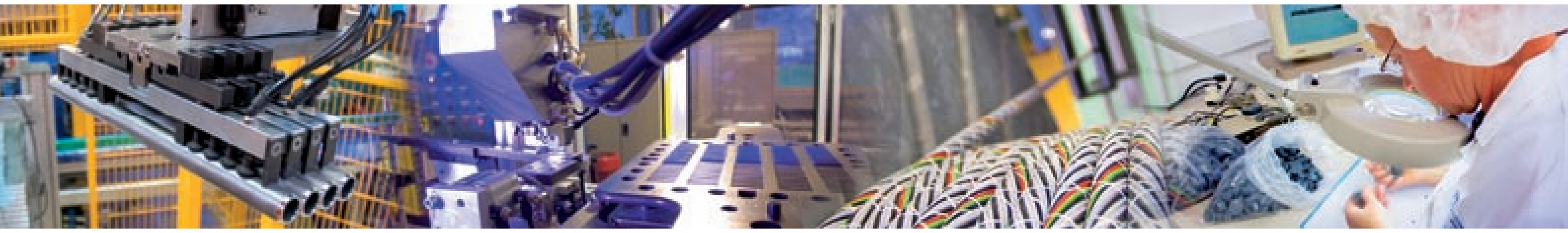
Semi-Annual Report 2005



Dätwyler with Strengthened Earning Power

The Dätwyler Group as a whole developed encouragingly in the first half of 2005 despite the continuing stagnation in the important markets Germany and Switzerland in general and telecom and construction in particular. Sales increased by 3.0% in comparison to the first semester of 2004. In absolute terms, sales amounted to CHF 561.9 million in the first half of 2005 (in the previous year CHF 545.3 million). The positive contribution from the change of the scope of consolidation amounts to CHF 4.5 million or 0.8%, respectively. While the Precision Tubes and Pharmaceutical Packaging Divisions were able to increase their sales, the other three divisions suffered a slight sales decline.

Disproportionate Increase in Earnings

In terms of earnings, the Dätwyler Group registered a disproportionate increase in the first half of 2005 despite continually high raw material prices: While EBIT increased 46.3% to CHF 36.0 million (previous year CHF 24.6 million), net earnings rose 55.2% to CHF 23.9 million (previous year CHF 15.4 million). Contained therein are special impairment charges of CHF 4.0 million from the revaluation of goodwill according to IAS 36 "Impairment of Assets" in the Technical Components Division. The EBIT margin improved to 6.4% (previous year 4.5%). This encouraging strengthening of earning power is primarily based on various restructuring measures for the elimination of operational weaknesses in all divisions. While these efforts partly caused extraordinary costs in the past years, they now are coming to fruition in the form of increased productivity. The discontinuation of regular goodwill amortizations according to the new IFRS valuation regulations (CHF 1.5 million), the positive currency impacts (CHF 2.2 million) and the change in the scope of consolidation (CHF 0.9 million) also had an earnings increasing effect in comparison to the same period of the previous year.

Cables + Systems Turnaround on Track

After a weak start, business in the Cables + Systems Division stabilized. With higher volumes but lower prices, sales declined by 2.0% to CHF 83.6 million (previous year CHF 85.3 million). Demand in Switzerland as well as in the UK and Singapore was slightly above expectation. In Germany and Austria, in particular sales of data networks, the largest sales contributors, developed only sluggishly. A slight stimulation of sales of safety cabling systems was noticeable in all their markets. The elevator cable and harnessing sectors were confronted with high competitive and price pressure. The pressure on margins was increased by historically high prices for the raw material copper. The consistent implementation of the restructuring measures made it possible to reduce the operating loss by approximately one third to CHF – 2.7 million (previous year CHF – 4.2 million). In addition to cost reductions and productivity increases, the better capacity utilization of the cable factory in Altdorf was a positive factor. For the entire year, we expect improved but negative results for Cables + Systems in comparison to the previous year.

Rubber + Plastics with a Weak First Half Year

The Rubber + Plastics Division registered a decline of sales by 4.8 % to CHF 65.5 million (previous year CHF 68.9 million) in the period under review. EBIT sank by CHF 0.5 million to CHF 1.6 million. In a difficult environment, the individual sectors developed differently. Above all, the construction sector suffered under a marked decline in sales. The main cause therefor is the continuing difficult situation of the construction industry. Added to that was the total loss of the plant in Trie Château, France, through fire at the beginning of May. The property damage as well as the interruption of the operation are fully covered by insurance. The production for the French market could already be recommenced in June at the existing Swiss location in Schattdorf. Based on the high order volume of tunnel and surface products, the construction sector expects a recovery in the second half of this year. The automotive sector developed positively in a difficult market environment and realized sales barely above the level of the previous year. The development of the new industry sector advances according to plan. Based on the generally good order situation, we expect sales and earnings results for the Rubber + Plastics Division on the same level as in the previous year.

Sales and Profit Jump at Precision Tubes

The Precision Tubes Division enjoyed lively demand in the first semester of 2005. Sales increased by 21.6 % to CHF 109.2 million (previous year CHF 89.8 million). This strong increase in the only slowly growing automotive market shows that the application possibilities for precision tubes continuously expand. In addition increased costs for flat steel are reflected in higher sales through the price increases forced through in the market. Furthermore, this division operating under the name Rothrist is able to continuously expand its value added by tube processing. This shows our strong positioning as development partner of international automotive industry clients. Moreover, product related applications for new markets could be developed. Thanks to significant productivity increases, the capital intensive Precision Tubes Division managed the increased sales without any substantial increases of fixed costs – with a corresponding positive influence on earnings. With CHF 8.4 million EBIT has more than doubled in comparison to the same period of the previous year (CHF 3.5 million). Business in the second half of the year is difficult to predict, but is traditionally weaker. Despite this, for the entire year, we expect a result for Rothrist clearly above the previous year.

Pharmaceutical Packaging with Profitable Growth

The Pharmaceutical Packaging Division achieved a sales increase of 17.5 % to CHF 113.5 million (previous year CHF 96.6 million) in the first half of 2005. This increase reflects the integration according to plan of the Italian Seal Line that had been acquired in July 2004. The internal sales growth on a comparable previous year basis amounted to 4.0 %. With Seal Line, the division that operates under the name Helvoet Pharma has developed the new market segment of pistons for disposable syringes. Seal Line contributes on the sales side as well as on the earnings side to the positive development of the division. EBIT increased by 50.0 % to CHF 17.4 million (previous year CHF 11.6 million); the EBIT margin rose to 15.3 %. Among others, this is the result of ongoing projects for productivity increases. Thus, Helvoet Pharma has, according to plan, centralized the finishing activities for rubber closures in the U.S. at the location Pennsauken, New Jersey, and has closed the plant in Salisbury, Maryland. In order to satisfy the high demand, the moulding capacity for rubber closures was further increased at the Italian location. We are confident about the entire year for Helvoet Pharma. The high order volume and many development projects on a partnership basis with leading pharmaceutical companies are laying the basis for a successful future.

Stagnating Demand at Technical Components

The Technical Components Division was confronted with a more difficult economic environment in the first half of 2005 than expected. Taking into consideration the change in the scope of consolidation (divestment of Mader GmbH, September 30, 2004, acquisition of Richterich + Zeller AG, January 1, 2005) the division registered a sales decline of 6.5 % to CHF 191.9 million (previous year CHF 205.3 million). On comparable previous year basis sales declined by 1.0 %. Manifold measures for the increase of productivity led – despite stagnating demand – to an encouraging increase in net earnings by 40.5 % to CHF 15.4 million. After special impairment charges of CHF 4.0 million from the revaluation of goodwill according to IAS 36 "Impairment of Assets" at Fähnle Technic GmbH (CHF 1.1 million) and at Dätwyler Electronics AG (CHF 2.9 million), the EBIT shown amounts to CHF 11.4 million (previous year CHF 11.1 million). In the specialty distribution sector, the new logistics center in Dübendorf with an investment sum of approximately CHF 16 million has been gradually commissioned since June 2005. Therefore, expanded services can already be offered in the next months. The mail order distribution sector confronts the continuing competition and margin pressure with a series of aggressive growth projects. The measures introduced at the internationally active keypad manufacturer, Dätwyler i/o devices, led to an improved result. We are confident that the division as a whole can reach the sales and surpass the earnings of the previous year thanks to ongoing improvements in processes and structures.

Outlook: On Target

At Dätwyler, the first six months cannot be considered as a measure for the second half year. We traditionally expect a weaker development of demand in our core markets in the second half of the year. This year, probably, unchanged high raw material prices will strengthen this trend. Thanks to the strong first half year, we expect, however, that we will reach our goal communicated at the Results Press Conference of a clear increase of the results.

For the Board of Directors

Ulrich Graf, Präsident

For the Executive Board

Dr. Paul J. Hälg, CEO

Income Statements Consolidated, Summarized

in CHF millions	6 months ended:	06/30/2005	06/30/2004	Change in %
Gross sales		**561.9**	**545.3**	3.0
Net sales		**556.7**	**539.6**	3.2
Gross earnings		**294.1**	**279.9**	5.1
Other operating income		25.0	21.8	14.7
Personnel expenses		–157.8	–156.0	1.2
Operating expenses		–93.1	–92.2	1.0
Depreciation / Amortization of goodwill	(1), (2)	–32.2	–28.9	11.4
Earnings before interest and taxes (EBIT)		**36.0**	**24.6**	46.3
Net financial result	(3)	–1.6	–2.1	–23.8
Net earnings before taxes		**34.4**	**22.5**	52.9
Earnings taxes		–10.6	–7.0	51.4
Net earnings		**23.9**	**15.4**	55.2
Group cash flow		**56.1**	**44.3**	26.6
Earnings per dividend-bearing share		156	102	55.2

No facts exist that lead to a dilution of the earnings per share.

Balance Sheets Consolidated, Summarized

Assets in CHF millions		**06/30/2005**	12/31/2004	06/30/2004
Tangible fixed assets		389.8	390.3	375.5
Intangible assets / Goodwill		44.0	46.7	42.3
Financial assets		15.0	15.1	13.1
Other fixed assets		–	2.7	–
Fixed assets		**448.8**	**454.8**	**430.9**
Cash and cash equivalents		161.0	171.3	145.7
Inventories		203.5	196.1	196.0
Trade accounts receivable, other receivables and accrued income	(4)	224.3	173.1	202.1
Current assets		**588.8**	**540.5**	**543.8**
Total assets		**1 037.6**	**995.3**	**974.7**

Liabilities and stockholders' equity in CHF millions				
Stockholders' equity	(5), (6), (7)	**658.9**	**633.8**	**629.8**
Long-term financial liabilities		32.0	33.7	31.4
Other long-term liabilities		59.2	63.1	52.1
Long-term liabilities		**91.2**	**96.8**	**83.5**
Short-term financial liabilities		109.7	131.6	111.5
Other short-term liabilities		178.0	133.1	149.8
Short-term liabilities		**287.7**	**264.7**	**261.3**
Liabilities		**378.9**	**361.5**	**344.8**
Total liabilities and stockholders' equity		**1 037.6**	**995.3**	**974.7**

Statement of Stockholders' Equity Consolidated, Summarized

in CHF millions	Capital stock of the holding company	Group reserves (6)	Changes in market value of financial assets	Translation differences	Net earnings	Total Group
As of January 1, 2004	**76.0**	**492.0**	**–3.7**	**32.4**	**22.1**	**618.8**
Regrouping of reserves		22.1			–22.1	–
Dividend payment		–7.7				–7.7
Net earnings for the period					15.4	15.4
Financial assets			0.4			0.4
Translation differences				2.9		2.9
As of June 30, 2004	**76.0**	**506.4**	**–3.3**	**35.3**	**15.4**	**629.8**
As of January 1, 2005	**76.0**	**508.8**	**–3.1**	**30.9**	**24.2**	**633.8**
Regrouping of reserves		24.2			–24.2	–
Dividend payment		–8.4				–8.4
Net earnings for the period					23.9	23.9
Sales of treasury stocks	0.6	2.5				3.1
Financial assets			1.0			1.0
Translation differences				5.5		5.5
As of June 30, 2005	**76.6**	**524.1**	**–2.1**	**36.4**	**23.9**	**658.9**

The group has no minority interests.

Cash Flow Statements Consolidated, Summarized

in CHF millions 6 months ended:	06/30/2005	06/30/2004
Net earnings before taxes	**34.4**	**22.5**
Non-cash expenses and income and change in current assets	–6.9	–74.1
Cash flow from operations	**27.5**	**–51.6**
Investments in/Disposals of tangible fixed assets	–27.7	–22.3
Investments in/Disposals of financial assets	0.1	2.4
Investments in/Disposals of other fixed assets	–1.3	–0.3
Cash flow from investment activities	**–28.9**	**–20.2**
Change in long-term financial liabilities	–1.7	–0.5
Dividends paid	–8.4	–7.7
Change in other long-term liabilities	0.2	–1.5
Cash flow from financing acitvities	**–9.9**	**–9.7**
Net changes in cash and cash equivalents	**–11.3**	**–81.5**
Cash and cash equivalents as of January 1	**171.3**	**227.7**
Effect of foreign currency translation on cash and cash equivalents	1.0	–0.5
Cash and cash equivalents as of June 30	**161.0**	**145.7**

Segmental Reporting by Division

in CHF millions	Cables + Systems	Rubber + Plastics	Precision Tubes	Pharma-ceutical Packaging	Technical Compon-ents	Financial and Service companies	**Group total**
Sales, 1st half of 2005	**83.6**	**65.5**	**109.2**	**113.5**	**191.9**	**–**	**561.9**
Sales, 1st half of 2004	85.3	68.9	89.8	96.6	205.3	–	545.3
EBIT, 1st half of 2005	**–2.7**	**1.6**	**8.4**	**17.4**	**11.4**	**–0.1**	**36.0**
EBIT, 1st half of 2004	–4.2	2.1	3.5	11.6	11.1	0.4	24.6

Key Statistics

	06/30/2005	06/30/2004
Net earnings in % of gross sales	**4.3**	2.8
Cash flow in % of gross sales	**10.0**	8.1
EBIT in % of gross sales	**6.4**	4.5
EBITDA in % of gross sales	**12.1**	9.8
Net earnings in % of stockholders' equity (6 months)	**3.6**	2.4
Stockholders' equity in % of total assets	**63.5**	64.6
Gross capital expenditures in CHF millions	**16.9**	23.8
Employees number	4 423	4 493
units	4 376	4 379
Stockholders' equity per bearer share in CHF	4 279	4 090
Price of bearer shares (high / low)	3440 / 2500	2609 / 1970

Accounting Principles

Bases of the Preparation of the Consolidated Semi-Annual Financial Statements

The present group financial statements (hereinafter "the consolidated semi-annual financial statements") comprise the unaudited semi-annual financial statements for the period under review having ended on June 30, 2005 (hereinafter "the first half of 2005"). The consolidated semi-annual financial statements were prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting." The interim report includes all companies that economically were part of the group during the period under review and were subject to the management and control of the group executive board. This is the case for the Dätwyler Group if more than 50 % of the group company's capital stock was owned directly or indirectly and without restriction by Dätwyler Holding Inc., Altdorf. The consolidated semi-annual financial statements were approved by the board of directors on August 18, 2005.

The accounting principles applied to the consolidated semi-annual financial statements and the presentation of the consolidated semi-annual financial statements agree with those of the consolidated annual financial statements of 2004 with the exception of the subsequently described changes. The comparative data that were taken over from the consolidated semi-annual financial statements of the previous year were, if necessary, reclassified or supplemented in the case of changes in the presentation of the consolidated annual financial statements or these semi-annual financial statements.

The preparation of the consolidated semi-annual financial statements requires that the management valuate assets and make assumptions which influence the reported earnings, expenses, assets, liabilities and contingent liabilities at the point in time of the preparation of the balance sheet. If at a later point in time such valuations and assumptions, which have been made by the management at the point in time of the preparation of the balance sheet according to its best knowledge, deviate from the actual facts, the original valuations and assumptions are to be adjusted in the period under review in which the facts have changed.

The business of the Dätwyler Group is not subject to significant seasonal or cyclical volatility. However, it tends to be weaker in the second half year.

The earnings taxes are calculated based on the best possible estimate of the average tax rate expected for the entire business year.

Changes in the Principles of Group Accounting

In 2003, the International Accounting Standards Board (IASB) published a general overhaul of the International Accounting Standards (IAS), which included a revision of 14 existing standards. At the same time, IAS 32 "Financial Instruments: Disclosure and Presentation" as well as IAS 39 "Financial Instruments: Recognition and Measurement" were revised. In the first quarter of 2004, IASB published the International Financial Reporting Standards IFRS 2 "Share-Based Payments", IFRS 3 "Business Combinations", IFRS 4 "Insurance Contracts" and IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" as well as revised versions of IAS 36 "Impairment of Assets", IAS 38 "Intangible Assets" and other changes to IAS 39. The Dätwyler Group has introduced these as of January 1, 2005.

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

IFRS 2 "Share-Based Payments"

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

IFRS 3 "Business Combinations"

The new standard requires among others that, after its introduction, goodwill be no longer amortized using the straight line method but annually be tested for any impairments. The new standard is to be applied prospectively. If IFRS 3 had already been introduced as of January 1, 2004, lower expenses in the amount of CHF 1.5 million would have resulted in the consolidated semi-annual financial statements of 2004 due to the discontinuation of the amortizations of goodwill. Amortization of good-

will would not have become necessary in the consolidated semi-annual financial statements of 2004. In addition, in connection with the revised IAS 38 "Intangible Assets", more intangible assets will be recognized in the case of acquisitions than before, wherefor there will be lower additions of goodwill in the future.
The new standard could also influence the actual group tax rate since no tax advantages resulted from the previous impairment charges on goodwill. Based on the group net earnings of the business year 2004, however, no substantial change of the actual group tax rate is expected.

Change in the Scope of Consolidation
In the first half of 2005, Richterich + Zeller AG was newly included in the scope of consolidation of the Dätwyler Group as a consequence of its acquisition as of January 1, 2005.

The changes of the scope of consolidation in comparison to the same period of the previous year (acquisition of Seal Line SpA, addition of selected assets of Lonstroff, exclusion of Mader GmbH) resulted in a positive sales contribution of CHF 4.5 million and in a positive earnings contribution of CHF 0.9 million.

Notes to the Consolidated Semi-Annual Financial Statements

1. Depreciations

in million CHF	06/30/05	06/30/04
Depreciation of tangible fixed assets	28.2	27.4
Amortization of goodwill	–	1.5
Impairment of goodwill	4.0	–
Total	**32.2**	**28.9**

2. Impairment of Goodwill
Signs of an overvaluation for individual goodwill positions existed on the closing date for the semi-annual financial statements (June 30, 2005). In conformity with IAS 36 "Impairment of Assets", the valuation of the respective goodwill positions was reviewed on the basis of a discounted cash flow calculation. The estimated values included in these calculations are based on the updated medium-term planning and are limited to a maximum planning horizon of five years. The future free cash flows resulting therefrom were discounted with a risk-specific average capital cost rate of 7.2 %. The calculations led to the following impairment charges on goodwill positions:

Fähnle Technic GmbH, Göppingen, Germany
The continuously difficult market environment in Germany and the unsatisfactory earnings situation of the company resulting therefrom required a partial valuation adjustment on the goodwill in the amount of CHF 1.1 million.

Dätwyler Electronics AG, Dübendorf, Switzerland
Adaptations to the product line and the continuously weak demand in the semiconductor business led to declining sales. The corresponding effects on the earnings situation required the complete valuation adjustment of the goodwill in the amount of CHF 2.9 million.

3. Financial Result
The deviation can be traced back to capital gains as well as changed forms and conditions of financing.

4. Trade Accounts Receivable
The increase of the balance sheet sum by 4.2 % to CHF 1 037.6 million is primarily based on the seasonal increase of trade accounts receivable in the amount of CHF 33.6 million.

5. Stockholder's Equity
The consolidated stockholder's equity has increased by CHF 25.1 million net to CHF 658.9 million. The change results, among others, from the semi-annual result of CHF 23.9 million and the dividend payment in the amount of CHF 8.4 million. The equity ratio amounts to 63.5 % (previous year 64.6 %).

6. Group Reserves
Group reserves are composed of the free and legal reserves.

7. Treasury Stocks
Holdings of reserve stocks amount to an unchanged 26 000 bearer shares. Regarding valuation, recognition in the balance sheet and planned utilization, the information in the Annual Report 2004 is still applicable.

Stock Option Plan
On January 9, 2001, 2000 stock options were issued in the context of an executive stock option plan. One option entitles its owner to subscribe for a bearer share of Dätwyler Holding Inc. at the exercise price of CHF 2 500. The holding period ends on

January 9, 2004 and options expire on January 9, 2006. By June 30, 2005, a total of 1 221 options were exercised.

8. Fire Incident at Dätwyler Elastomères (France) SAS: Total Loss of Operating Plant

On May 2, 2005, the operating plant of Dätwyler Elastomères (France) SAS (Rubber + Plastics Division) Trie Château was destroyed by a fire incident. The property loss as well as the business interruption are completely covered by insurance. The balance sheet value of the destroyed assets amounts to CHF 0.5 million and the financial effects of the fire incident are taken into consideration in the semi-annual report. The production in France will be resumed again. Studies of several variations are in the process of being prepared.

9. Contingent Liabilities

No substantial changes have occurred in comparison to the 2004 Annual Report.

10. Events after the Balance Sheet Date

The Board of Directors decided at its meeting of July 1, 2005, to merge Dätwyler Electronics AG, Dübendorf, into Maag Technic AG, Dübendorf, as of January 1, 2006. No other events have taken place between the balance sheet date and the date of this semi-annual report, which have an essential influence on the consolidated semi-annual financial statements of 2005.

11. Exchange Rates

Average Rates in the First Half Year

	2005	2004	Δ in %
1 EUR	**1.55**	1.55	0
1 USD	**1.20**	1.27	-5.5

Closing Rates

	06/30/2005	06/30/2004	Δ in %
1 EUR	**1.55**	1.53	+1.3
1 USD	**1.28**	1.27	+0.8

Important Dates

Results Press Conference	March 30, 2006
Presentation for Financial Analysts	March 30, 2006
Annual General Meeting	April 25, 2006 (held at 5 p.m., theater (uri), Tellspielhaus, Altdorf)
Semi-Annual Report	August 29, 2006

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