

ANNUAL REPORT 2015



Datwyler Group – a focused industrial supplier

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. With its technological leadership and customised solutions, the Group delivers added value to customers in the markets served. Datwyler concentrates on markets that offer opportunities to create more value and sustain profitable growth. The Technical Components Division is one of Europe's foremost high-service distributors of electronic, automation and ICT components and accessories. The Sealing Solutions Division is a leading supplier of customised sealing solutions to global market segments, such as the automotive, health care, civil engineering and consumer goods industries. With a total of more than 50 operating companies, sales in over 100 countries and some 7'000 employees, the Datwyler Group generates annual revenue of some CHF 1'200 million. The Group has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).

www.datwyler.com

The Datwyler Group has faced the challenges of the past 100 years with the strength nurtured from its roots, and we look forward to the future with confidence.

Read more on pages 6/7, 16/17, 26/27 und 38/39.



Datwyler Group

in CHF millions	2015	2014	2015	2014
			Continuing operations	Continuing operations
Net revenue	1'165.2	1'251.9	1'165.2	1'212.6
Year-on-year change (%)	-6.9%	-9.4%	-3.9%	-1.4%
Operating result before depreciation and amortisation (EBITDA)	179.4	185.8	179.4	186.3
EBITDA as % of net revenue	15.4%	14.8%	15.4%	15.4%
Operating result before interest and tax (EBIT)	126.1	132.3	126.1	133.8
EBIT as % of net revenue	10.8%	10.6%	10.8%	11.0%
Net result	82.2	97.9	82.2	99.4
Net result as % of net revenue	7.1%	7.8%	7.1%	8.2%
Net cash from operating activities	172.5	110.8		
Net cash (used in) / provided by investing activities	-45.6	69.9		
Free cash flow	126.9	180.7		
Net cash used in financing activities	-94.4	-91.5		
Net change in cash and cash equivalents	32.5	89.2		
Cash, cash equivalents and money market investments	302.0	321.1		
Net cash surplus	298.7	291.6		
Capital expenditure on property, plant and equipment	59.5	73.4		
Total assets	1'129.1	1'159.8		
Equity	726.1	753.2		
Equity as % of total assets	64.3%	64.9%		
Number of employees (at year-end)	7'013	6'760		
Full-time equivalents (at year-end)	6'773	6'528		

Dätwyler Holding Inc.

in CHF millions	2015	2014
Finance and investment income	79.7	91.3
Net result	72.8	102.9
Equity	891.4	961.6
Equity as % of total assets	85.5	86.3
Share capital ¹	0.9	0.9
Distribution	36.2 ⁽²⁾	142.9

Per share data

in CHF	2015	2014
Earnings per bearer share ranking for dividend	5.04	6.14
Dividend per bearer share	2.20 (2)	8.96
Distribution yield at 31 December	1.5%	7.0%

CHF 0.82 million eligible for a dividend.
 See Board of Directors' proposed appropriation of retained earnings (see page 101).

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This annual report can be downloaded at www.datwyler.com.

LETTER TO THE SHAREHOLDERS

Foundations for future growth further consolidated

In 2015 the Datwyler Group exploited the momentum generated by its 100-year anniversary to consolidate the foundations for future growth. The focus at the Technical Components division was on rapid implementation of strategic integration projects and the associated improvement in supply capability. And the Sealing Solutions division is working hard – by means of targeted takeovers – to tap into the potential growth offered by new technologies and new niche markets.

Organic revenue growth and solid profitability

Based on the continuing operations, the Datwyler Group managed to achieve organic revenue growth of 1.8% (adjusted for currency effects) during 2015. Net revenue amounted to CHF 1'165.2 million (previous year: CHF 1'212.6 million). The strong Swiss franc resulted in negative currency effects of CHF 95.4 million or –7.9% following translation of revenue from abroad. The two divisions felt the effects of the strong Swiss franc in very different ways. Thanks to its strong position in global niche markets, the Sealing Solutions division was able to maintain its profitable growth trajectory during 2015. By way of contrast, the strong Swiss franc and ongoing integration projects affected the Technical Components division harder than expected and led to a loss of market share. Given the decrease in revenue, we had to accept another highly unsatisfactory EBIT margin in the distribution business.

Also at Group-level, the strong Swiss franc had a negative translation impact on the operating result (EBIT) in the year under review, reducing it by some CHF 11.5 million. The reported EBIT was CHF 126.1 million (previous year: CHF 133.8 million), which means the EBIT margin of 10.8% almost remained the same (previous year: 11.0%). At the previous year's exchange rates Datwyler managed to increase EBIT slightly to CHF 137.6 million. These figures also include a negative transaction effect relating to net foreign exchange losses and one-time costs associated with the Technical Components division totalling around CHF 12 million. The net result fell to CHF 82.2 million (previous year: CHF 99.4 million) due to the significant currency losses and a higher tax rate.

Given the solid profitability and the highly promising prospects for the future, the Board of Directors will propose to the General Meeting of Shareholders an unchanged cash dividend of CHF 2.20 per bearer share and CHF 0.44 per registered share. This equates to a distribution rate of 44.0%.

Sustainable increase in profitability

The Datwyler Group with its current profile – based around two divisions with a particular focus – is the result of a systematic approach adopted at both a strategic and operational level over recent years. The decision was taken to designate sealing technology and electronic distribution as the two core business areas where we ought to figure among the leading providers. Thanks to active portfolio management involving both divestments and acquisitions, the number of divisions has reduced from five to two and the two core business areas have been duly expanded. In addition to portfolio management, we have also defined clear strategic directions with a view to stimulating organic growth within the two divisions in existence today. At an operational level – as emphasised in our values – we aspire to excel in what we do, which involves comparison with the competition and a process of continuous improvement.

Reducing the influence of the Swiss franc

The strategic and operational measures taken in recent years have significantly reduced the extent to which the Group is influenced by the negative impact of a strong Swiss franc. To ensure it remains competitive, Datwyler

has – besides general cost savings and increases in productivity – invested in the automation of production in Switzerland and undertaken targeted expansion of capacity at low-wage locations. All acquisitions have been made exclusively abroad. With a few particularly labour-intensive processes, there was no choice but to relocate whole production units outside Switzerland. The privatisation of the Cabling Solutions division in 2012 and the sale of the specialist distribution unit Maagtechnic in 2014 also helped mitigate the influence of the Swiss franc. As a result of this package of measures, the stock quoted Datwyler Group's exports from Switzerland to the eurozone now account for less than 5% of revenue.

Technical Components: development of the new platform

Following ten years of intensive work, the portfolio optimisation and the process of defining the strategic direction are largely complete. With the shared infrastructure platform for several brands we have the right strategy at the Technical Components division. It must be said that the integration projects following the acquisitions of Elfa, Reichelt and Nedis have required far more time and resources to implement than originally planned. But we are now confident about the future. This is because the new platform offers customers a much improved shopping experience, with a user-friendly webshop, better product availability and shorter delivery times. The target organic growth, coupled with economies of scale, will enable us to achieve an EBIT margin in excess of 10% again from 2017 onwards. The shared infrastructure platform will also enable Datwyler to integrate the businesses it acquires more easily in future and make the most of any potential synergies.

Sealing Solutions: expanding into new niche markets through acquisitions

For some time now, with an EBIT margin of over 15%, we have been reaping the rewards of the strategic and operational groundwork within the Sealing Solutions division. In the global market segments of Health Care, Automotive, Civil Engineering and Consumer Goods, Datwyler is among the leading providers of high-quality sealing solutions. Thanks to our strong market positions and leading expertise in terms of materials, engineering and processes, we should be able to grow faster than the market across all segments where we are active. Datwyler will also be tapping into potential development and growth opportunities by means of targeted takeovers. This will enable us to offer new technologies and products to existing customers and gain access to new niche markets. We also see potential in combining acquired technologies with existing Datwyler technologies with a view to devising novel solutions. An early example of this strategy was the takeover of the Italian company Origom (CHF 23 million annual revenue) in September 2015. As a specialist provider of precision O-rings, Origom gives the Datwyler Group – besides the automotive industry – access to the hydraulics and pneumatics industry in particular, as well as other interesting industries. We are confident we will soon be able to tap into further new technologies and promising niche markets by means of further takeovers.

Confident about the prospects for 2016

We are confident going into 2016 based on the potential for growth, which exists within both divisions. Provided the Swiss franc does not become even stronger, we are expecting to achieve revenue in the region of CHF 1'250 million for 2016. In terms of the EBIT margin, we are optimistic that 2016 will see us comfortably reach the target range of 10% to 13% once more. Looking ahead to 2020, the Datwyler Group is still targeting revenue of CHF 2 billion and an EBIT margin of 12% to 15% by this time. Datwyler intends to secure more than half of the shortfall in revenue via acquisitions. With cash and cash equivalents worth CHF 300 million, the Group has the potential to finance the acquisitions it aims to make.

Early succession plan for Board of Directors and Executive Management

In accordance with the long-term direction of the Datwyler Group, the Board of Directors has resolved in good time the various succession issues involving senior positions at Datwyler. After many years of service, Chairman Ulrich Graf will step down from his post at the Annual General Meeting in March 2017 having decided, for age-related reasons, not to stand for re-election. In terms of his successor, Datwyler's long-standing CEO Paul Hälg will be recommended for election to the post of Chairman at the 2017 Annual General Meeting. The Board of Directors has appointed Dirk Lambrecht as the new CEO of the Datwyler Group. Having been Head of the Sealing Solutions division for many years, he will take up his new position at 1 January 2017. These personnel decisions taken by the Board of Directors are informed by the need for continuity and intended to ensure the Datwyler Group continues to enjoy sus-tainably profitable growth.

When Dirk Lambrecht, a manager with a proven track record at the company and a wealth of international experience, takes over as CEO, 2017 will see another personality with tremen-dous energy at the helm of Datwyler As Head of the Sealing Solutions division, the 55-year-old mechanical engineer has done much since 2005 to influence the development of the Datwyler Group to a focused industrial supplier. In addition to his value-enhancing approach to portfolio management, his main achievements include the successful merger of the two divisions previously known as Sealing Technologies and Pharma Packaging and the rapid integration of sealing specialists acquired in China and Korea. The succession of Dirk Lambrecht as Head of the Sealing Solutions division and member of the Executive Management will be communicated in due time.

With a view to strengthen the internationality of the highest body committee, the Board of Directors will recommend Zhiqiang Zhang for election as a new additional member of the Board of Directors at the Annual General Meeting of 5 April 2016. The Chinese national has been a member of the wider management team at the Swedish firm Sandvik since 2012 in his capacity as Chairman for the Greater China Region and Head of Emerging Markets. Zhi-qiang Zhang has previously been employed in various management roles at Siemens and Nokia, with responsibility for tapping into and developing the Chinese market. The Board of Directors will also recommend the current Director Jürg Fedier for election as a new additional representative of bearer shareholders at the Annual General Meeting of 5 April 2016.

Continuing to grow successfully with the challenges!

Everything we do is designed to make us more competitive – for the benefit of all our stake-holders. In this regard, we are grateful to our customers for the relationships we have en-joyed with them over many years. As for our employees, their expertise has contributed to the success of our customers for 100 years. Every employee deserves a huge thank you for this and for the commitment they show every day. We also thank our shareholders for the trust they have placed in the Datwyler Group. We are confident we will continue to master the challenges we encounter as the business enters its second century.

On behalf of the Board of Directors

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Ulrich Graf, Chairman

Dr. Paul J. Hälg, CEC

On behalf of the Executive Management

OUR HISTORY RECOGNISING THE SIGNS OF THE TIMES

Demand for cables has grown along with the demand for electricity and the growth of telephone, radio and television. Adolf Dätwyler recognised the signs of the times, and as early as 1921 he began production of lacquer-coated wire for telephone installations. In search of diversification, the developing automotive industry aroused Datwyler's interest. In 1935, Adolf Dätwyler signed a licensing agreement with the U.S.-based Firestone Tire & Rubber Company and established a production facility for automobile tires in Pratteln near Basel.

During World War II, use of the automobile was restricted. Datwyler again recognised an opportunity and, in 1941, began producing bicycle tires under the Bullcord brand name. The tires were immensely popular. No matter what the circumstances, he always manages to bring value to his customers.





OUR VALUES WE BRING **VALUE**TO OUR CUSTOMERS

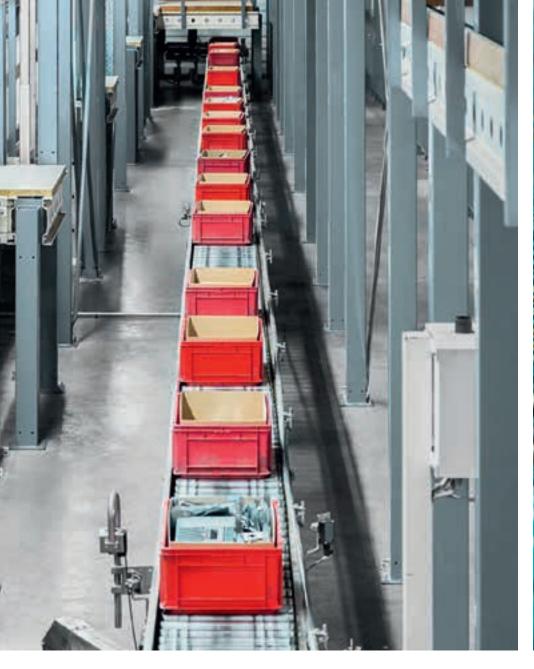
That is what our demanding customers in the industrial sector depend on. Development engineers rely on our ability to provide suitable components as the need demands and as soon as possible. Datwyler distribution companies provide this service and thereby create value for their customers – more than 10'000 times a day, every day, throughout the whole of Europe.

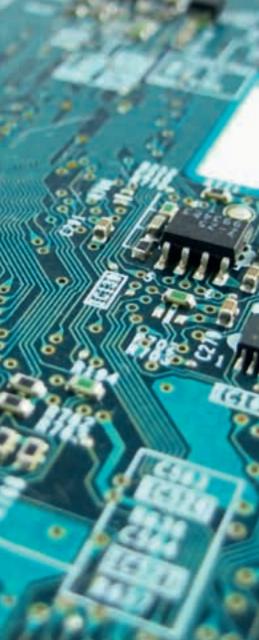
Smooth procedures require a product manager just as much as a packaging agent or a clerical assistant in accounting. Datwyler employees, at all levels, maintain agreements with external and internal partners and convince by means of reliability and customer focus.



DIVISIONS

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TECHNICAL COMPONENTS

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





Target groups

- Industrial companies
- High-tech design and manufacturing
- Small to medium-sized businesses
- Retailers
- Wholesalers
- Technical schools and universities
- Government agencies and administrations
- Private customers

Geographical markets

- Europe

Products and services

- Maintenance, repair and operations
- Electronic components and accessories
- Automation
- Connectors
- Electrical engineering
- I&C equipment
- ICT components and accessories
- Building technology and building automation
- Alarm and security technology

Shared infrastructure platform provides firm foundations for the future

Under its new management team, the Technical Components division worked successfully on rapidly implementing its strategic integration projects in 2015, creating a shared infrastructure platform that will firm foundations for future organic and acquisitory growth. Thanks to significant improvements in product availability, shorter delivery times and higher satisfaction rates, Distrelec managed to increase the number of active customers and revenue during the last quarter. Although net revenue from continuing operations fell by a further –2.4% in organic terms in 2015 despite encouraging early signs, this is due in part to the challenging market environment for distributors of electronic goods as well as Distrelec's unsatisfactory supply capability in the first half year. Another factor was the rising Swiss franc, which had a greater-than-expected impact on performance in Switzerland and resulted in negative currency effects worth CHF 54.8 million or –10.4% on the conversion of foreign revenue. Reported net revenue thus dropped to CHF 459.3 million (previous year: CHF 526.5 million for continuing operations excluding Maagtechnic).

Pressure on margins due to lack of revenue, a strong franc and one-time costs

The reported operating result (EBIT) fell to CHF 0.3 million (previous year: CHF 24.0 million for continuing operations excluding Maagtechnic). Aside from the lack of sales volume and the negative effects associated with translation into Swiss francs, this is mainly due to provisions on existing stock and price reductions in Switzerland as a result of the rising franc. Datwyler also incurred one-time costs in a bid to accelerate its integration projects. Excluding these negative extraordinary effects, adjusted EBIT stood at CHF 13.1 million, which equates to an adjusted EBIT margin of 2.5%.

Integration projects almost fully implemented

The implementation of strategic integration projects remained on track throughout 2015 and focused on the shared infrastructure platform. This includes a central distribution centre for the European markets (except Switzerland) in the Netherlands and a joint procurement setup in China for the Distrelec and Nedis brands. In addition, there are a shared service centre in Latvia, a uniform SAP solution and a modern webshop for the Distrelec brand. The main advantage of the new platform is the much-improved shopping experience that it gives the customer. Distrelec and Nedis hit the ground running, making significant improvements in 2015 in terms of product availability and delivery times in particular. Customers have also been very positive about the new webshop. The search function, product information and user-friendliness are being enhanced continuously.

Following the move to relocate the German warehouse and logistics organisation to the central distribution centre in the Netherlands in late 2014, its Swedish counterpart was also transferred successfully by early November 2015. At a stroke, this effectively revolutionised the delivery process, the SAP solution and the webshop for no fewer than 14 countries across northern and eastern Europe. Despite the complexity of this migration exercise, customers from these regions benefited immediately from having 50,000 additional products available for delivery within 24 hours and 10 percentage points higher availability across the entire range. These operational improvements have a direct impact on customer satisfaction and increase the potential for growth. During the first half of 2016, Distrelec will move on to migrating the Swiss, Austrian and Italian markets to the shared infrastructure platform, whereas the warehouse in Switzerland remains unchanged.

Key figures of Technical Components

in CHF millions	2015	2014
Net revenue	459.3	565.8
EBIT	0.3	22.5
EBIT margin	0.1%	4.0%
Total assets	361.2	352.6
Gross capital expenditure	11.0	14.4
Number of full-time equivalents (at year-end)	1'231	1'283

Loyal customer base represents an opportunity for Distrelec

Although Distrelec continued to lose small amounts of market share during the year under review, the latest customer surveys indicate that the brand enjoys a very loyal customer base in the markets it serves. Distrelec intends to exploit this fact in future in order to win over passive customers with an improved shopping experience and get them making regular purchases again by continuously improving its key performance indicators. Distrelec's repositioning is being driven forward by a much-revamped management team featuring industry experts. The much-higher availability of products and the addition of 40'000 new ones to the range are proving to be major drivers of growth. The emphasis is on the high-margin maintenance and automation business as well as on high-quality components for electronic design and prototyping.

Reichelt successfully expanding in Europe

Reichelt performed well again during 2015, positioning itself as a provider that delivers good quality at competitive prices. The brand has successfully offset the decline in demand from private customers by growing its corporate customers and expanding into new European countries. Reichelt is also aiming for further profitable growth in 2016 by expanding its range by around a third.

Nedis making progress despite tough conditions

In spite of the strong headwind buffeting the consumer electronics segment during the year under review, Nedis nevertheless made further progress. As an attractive complement to its multinational retailer and online provider customers, Nedis stepped up its efforts to cultivate small and medium-sized retailers. In future, Nedis will increase its cross-selling activities and supplement its existing range with further products.

Outlook: the right strategy for profitable growth

Now that we have the shared infrastructure platform for several brands, we firmly believe that we have the right strategy for generating profitable growth again from 2016 onwards. Building on a much-improved shopping experience, by 2017 we intend to get back at least to the level of revenue we enjoyed in 2013. Combined with the improved margins delivered through joint procurement, increases in operating efficiency and economies of scale in terms of personnel and operating expenses, this will enable us to achieve an EBIT margin in excess of 10% again. As well as accelerating organic growth, Datwyler will also be able to use its shared infrastructure platform to ensure that any companies it acquires are integrated easier.





SEALING SOLUTIONS

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





Target groups

- Automotive system suppliers
- Construction industry
- Packaging industry
- 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

Automotive

- Brake systems
- Fuel and engine management
- Comfort and safety equipment

Health Care

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

Civil Engineering

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

Consumer Goods

- Innovative sealing solutions for portioned food and drinks

Profitable growth thanks to consistent implementation of strategic objectives

The Sealing Solutions division is on course for profitable growth. It managed to increase net revenue for 2015 to CHF 705.9 million (previous year: CHF 686.4 million). At constant exchange rates this equates to growth of 8.8%. Adjusted for foreign currency translation and acquisition effects, the resulting organic growth in revenue was 4.9%. The main contributions were made by the Health Care and Consumer Goods market segments. Thanks to consistent implementation of strategic objectives, high capacity utilisation and favourable raw material prices, the operating result (EBIT) increased disproportionately to CHF 125.8 million (previous year: CHF 109.8 million). This equates to an EBIT margin of 17.8% (previous year: 16.0%).

Systematic exploitation of the potential for synergies and growth

The positive trend as far as margins are concerned is the result of targeted strategic and operational optimising measures over the past few years. During the year under review Datwyler was able to bring about additional synergy effects from the merger of the former divisions. In particular, the positive effects expected as a result of the merger are starting to materialise in the Health Care market segment. With a view to generating further synergies, the Sealing Solutions division has launched a project intended to harmonise and optimise all internal processes. This will enable Datwyler to become even more competitive and achieve its target growth by ensuring any increase in costs is disproportionately low. Profitability will also be supported in future by focusing on higher-value products and the ongoing expansion of sites based in low-wage countries. In addition to organic growth, Datwyler is also keen to expand by means of further acquisitions, particularly in the Health Care and Automotive market segments. One example is the takeover of the Italian company Origom (with an annual revenue of CHF 23.0 million) in October 2015, which has opened up the O-ring market. Datwyler is confident that further takeovers will enable it to tap into new technologies and new niche markets with attractive potential for development and growth.

Increase in revenue for Health Care

Demand increased again in the Health Care market segment, which returned to previous levels of growth. The customers with problems at their Indian plants have resolved these with America's Food and Drug Administration (FDA) and have resumed production. At the same time, Datwyler has broadened its customer portfolio, particularly in the generics market, and stepped up both key account management and technical support. The outsourcing of a fast-growing product line from the plant in the USA to the new plant in India involves close collaboration with the customer and should be completed by 2017. Given the growing requirements of Health Care customers as regards the cleanliness of sealing components, Datwyler is making further investments in FirstLine clean-room technology. This standard gives the company already a competitive advantage. At the Belgian plant Datwyler is currently building its first highly automated elastomer mixing facility with this FirstLine clean-room technology in mind. Production is due to start in 2017.

Key figures of Sealing Solutions

in CHF millions	2015	2014
Net revenue	705.9	686.4
EBIT	125.8	109.8
EBIT margin	17.8%	16.0%
Total assets	629.4	573.3
Gross capital expenditure	48.5	57.2
Number of full-time equivalents (at year-end)	5'521	5'225

Automotive becoming more competitive

The Automotive market segment benefited from pleasing levels of demand in Europe and the USA. Columbia Engineered Rubber in the USA and Origom in Italy, which were acquired in 2014 and 2015, also made a contribution in this area. The additional sales capacity provided by Columbia is making a valuable contribution towards developing the American automotive market. And thanks to Origom Datwyler is able to meet existing customers' O-ring requirements. Growth in China and the other Asian countries in the year under review was much lower than in previous years when growth had been strong. Datwyler is the only provider with a genuinely global presence in the sealing component segment for the automotive industry. In order to consolidate this competitive advantage, the company successfully started operations at its own modern elastomer mixing facility at the Ningguo site in China in October 2015. Plans are also under way to develop an in-house elastomer mixing facility for the plant in the Czech Republic.

Civil Engineering enjoying strong demand

Datwyler has completed the revision of its product portfolio in the Civil Engineering market segment. The focus is now on tunnelling and railway superstructure applications. Both segments were able to post record incoming order levels by the end of the year. With the aim of accelerating growth yet further, Datwyler has beefed up the Engineering and Sales teams and brought these together – where possible and assuming this made sense – within the existing competence centre at the German site.

Consumer Goods achieving decent growth

The Nespresso order in the Consumer Goods market segment continued to develop nicely and delivered a decent rate of growth in the year under review. Drawing on its pioneering sealing expertise, Datwyler is currently involved in several development projects.

Optimistic outlook

Datwyler is optimistic about the coming year as far as the Sealing Solutions division is concerned. We are convinced our strong position will enable us to exceed average growth levels across all market segments where we are active over both the short and the medium term. We are also looking to continue our policy of accelerating expansion into new geographical markets by means of targeted acquisitions, as well tapping into new technologies and new niche markets. Given the further potential for harmonising and optimising our processes, we are also confident we can keep profitability levels high.

OUR HISTORY NEVER LOSING SIGHT OF PEOPLE AND THEIR NEEDS

Things in Uri are not looking good at the beginning of the 20th century when it comes to education and earning potential. The development of industry is opening up new opportunities. Adolf Dätwyler finds a way to support the local workers on a sustainable basis and get them to commit to the Company.

In 1918 he establishes a company health insurance fund, followed by numerous affordable company apartments starting in 1933 and interesting continuing education offerings at the Company's own training facility starting in 1944. In 1948 – more than 30 years before being required by law – Datwyler introduces a pension fund.





OUR VALUES WE HAVE RESPECT FOR OTHERS

Respect for one another is reflected in more than just our corporate culture. Datwyler has a code of conduct and is also a member of the UN Global Compact. Through this, we are committed to advocating for human rights and environmental protection as well as to combating corruption. We assume social responsibility.

Datwyler's employees foster respectful, honest cooperation. This applies to both internal and external partners on all continents and in all cultures. We support each other and seek out the best solutions together.



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SUSTAINABILITY

Long-term values

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

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

These values guide the way we run our business over the long term. We used our 100th anniversary in 2015 as an opportunity to consolidate awareness amongst our employees worldwide of our values and how they have evolved over time. We strive to deliver sustainable profitable growth for the benefit of our stakeholders as the foundation for adding long-term value and preserving the corporate independence of the Datwyler Group.

In our efforts, we are addressing the challenges of our times. As early as 2008, we voluntarily adopted the standards of the Global Reporting Initiative (GRI) for the sustainability section of our Annual Report, and in 2009 we joined the UN Global Compact. This is an initiative launched by the United Nations which espouses ten principles in the areas of human rights, labor, 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 2015 reporting year the sixth progress report on the ten UN Global Compact principles was published. This endeavour is based on the Datwyler values and the Code of Conduct that lay down globally binding rules for all Datwyler Group employees.

As far as our suppliers are concerned, we have set out our requirements in a dedicated code of conduct since the beginning of 2014. The systematic customer satisfaction surveys were continued in 2015. The next employee satisfaction survey will be conducted in autumn of 2016. Since 2013, the Datwyler Group has also reported its greenhouse gas emissions in accordance with Carbon Dis-closure Project (CDP) standards. 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)*, Version G3. The Annual Report, together with the information compiled in the detailed GRI Content Index, was drawn up in accordance with the GRI G3 Guidelines for Application Level C. The GRI Content Index can be found on the Datwyler website under the following link: http://www.datwyler.com/unternehmen/nachhaltigkeit.html.

Implementation of the new GRI G4 Guidelines is planned for the next sustainability report in 2016, with the groundwork already under way. Datwyler intends to use the transition from the G3 to the G4 version of the Guidelines to make its sustainability activities an even more integral part of corporate strategy.

The Datwyler Group places great emphasis on respecting and engaging in an open and honest dialog 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.

^{*}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		Sealing Solutions	
Quality				
ISO 9001	All facilities 1		All facilities	
ISO/TS 16949			Schattdorf, Switzerland	Silao, Mexico
(suppliers to the automotive			Nový Bydžov,	Ningguo City, China
industry)			Czech Republic	Daegu, Korea
			Malyn, Ukraine	Wuxi, China
ISO 15378			Alken, Belgium	Pregnana, Italy
(primary packaging for medicir	nes)		Karlsbad, Germany	Montegaldella/Italy
Environment				
ISO 14001	Glostrup, Denmark	Tallinn, Estonia	Alken, Belgium	Ningguo City, China
	Bremen, Germany	Vilnius, Lithuania	Karlsbad, Germany	Daegu, Korea
	Helsinki, Finland	Riga, Latvia	Montegaldella, Italy	
	Järfälla, Sweden		Pregnana, Italy	
	Oslo, Norway		Schattdorf, Switzerland	
	Warsaw, Poland		Waltershausen, Germany	
Occupational health and safe	ety			
OHSAS 18001			Alken, Belgium	Schattdorf, Switzerland
			Karlsbad, Germany	Waltershausen,
			Montegaldella, Italy	Germany
			Pregnana, Italy	Ningguo City, China

¹ Except for Nedis

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 underlying processes, passing on an 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 strong commitment to innovation, which is also

reflected in collaboration with universities, international standards bodies and independent testing laboratories. Regular supplier audits are also carried out as part of the quality assurance systems. At the start of 2014, Datwyler introduced a standard code of conduct for suppliers which is binding for all Group companies.

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. During the reporting year 2015, 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 authorization of chemicals in the European Union and impacts both 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 Technical Components Division. By using standardised processes in the selection of raw materials and with safety data sheets for all products, the Datwyler Sealing Solutions division meets the relevant regulatory requirements and standards for material composition and transparency in the countries in which it operates. 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. The companies in the Technical Components Division passed on their knowledge to customer representatives at a multitude of courses during the reporting year, and in so doing strengthened customer loyalty. The Sealing Solutions division has been commended for its customer responsiveness with a number of Supplier of the Year Awards or chosen as a "Preferred Supplier" by 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 once a year. This web-based survey is conducted with the help of an external specialist. The response rate is between 10% and 25% 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. These form 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		Sealing Solutions ²		Datwyler Group	
	Unit	2015	2014	2015	2014	2015	2014
Energy consumption and CO ₂							
Electricity	MWh	6'769	7'130	152'446	142'968	159'215	150'098
Per capita electricity	MWh/ employee	5.4	5.7	27.8	27.9	23.6	23.5
District heating	MWh	2'129	2'380	679	749	2'808	3'129
Natural gas	MWh	2'499	2'691	35'328	31'938	37'827	34'629
Butane, propane, ethane	MWh	0	0	54	24	54	24
Extra light fuel oil	MWh	0	0	435	387	435	387
Other fossil fuels (e.g. diesel)	MWh	0	0	3'343	2'149	3'343	2'149
Renewable energy	MWh	0	0	4'250	3'216	4'250	3'216
CO ₂ emissions ³	tonnes	2'574	2'713	78'961	73'148	81'535	75'861
Direct (Scope 1) ³	tonnes	505	543	8'155	7'133	8'660	7'676
Indirect (Scope 2) ³	tonnes	2'069	2'169	70'806	66'016	72'875	68'185
Per capita CO₂ emissions	tonnes/ employee	2.1	2.2	14.4	14.3	12.1	11.9
Water consumption							
Drinking/industrial water	m³	14'687	15'691	2'238'868	2'202'315	2'253'555	2'218'006
Per capita water consumption	m³/ employee	12	12	408	430	334	347
Waste							
Total waste	tonnes	1'067	1'107	13'191	12'841	14'258	13'948
of which regular waste	tonnes	989	1'018	12'318	12'020	13'307	13'038
of which special waste	tonnes	78	104	873	821	951	926
Proportion of waste sent for recycling	%	72%	68%	65%	65%	66%	65%
Per capita total waste	tonnes/ employee	0.9	0.9	2.4	2.5	2.1	2.2
Employees ⁴		1'252	1'261	5'493	5'125	6'745	6'386

¹ In the Technical Components division, all main sites with a total of 1.252 employees (expressed in full-time equivalents as an annual average) are included in the reporting year. Environmental data relating to the Maagtechnic specialist distribution unit (approximately 550 full-time equivalents), which was sold in April 2014, were excluded from the previous year's calculations.

In the Sealing Solutions division, all main sites with a total of 5.493 employees (expressed in full-time equivalents as an annual average) are included in the reporting year. Columbia Engineered Rubber (110 full-time equivalents) was acquired in September 2014 and included for the first time in 2015. No environmental data were recorded retrospectively for 2014. No environmental data are available in the reporting year for Origom (115 full-time equivalents), which was acquired in September 2015.

retrospectively for 2014. No environmental data are available in the reporting year for Origom (115 full-time equivalents), which was acquired in September 2015.

The CO₂ emissions are reported as direct (Scope 1) emissions, resulting for example from the combustion of natural gas at the Group's own facilities, and indirect (Scope 2) emissions, caused for example by the consumption of electricity.

⁴ In full-time equivalents as an annual average (including temporary employees).

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 endeavoring to minimise significant impacts on the environment. The Group spent some CHF 1.0 million on specific environment-related activities in 2015, with some CHF 0.5 million of this going to investments, CHF 0.4 million for personnel and CHF 0.1 million for certifications.

Environmental performance at a glance

The environmental data in the table on page 21 cover the main sites in both divisions. In the Technical Components division, the environmental data relating to the Maagtechnic speciality retail unit (approximately 550 full-time equivalents), which was sold at the start of April 2014, were also excluded from the calculations in the previous year. In the Sealing Solutions division, environmental data were included in the reporting year for the first time for Columbia Engineered Rubber (110 full-time equivalents), which was acquired in September 2014. No data were recorded retrospectively for 2014. No environmental data are available in the reporting year for Origom (115 full-time equivalents), which was acquired in September 2015. As is to be expected, the manufacturing-centred Sealing Solutions division consumes considerably more resources than the Technical Components division, which focuses on trade and distribution.

Overall energy consumption in 2015 increased by 7.4% year-on-year, due mainly to organic growth in the Sealing Solutions division. Higher capacity utilisation in this manufacturing-centred division invariably means more resources are consumed. Volume growth was compounded by a harsher winter in Europe, which necessitated more days' worth of heating in 2015 than the previous year, which had been mild. Electricity consumption painted a similar picture, falling by some 5% in the Technical Components division but rising by 6.6% in the Sealing Solutions division. Higher energy and electricity consumption pushed the Datwyler Group's greenhouse gas emissions up by 7.5% in the reporting year. This rise is also entirely attributable to the Sealing Solutions division, with the growing production output of

the plants in China, South Korea and India increasing average CO_2 intensity. The higher capacity utilisation in the Sealing Solutions division was also reflected in a 7.2% increase in headcount at the sites included in the reporting. This meant that electricity consumption and greenhouse gas emissions per capita remained virtually unchanged both for the Sealing Solutions division and the Datwyler Group as a whole.

Water consumption in absolute terms rose by 1.6% throughout the Group compared to the previous year. This disproportionately low increase is down to the measures taken to limit water consumption, including the introduction of a closed water circuit at Datwyler's site in India during the reporting year. A system for recycling cooling water is also planned for the Waltershausen site. These measures have helped to cut per capita water consumption by 3.7%. The high water consumption for Sealing Solutions very clearly reflects the specific requirements of the production processes in this division. Cooling sealing profiles for civil engineering and the manufacturing process for the Nespresso order both involve particularly large amounts of water. The water requirements at the Swiss production site in Schattdorf of over 1.1 million m³ (just under half of the Group's water consumption) are completely met by industrial water. Datwyler is thus helping to reduce the consumption of valuable drinking water as much as possible.

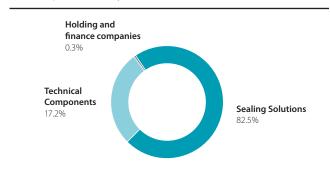
Another significant aspect is the combination of electricity sources used at the Swiss production site operated by Sealing Solutions. Since the end of 2012, Datwyler has been using only environmentally friendly, 100% hydroelectric power from "nature-made basic" certified power stations owned by the local electricity company. This means that more than 10% of the Group's electricity requirements come from environmentally friendly hydropower. This saves around 500 tonnes of CO_2 emissions per year. A wood-fired electricity generating plant has been in operation at the same Swiss production 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 CO_2 emissions by some further 1.300 tonnes.

At 2.2%, the increase in the total quantity of waste was slightly less than the organic growth of the manufacturing-centred Sealing Solutions division, resulting in a slight fall in waste per capita. The rise in the quantity of special waste was one consequence of the greater demand for chemicals in the process for cleaning rubber components for the healthcare industry. In addition, a change to the law meant that additional substances were declared as special waste in Italy during the reporting year. Although the recycling rate was increased from 68% to 72% in the Technical Components division, it remained largely unchanged in the Sealing Solutions division and for the Group as a whole at around two-thirds.

Our people

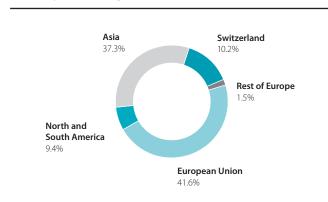
Employees by division

(full-time equivalents, end of year)



Employees by region

(full-time equivalents, end of year)



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

The Datwyler Group's workforce increased in numbers once again in the 2015 reporting year. This was due to an increase in headcount at the foreign sites as a result of organic growth in the Sealing Solutions division as well as the 115 Italian employees who joined the Sealing Solutions division in September 2015 on the acquisition of Origom. In total, the Datwyler Group had a workforce of 7'013 - including fixed-term employment contracts - in 28 countries at the end of the year, of which more than 2'500 are in Asia. This is equal to 6'773 full-time equivalents per end of the year (previous year: 6'528 full-time equivalents). Based on full-time equivalents at an annual average of 6'804, sales per full-time equivalent came to CHF 171'000 in 2015. This figure is influenced by the continuously stronger weighting of the Asian production plants in the Sealing Solutions division, in which sales per full-time equivalent are generally lower than in western countries. The turnover rate for the Datwyler Group in the year under review amounted to 11.5%. The turnover rate is also strongly influenced by the establishment and expansion of the production sites in low-cost 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). Based on the annual average, the Group had 6'601 full-time employees and 386 part-time employees. The proportion of employees with fixed-term employment contracts was 545 people, or 7.8% of employees. The percentage of women in the Group's total staff came to 40.0%, while the proportion of women in management positions was 12.3%.

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 296.6 million in the reporting year. In business reorganization programs, we consider the needs of the employees, engaging in a constructive dialog with company employee representatives. In 2015, 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 in the work process.

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 2'840 lost days, which represents 0.16% of the total days worked. In total, 42'936 days were lost due to sickness, occupational injuries and non-occupational injuries, representing an absentee rate of 2.46%.

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 more than 100 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. To develop up-and-coming managers, the Datwyler Group has been holding a four-day intensive strategic leadership program every year since 2010. Participants are drawn from the second management tier of both divisions. An annual two-day group seminar is held for top management.

Employee survey also based on benchmarking

The Datwyler Group regularly holds a Group-wide standardised employee survey. The survey, consisting of a questionnaire in 19 languages, is conducted with the help of an external specialist. This guarantees anonymity for employees. The average response rate is around 80%. 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. The survey results provide valuable inputs for developing and implementing improvements. 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 2015. 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 officeholders.

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 manufacturing facility in the Swiss canton of Uri where the publicly listed Datwyler Group is the largest privately-owned employer, providing a total of almost 500 jobs. With the exception of basic production feedstock, such as raw materials for rubber (which cannot be purchased locally), the facility in Uri sourced about a third of its purchases locally in 2015. 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

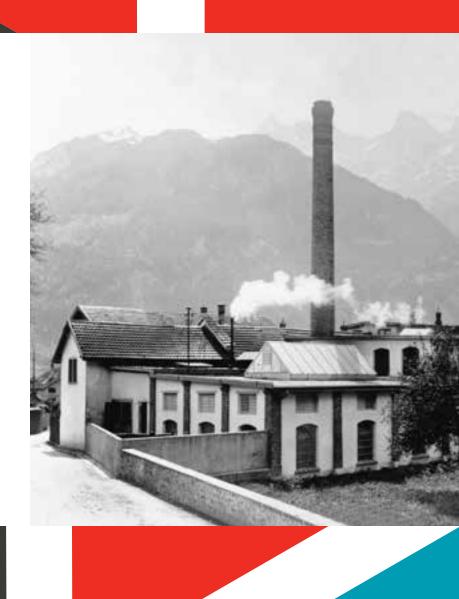
The charitable Datwyler Foundation, established in 1990 by brothers Peter and Max Dätwyler, is endowed with a capital of more than CHF 50 million. It does not own any shares in Dätwyler Holding Inc. or have any influence over the management of the Datwyler Group. The purpose of the Datwyler Foundation is to support charitable initiatives. Since its beginnings, the foundation has awarded some CHF 11.5 million in grants. Of the total amount distributed, CHF 10.1 million or some 86% has gone to applicants in the Swiss canton of Uri. In the reporting year, a sum of CHF 1.1 million was awarded.

OUR HISTORY

A **BOLD BEGINNING**THAT PAID OFF HANDSOMELY

In 1915, only the farmer's son Adolf Dätwyler believed in the potential of debt-ridden Schweizerische Draht- und Gummiwerke located in Altdorf in the Swiss mountains. The young manager enjoyed industry experience and was hardworking. With a dash of courage and pioneering spirit he restructured the ailing company and, in the midst of World War I, set the stage for its long-term success.

In 1917, Adolf Dätwyler decided to change sides from employee to entrepreneur and, with the help of a group of investors, acquired the company for 2.25 million Swiss francs. Only a few years later, in 1920, the Dätwyler family acquired majority shareholding, and the company was renamed to reflect Dätwyler ownership in 1946. Adolf Dätwyler's sons, Peter and Max, took on management responsibility in 1958 and with great skill spurred on international expansion.





OUR VALUES

WE ARE ENTRE-PRENEURS

Dätwyler displayed a spirit of entrepreneurship in its cooperation with Nespresso. Not discouraged by initial setbacks, our innovative employees successfully developed a unique solution.

At Datwyler, entrepreneurial behavior is not limited to management alone. Quite in the contrary: all employees take on responsibility and constantly streamline procedures at their workplace. In this way, every member of our staff makes a significant contribution toward the company's success.



CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

at 31 December 2015

As a company committed to creating long-term value, Datwyler has a clear framework of management and control policies in place to ensure compliance with the principles of good corporate governance. These policies are set out in the Articles of Association* and the Rules of Organisation and Business Conduct of Dätwyler Holding Inc. They are presented below following the applicable Directive issued by the SIX Swiss Exchange. Where appropriate, reference is made to issues that are discussed in detail in the notes to the financial statements and in the Remuneration Report. Where information required under a section of the SIX Directive has been omitted, it is either not applicable to Datwyler or the corresponding situation does not exist at Datwyler or does not apply to Datwyler.

.....

Group structure and shareholders

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

Substantial shareholders and ownership structure

The ownership structure of the Datwyler Group (see chart, p. 29) is the result of the Dätwyler family succession arrangements of 1990. The family's primary objective was to ensure the long-term independence of the Company.

Following the 1986 IPO, Peter and Max Dätwyler's interest had been reduced to roughly 50% of capital and just below 80% of votes. They placed this ownership interest without compensation in a company they had founded, Pema Holding AG (PeMa = Peter and Max). Today, the Board of Directors of Dätwyler Holding Inc. controls these assets and the associated voting rights on a fiduciary basis and without beneficial ownership. It does so through Dätwyler Führungs AG, likewise founded by the Dätwyler brothers in 1990. The members of the Board of Directors of Dätwyler Holding Inc. (see p. 33, Members of the Board of Directors) are concurrently members of the Board of Directors of Pema Holding AG and hold equal interests of CHF 0.1 million in the share capital of Dätwyler Führungs AG. A shareholders' agreement requires departing Board members to pass their shares in Dätwyler Führungs AG on to their successors at par value and without financial gain. The Board mem-

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

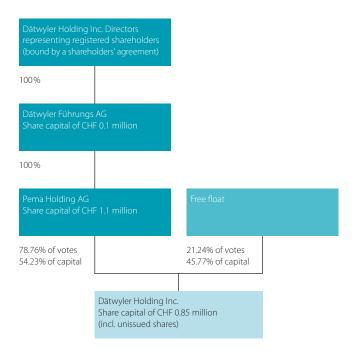
Under the shareholders' agreement, Pema Holding AG may invest only in the Datwyler Group and its spin-offs, precluding any conflicts of interest with other shareholdings. Disposal of a majority of votes is permitted only by a qualified majority, and only in the event that it is no longer economically feasible to maintain Dätwyler Holding Inc. as an independent going concern. In this case, Dätwyler Führungs AG and Pema Holding AG are to be liquidated, with the proceeds going to the Datwyler Foundation.

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

Pema Holding AG currently owns all 22 million registered shares and 4.8185 million of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 78.76% of the voting rights and 54.23% 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.

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.

^{*} www.datwyler.com > Our Company > Organisation



Group structure and companies

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

- Page 69: segment reporting.
- Page 89: detailed list of subsidiaries and investments.
- Page 105: details of Dätwyler Holding Inc.,
 the listed company, in the Share Information and General Information sections on page 107.
- Page 108: 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 2015:

22'000'000 registered shares of CHF 0.01 each	0.22
12'600'000 bearer shares of CHF 0.05 each	0.63
(including 550'042 treasury shares)	
Total ordinary share capital	0.85
Authorised additional share capital	none
Authorised contingent share capital	none
Participation certificates	none
Profit-sharing certificates	none
Registration and voting restrictions	none
Opting-out and opting-up provisions	none

All shares are fully paid-up. With the exception of treasury shares (550'042 bearer shares, see page 97, note 2.5 Reserve for treasury shares / Employee share ownership plan), all shares irrespective of their value are entitled to vote and rank for dividend. Information about changes in equity for 2015 and 2014 is presented in the statement of changes in equity on page 61. Changes in equity for 2014 and 2013 are shown in the statement of changes in equity on page 62 of the Annual Report 2014 (www.datwyler.com > Media > Publications).

Convertible bonds and share options

As at 31 December 2015, Datwyler did not have any outstanding convertible bonds or options. In 2012 a fixed-rate bond was issued in the amount of CHF 150 million (see page 80, Note 18, Bond).

Internal organisation

Role of the Board of Directors

The Board of Directors is the ultimate decision-making, management and governing body of the Datwyler Group. The Board consists of no fewer than five and no more than eleven members. At 31 December 2015, the Board comprised eight 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. No Director holds cross-directorships with other Directors through involvement in other listed companies.

Since the annual general meeting 2014, Directors are elected for one-year terms. They are eligible for re-election for further periods, with no limit on the number of terms they may serve. Each class of shares is entitled to nominate at least one representative to the Board. The average age of the Directors currently in office is 64 and their average tenure is nine years.

Main responsibilities and operation of the Board

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

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

Directors receive papers and information 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 2015, the Board held seven meetings. One member of the Board of Directors was excused from a meeting. The CEO and CFO and the other members of the Executive Management were present at each meeting for the discussion of items relating to them. In 2015, no external specialists were called in.

Operation of the Committees

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

Audit Committee

The Audit Committee consists of at least three Directors, each of whom has experience in finance and accounting, who are appointed by the Board from among its members for a period of one year. The Audit Committee appoints its chairman. Members of the Audit Committee are: Hans R. Rüegg (Chairman), Jürg Fedier, Ulrich Graf and Ernst Odermatt. In 2015, the Audit Committee held three meetings, each of which was 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 2015, other external specialists were not called in.

Responsibilities of the Audit Committee

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

Remuneration Committee

The responsibilities of the Remuneration Committee are recorded in the Remuneration Report on page 40.

Division of responsibilities between the Board of Directors and Executive Management

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

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

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

The policies set out in the "Rules of Organisation" are detailed for all business and functional areas in the following written documents: "Division of Responsibilities of the Executive Management" and "Investment Manual". The Datwyler Group operates a systematically decentralised management system within a clear framework. The Group fosters an entrepreneurial culture where decisions are taken at the lowest possible level close to the market and customers.

Information and control systems for monitoring the Executive Management

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

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

In addition to these institutionalised information and control systems, the Chairman of the Board and CEO engage in regular dialogue regarding all important business. In addition, the CEO and CFO are required to inform the Chairman of the Board without delay of any important unusual events or developments and measures planned.

Internal Audit

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

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

Risk Management

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

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

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

Board of Directors

The Directors of Dätwyler Holding Inc. are all – with the exception of Ernst Lienhard – also Directors of Pema Holding AG and Dätwyler Führungs AG. Pema Holding AG is the majority owner of Dätwyler Holding Inc. (see p. 28, Substantial shareholders and ownership).

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

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

Ulrich Graf (1945, Swiss)

Chairman (term expires in 2016)

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 and the Remuneration Committees. Between 1989 and 2006, he was CEO of the Kaba Group, where he had held a number of management positions since 1976. In addition to his appointment in Datwyler, Ulrich Graf is Chairman of dorma+kaba Holding Ltd. and Griesser Ltd. He is also Chairman of the Board of Trustees of REGA Swiss Air Ambulance. Further, Ulrich Graf is a Director of Georg Fischer Ltd. and Feller Ltd. 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 2016)

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 Remuneration 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 2016)

Hanspeter Fässler has been a Director of Datwyler Holding Inc. since 2004 and is Chairman of the Remuneration Committee, and Chairman of the Board of Directors of Datwyler Cabling Solutions AG, a sister company of the publicly listed Dätwyler Holding Inc. He is also a member of the board of Hatebur Metalforming Equipment Ltd. Until end of 2014 he was heading the worldwide business unit

Grid Systems of the ABB Group. From 2010 until 2011 he was CEO of the Implenia Construction Services Group. Before that Hanspeter Fässler held various national and international management positions within the ABB Group, including the position of Country Manager Switzerland. From 2006 to 2010 he was responsible for ABB's Mediterranean Region and Country Manager of ABB Italy. He earned a doctorate specialising in mechatronics/robotics from the Swiss Federal Institute of Technology Zurich and also holds an Engineer's degree from Stanford University (USA).

Jürg Fedier (1955, Swiss)

Director (term expires in 2016)

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

Gabi Huber (1956, Swiss)

Director (term expires in 2016)

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

Ernst Lienhard (1946, Swiss)

Director (term expires in 2016),

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 AG 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 2016)

Ernst Odermatt was appointed to the Board of Dätwyler Holding Inc. in 2004 and is a member of the Audit Committee. Until the end of 2005, he was CEO of the Oerlikon Contraves Group, in which capacity he served on the Executive Board of Rheinmetall DeTec AG, Düsseldorf, having held a number of management positions with Oerlikon Contraves since 1978. He is Chairman of Hofstetter PCB AG. 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

Hanno Ulmer (1957, AT)

Director (term expires in 2016)

Hanno Ulmer was appointed to the Board of Dätwyler Holding Inc. at the 2015 Annual General Meeting. He has served on the Executive Board of Doppelmayr Holding AG, the parent company of the world's leading ropeway manufacturer based in Austria, since 1994 and, additionally, as Managing Director of Doppelmayr Seilbahnen GmbH since 2009. Hanno Ulmer has held various finance and management positions within the Doppelmayr Group since 1976. He is also a Director of Ropetrans AG and Garaventa AG and a Supervisory Board member of Bank für Tirol und Voralberg AG. Hanno Ulmer holds an accounting diploma from WIFI Voralberg and completed university studies in export and international management.

Honorary Directors

Roland Zimmerli (1934, Swiss)

Honorary Chairman (since 2005)

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

Max Dätwyler (1929, Swiss)

Honorary Director (since 1999)

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

Executive Management

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

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

Board of Directors



Ulrich Graf, Chairman



Hans R. Rüegg, Vice-Chairman



Hanspeter Fässler



Jürg Fedier



Gabi Huber



Ernst Lienhard



Ernst Odermatt



Hanno Ulmer

Executive Management



Paul J. Hälg, CEO



Reto Welte, CFO



Dirk Lambrecht, Head of Sealing Solutions division



Neil Harrison, Head of Technical Components division

Paul J. Hälg (1954, Swiss)

Chief Executive Officer (CEO)

Paul J. Hälg was appointed CEO of the Datwyler Group from August 2004. Before joining Datwyler, he served on Forbo Group's Executive Board as Executive Vice President of Forbo Adhesives. From 1986 to 2001, he held a number of management positions with Gurit-Essex (Gurit-Heberlein Group), ultimately as CEO. In the five years prior to that, he worked for the Swiss Aluminium Group. Paul J. Hälg is Chairman of publicly listed Sika Ltd and a member of the Board of Swissmem (Swiss mechanical and electrical engineering association). He also is a Director of Dätwyler Cabling Solutions AG, a sister company of publicly listed Dätwyler Holding Inc. 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 is a Director of Pfister Arco Holding AG. He also is a Director of Dätwyler Cabling Solutions AG, a sister company of publicly listed Dätwyler Holding Inc. He holds a degree in business administration from the University of St. Gallen.

Neil Harrison (1967, GB)

Head of Technical Components division

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

Dirk Lambrecht (1960, German)

Head of Sealing Solutions division

Dirk Lambrecht, as a member of the Executive Management, is heading the Sealing Solutions division, in which the former Sealing Technologies and Pharma Packaging Division have been combined. From 2005 until the end of October 2012, he was head of the Sealing Technologies division. 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 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.

Significant events after balance sheet date

See Letter to the Shareholders page 5.

Management contracts

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

Remuneration, shareholdings and loans

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

Shareholders' participation rights

The shareholders' participation rights comply with the provisions of Swiss Corporation Law, subject to the one-share-per-vote principle presented below. The Articles of Association contain no quorum requirements that differ from those prescribed by law.

Voting restrictions and proxy voting

There are no restrictions on registration or voting. Under the Articles of Association of Dätwyler Holding Inc., each share carries one vote at general meetings regardless of its par value. Persons representing shareholders must present a written proxy. Legal representatives of shareholders do not need a proxy appointment. Shareholders who are unable to attend a general meeting may also appoint and instruct an independent proxy to represent them. To do so, an electronic solution has been provided since 2014. The independent proxy is elected annually by the Annual General Meeting for the next ordinary Annual General Meeting.

Calling of general meetings and additions to the agenda

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

Share registration

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

Change of control and defensive measures

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

Statutory auditors

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

Fees paid in 2015 to the statutory and other auditors:

in CHF	Statutory auditors	Other auditors
Auditing services, total	1'114'000	563'000
Additional services, total	297'000	727'000
Tax consulting	209'000	292'000
Legal consulting	5'000	269'000
Transaction services	12'000	126'000
Other advisory services	71'000	40'000

Representatives of the statutory auditors attend all meetings of the Audit Committee for the discussion of certain items. Three meetings were held in 2015. At each meeting, the statutory auditors present a written report on the progress of their work. The core element of the auditors' reporting is the annual audit report with recommendations to the Audit Committee.

The supervisory body for the external statutory auditors is the overall Board of Directors. It conducts an annual evaluation of the statutory auditors. This is based on the following criteria:

- Professional competence.
- Scope and quality of their written reports and verbal statements.
- Practicability of recommendations.
- Priority setting.
- Transparent and effective communication and coordination.
- Ability to meet deadlines.
- Independence.
- Fees.

The members of the Board of Directors rely on the competencies and experience they have gained in similar roles with other companies, on the statutory auditors' reports as well as on the comments made by the Audit Committee. The responsibilities of the Audit Committee are defined on page 31.

Information policy

The Datwyler Group maintains an open dialogue with all stakeholders. In the interests of shareholders, Datwyler especially fosters relationships with investors, banks and media representatives. Communication takes place through the Annual Report, Interim Report, Annual General Meeting and at least one press and analyst conference every year. Through press releases and on its website (www.datwyler.com), Datwyler provides up-to-the-minute information on all important projects as required by the ad hoc publicity rules of SIX Swiss Exchange. The archive of ad hoc press releases can be found at www.datwyler.com > Media > Press Releases. A facility for signing up to receive ad hoc press releases is provided at www.datwyler.com > Media > Email Alerts. Contact details and important dates are given in the "General Information" section on page 107. Official notices concerning Datwyler are published in the Swiss Official Gazette of Commerce. Notices and invitations to registered shareholders are made in writing.

OUR HISTORY EARLY INVESTMENT IN RESEARCH AND DEVELOPMENT

Adolf Dätwyler was sure that long-term success could be obtained only by means of product quality. Therefore, at an early stage, he employed scientifically trained personnel and invested in research and development and, in 1934, began with the production of technical rubber goods in Altdorf.

While World War II brought about dramatic raw-material shortages, Dätwyler quickly secured raw rubber supplies for his company. Moreover, in 1940, Switzerland's largest rubber recycling plant was introduced and running at high speed right from the start. These and other innovations confirm Dätwyler's goal to consistently excel in what he did even in adverse conditions.





WE **EXCEL** IN WHAT WE DO

Datwyler produces high-quality closure components for the health-care industry under state-of-the-art clean-room conditions, with fully automatic camera inspection and a unique cleaning process.

By means of this production concept, Datwyler exceeds the highest quality standards set by European and American regulatory authorities and increases the benefit for its global health-care customers. Each employee knows that his or her function contributes toward constantly improving our product offer, no matter of the department it concerns.



REMUNERATION REPORT

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REMUNERATION REPORT

The Remuneration Report describes the governance framework and principles of remuneration of the Board of Directors and Executive Management of the Datwyler Group. It also provides information on remuneration plans and remuneration paid for the 2015 fiscal year.

The Remuneration Report is written in accordance with Articles 663b^{bis} of the Swiss Code of Obligations, the Directive on Information Relating to Corporate Governance of the SIX Swiss Exchange, the Swiss Code of Best Practice for Corporate Governance of economiesuisse and the Ordinance Against Excessive Remuneration in Listed Companies Limited by Shares (ERCO).

Remuneration governance framework

Remuneration Committee

The Remuneration Committee generally consists of three members of the Board of Directors who are elected individually each year by the Annual General Meeting. The Remuneration Committee appoints its chairman. As at the end of 2015, the members of the Remuneration Committee were: Hanspeter Fässler (Chairman), Ulrich Graf and Gabi Huber. In 2015 the Remuneration Committee met five times, with all members present for each meeting.

Areas under the purview of the Remuneration Committee:

- Basic human resource issues (e.g. talent management, succession planning, etc.) of the Datwyler Group.
- Membership of the Board of Directors and Executive Management.
- Determination of remuneration for members of the Board of Directors within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21b of the Articles of Association.
- Terms of employment for members of the Executive Management.
- Determination of performance-based remuneration for members of the Executive Management within the parameters of the maximum amount approved by the Annual General Meeting and in compliance with Art. 21c of the Articles of Association.
- Monitoring of structure and development of remuneration.
- Oversight of compliance by the members of the Board of Directors and Executive Management with the provisions of the

- Articles of Association concerning the number of mandates in top management and supervisory bodies of legal entities outside the Datwyler Group (Art. 14 section 5 and Art. 19 section 3 of the Articles of Association) including any necessary measures.
- Compliance with regulations concerning the disclosure of remuneration of members of the Board of Directors and Executive Management.

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

Approval levels

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

Determination procedure for the remuneration system

The remuneration system is reviewed every three years by the Remuneration Committee and may be adjusted to reflect the evolving business environment. A review of this nature did take place during 2015. The resulting changes, which will take effect from the 2016 fiscal year, are summarised on page 50 under "Remuneration outlook".

The process for determining the elements and levels of remuneration for the Board of Directors and Executive Management is based on a periodic benchmarking analysis on the basis of remuneration surveys and of remuneration disclosures published by comparable companies in their annual reports. Comparable companies are defined as international industrial companies listed on the SIX Swiss Exchange with similar geographic scope, revenue, complexity, capitalisation and employee headcount. The comparison group for determining remuneration of the Board of Directors and Executive Management comprises the following companies: Bucher Industries, Feintool, Forbo, Geberit, Georg Fischer, Kaba, Lonza, Oerlikon, Sika, Sonova and Sulzer. The Datwyler Group's remuneration policy is measured against common standards for similar positions at comparable companies. During the year under review, the Datwyler Group did not participate in any specific remuneration surveys.

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

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

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

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

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

Remuneration philosophy and principles

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

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

Remuneration principles

Pay for performance

The variable incentive plan for Executive Management is mainly based on profit sharing.

Reward long-term and sustainable value creation

Part of the remuneration of the Board of Directors and Executive Management is delivered in the form of blocked shares in order to encourage a long-term view and to create alignment with the interests of the shareholders.

Furthermore, the variable incentive plan for Executive Management has no excessive leverage and therefore does not encourage inappropriate risk-taking.

Market competitiveness

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

Fairness and transparency

Remuneration programs are straightforward, transparent and fair.

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

Remuneration structure of the Board of Directors

Remuneration model for members of the Board of Directors

Base fee t	for Board me	embership	+ Additional fee for s	pecial functions	
				Cash (CHF)	Stock (units)
			Board chairmanship	80'000	1'300
CHF 50'000	+	1'100 shares	Board vice-chairmanship	20'000	600
			Committee chairmanship	40'000	
			Committee membership	20'000	
			Representation of minority sharehol	ders 40'000	
			Additional functions (per diem)	5'000	

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

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

Remuneration structure of the Executive Management

Remuneration model for the Executive Management

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

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

Fixed base salary

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

Variable incentives

Variable incentives reward collective performance in the form of a profit-sharing component as well as individual contributions to the Company's overall business success over a performance period of one year. Pursuant to Art. 21c section 2 of the Articles of Association, the variable incentive may range from 100% to 200% of the fixed base salary.

For the CEO and CFO, the variable incentive consists entirely of a share in the Group's net profit, as a pre-defined percentage of the net profit. This share is multiplied by a growth factor, which is determined on the basis of the year-on-year change in net profit. This mechanism ensures that remuneration reflects both the effective net profit achieved and the change in net profit from one year to the next. A negative year-on-year change means that the percentage of net profit awarded decreases disproportionately.

A positive year-on-year change leads to a disproportionate increase in the percentage of net profit awarded.

In the event of acquisitions and disposals that increase or decrease Group sales by more than 10%, the formula used to calculate the variable incentive is updated, with both the percentage of profit and the growth factor adjusted on a linear basis, downwards in the case of acquisitions and upwards in the case of disposals. This procedure is used to correct the formula for added or reduced profit potential, thus mathematically neutralising the effects of acquisitions and disposals on the variable incentive.

Variable incentives are currently capped at 150% of the annual fixed base salary for the CEO and at 100% for the CFO.

For the heads of divisions, the variable incentive is based on business performance (approximately 80% of the incentive) and attainment of individual goals (approximately 20% of the incentive).

Business performance is measured as a share in the economic profit, defined as EBIT less the cost of average capital employed, of the respective division. This share of economic profit is multiplied by a growth factor, which is determined according to the year-on-year change in sales, and by a peer factor, which is determined according to the sales growth of the division relative to that of an external peer group. A specific peer group is selected for each division to reflect the particular market conditions under which each division operates. The relevant peer group information is provided by an independent consulting firm. This mechanism for calculating business performance ensures that both the absolute performance of the division in terms of economic profit and its relative performance

Basic mechanism for calculating the variable incentive

	Net profit	Net loss
Growth factor > 1 (positive change year-over-year)	(% net profit) × (growth factor) = higher percentage of net profit	No payout
Growth factor < 1 (negative change year-over-year)	(% net profit) × (growth factor) = lower percentage of net profit	No payout

- compared to the previous fiscal year and to its external peer group are considered in determining remuneration.
- The individual incentive component is based on the attainment of individual goals, i.e. of strategic, business and personal goals agreed at the beginning of the year as part of the performance appraisal process and assessed by the CEO at the end of the year.

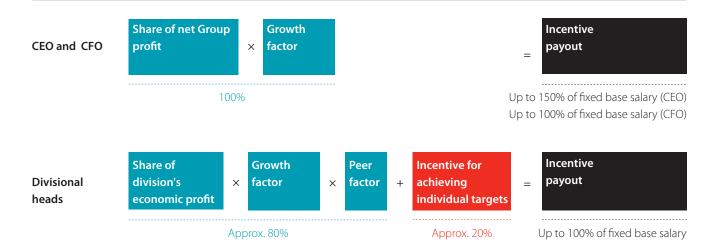
Variable incentives for the heads of divisions are currently capped at 100% of the annual fixed base salary.

Considering the profit-sharing nature of the variable incentive, no formal target is set. However a payout of two-thirds of the maximum is assumed to correspond to the expected level of performance.

Share participation

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

Overview of calculation and payout of the variable incentive



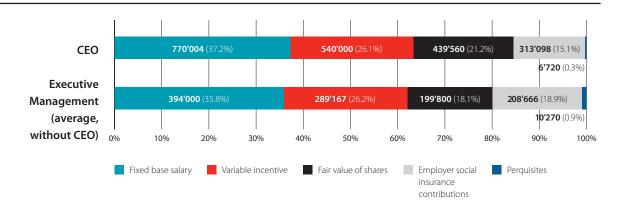
Employer social insurance contributions

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

Perquisites

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

Structure of 2015 remuneration for members of Executive Management



Remuneration mix

The chart above illustrates the remuneration mix for members of Executive Management for the remuneration related to 2015 and includes the fixed cash salary in 2015, the variable incentive that will be paid out in 2016 related to performance year 2015, the number of shares granted in 2015, and the value of benefits received in 2015.

Employment contracts

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

Remuneration and loans in 2015

The remuneration and loans/credits to current and former key management personnel (Board of Directors and Executive Management members) and persons connected with them are presented below. Tables 1 and 2 have been audited by the statutory auditors.

Table 1: Remuneration in 2015

in CHF								
Surname and first name	Function	Fixed	Variable	Sh	are participation 1	Employer social	Perquisites	Total
		base salary, gross	incentives, gross	Number	Fair value	insurance contributions		remuneration
Directors								
Graf Ulrich ²	Chairman	170'000	0	2'400	319'680	26'981	0	516'661
Rüegg Hans R.	Deputy Chairman	110'000	0	1'700	226'440	18'058	0	354'498
Fässler Hanspeter	Director	90'000	0	1'100	146'520	15'481	0	252'001
Fedier Jürg	Director	70'000	0	1'100	146'520	13'785	0	230'305
Huber Gabi	Director	70'000	0	1'100	146'520	14'005	0	230'525
Lienhard Ernst	Director	90'000	0	1'100	146'520	12'571	0	249'091
Odermatt Ernst	Director	70'000	0	1'100	146'520	11'196	0	227'716
Ulmer Hanno	Director	50'000	0	1'100	146'520	35'189	0	231'709
Total for Directors		720'000	0	10'700	1'425'240	147'266	0	2'292'506
Executive Management								
Hälg Paul J.²	CEO	770'004	475'470	3'300	439'560	307'645	6'720	1'999'399
Total for Executive Management		1'952'004	1'412'055	7'800	1'038'960	939'479	37'530	5'380'028

 $^{^{\}rm 1}\,$ The shares were awarded on 1 June 2015 at a daily closing price of CHF 133.20.

Table 2: Remuneration in 2014

in CHF				'				
Surname and first name	Function	Fixed	Variable	Sh	are participation 1	Employer social	Perquisites	Total
		base salary, gross	incentives, gross	Number	Fair value	insurance contributions		remuneration
Directors								
Graf Ulrich ²	Chairman	170'000	0	2'400	344'640	28'368	0	543'008
Rüegg Hans R.	Deputy Chairman	110'000	0	1'700	244'120	19'007	0	373'127
Fässler Hanspeter	Director	90'000	0	1'100	157'960	16'143	0	264'103
Huber Gabi	Director	70'000	0	1'100	157'960	14'663	0	242'623
Lienhard Ernst	Director	90'000	0	1'100	157'960	13'144	0	261'104
Odermatt Ernst	Director	70'000	0	1'100	157'960	11'809	0	239'769
Total for Directors		600'000	0	8'500	1'220'600	103'134	0	1'923'734
Executive Management								
Hälg Paul J. ²	CEO	770'004	369'435	3'300	473'880	296'370	6'720	1'916'409
Total for Executive Management		1'952'004	963'660	7'800	1'120'080	922'681	34'080	4'995'505

¹ The shares were awarded on 2 June 2014 at a daily closing price of CHF 143.60.

² Highest remuneration

² Highest remuneration

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

The fixed remuneration for members of the Board of Directors and for the Executive Management remained unchanged compared to the previous year. For the members of the Board of Directors, the fixed base salary depends on membership of the various committees.

The amounts shown in the tables under variable incentive represent the expense actually recognised for variable salary components awarded for 2015, which will be paid in March 2016. The currency-adjusted net profit was used to calculate the variable incentive, which meant the variable element of remuneration increased compared with the previous year despite a lower net profit being recorded.

The share participation for the year 2015 was determined by the Remuneration Committee and approved by the Board of Directors in accordance with the maximum aggregate amount approved by the Annual General Meeting and Art. 21b of the Articles of Association. The shares awarded on 1 June 2015 at the then market value of CHF 133.20 are blocked over a period of five years. After the end of this period, the shares are at the free disposal of the beneficiary or his or her legal successor regardless of death, disability or termination. The number of shares awarded per functional level remained unchanged for the Board of Directors and for Executive Management in the year under review. The market value of the share in the year under review was CHF 10.40 lower than in the previous year, which decreased the fair value of the equity participation accordingly.

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

One member of the Board of Directors (a representative in accordance with SCO 709) receives higher remuneration in consideration of his efforts in favour of bearer shareholders.

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

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

Loans and credits

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

Remuneration outlook

The Board of Directors will propose the following maximum total sums to the 2016 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2017 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2017 fiscal year:

- Board of Directors: CHF 2'800'000, of which CHF 1'100'000 for cash remuneration plus CHF 1'700'000 for granting of Dätwyler Holding Inc. bearer shares.
- Executive Management: CHF 7'700'000, of which CHF 6'300'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 1'400'000 for granting of Dätwyler Holding Inc. bearer shares.

The remuneration system is reviewed by the Remuneration Committee at three-year intervals. In 2015, a regular review was conducted to take account of the evolution of the business environmen, in which the company operates. Following this review, the Board of Directors decided to keep the overall remuneration structure for the Board of Directors and for the Executive Management for the business years 2016 until 2018 unchanged. The scheme for the calculation of the variable incentive of the Executive Management will be amended, effective as of fiscal year 2016.

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

In alignment with the overall strategy of sustainable profitable growth, the collective performance will be measured on the basis of two performance indicators weighted equally:

- Net sales growth compared to previous year, relative to a peer group of companies;
- EBIT improvement (earnings before interest and tax) compared to previous year, rela-tive to the same peer group of companies.

Relative net sales growth and EBIT improvement will be measured by an independent consulting firm that compares and ranks the performance of Datwyler against the performances of similar companies. For each of the two Datwyler divisions, a specific peer group of more than 30 companies has been determined, including industrial and distribution firms that have a comparable base of products, technology, customers, suppliers or investors and thus are exposed to similar market cycles as the corresponding Datwyler division. The intention of measuring the performance relatively to

peer companies is to neutralize the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralized, the true performance of the company can be better assessed.

The objective of the collective performance component will be to achieve the median per-ormance of the peer group on both indicators (net sales growth and EBIT improvement), which provides for a 100% payout. The maximum payout of 200% can only be achieved if the division achieves the best ranking amongst all peer companies on both net sales growth and EBIT improvement. In case of a negative net result of the division or the Datwyler Group, the Board of Directors reserves the right to deviate from the above mentioned approach.

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

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

Overview of calculation and payout of the variable incentive effective as of fiscal year 2016 $\,$

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

Peer groups of companies to measure the collective performance effective as of fiscal year year 2016

Technical Components division

Company	Country
ams AG	AT
Analog Devices (Europe)	US
Arrow Electronics (EMEA)	US
ASBISc Enterprises Plc	CY
Atea ASA (Products)	NO
Avnet (Europe)	US
Bechtle (IT e-commerce)	DE
Brammer P.L.C.	UK
CML Microsystems plc	UK
Concurrent Technologies plc	UK
Densitron Technologies plc	UK
Eaton Corporation	
(Electrical Production)	IE
Electrocomponents	
(Continental Europe)	UK
Elektronikgruppen BK AB	SE
Elma Electronic AG	CH
ELMOS Semiconductor AG	DE

sprinet SpA	IT
lextronics	US
ngram Micro Inc.	US
ogitech International SA	СН
PKF Laser & Electronics AG	DE
Лetro AG (Europe)	DE
remier Farnell Plc	UK
&T AG	AT
canfil Oyj	FI
chweizer Electronic AG	DE
equans Communications S.A.	FR
olid State Plc	UK
onel SA	PL
TMicroelectronics NV	
Embedded Processing Solutions)	CH
exas Insturments	US
/ivanco	DE
Vürth (Industry)	DE
'leiselektroniikka Oyj	FI

Sealing Solutions division

Company	Country
Anhui Zhongding Sealing Parts	CN
Antares Pharma Inc.	US
Aptargroup (Food & Beverages)	US
Aptargroup (Pharma)	US
Atrion Corp.	
Becton Dickinson & Company	
(Diagnostics)	US
Becton Dickinson & Company	
(Medical)	
Bioteque Corp.	
Bridgestone Corporation	JP
Continental (Chassy & Safety)	DE
Continental (ContiTech)	DE
Continental (Interior)	DE
Continental (Powertrain)	DE
Delphi Automotive	UK
Fukoku Company Limited	JP
Gerresheimer (Plastics & Devices	s) DE
Gerresheimer	
(Primary Packaging Glass)	DE

Hexpol AB	SE
Johnson Control	US
Parker-Hannifin (Diversified	
Industrial, America and International)	US
Retractable Technologies Income	US
RPC Group PLC	UK
Semperit AG Holding	ΑT
Shandong Pharmaceutical	
Glass Company	CN
Shandong Weigao Group	
Medical (Single Use Medical	
Device Products)	CN
Stomil Sanok SA	PL
Terumo	
(General Hospital Use Products)	JP
Trelleborg (Sealing Solution)	SE
Valeo SA	FR
West Pharmaceutical	
(Pharmaceutical Packaging Systems)	US
ZF Friedrichshafen	DE

Report of the Statutory Auditor on the Remuneration Report



Report of the statutory auditor to the General Meeting Dätwyler Holding Inc. Altdorf

We have audited the remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in chapter "Remuneration and loans in 2015" on pages 48 and 49 of the remuneration report.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2015 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger

Audit expert Auditor in charge øsef Stadelmann

Mudit expert

Zürich, 1 March 2016

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Disclaimer

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

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

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