten-year warranties.

Environment and infrastructure

This provision relates to liabilities for the clean-up of long-used contaminated manufacturing sites and costs expected to be incurred in the restoration and repair of infrastructure. The provision is determined based on detailed cost estimates.

23 / DEFERRED INCOME TAX ASSETS/LIABILITIES

in CHF millions	2011	2010
At 1 January:		
Deferred income tax assets	37.5	18.7
Deferred income tax liabilities	21.8	27.2
Deferred income tax (assets)/liabilities, net	-15.7	8.5
Deferred income tax expense	7.4	5.6
Charges directly to equity	-1.2	-4.9
Acquisition / disposal of subsidiaries (see note 32)	-	-29.4
Exchange differences	0.7	4.5
At 31 December:		
Deferred income tax assets (see note 19)	32.1	37.5
Deferred income tax liabilities	23.3	21.8
Deferred income tax (assets)/liabilities, net	-8.8	-15.7

Deferred income taxes are calculated at every subsidiary using the local effective income tax rates (average around 27%, previous year average around 27%) applicable.

24 / SHARE CAPITAL

Composition

in CHF	2011	2010
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

	2011	2010
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	11'065'400	11'046'400
Proposed/approved dividend per bearer share (CHF)	2.20	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)	0.44	0.44
Total par value of shares ranking for dividend (CHF)	773'270	772'320
Authorised additional share capital	none	none
Authorised but unissued share capital	none	none
Registration/voting restrictions	none	none
Opting-out and opting-up provisions	none	none

25 / 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 treasury shares. The weighted value of the 22'000'000 registered shares represents 4'400'000 bearer shares. As awards of treasury shares under the share award plan are made in mid-year, the average number of treasury shares to be deducted represents the simple average of the number at the beginning and at the end of the year, see note 26.

	2011	2010
Net result reported in the income statement (CHF millions)	96.2	98.2
Weighted average number of shares	15'455'900	15'437'750
Net result per bearer share ranking for dividend (in CHF)	6.22	6.36

There were no dilutive effects in 2011 and 2010.

26 / TREASURY SHARES

At the end of 2011, the Group held 1'534'600 (previous year 1'553'600) treasury shares with a par value of CHF 0.05 each (previous year CHF 0.05). 26'000 bearer shares of then CHF 500 each were created by a resolution passed by the General Meeting on 18 November 1989, disapplying the pre-emption rights of shareholders and participation certificate holders, to provide for the exercise of options, warrants or conversion rights and for other purposes in the company's interest. These shares are not entitled to vote and do not rank for dividend until they are used. Following the resolution passed by the Annual General Meeting on 24 April 2007 to cancel 10'000 unissued bearer shares of CHF 500 each, the 100-for-1 share split on 6 July 2007, the par value reduction from CHF 5.00 to CHF 0.05 on 14 July 2008 and the award of treasury shares to those eligible under the share award plan in the years 2008 to 2011, the Group held 1'534'600 unissued bearer shares of CHF 0.05 each at the end of 2011. The par value of these shares totaling CHF 76'730 (previous year CHF 77'680) has been deducted from the CHF 850'000 (previous year CHF 850'000) share capital of Dätwyler Holding Inc.

27 / 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 2011, Directors were awarded a total of 9'600 (previous year 9'400) bearer shares and senior executives were awarded a total of 9'400 (previous year 7'900) bearer shares of Dätwyler Holding Inc. Personnel expenses relating to the share award plan amount to CHF 1.5 million (previous year CHF 1.1 million).

28 / SHAREHOLDERS

At year-end 2011, Pema Holding AG holds all 22'000'000 registered shares, plus 4'550'000 (previous year 4'550'000) of the total of 12'600'000 bearer shares of Dätwyler Holding Inc. This represents 80.30% (previous year 80.34%) of the voting rights and 52.65% (previous year 52.65%) of the share capital. Non-voting unissued bearer shares have been included in calculating the percentage of capital held but excluded in calculating the percentage of voting rights held. The entire share capital of Pema Holding AG was contributed to Datwyler Führungs AG, indirectly giving it a 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.

29 / 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

<u>in CHF millions</u>	31.12.2011	31.12.2010
Positive fair value	0.2	1.2
Notional amounts	25.2	21.0
Negative fair value	0.7	0.1
Notional amounts	12.5	6.5

These forward exchange contracts have maturities until July 2012. Positive fair values are recorded as other receivables (note 16), while negative fair values have been recognised in other current liabilities (note 21).

Unsettled interest rate swap

During 2008, an interest rate swap with a notional amount of EUR 19.9 million, expiring at the end of April 2011, was entered into to partially hedge interest rate exposure. At year-end 2010, the negative fair value of CHF 0.3 million was included in other current liabilities (note 21).

30 / CONTINGENT LIABILITIES

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

At year-end 2011, no guarantees (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.

When the Precision Tubes Division was sold at the end of 2007, the Group granted usual contractual guarantees to the purchasers in respect of environmental contamination, etc. This guarantee is limited to a maximum of CHF 18.4 million and applies to certain cases on a degressive basis for a maximum period of 10 years or until statute-barred. At present, no claims by the purchaser are known.

31 / COMMITMENTS

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

in CHF millions	2011	2010
Less than one year	10.5	14.1
Between 2 and 5 years	26.4	32.0
Over 5 years	2.3	5.4
Total commitments	39.2	51.5

Operating lease payments recognised as an expense in the income statement amounted to CHF 11.2 million (previous year CHF 12.7 million). There are no individually significant operating leases. Additional commitments of CHF 27.0 million (previous year CHF 34.4 million) relate to an IT outsourcing contract for the years from 2012 to 2014.

32 / ACQUISITION AND SALE OF SUBSIDIARIES

In 2011, there were no acquisitions or sale of subsidiaries. In 2010, acquisitions of subsidiaries had the following effect on the Group's assets and liabilities:

Acquisitions in 2010

At the beginning of January 2010, Reichelt Elektronik GmbH & Co. KG and Reichelt Elektronik Verwaltungsgesellschaft mbH, both domiciled in Sande, Germany, were fully acquired by the Technical Components Division. Reichelt Elektronik is a leading online/catalogue distributor for industrial electronics, automation and computer accessories in Germany. In 2010, the acquired businesses employing an average of 212 people generated net revenue of CHF 149.4 million.

The following table shows the fair value of assets and liabilities acquired at acquisition date and the goodwill arising from the transactions.

in CHF millions	Carrying amount	Fair value adjustments	Fair value on acquisition
Cash and cash equivalents	6.5	–	6.5
Trade accounts receivable	3.0	–	3.0
Inventories	8.0	–0.5	7.5
Other current assets	0.6	–	0.6
Property, plant and equipment	7.3	2.7	10.0
Deferred income tax assets	–	29.4	29.4
Current liabilities	7.5	0.1	7.6
Net assets acquired at fair value			49.4
Goodwill including directly attributable transaction costs			69.9
Total			119.3
Less cash and cash equivalents acquired			–6.5
Net cash outflow on acquisition			112.8

33 / RELATED PARTY TRANSACTIONS

Pema Holding AG

There were no transactions between the companies other than dividend payments to Pema Holding AG and administrative costs of CHF 35'000 charged in 2011 (previous year CHF 20'000) for administration and accounting services provided by Alvest AG. At the end of 2011 and 2010, there were no mutual receivables and payables.

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

The information required by Art. 663bbis and Art. 663c (transparency requirements) of the Swiss Code of Obligations is disclosed in note 2 to the financial statements of Dätwyler Holding Inc.

The remuneration of Directors of Dätwyler Holding Inc. consists of a fixed fee in the form of cash and shares. Their remuneration last year totalled CHF 1.475 million (previous year CHF 1.183 million), of which cash accounted for CHF 0.650 million (previous year CHF 0.454 million), shares for CHF 0.739 million (previous year CHF 0.658 million) and social benefits for CHF 0.086 million (previous year CHF 0.071 million).

The remuneration paid to Executive Board members consists of a fixed salary, a share award and a variable bonus up to a maximum of 150 % of base salary. Former Executive Board members receive no form of remuneration other than benefits under the regular and supplementary pension schemes. No termination benefits were paid in the current year (previous year none). The total remuneration of Executive Board members for the year was CHF 5.771 million (previous year CHF 5.710 million). Of the total remuneration, CHF 2.509 million (previous year CHF 2.234 million) were fixed salaries, CHF 0.616 million (previous year CHF 0.455 million) equity-settled payments in the form of shares, CHF 1.408 million (previous year CHF 1.972 million) cash bonuses and CHF 1.238 million (previous year CHF 1.049 million) social benefits and other costs. Social benefits include pension fund contributions of CHF 0.674 million (previous year CHF 0.497 million).

34 / EVENTS AFTER BALANCE SHEET DATE

At the beginning of January 2012 the Profiles division of Phoenix Dichtungstechnik GmbH, Hamburg, was acquired in the Sealing Technologies division. The Profiles division of Phoenix is a leading international manufacturer of high-quality elastomeric seals and gaskets generating annual revenue of about CHF 43 million with approximately 170 employees. Estimated total assets in the acquisition balance sheet are about CHF 21 million.

At the end of 2011, a cooperation agreement with Wilms was signed to combine the cable harnessing activities and in 2012, the new company WDA Assembly s.r.o. was founded with a share capital of CZK 10 million in the Czech Republic. The Cabling Solutions Division of Datwyler Group holds an interest of 25% in WDA Assembly s.r.o.

The Board of Directors has approved the acquisition of Display Elektronika B.V., Utrecht, the Netherlands, at its meeting on 12 March 2012. The signing of the share purchase agreement and the closing of the transaction are planned for the first half of 2012. The financial impact on the consolidated financial statements is insignificant.

In March 2012 the Board of Directors of Dätwyler Holding Inc. and the Dätwyler Foundation have decided to sign a letter of intent to sell respectively purchase real estate with an estimated transaction volume of approximately CHF 35 million.

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 12 March 2012 that would cause an adjustment of the carrying amounts of the Group's assets and liabilities.

35 / SUBSIDIARIES AND INVESTMENTS

Dätwyler Holding Inc. directly or indirectly owned the following companies at 31 December 2011:

		Registered office	Original currency	Capital in original currency (in millions)	Group's interest in%	Footnote	Technical Components	Pharma Packaging	Cabling Solutions	Sealing Technologies	Service and financial companies
SWITZERLAND	Alvest AG	Altdorf	CHF	15.000	100	K*					●
	Dätwyler AG	Altdorf	CHF	0.100	100	K*					●
	Dätwyler IT Services AG	Altdorf	CHF	0.100	100	K*					●
	Dätwyler Pharma Pack Holding AG	Altdorf	CHF	39.000	100	K*		●			
	Dätwyler Pharma Packaging Group AG	Dübendorf	CHF	0.100	100	K		●			
	Dätwyler Schweiz AG	Altdorf	CHF	32.000	100	K*	□		○	○	●
	Dätwyler Teco Holding AG	Altdorf	CHF	9.900	100	K*	●				
	Distrelec AG	Altdorf	CHF	0.050	100	K	●				
	Gummi Maag AG	Dübendorf	CHF	0.050	100	K	●				
	Kaved AG	Altdorf	CHF	0.100	100	K*					●
	Maag Technic AG	Altdorf	CHF	0.090	100	K*					●
	MDT-Immobilien AG	Dübendorf	CHF	2.000	100	K	●				
	Pohl Immobilien AG	Altdorf	CHF	1.600	100	K		●			
	Proditec AG	Nänikon	CHF	0.300	100	K	□				
	Teco Immobilien AG	Altdorf	CHF	0.500	100	K	●				
	Wachendorf AG	Dübendorf	CHF	0.100	100	K	●				
BELGIUM	Datwyler Pharma Packaging Belgium NV	Alken	EUR	15.778	100	K		○			
	Datwyler Pharma Packaging International NV	Alken	EUR	107.330	100	K		●			
CHINA	Datwyler Cables + Systems (Shanghai) Co. Ltd.	Shanghai	USD	10.000	100	K			○		
	Datwyler Sealing Technologies (Wuxi) Co., Ltd.	Wuxi	USD	3.000	100	K				○	
	Datwyler (Suzhou) Cabling Systems Co. Ltd.	Suzhou	USD	1.700	100	K			○		
DENMARK	ELFA Elektronik A/S	Aarhus	DKK	1.000	100	K	□				
GERMANY	Dätwyler Cables GmbH	Hattersheim am Main	EUR	1.600	100	K			○		
	Dätwyler Sealing Technologies Deutschland GmbH	Springe	EUR	0.256	100	K				□	
	Dätwyler Teco Holding (Deutschland) GmbH	Göppingen	EUR	3.100	100	K	●				
	Distrelec Schuricht GmbH	Bremen	EUR	0.800	100	K	□				
	Dätwyler Pharma Packaging Deutschland GmbH	Karlsbad	EUR	2.600	100	K		○			
	Maag Technic GmbH	Göppingen	EUR	2.600	100	K	□				
	Reichelt Elektronik GmbH & Co. KG	Sande	EUR	3.000	100	K	□				
	Wachendorf GmbH	Göppingen	EUR	0.030	100	K	●				
	UK	Datwyler (U.K.) Limited	Chandler's Ford	GBP	1.200	100	K			□	

		Registered office	Original currency	Capital in original currency (in millions)	Group's interest in %	Footnote	Technical Components	Pharma Packaging	Cabling Solutions	Sealing Technologies	Service and financial companies
ESTONIA	ELFA Elektroonika AS	Tallinn	EUR	0.079	100	K	□				
FINLAND	ELFA Elektronikka Oy	Helsinki	EUR	0.020	100	K	□				
FRANCE	Maagtechnic Holding France SAS	Vaulx-en-Velin	EUR	16.050	100	K	●				
	Maagtechnic SAS	Vaulx-en-Velin	EUR	2.166	100	K	○				
	Maagtechnic Soded	Saint-Marcellin	EUR	0.400	100	K	○				
INDIA	Helvoet Pharma India Operations Private Limited	New Delhi	INR	550.590	100	K		○			
ITALY	CIF srl	Veggiano	EUR	0.014	100	B		○			
	Datwyler Pharma Packaging Italy s.r.l.	Milano	EUR	2.000	100	K		○			
	Distrelec Italia srl	Milano	EUR	1.275	100	K	□				
LATVIA	ELFA Elektronika SIA	Riga	LVL	0.006	100	K	□				
LITHUANIA	ELFA Elektronika UAB	Vilnius	LTL	0.010	100	K	□				
MEXICO	Datwyler Sealing Technologies Mexico S.A. DE C.V.	Silao	MXN	82.000	100	K				○	
NETHERLANDS	Matrijzenmakerij Maro B.V.	Roosendaal	EUR	0.018	100	K		○			
NORWAY	ELFA Elektronikk AS	Oslo	NOK	0.200	100	K	□				
AUSTRIA	Distrelec Gesellschaft m.b.H.	Wien	EUR	0.145	100	K	□				
POLAND	ELFA Elektronika Spz oo	Warschau	PLN	0.100	100	K	□				
SWEDEN	Distrelec Sweden AB	Stockholm	SEK	0.100	100	K	●				
	ELFA AB	Stockholm	SEK	5.000	100	K	□				
	Nordic Power i Strömstad AB	Stockholm	SEK	0.100	100	K	□				
SINGAPORE	Datwyler (Thelma) Cables + Systems Pte Ltd	Singapore	SGD	0.300	100	K			□		
CZECH REPUBLIC	Datwyler Sealing Technologies CZ s.r.o.	Novy Bydzov	CZK	20.000	100	K				○	
	Maagtechnic s.r.o.	Dobruska	CZK	2.000	100	K	○				
UKRAINE	Datwyler Sealing Technologies Ukraine JSC	Malyn	UAH	12.500	100	K				○	
	DP ELFA Electronics	Kiev	UAH	0.000	100	K	□				
USA	Datwyler Pharma Packaging USA Inc.	Pennsauken	USD	9.130	100	K		○			

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

K = Consolidated at 31 December

B = Recorded as other financial investments at cost (less any impairment)

* = Held directly by Dätwyler Holding Inc.

Report of the Statutory Auditor on the Consolidated Financial Statements



Report of the statutory auditor
to the general meeting of
Dätwyler Holding Inc.
Altdorf

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Dätwyler Holding Inc., which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 52 to 85), for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

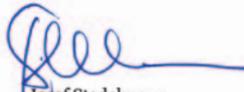
Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence. 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


Patrick Balkanyi
Audit expert
Auditor in charge


Josef Stadelmann
Audit expert

Zürich, March 12, 2012

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Dätwyler Holding Inc.

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Income Statement

in CHF	Notes	2011	2010
Investment income		44'622'500	57'825'000
Financial income		25'182'032	24'104'245
Finance costs		-11'004	-12'418
Net finance income	1	25'171'028	24'091'827
Personnel expenses	2	-1'474'517	-1'182'743
Administrative expenses	3	-72'350	-72'350
Profit before tax		68'246'661	80'661'734
Income tax expense		-2'676'172	-1'643'775
Profit for the year		65'570'489	79'017'959

Notes 1 to 3, see pages 90 to 93.

Balance Sheet

Assets

in CHF	Notes	31.12.2011	31.12.2010
Investments	4	189'991'243	189'990'973
Loans to Group companies	5	626'546'620	600'496'620
Non-current assets		816'537'863	790'487'593
Other receivables from Group companies		9'504'217	2'945'692
Other receivables from third parties		11'898	6'575
Current assets		9'516'115	2'952'267
Total assets		826'053'978	793'439'860

Equity and liabilities

in CHF	Notes	31.12.2011	31.12.2010
Share capital	6	850'000	850'000
Statutory reserves	7	87'076'730	87'077'680
of which general reserve		87'000'000	87'000'000
of which reserve for treasury shares	8	76'730	77'680
Special reserve	9	305'186'588	305'185'638
Retained earnings		430'245'530	398'657'121
Equity		823'358'848	791'770'439
Other current liabilities	10	2'695'130	1'669'421
Liabilities		2'695'130	1'669'421
Total equity and liabilities		826'053'978	793'439'860

Notes 4 to 10, see pages 94 to 96.

Notes to the Financial Statements

1 / NET FINANCE INCOME

Amounts owed by Group companies bear interest.

2 / EMPLOYEE COSTS

Employee costs include all expenses of the Board of Directors. The disclosures required by the Transparency Act in respect of remuneration, loans/credits and interests granted to current and former key management personnel (Directors and Executive Management members) and persons connected with key management personnel are presented below:

Remuneration in 2011

in CHF								
Last name and first name	Function	Basic remuneration				Variable remuneration	Pension and other benefit expense	Total remuneration
		Cash payment	No. of shares	Fair value of shares	Total fixed component			
Directors								
Graf Ulrich*	Chairman	170'000	2'400	184'680	354'680	0	20'082	374'762
Rüegg Hans R.	Deputy Chairman	110'000	1'700	130'815	240'815	0	15'876	256'691
Fässler Hanspeter	Director	90'000	1'100	84'645	174'645	0	12'091	186'736
Inderbitzin Werner	Director	70'000	1'100	84'645	154'645	0	10'181	164'826
Lienhard Ernst	Director	90'000	1'100	84'645	174'645	0	10'304	184'949
Odermatt Ernst	Director	70'000	1'100	84'645	154'645	0	10'612	165'257
Steinegger Franz	Director	50'000	1'100	84'645	134'645	0	6'651	141'296
Total for Directors		650'000	9'600	738'720	1'388'720	0	85'797	1'474'517
Executive Management								
Hälg Paul J.*	CEO	750'000	3'300	253'935	1'003'935	565'000	308'583	1'877'518
Total for Executive Management		2'509'375	8'000	615'600	3'124'975	1'408'000	1'238'215	5'771'191

Remuneration in 2010

in CHF								
Last name and first name	Function	Basic remuneration				Variable remuneration	Pension and other benefit expense	Total remuneration
		Cash payment	No. of shares	Fair value of shares	Total fixed component			
Directors								
Graf Ulrich*	Chairman	143'000	2'200	154'000	297'000	0	18'221	315'221
Rüegg Hans R.	Deputy Chairman	63'000	1'700	119'000	182'000	0	11'933	193'933
Fässler Hanspeter	Director	43'000	1'100	77'000	120'000	0	8'035	128'035
Inderbitzin Werner	Director	43'000	1'100	77'000	120'000	0	8'035	128'035
Lienhard Ernst	Director	76'000	1'100	77'000	153'000	0	10'633	163'633
Odermatt Ernst	Director	43'000	1'100	77'000	120'000	0	8'035	128'035
Steinegger Franz	Director	43'000	1'100	77'000	120'000	0	5'851	125'851
Total for Directors		454'000	9'400	658'000	1'112'000	0	70'743	1'182'743
Executive Management								
Hälg Paul J.*	CEO	750'000	3'300	231'000	981'000	1'010'640	334'149	2'325'789
Total for Executive Management		2'234'015	6'500	455'000	2'689'015	1'971'520	1'049'265	5'709'800

* Highest remuneration

Explanatory notes:

1. Directors and Executive Management members receive a base remuneration in the form of a cash payment and shares. The cash payment to Directors was brought into line with market conditions in the year under review. With effect from the year under review, cash payments have also been made contingent in part on membership of the various Sub-Committees. The cash payment to the Executive Management was partly brought into line with the prevailing market conditions in the year under review. One member of the Executive Management has been in office only since 1 August 2010.
2. The share awards for 2011 were determined by the HR Committee and approved by the Board of Directors. The shares awarded on 1 June 2011 at the then market value of CHF 76.95 vest over a period of five years. After the end of this period, the shares are at the free disposal of the beneficiary or his legal successor regardless of death, disability or termination. The number of shares awarded per functional level was adjusted for the Chairman of the Board in the year under review. Moreover, in the year under review, one member of the Executive Management was allocated shares for the first time. The market value of the share was CHF 6.95 higher than in 2010, which increased the base remuneration accordingly.
3. The amounts shown in the table under Variable remuneration represent the expense actually recognised for variable salary components granted for 2011, which will be paid in March 2012. Owing to the lower consolidated result in the year under review, the variable remunerations were also correspondingly lower. However, the variable remunerations are contingent not only on the consolidated result, but also on the individual results of the divisions. One member of the Executive Management only had a pro rata entitlement to a variable salary component in 2010.
4. The heading Pension and other benefit expense includes all costs of pension plans, social security contributions and benefits in kind.
5. One Director (shareholders' representative under Art. 709 of the Swiss Code of Obligations) receives a higher remuneration for his services to bearer shareholders.

In the year under review, no payments were made to former Directors or Executive Management members. Nor was any non-arm's length remuneration paid to persons connected with current or former Directors or Executive Management members.

Loans and credits

No loans and/or credits were granted to individual current or former Directors or Executive Management members (including persons connected with them). Nor were any non-arm's length loans and/or credits granted to current or former members of the aforementioned bodies or persons connected with them.

At 31 December 2011, individual Directors and Executive Management members including persons connected with them held the following interests in the Company's shares:

Directors' interests in shares in 2011

Last name and first name	Function	No. of shares	Percentage voting rights	of which vesting over 5 years				
				2012	2013	2014	2015	2016
Graf Ulrich	Chairman	12'800	0.038711	2'200	2'200	2'200	2'200	2'400
Rüegg Hans R.	Deputy Chairman	9'300	0.028126	1'700	1'700	1'700	1'700	1'700
Fässler Hanspeter	Director	5'500	0.016634	1'100	1'100	1'100	1'100	1'100
Inderbitzin Werner	Director	5'600	0.016936	1'100	1'100	1'100	1'100	1'100
Lienhard Ernst	Director	5'500	0.016634	1'100	1'100	1'100	1'100	1'100
Odermatt Ernst	Director	5'500	0.016634	1'100	1'100	1'100	1'100	1'100
Steinegger Franz	Director	7'500	0.022682	1'100	1'100	1'100	1'100	1'100

Class of share: bearer share, CHF 0.05 nom.

Percentage of voting rights: bearer share, 0.00000302

Executive Management's interests in shares in 2011

Last name and first name	Function	No. of shares	Percentage voting rights	of which vesting over 5 years				
				2012	2013	2014	2015	2016
Hälg Paul J.	CEO	21'200	0.064115	5'000	3'300	3'300	3'300	3'300
Welte Reto	CFO	3'300	0.009980	0	0	1'100	1'100	1'100
Lambrecht Dirk	Division Head	4'050	0.012248	900	700	700	700	700
Müller Johannes	Division Head	3'800	0.011492	1'000	700	700	700	700
Wallraff Guido	Division Head	2'800	0.008468	0	700	700	700	700
Heusser Markus	Division Head	1'904	0.005758	0	0	0	0	1'500

Class of share: bearer share, CHF 0.05 nom.

Percentage of voting rights: bearer share, 0.00000302

Directors' interests in shares in 2010

Last name and first name	Function	No. of shares	Percentage voting rights	of which vesting over 5 years				
				2012	2013	2014	2015	2016
Graf Ulrich	Chairman	8'850	0.026781	2'200	2'200	2'200	2'200	
Rüegg Hans R.	Deputy Chairman	7'600	0.022998	1'700	1'700	1'700	1'700	
Fässler Hanspeter	Director	4'400	0.013315	1'100	1'100	1'100	1'100	
Inderbitzin Werner	Director	4'500	0.013617	1'100	1'100	1'100	1'100	
Lienhard Ernst	Director	4'400	0.013315	1'100	1'100	1'100	1'100	
Odermatt Ernst	Director	4'800	0.014525	1'100	1'100	1'100	1'100	
Steinegger Franz	Director	6'400	0.019367	1'100	1'100	1'100	1'100	

Class of share: bearer share, CHF 0.05 nom.

Percentage voting rights: bearer share, 0.00000303

Executive Management's interests in shares in 2010

Last name and first name	Function	No. of shares	Percentage voting rights	of which vesting over 5 years				
				2012	2013	2014	2015	2016
Hälg Paul J.	CEO	17'500	0.052956	5'000	3'300	3'300	3'300	
Welte Reto	CFO (from 1. 6. 2009)	2'200	0.006657	0	0	1'100	1'100	
Lambrecht Dirk	Division Head	3'000	0.009078	900	700	700	700	
Müller Johannes	Division Head	3'100	0.009381	1'000	700	700	700	
Wallraff Guido	Division Head	2'100	0.006355	0	700	700	700	
Heusser Markus	Division Head from 1. 8. 2010	404	0.001223	0	0	0	0	

Class of share: bearer share, CHF 0.05 nom.

Percentage voting rights: bearer share, 0.00000303

3 / ADMINISTRATIVE EXPENSES

This item comprises general business expenses of Dätwyler Holding Inc.

4 / INVESTMENTS

As of 31 December 2011, Dätwyler Holding Inc. held the following direct investments:

Company	Company activity	Share capital in CHF
Switzerland		
Alvest AG, Altdorf	Finance	15'000'000
Daetwyler Switzerland Inc, Altdorf	Manufacturing	32'000'000
Dätwyler Pharma Pack Holding AG, Altdorf	Investments	39'000'000
Dätwyler Teco Holding AG, Altdorf	Investments	9'900'000
Kaved AG, Altdorf	Finance	100'000
Dätwyler Inc., Altdorf	Finance	100'000
Dätwyler IT Services AG, Altdorf	Services	100'000
Maag Technic AG, Altdorf	Finance	90'000

All these investments are wholly owned by Dätwyler Holding Inc.

5 / LOANS TO GROUP COMPANIES

This item comprises long-term loans denominated in Swiss francs which were granted to Group companies. The year-on-year change is largely the result of dividend and interest payments from Group companies.

6 / SHARE CAPITAL

in CHF	31.12.2011	31.12.2010
22'000'000 registered shares of CHF 0.01 each	220'000	220'000
12'600'000 bearer shares of CHF 0.05 each	630'000	630'000
Share capital	850'000	850'000
Per share data		
Registered shares (of CHF 0.01 each)		
Number issued	22'000'000	22'000'000
Number ranking for dividend	22'000'000	22'000'000
Bearer shares (of CHF 0.05 each)		
Number issued	12'600'000	12'600'000
Number ranking for dividend	11'065'400	11'046'400
Total par value of shares ranking for dividend (in CHF)	773'270	772'320
Authorised additional share capital	none	none
Authorised but unissued share capital	none	none
Voting restrictions	none	none
Opting-out and opting-up provisions	none	none

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

All 22'000'000 registered shares and 4'550'000 of the total of 12'600'000 bearer shares are owned by Pema Holding AG, Altdorf, which consequently holds 52.65% of the share capital and 80.30 % of the voting rights.

The Board is not aware of any other shareholders, or groups of shareholders subject to voting agreements, who hold 3.00% or more of the total voting rights.

7 / STATUTORY RESERVES

in CHF	31.12.2011	31.12.2010
Transfer from profit	4'000'000	4'000'000
Share premium	83'000'000	83'000'000
General reserve	87'000'000	87'000'000
Reserve for treasury bearer shares	76'730	77'680
Total	87'076'730	87'077'680

Art. 659a par. 2 and Art. 671a of the Swiss Code of Obligations (CO) require the Company to recognise the cost of acquiring its own shares as a separate reserve. As a result of the issuing of employee shares, the necessary reserve for treasury bearer shares was also reduced accordingly.

8 / TREASURY SHARES

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

Following the reduction in share capital and share split in 2007 and the par value reduction in 2008 and awards under the employee share award plan between 2007 and 2011, 1'534'600 (previous year: 1'553'600) treasury shares were still held at 31 December 2011 and are recorded in the balance sheet of Alvest AG at a par value of CHF 0.05 each, making a total of CHF 76'730. In total, 19'000 treasury shares were used for the employee share award plan in 2011.

These bearer shares created before the new Swiss Corporation Law was enacted on 4 October 1991 now correspond to a nominal holding of CHF 76'730, representing 9.03% of the total share capital, and are thus within the 10% limit which Art. 659 par. 1 of the Swiss Code of Obligations imposes on holdings of the Company's own bearer shares.

9 / SPECIAL RESERVE

The special reserve is an unrestricted reserve available for distribution by the general meeting.

Under Art. 659a par. 2 and Art. 671a of the Swiss Code of Obligations, the Company is required to recognise the cost of acquiring its own shares as a separate reserve. The Board adjusts that reserve by transfers from and to the special reserve. In 2011, an amount of CHF 950 was transferred to the special reserve. As a result, the special reserve amounted to CHF 305'186'588 at 31 December 2011.

10 / OTHER CURRENT LIABILITIES

in CHF	31.12.2011	31.12.2010
Accruals and deferred income	2'676'759	1'648'605
Uncashed dividend coupons	18'371	20'816
Total	2'695'130	1'669'421

Accruals and deferred income comprise accrued tax and audit expense.

11 / BONDS, GUARANTEES AND PLEDGES IN FAVOUR OF THIRD PARTIES

Borrowing facilities of CHF 57.6 million (2010: CHF 67.3 million) backed by joint and several guarantees were extended to various Group companies, of which CHF 0.0 million (2010: CHF 13.1 million) was drawn.

When the Precision Tubes Division was sold at the end of 2007, the Group granted the usual contractual guarantees to the purchaser in respect of environmental contamination, etc. This guarantee is limited to a maximum of CHF 18'400'000 and applies to certain cases for a maximum period of 10 years or until statute-barred. At present, no claims by the purchaser are known.

Since 1 January 2009, the company has been a member of the VAT group under number 705666; the group parent is Daetwyler Switzerland Inc., Altdorf. For the period of this group membership the company is jointly and severally liable in accordance with Art. 15 par.1 c of the VAT Act.

12 / RISK ASSESSMENT

As part of its duties to oversee the management of the Company, the Board of Directors conducts a systematic risk assessment at least once a year. At its meeting V/2011 of 23 September 2011, the Board of Directors acknowledged management's report on Group-wide risk management and approved the proposed measures contained in it.

Proposed Appropriation of Retained Earnings

in CHF	2011	2010
The Board of Directors proposes to the Annual General Meeting that retained earnings consisting of		
Profit for the year	65'570'489	79'017'959
Retained earnings brought forward	364'675'041	319'639'162
Retained earnings	430'245'530	398'657'121
be appropriated as follows:		
Payment of a dividend of CHF 0.44 per registered share and CHF 2.20 per bearer share (2010: CHF 0.44 per registered share and CHF 2.20 per bearer share) on share capital of CHF 773'270 (2010: CHF 772'320) eligible for dividend ⁽¹⁾	34'023'880	33'982'080
Balance to be carried forward	396'221'650	364'675'041
Total	430'245'530	398'657'121

⁽¹⁾ 1'534'600 (2010: 1'553'600) unissued bearer shares reserved to provide for the exercise of options, warrants or conversion rights and for other purposes in the Company's interest at the Board's discretion pursuant to the resolution of the Annual General Meeting on 18 November 1989 do not rank for dividend.

Report of the Statutory Auditor on the Financial Statements



Report of the statutory auditor
to the general meeting of
Dätwyler Holding Inc.
Altdorf

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Dätwyler Holding Inc., which comprise the balance sheet, income statement and notes (pages 88 to 96), for the year ended December 31, 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2011 comply with Swiss law and the company's articles of incorporation.

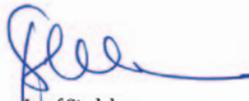
Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence. 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


Patrick Balkanyi
Audit expert
Auditor in charge


Josef Stadelmann
Audit expert

Zürich, March 12, 2012

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Shareholder Information

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Five Year Summary

Datwyler Group

in CHF millions	2011	2010	2009	2008	2007
Net revenue	1'290.5	1'319.5	1'122.2	1'294.9	1'173.5
Year-on-year change (%)	-2.2	17.6	-13.3	10.3	-3.4
EBITDA	168.3	176.6	134.0	185.3	164.1
Depreciation and amortisation	44.1	48.7	54.0	51.1	53.0
As % of net revenue	3.4	3.7	4.8	3.9	4.5
Year-on-year change (%)	-9.4	-9.8	5.7	-3.6	-21.6
Operating result before interest and tax (EBIT)	124.2	127.9	80.0	134.2	111.2
As % of net revenue	9.6	9.7	7.1	10.4	9.5
Year-on-year change (%)	-2.9	59.9	-40.4	20.7	23.6
Net result	96.2	98.2	63.7	109.6	86.3
As % of net revenue	7.5	7.4	5.7	8.5	7.4
Year-on-year change (%)	-2.0	54.2	-41.9	27.0	12.8
Net cash from operating activities	149.6	142.8	148.3	125.3	144.7
As % of net revenue	11.6	10.8	13.2	9.7	12.3
Year-on-year change (%)	4.8	-3.7	18.4	-13.4	29.9
Free Cash Flow (based on Consolidated Cash Flow Statement)	83.1	25.3	197.5	-79.7	-5.1
Non-current assets	384.9	375.4	393.3	773.4	464.4
Year-on-year change (%)	2.5	-4.6	n/a	66.5	1.2
Current assets	507.1	471.6	546.4	638.5	867.2
Year-on-year change (%)	7.5	-13.7	-14.4	-26.4	36.9
Total assets	892.0	847.0	939.7	1'411.9	1'331.6
Equity	643.4	583.5	596.3	829.1	931.7
Year-on-year change (%)	10.3	-2.1	n/a	-11.0	26.4
As % of total assets	72.1	68.9	63.5	58.7	70.0
Total liabilities	248.6	263.5	343.4	582.8	399.7
Year-on-year change (%)	-5.7	-23.3	n/a	45.7	12.5
Current liabilities	207.3	223.8	285.3	328.5	322.3
Long-term liabilities	41.3	39.7	58.1	254.3	77.6
Capital expenditure on property, plant and equipment	64.1	34.8	53.1	69.9	66.7
Year-on-year change (%)	84.2	-34.6	-23.9	4.8	-9.3
Personnel expenses	329.7	333.0	327.8	340.1	309.3
Year-on-year change (%)	-1.0	1.6	-3.6	10.0	-6.7
Number of employees (from 2009: annual average)	5'226	4'922	4'500	4'712	4'340
Year-on-year change (%)	6.2	9.4	-4.5	8.6	-3.8

Since 2009 in accordance with Swiss GAAP ARR, before in accordance with IFRS.

Dätwyler Holding Inc.

in CHF mio.	2011	2010	2009	2008	2007
Finance and investment income	69.8	81.9	76.9	72.0	224.1
Net result	65.6	79.0	74.2	69.5	221.8
Equity	823.4	791.8	731.3	684.8	699.4
Equity ratio (%)	99.7	99.8	99.8	99.8	99.8
Share capital	0.9	0.9	0.9	0.9	85.0
Distribution	34.0 ⁽¹⁾	34.0	18.5	27.7	84.2

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

Share Information

	Notes	Currency	2011	2010	2009	2008 ⁽⁵⁾	2007
Share capital		in CHF mio.	0.85	0.85	0.85	0.85	85
Eligible for a dividend		in CHF mio.	0.77	0.77	0.77	0.77	77
Number of shares							
Bearer shares of CHF 0.05 each	(5)		12'600'000	12'600'000	12'600'000	12'600'000	12'600'000
Unissued shares			1'534'600	1'553'600	1'570'900	1'589'700	1'600'000
Bearer shares in issue			11'065'400	11'046'400	11'029'100	11'010'300	11'000'000
Registered shares of CHF 0.01 each	(5)		22'000'000	22'000'000	22'000'000	22'000'000	22'000'000
Market price (high/low)							
Bearer share – high	(1)	(2) CHF	87.00	79.45	66.00	77.95	94.45
Bearer share – low	(2)	CHF	45.50	56.55	36.00	39.50	62.00
Trading volume							
Number of shares			2'008'146	2'437'950	2'093'440	1'683'634	1'845'789
Value		in CHF mio.	140	167	97	106	144
Gross dividend							
Bearer share		CHF	2.20 ⁽³⁾	2.20	1.20	1.80	4.95
Registered share		CHF	0.44 ⁽³⁾	0.44	0.24	0.36	0.99
Net result per share							
Bearer share	(4)	CHF	6.22	6.36	4.13	7.12	14.27
Registered share		CHF	1.24	1.27	0.83	1.42	2.85
Net cash from operating activities per share							
Bearer share	(4)	CHF	9.68	9.25	9.62	8.13	9.40
Registered share		CHF	1.94	1.85	1.92	1.63	1.88
Price/earnings ratio (average)							
			11.2	10.7	12.3	8.3	5.5
Equity per share							
Bearer share	(4)	CHF	42	38	39	54	66
Registered share		CHF	8	8	8	11	13
Market capitalisation							
Average for the year		in CHF mio.	1'076	1'050	787	905	1'204
As % of equity			167	180	132	109	119
At 31 December		in CHF mio.	861	1'197	895	662	1'175
As % of equity			134	205	150	80	116

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⁾ Swiss Stock Exchange (SIX).

⁽²⁾ Issued at a price of CHF 2'250 in October 1986. 100-for-1 share split on 6 July 2007.

⁽³⁾ Board of Directors' proposal to the Annual General Meeting.

⁽⁴⁾ As adjusted per share ranking for dividend.

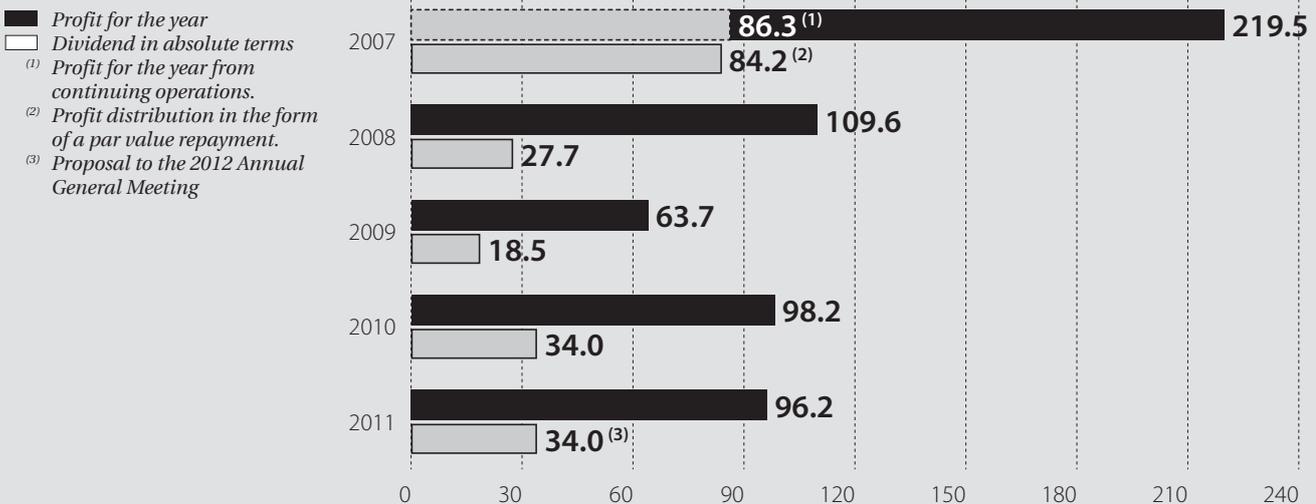
⁽⁵⁾ The data from 2008 reflect the value after the par value repayment on 14 July 2008.

Share Price Performance



Dividend Performance

in CHF millions



Net result since 2009 in accordance with Swiss GAAP ARR.
Net result 2008 and 2007 in accordance with IFRS.

General Information

Financial year

Datwyler Group: 1 January to 31 December

Dätwyler Holding Inc.: 1 January to 31 December

Incorporated

Datwyler 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

Taxable value set by the Swiss Federal Tax Administration at 31 December 2011

Bearer share: CHF 55.70

Important dates

2012

Annual General Meeting: 24 April 2012

Interim Report: 17 August 2012

2013

Announcement of net revenue 2012: 25 January 2013

Annual Press Conference and Analyst Conference: 15 March 2013

Annual General Meeting: 23 April 2013

Interim Report: 16 August 2013

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

Press office and investor relations

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This Annual Report is also available in German and can be downloaded from our website at www.datwyler.com.
In the event of any inconsistency, the German version will prevail.

DATWYLER GROUP

at 15 March 2012

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Published and edited by

Dätwyler Holding Inc., Altdorf, Switzerland

Advice on sustainability reporting

sustainserv GmbH, Zurich and Boston

Design and realization

Hotz Brand Consultants,
Steinhausen / Zug, Switzerland
gateB AG, Communication Engineering,
Steinhausen / Zug, Switzerland

Pictures

S. 8–9, Keystone
S. 12–13, iStock
S. 16–17, Keystone
S. 20–21, Datwyler Archive

Printing

Gamma Druck+Verlag AG, Altdorf
Printed on chlorine-free bleached paper,
without optical brightening agent

Disclaimer

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