ANNUAL REPORT
2016

DÄTWYLER

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 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. The Technical Components division is one of Europe's foremost high-service distributors of maintenance, electronic, automation and ICT components and accessories. With more than 50 operating companies, sales in over 100 countries and more than 7'000 employees, the Datwyler Group generates annual revenue of more than CHF 1'200 million. The Group has been listed on the SIX Swiss Exchange since 1986 (security number 3048677).

www.datwyler.com

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

Datwyler Group

in CHF millions	2016	2015
Net revenue	1'215.8	1'165.2
Year-on-year change (%)	4.3%	–6.9%
Operating result before depreciation and amortisation (EBITDA)	204.3	179.4
EBITDA as % of net revenue	16.8%	15.4%
Operating result before interest and tax (EBIT)	146.1	126.1
EBIT as % of net revenue	12.0%	10.8%
Net result	57.6	82.2
Net result as % of net revenue	4.7%	7.1%
Net cash from operating activities	90.7	172.5
Net cash used in investing activities	–51.3	–45.6
Free cash flow	39.4	126.9
Net cash provided by / (used in) financing activities	37.4	–94.4
Net change in cash and cash equivalents	76.8	32.5
Cash, cash equivalents and money market investments	317.5	302.0
Net cash surplus	313.5	298.7
Capital expenditure on property, plant and equipment	77.8	59.5
Total assets	1'217.1	1'129.1
Equity	805.5	726.1
Equity as % of total assets	66.2%	64.3%
Number of employees (at year-end)	7'312	7'013
Full-time equivalents (at year-end)	7'068	6'773

Dätwyler Holding Inc.

in CHF millions	2016	2015
Finance and investment income	207.8	79.7
Net result	146.4	72.8
Equity	1'001.6	891.4
Equity ratio (%)	86.7	85.5
Share capital	0.9	0.9
Distribution	37.4[1]	36.2

Per share data

in CHF	2016	2015
Earnings per bearer share	3.47	5.04
Dividend per bearer share	2.20[1]	2.20
Distribution yield at 31 December	1.6%	1.5%

[1] See Board of Directors' proposed appropriation of retained earnings (see page 99).

CONTENTS

Annual Review

Letter to the Shareholders 3
Tribute to Ulrich Graf and Paul Hälg 6

Divisions
Sealing Solutions 8
Technical Components 12

Sustainability 17

Corporate Governance 21

Remuneration Report 35
Report of the Statutory Auditor on the Remuneration Report 48

Financial Report

Consolidated Financial Statements
Group Financial Review 50
Consolidated Income Statement 54
Consolidated Balance Sheet 55
Consolidated Cash Flow Statement 56
Consolidated Statement of Changes in Equity 57
Notes to the Consolidated Financial Statements 58
Report of the Statutory Auditor on the Consolidated Financial Statements 86

Dätwyler Holding Inc.
Income Statement 92
Balance Sheet 93
Notes to the Financial Statements 94
Proposed Appropriation of Retained Earnings 99
Report of the Statutory Auditor on the Financial Statements 100

Shareholder Information
Five Year Summary 106
Share Information 107
Share Price Performance, Dividend Performance 108
General Information 109

Addresses 110

LETTER TO THE SHAREHOLDERS

Significant improvement in operating profit figures

The Datwyler Group saw its operating profit figures improve significantly in 2016, with both divisions continuing to make progress in terms of implementing the growth strategy. For example, by acquiring the German firm Ott and starting construction on the new Health Care plant in the USA, the Sealing Solutions division is launching two important investment projects with a view to benefiting more than most from market trends in future. In the Technical Components division, the advent of the shared infrastructure platform has increased product availability and reduced delivery times thanks to more stable structures and processes. This has reversed the negative revenue trend for high-service distribution of electronic components.

EBIT margin at record level

The Datwyler Group increased revenue, compared with the previous year, by 4.3% to CHF 1'215.8 million in 2016 (previous year: CHF 1'165.2 million). Adjusted for positive currency and acquisition effects, organic growth of 1.4% was achieved in the year under review. Various one-off situations across both divisions restricted organic growth to this level. For example, the Sealing Solutions division had to contend with capacity bottlenecks in the Health Care market segment and delays to some of its Civil Engineering projects. In the Technical Components division, the reduction of low margin products and standardisation of discounts had the expected negative impact on revenue.

Thanks to effective cost control, the adjusted operating result (EBIT) increased to CHF 157.6 million, giving a record-high adjusted EBIT margin of 13.0%. Including one-off costs from the Technical Components Division and costs relating to the attempted acquisition of Premier Farnell, the reported EBIT figure was CHF 146.1 million (previous year: CHF 126.1 million), which equates to a reported EBIT margin of 12.0%. With an adjusted value of CHF 116.9 million, Datwyler also managed to improve the net result significantly compared with the previous year (CHF 82.2 million). Additional one-off costs relating to currency hedging and exchange rate losses from the attempted acquisition of Premier Farnell had a negative impact on the financial result during the year under review and reduced the reported net result to CHF 57.6 million.

In view of the fact that operating profitability has remained strong for several years and the highly promising potential for growth, the Board of Directors is asking the Annual General Meeting to pay an unchanged cash dividend of CHF 2.20 per bearer share and CHF 0.44 per registered share. This equates to a distribution ratio of 64.9% of the reported or 32.0% of the adjusted net result.

Both divisions well positioned strategically

Strategically speaking, both divisions at Datwyler are well positioned in attractive market segments. With the intended acquisition of Premier Farnell, Datwyler attempted in 2016 to become the worldwide market leader in high-service distribution for electronic components through one single transaction. When Avnet offered a significantly higher price for Premier Farnell, Datwyler was forced to reassess the strategic options and associated risks and opportunities for both divisions. In making a much higher bid, we would have cast doubt on the further expansion of the sealing business. Given the change in circumstances, it made most sense for Datwyler to walk away from this major acquisition opportunity and revert to the strategy of organic growth in terms of the distribution business – backed up by acquisitions of smaller and medium-sized distributors. One argument for this approach is the fragmented nature of the market, with many providers yet to achieve any kind of critical mass and needing to come up with succession plans. Another is the new shared infrastructure platform, which will enable Datwyler to accelerate organic growth, making it easier to integrate any companies it acquires.

Time-critical electronic components within the Technical Components division

The price paid by Avnet for Premier Farnell has shown that high-service distribution for electronic components represents an attractive business model. This can largely be explained by the fact that professional business-to-business customers are ready to pay providers to stock an up-to-date and comprehensive electronics range, provide competent technical advice and arrange fast delivery of small volumes subject to a surcharge. By mastering these core competencies, the Datwyler distribution companies offer their customers from the maintenance, repair and operation (MRO) and electronic design engineering (EDE) sectors an element of added value in terms of meeting spontaneous requirements for time-critical electronic components. This is reinforced by the trend for producer companies to reduce their inventories of replacement parts and the number of suppliers they use. A parallel development is the "Internet of things", which is constantly seeing new sales sectors emerge – such as kitchen manufacturers, who never used to be customers for electronic components.

System-critical sealing components within the Sealing Solutions division

Within the Sealing Solutions division, Datwyler has succeeded over the years in positioning itself as a partner for the development and production of customer-specific sealing components for attractive global market segments. Our system-critical components make a decisive contribution towards helping our customers' systems to function, but only account for a very small percentage of system costs. The classic example is the rolling diaphragm used in the brake boosters found in cars. And in medicine bottles or pre-filled syringes, Datwyler components also help ensure safe administration of injectable medicines worldwide. The strong market positions we enjoy are based on the core competencies we have developed over many years in the fields of material development, engineering and high-volume production processes. Market growth is being driven by the rapid development in living standards in emerging countries, as well as by technological developments in the Automotive, Health Care, Civil Engineering and Consumer Goods market segments in which we operate. Through acquisitions of suitable companies and by both developing and expanding production plants, we are investing now with a view to benefiting more than most from market trends in future. In the year under review, we acquired new manufacturing technologies through the acquisition of the German company Ott and started to build up future production capacity for high-quality health care components in the USA.

Succession planning ensures continuity

On 1 January 2017, Dirk Lambrecht took over the management of the Datwyler Group as CEO. As Head of Sealing Solutions, he did much to influence the development and growth of that division from 2005 onwards. Since 1 October 2016, the Sealing Solutions Division has been led by Torsten Maschke , who had previously worked at Freudenberg in various management roles at an international level. The Annual General Meeting to be held on 7 March 2017 will see Ulrich Graf step down as Chairman and both Hans R. Rüegg and Ernst Lienhard resign as directors for age-related reasons. Paul Hälg, who resigned as CEO at the end of 2016, is to be recommended for election as Chairman. After the Annual General Meeting for 2017, the Datwyler Board of Directors will have seven members. Internal succession planning within the Board of Directors and Executive Management helps to ensure continuity and determine the long-term direction of the Datwyler Group.

Reasons to be optimistic – target range for EBIT margin to be increased to between 11% and 14%

We are optimistic that the Datwyler Group can accelerate the profitable growth trajectory. The Sealing Solutions division is benefiting from its strong positions in growing global market segments. In the medium term, the recently acquired new technologies will open up additional potential for development. Within the Technical Components division, we are confident the measures implemented and introduced will make it possible to improve competitiveness and thereby also increase revenue and margins. At a Group level, we are expecting to achieve revenue of between CHF 1'250 million and CHF 1'350 million. And based on the fact that operating profitability remains strong, we are increasing the target range for the EBIT margin to between 11% and 14%. 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 (based on this target) via acquisitions. With liquidity reserves (cash and cash equivalents plus unused credit limits) worth CHF 600 million, the Group has the potential to finance the acquisitions it aims to make.

The financial strength we enjoy as a company makes us a reliable partner for all stakeholders. We would like to take this opportunity to thank our customers in particular for the confidence they have shown in us and the relationship we enjoy with them – over many years in some cases. We thank our employees for their tremendous commitment and willingness to keep taking on new challenges. And we thank you – the shareholders we value so much – for your continued solidarity with the Datwyler Group.

On behalf of the Board of Directors

Ulrich Graf, Chairman

On behalf of the Executive Management

Dirk Lambrecht, CEO

TRIBUTE TO ULRICH GRAF AND PAUL HÄLG

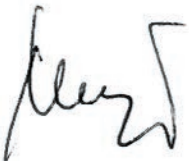
Greater profitability thanks to successful portfolio management

In their respective roles of Chairman and CEO, Ulrich Graf and Paul Hälg have had a significant influence on how the Datwyler Group has developed over the past 12 years. Both joined Datwyler from elsewhere in 2004 and have since worked with the Board of Directors and Executive Management to realign the business and drive it forwards.

This included designating sealing technology and high-service distribution of electronic components as core business areas. Thanks to successful portfolio management involving both divestments and acquisitions, the number of divisions has reduced from the original five to two, while the two core business areas have been duly expanded. These strategic measures have been complemented by a continuous drive for operational improvements. All this has enabled Datwyler, under the stewardship of Ulrich Graf and Paul Hälg, to become more competitive and achieve a sustained increase in the operating profit margin from nearly 4% in 2004 to comfortably over 10%.

Ulrich Graf and Paul Hälg have shown analytical aptitude, a pragmatic approach and the courage to implement decisions with consistency. Their proactive approach to dealing with the reality of a strong Swiss franc has also seen them attract a degree of criticism. But with the benefit of hindsight, the unpopular decisions to relocate certain operations have made competence centres in Switzerland stronger too.

The Datwyler Group is tremendously grateful to Ulrich Graf and Paul Hälg for the commitment they have shown. As they embark on the next phase of their life, the Board of Directors, Executive Management and employees wish them every happiness and good health.



Hans R. Rüegg
Vice-chairman of the Board of Directors

Ulrich Graf, Chairman

Paul J. Hälg, CEO

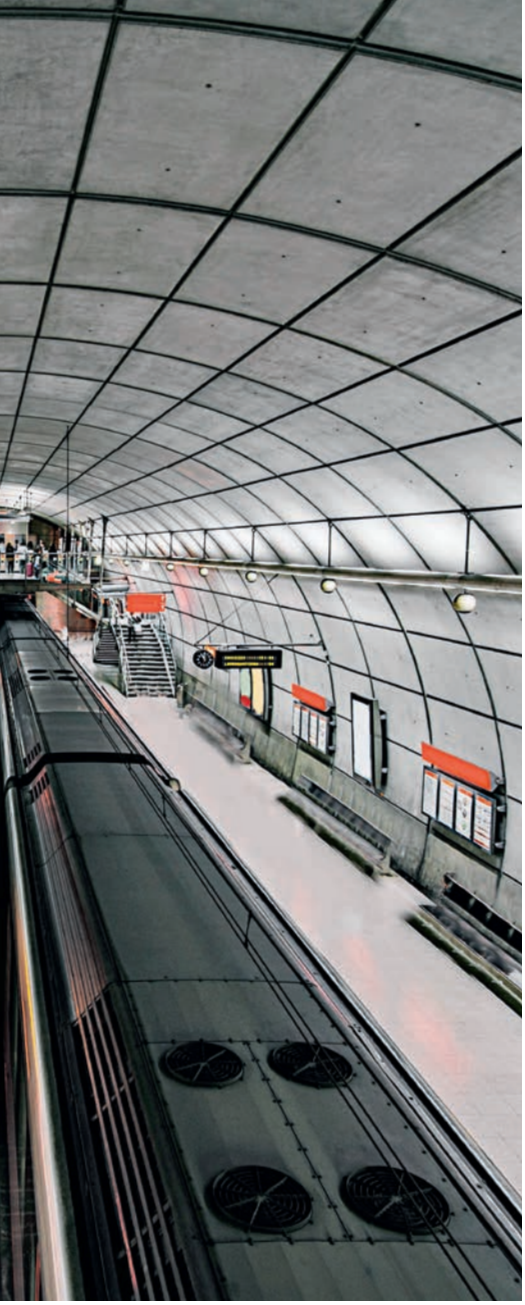
DIVISIONS

Sealing Solutions 8

Technical Components 12

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

Investments and acquisitions to accelerate future organic growth

The Sealing Solutions division performed well again in 2016. Thanks to its leading positions in attractive global market segments, Datwyler managed to increase net revenue, compared with the previous year, by 6.7% to CHF 753.3 million (previous year: CHF 705.9 million). Adjusted for currency and acquisition effects, this equates to organic growth of 2.9%. Capacity bottlenecks in the Health Care market segment and delays to projects in the Civil Engineering market segment restricted organic growth to this level. In geographical terms, Datwyler recorded strong growth in Asia in particular, followed by the NAFTA area and Europe.

Further strengthened profitability
The operating result (EBIT) increased to CHF 136.7 million (previous year: CHF 125.8 million). With an EBIT margin of 18.1% (previous year: 17.8%), the division achieved another slight increase in profitability. Before corporate one-off costs (particularly relating to the attempted acquisition of Premier Farnell), adjusted EBIT stood at CHF 138.7 million and the adjusted EBIT margin at 18.4%. In addition to targeted measures for strategic and operational improvements during previous years, this was also the result of high capacity utilisation.

Health Care experiencing strong demand for high-quality components
In terms of the Health Care market segment, the high-quality elastomer components for pre-filled syringes and drug delivery systems recorded the biggest growth. Within this segment, the purity requirements expected of sealing components continue to increase. With a view to satisfying these customer needs and eliminating existing capacity bottlenecks, Datwyler is investing in expansion of FirstLine capacities. This involves a manufacturing concept based on ultra-modern clean room technology, automated production cells, fully automated camera inspection and a unique washing process. As of mid 2017, the Indian plant will also be ready to produce these high-quality components. And at the Belgian plant, Datwyler will be commissioning a highly automated elastomer mixing facility, featuring FirstLine clean room technology, for the first time in 2017.

New FirstLine facility for fast-growing health care segments
An investment in excess of CHF 100 million to build a new highly automated health care plant in the USA will also boost future organic growth. Datwyler will use the new plant to produce high-quality elastomer components for the fast-growing pre-filled syringe and drug delivery system segments. The new plant is to be designed, built and run in accordance with Datwyler's ultra-modern "FirstLine" standards. Once the new US plant is up and running in 2018, Datwyler will be able in future to provide customers in the three key business regions (NAFTA area, Europe and Asia) with locally produced FirstLine components.

Automotive doing well across all regions
The Automotive market segment recorded improvements across all geographical regions. And China also recovered from the previous year's slowdown in growth. In the USA, Datwyler was able to achieve much better market penetration through the distribution network of Columbia Engineered Rubber, which the company acquired in 2014. In Europe, stricter enforcement of emissions regulations for SCR technology (selective catalytic reduction) helped the company make a breakthrough. The German Association of the Automotive Industry estimates the number of vehicles with SCR catalytic converters (for treating exhaust gases) will increase fivefold in Western Europe to around 20 million by 2020. Datwyler has been working with leading manufacturers of catalytic converters for several years and supplies five or so system-critical elastomer components for each SCR system.

Key figures of Sealing Solutions

in CHF millions	2016	2015
Net revenue	753.3	705.9
EBIT	136.7	125.8
EBIT margin	18.1%	17.8%
Total assets	688.8	629.4
Gross capital expenditure	65.8	48.5
Number of full-time equivalents (at year-end)	5'917	5'521

Potential for development and growth thanks to acquisitions

In addition to its investments, Datwyler is also boosting organic growth and the potential for development through targeted acquisitions. And thanks to the acquisitions of the Italian firm Origom in 2015 (annual revenue of CHF 23 million) and the German firm Ott in early October 2016 (annual revenue of CHF 33 million), Datwyler has acquired new technologies and secured access to new niche markets associated with both existing and new customers. Origom is enabling Datwyler to meet the requirements of existing automotive customers in terms of precision O-rings, while also tapping into interesting new industries like hydraulics and pneumatics. Integration is on schedule, with the firm renamed Datwyler at the beginning of 2017. With Ott, Datwyler has acquired a specialist in injection moulding technology, both single- and multi-component, based on thermoplastics and liquid silicone. This complements existing technologies perfectly and offers Datwyler an opportunity to increase added value and devise novel solutions to accommodate, for example, the megatrends of environmental sustainability and electrification within the automotive industry.

Decline in revenue for Civil Engineering

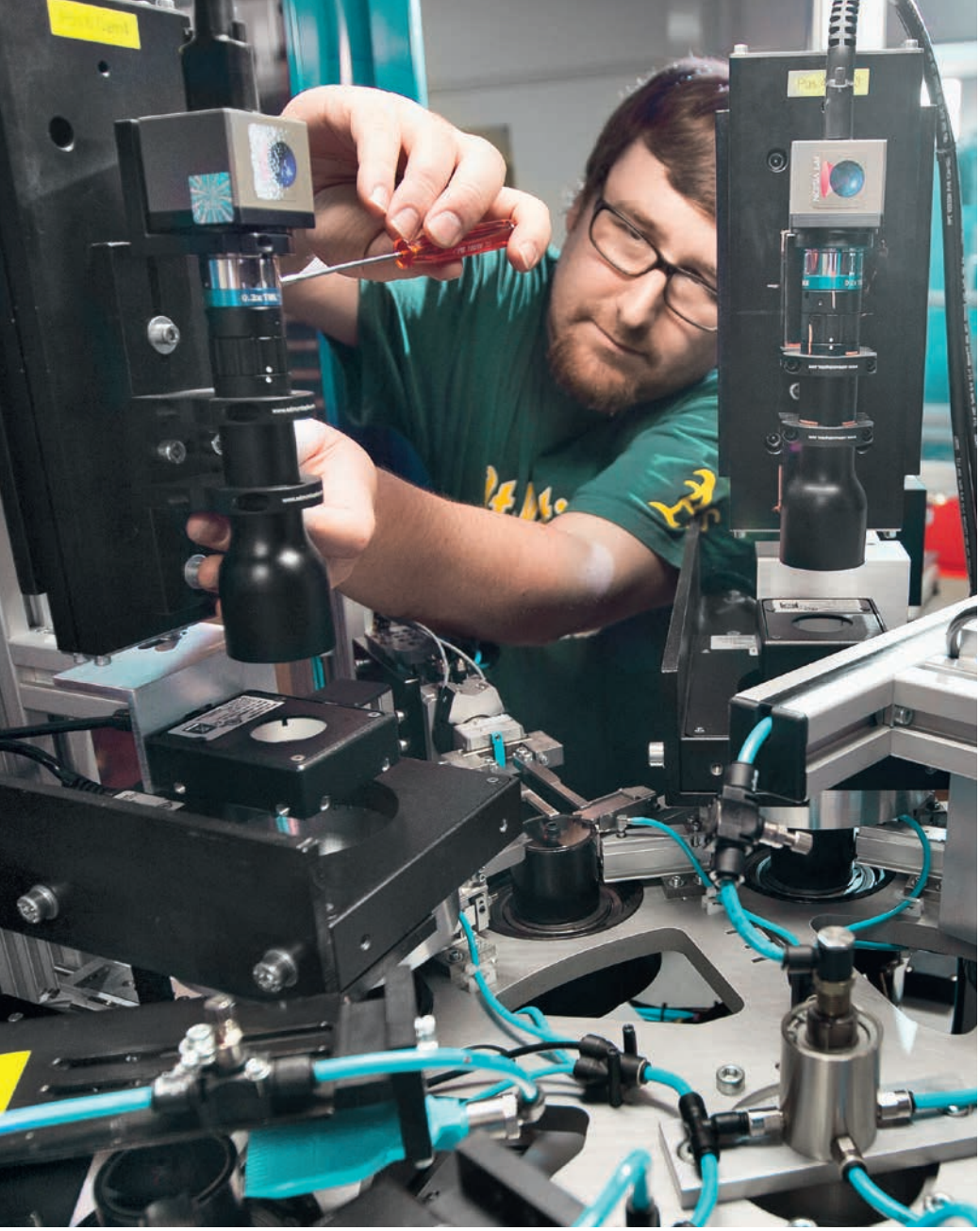
The Civil Engineering market segment is involved in tunnelling and railway superstructure projects. Unexpected postponements of projects during 2016 resulted in significant declines in both revenue and margins. Special praise is merited for winning the IQ Innovation Prize (Central Germany), which was awarded for a new elastomer material with antimicrobial properties. Commercialisation of this new application has already begun.

Gratifying performance for Consumer Goods

The partnership with Nespresso in the Consumer Goods market segment continues to develop nicely. Negotiations on a new contract are at a very advanced stage, with the key parameters already defined. Datwyler and Nespresso have continually intensified their cooperation since 2006. Today, the world leader in high-quality portioned coffee is the Datwyler Group's largest single cus-tomer. The new contract envisages further growth potential.

A very promising outlook

The outlook for the Sealing Solutions Division remains very promising for 2017 and beyond. For one thing, Datwyler is benefiting from its strong positions in growing global market segments and the recently acquired new technologies are creating opportunities for potential additional development and growth. At any given time, the company is reviewing further possible acquisitions with a view to tapping into specific geographical markets and new technologies.



TECHNICAL COMPONENTS

The Datwyler Technical Components division is one of Europe's leading high-service distributors with local representation, a modern multi-channel 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

Negative revenue and margin trend has been reversed

With its focus on Europe, the Technical Components Divisions continued to operate in a challenging market environment in 2016. In the business-to-consumer segment in particular, demand in the second half of the year declined sharply in all markets to some extent. The sector as a whole lacked the innovative trends that have otherwise wowed customers in recent years. However, Datwyler's distribution companies Distrelec, Reichelt and Nedis gratifyingly managed to increase revenue in core business with business-to-business customers. Significant operational improvements due to the increased stability of structures and processes resulted in better product availability and shorter delivery times. Further optimisation of search functions and product information in our online shops also helped to enhance the customer shopping experience.

Slight increase in revenue despite reduction of low margin products

After several years of negative revenue development, the division reversed the trend in 2016 and upped its net revenue slightly to CHF 462.6 million (previous year: CHF 459.3 million). Adjusted for currency effects, this means that revenue remained virtually the same in organic terms. The reduction of low-margin product sales and the standardisation of discounts as expected had a negative impact on revenue. The expansion of the product range in relation to maintenance, repair and operations (MRO) on the one hand and automation on the other made a positive contribution to revenue performance, as did the launch of a new house brand for standard products. Under the "RND" brand, Datwyler outsources the manufacturing of clearly specified electronic components and accessories to China. Thanks to quality assurance by its own purchasing organisation in Shenzen, Datwyler can offer its customers high-quality products at attractive prices and improve its margin at the same time. The "RND" range already comprises more than 3.000 products and will be expanded significantly due to strong increase in customer penetration.

Margin improvement thanks to cost savings and optimised product range

Strategic integration projects to create a shared infrastructure platform reached completion in the first half of 2016. The new platform is operational, enabling the implementation of substantial recurring cost savings in the year under review. For example, the central distribution centre in the Netherlands managed to continually reduce its cost by optimising its processes. Furthermore, the division centralised its accounting and financial functions in the Netherlands and, in particular, at the shared service centre in Latvia. The realignment of sales structures from country to regional management level resulted in further cost savings. Additional margin support came from the optimised product range and the standardised discounts. Although these measures did not take effect over the entire year, the operating result (EBIT) significantly improved, ending on CHF 9.4 million (previous year: CHF 0.3 million). Taking into account one-time costs related to cost-cutting measures and the Corporate one-time costs (particularly from the attempted acquisition of Premier Farnell), adjusted EBIT amounted to CHF 18.9 million. Consequently, the adjusted EBIT margin improved from 2.5% in the previous year to 4.1% in the year under review.

Key figures of Technical Components

in CHF millions	2016	2015
Net revenue	462.6	459.3
EBIT	9.4	0.3
EBIT margin	2.0%	0.1%
Total assets	327.9	361.2
Gross capital expenditure	12.0	11.0
Number of full-time equivalents (at year-end)	1'116	1'231

Strategic focus on organic growth

Thanks to the turnaround in revenue and EBIT performance, the Technical Components Division turned the corner in the year under review and is heading in the right direction under the new management team that took up its duties in 2015. Revenue growth is not yet satisfactory. The fact that the management team were absorbed for several months in preparations to acquire Premier Farnell had a bearing on this. Following the decision not to acquire Premier Farnell, the acceleration of organic growth represents the most important strategic goal. In achieving this objective, one of the things the division needs is an efficient category and product management approach in order to quickly expand its product range with the correct products and to strengthen its market presence. Measures are currently being drawn up to improve expertise and efficiency in this key area of operations. The central distribution centre also offers further potential for process optimisation and cost savings.

Package of measures to increase revenue and efficiency

Besides the new house brand and the accelerated expansion of the product range, we are confident that a series of additional measures will help to stimulate demand and revenue in the 2017 fiscal year and beyond. Central importance is being accorded to a change project that involves all employees refocusing clearly on customers and their needs. By putting increased emphasis at the same time on the higher-margin maintenance and automation markets, Datwyler can best leverage its legacy, its existing product range and its technical expertise. A step-up in Internet marketing activity and the launch of new catalogues should provide extra impetus, making it easier for target groups to search online and offline for the components they require. Furthermore, we expect the Reichelt brand to continue its successful expansion into markets outside Germany. Based on measures initiated and implemented to increase revenue and efficiency, we believe that Datwyler's distribution companies will be able to improve their EBIT margins considerably.

SUSTAINABILITY

Long-term values 18

Sustainability as part of the company strategy 19

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.

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

As far as our suppliers are concerned, we have set out our requirements in a dedicated code of conduct based on the UN Global Compact since the beginning of 2014. The systematic customer and employee satisfaction surveys were continued in 2016. Since 2013, the Datwyler Group has also reported its greenhouse gas emissions to the Carbon Disclosure Project (CDP). In this way, we live up to our social responsibility every day as a reliable partner to our stakeholders.

Selected objectives and visions related to the relevant topics of sustainability

Economic performance
Above-average long-term profitable growth in the markets we serve; long-term growth target for 2020: CHF 2 billion in revenue with an EBIT margin of 12% to 15%.

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

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

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

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

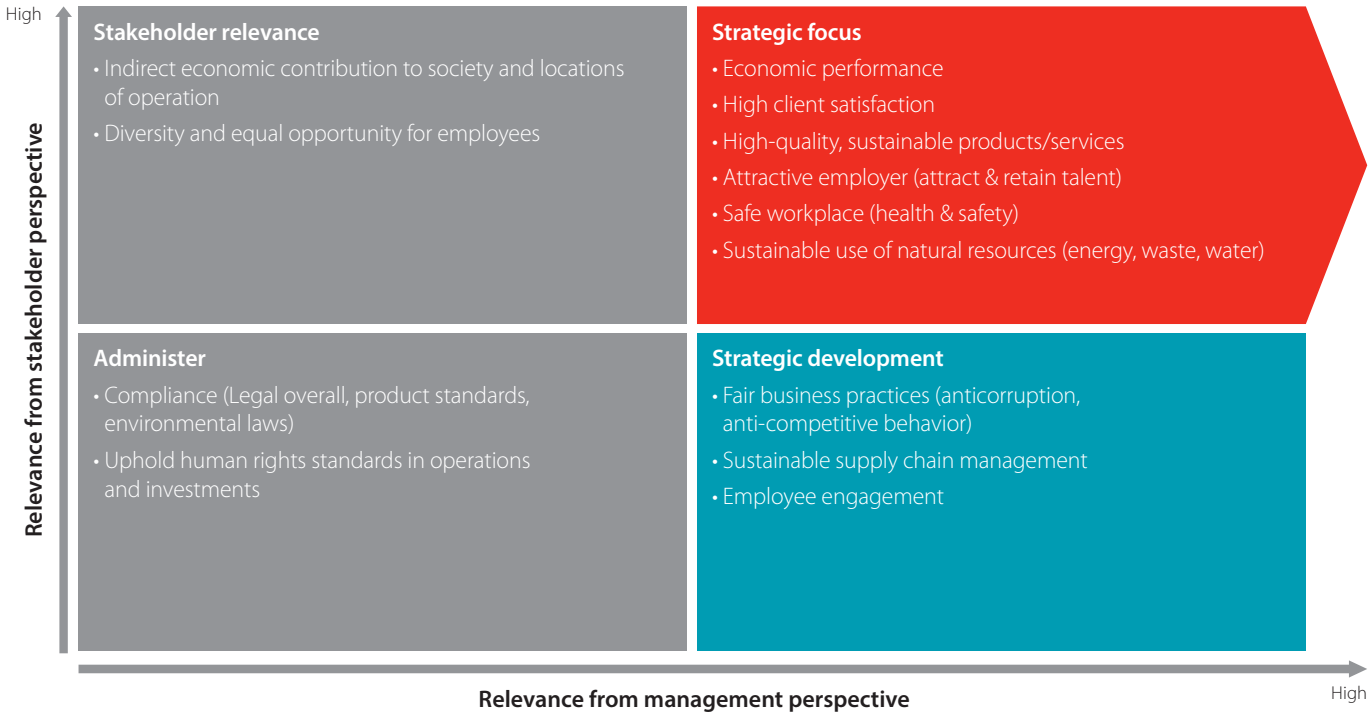
Sustainable use of natural resources
Decrease in resource consumption (electricity, energy, water) and in waste per revenue unit.

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

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

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

Prioritisation of sustainability topics relevant to the Datwyler Group



Sustainability as part of the company strategy

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

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

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

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

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

The 2016 Datwyler Sustainability Report will be available from the second quarter of 2017 via the following link:

www.datwyler.com/en/company/sustainability

CORPORATE GOVERNANCE

Group structure and shareholders 22

Capital structure 23

Internal organisation 24

Board of Directors 27

Executive Management 30

Shareholders' participation rights 32

Statutory auditors 33

Information policy 33

CORPORATE GOVERNANCE

at 31 December 2016

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

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

Group structure and shareholders

The Datwyler Group is a focused industrial supplier with leading positions in global and regional market segments. The Technical Components division is one of Europe's foremost high-service distributors of maintenance, electronic, automation and ICT 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. 23) is the result of the Dätwyler family succession arrangements of 1990. The family's primary objective was to ensure the long-term independence of the Company.

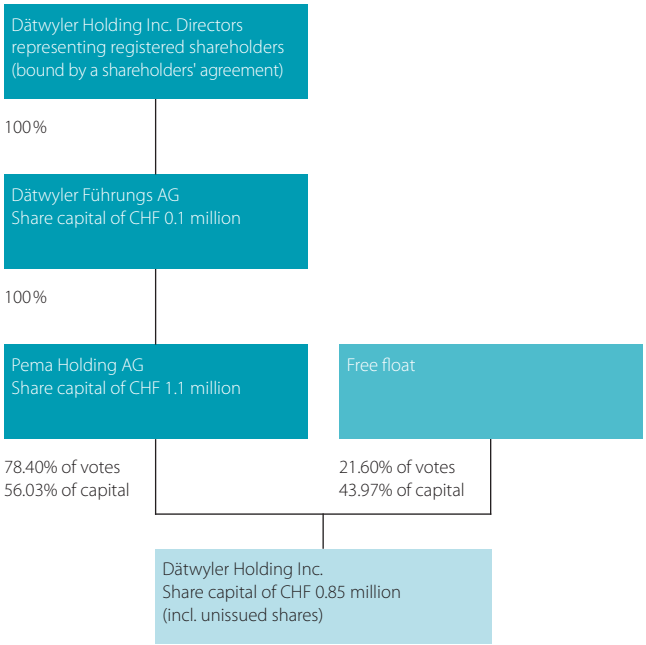
Following the 1986 IPO, Peter and Max Dätwyler's interest had been reduced to roughly 50% of capital and just below 80% of votes. They placed this ownership interest without compensation in a company they had founded, Pema Holding AG (PeMa = Peter and Max). Today, the Board of Directors of Dätwyler Holding Inc. controls these assets and the associated voting rights on a fiduciary basis and without beneficial ownership. It does so through Dätwyler Führungs AG, likewise founded by the Dätwyler brothers in 1990. The members of the Board of Directors of Dätwyler Holding Inc. (see p. 27, Members of the Board of Directors) are concurrently members of the Board of Directors of Pema Holding AG and hold equal interests of CHF 0.1 million in the share capital of Dätwyler Führungs AG. A shareholders' agreement requires departing Board members to pass their shares in Dätwyler Führungs AG on to their successors at par value and without financial gain. The Board members are likewise not entitled to receive dividend payments from Dätwyler Holding Inc. Dividends are retained by Pema Holding AG and can be reinvested in Dätwyler Holding Inc.

Under the shareholders' agreement, Pema Holding AG may invest only in the Datwyler Group and its spin-offs, 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 5'125'592 of the total of 12.6 million bearer shares of Dätwyler Holding Inc. This represents 78.40% of the voting rights and 56.03% of the share capital.

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



Group structure and companies

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

- Page 65: segment reporting.
- Page 84: detailed list of subsidiaries and investments.
- Page 107: details of Dätwyler Holding Inc., the listed company, in the Share Information and General Information sections on page 109.
- Page 110: directory of Group operations.

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

Capital structure

Composition of share capital in CHF at 31 December 2016:

22'000'000 registered shares of CHF 0.01 each	220'000
12'600'000 bearer shares of CHF 0.05 each	630'000
Total ordinary share capital	850'000
Authorised additional share capital	84'999.94
Authorised contingent share capital	none
Participation certificates	none
Profit-sharing certificates	none
Registration and voting restrictions	none
Opting-out and opting-up provisions	none

All shares are fully paid-up and - irrespective of their value - are entitled to vote and rank for dividend. Information about changes in equity for 2016 and 2015 is presented in the statement of changes in equity on page 57. Changes in equity for 2015 and 2014 are shown in the statement of changes in equity on page 61 of the Annual Report 2015 (www.datwyler.com > Investors > Publications > Annual Reports).

Convertible bonds and share options

As at 31 December 2016, 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 76, Note 18, Bond).

Internal organisation

Role of the Board of Directors

The Board of Directors is the ultimate decision-making, management and governing body of the Datwyler Group. The Board consists of no fewer than five and no more than eleven members. At 31 December 2016, the Board comprised nine Directors. The roles of the Chairman and Chief Executive Officer (CEO) are separate. The Directors or companies and organisations which they influence have no executive functions in the Group, 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 eight and a half 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 2016, the Board held eight meetings. Additionally there were two phone conferences and two resolutions by circular. Three members of the Board of Directors were excused from one meeting each. 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 connection with the takeover offer for Premier Farnell, external specialists were invited in 2016.

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 2016, the Audit Committee held three meetings, each of which was attended by the CEO and CFO. One member of the Audit Committee was excused from a meeting. The internal auditor as well as representatives of the external auditors attended all the meetings for the discussion of selected items. In 2016, 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 36.

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 and Jürg Fedier – also Directors of Pema Holding AG and Dätwyler Führungs AG. Pema Holding AG is the majority owner of Dätwyler Holding Inc. (see p. 22, 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 2017)
Ulrich Graf has served on the Board of Dätwyler Holding Inc. since 2004. He was appointed Chairman in 2005 and is a member of the Audit Committee. 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 dormakaba 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 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 2017)
Hans R. Rüegg has served Dätwyler Holding Inc. as a Director since 1991. He took office as Deputy Chairman in 2002. He is Chairman of the Audit Committee. Hans R. Rüegg was Chief Operating Officer of Baumann Springs Ltd. from 1983 to 2011. He has been Chairman of Baumann Springs Ltd. since 1993. He is also Chairman of Vetropack Holding AG. Hans R. Rüegg holds a degree in electrical engineering from the Swiss Federal Institute of Technology and an MBA from the University of Florida, Gainesville (USA).

Hanspeter Fässler (1956, Swiss)
Director (term expires in 2017)
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 2017)
Bearer Shareholders' Representative
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 and a Representative of the Bearer Shareholders. Since 2009, he serves as Chief Financial Officer of the world wide operating and stock quoted Oerlikon Group. From 2007 to 2008 he acted as CFO of Ciba Group. Between 2006 and 2007, he was Head of Finance of Dow Europe and a Member of the Executive Board. From 2002 to 2006, Jürg Fedier served as Vice President Finance for Dow Chemical, Performance Chemicals, USA, between 2000 and 2002 as Global Business Finance Director for Dow Chemical, Thermosets. From 1978 to 2000, he filled several management positions with Dow Chemical in the USA and in Asia. Jürg Fedier 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 2017)
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 2017),
Bearer Shareholders' Representative
Ernst Lienhard was appointed a Director of Dätwyler Holding Inc. at the 2006 Annual General Meeting to serve as a 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 2017)
Ernst Odermatt was appointed to the Board of Dätwyler Holding Inc. in 2004 and is a member of the Audit Committee. Until the end of 2005, he was CEO of the Oerlikon Contraves Group, in which capacity he served on the Executive Board of Rheinmetall DeTec AG, Düsseldorf, having held a number of management positions with Oerlikon Contraves since 1978. He is Chairman of Hofstetter PCB AG. He holds a degree in mechanical engineering from the Swiss Federal Institute of Technology Zurich and a degree in business administration from the University of Zurich.

Hanno Ulmer (1957, AT)
Director (term expires in 2017)
Hanno Ulmer was appointed to the Board of Dätwyler Holding Inc. at the 2015 Annual General Meeting. He is a member of the Remuneration Committee. He has served on the Executive Board of Doppelmayr Holding AG, the parent company of the world's leading ropeway manufacturer based in Austria, since 1994. Hanno Ulmer has held various finance and management positions within the Doppelmayr Group since 1976. He is also Chairman of Garaventa AG, Director of Ropetrans AG and a Supervisory Board member of Bank für Tirol und Voralberg AG. Hanno Ulmer holds an accounting diploma from WIFI Voralberg and completed university studies in export and international management.

Zhiqiang Zhang (1961, CN)
Director (term expires in 2017)
Zhiqiang Zhang was appointed to the Board of Dätwyler Holding Inc. at the Annual General Meeting 2016. The Chinese national has been with the Swedish Sandvik Group since 2012 and as Senior Vice President of the Group he is responsible for the Asia Pacific region. From 2005 to 2012 he was President of Nokia Siemens Networks Greater China Region and from 1999 to 2005 he served as President of Siemens VDO Automotive China. Prior to that, Zhiqiang Zhang supported the development of the Chinese market since 1987 in various management positions at Siemens. Since 2005 he has been a member of the Board of Directors at the Georg Fischer Group. Zhiqiang Zhang holds a Bachelor of Sciences of Northern Jiatong University, Beijing (China) and an MBA of Queen's University, Kingston (Canada).

Honorary Directors

Roland Zimmerli (1934, Swiss)
Honorary Chairman (since 2005)
During his 35 years of committed service in a variety of management positions, Roland Zimmerli helped to shape Datwyler into a Group of international dimensions. After the IPO, he circumspectly transformed Datwyler from a family-owned business into a public company. In appreciation of his services to the Datwyler Group, the Board appointed him Honorary Chairman in 2005, following his term as Chairman from 1999 to 2005. Before joining the Board, Roland Zimmerli served as CEO of Dätwyler Holding Inc. from 1991 to 1999. His expertise was also much sought after on the Boards of renowned Swiss companies. He graduated with a degree in business administration from the University of Zurich.

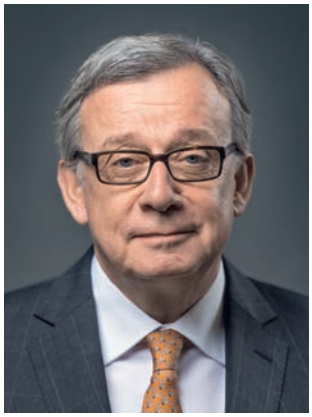
Max Dätwyler (1929, Swiss)
Honorary Director (since 1999)
Max Dätwyler was Chairman of Dätwyler Holding Inc. from its inception in 1958 until 1965. After handing over the Chairmanship to outside Directors, he continued to serve as Deputy Chairman and Executive Director until the end of 1999. Together with his late brother, Peter Dätwyler, Max Dätwyler was instrumental in building Dätwyler Holding Inc. into a diversified international corporation and, in 1990, ensured the Group's long-term independence through the shareholders' agreement of Dätwyler Führungs AG. He holds a doctorate in chemistry from the Swiss Federal Institute of Technology Zurich and a degree in economics from the University of Zurich.

Board of Directors

Ulrich Graf, Chairman

Hans R. Rüegg, Vice-Chairman

Hanspeter Fässler


Jürg Fedier

Gabi Huber

Ernst Lienhard

Ernst Odermatt

Hanno Ulmer

Zhiqiang Zhang

Executive Management

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

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

Paul J. Hälg (1954, Swiss)
Chief Executive Officer (CEO)
Paul J. Hälg was appointed CEO of the Datwyler Group from 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).

Dirk Lambrecht (1960, German)
Chief Operating Officer a.i. (COO, 01.10. - 31.12.2016)
Dirk Lambrecht took over operational management of the Datwyler Group as CEO on 1 January 2017, after serving as Chief Operating Officer ad interim from 1 October to 31 December 2016. Lambrecht headed the Sealing Solutions Division, in which the divisions previously known as Sealing Technologies and Pharma Packaging are combined, until 30 September 2016. He was head of Sealing Technologies from 2005 to 2012. Before joining the Datwyler Group, he managed Phoenix Traffic Technology GmbH, a subsidiary of Phoenix AG. Prior to that, from 1987 to 2003, he held a number of international management positions with Phoenix AG in Hamburg. Dirk Lambrecht 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.

Reto Welte (1959, Swiss)
Chief Financial Officer (CFO)
Reto Welte was appointed Chief Financial Officer and Member of the Datwyler Executive Management from 2009. Before joining Datwyler, he for two years held the same function with the Kardex Remstar Group, also a SIX Swiss Exchange-listed Group of companies. Between 2003 and 2006, he was CFO and member of Group Management of the Feintool Group. Previously Reto Welte was CFO of the Gretag Imaging Group and of co.don AG in Berlin. From 1991 to 2000, he held various management positions in finance with the Alstom group and was head of the Medium-Voltage Technology unit. Reto Welte is 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).

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

Executive Management

Paul J. Hälg
CEO (until 31.12.2016)

Dirk Lambrecht, COO a.i.
(1.10. – 31.12.2016),
Head of Sealing Solutions
division until 30.9.2016
CEO from 1.1.2017

Reto Welte, CFO

Neil Harrison, Head of Technical
Components division

Torsten Maschke, Head of Sealing
Solutions division
(from 1.10.2016)

Significant events after balance sheet date
Paul Hälg stepped down as CEO on 31 December 2016 after 12 years in the post. On 1 January 2017, Dirk Lambrecht took over operational management of the Datwyler Group as the new CEO.

At the 2017 Annual General Meeting, Ulrich Graf will step down as Chairman for age-related reasons after 12 years in the post. Long-standing CEO Paul Hälg will be recommended for election to the post of Chairman at the 2017 Annual General Meeting.

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 36 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 2016 to the statutory and other auditors:

in CHF	Statutory auditors	Other auditors
Auditing services, total	1'164'000	243'000
Additional services, total	485'000	199'000
Tax consulting	384'000	146'000
Legal consulting	21'000	47'000
Transaction services	–	–
Other advisory services	80'000	6'000

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 25.

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

REMUNERATION REPORT

Remuneration governance framework 36

Remuneration structure of the Board of Directors 39

Remuneration structure of the Executive Management 40

Remuneration in 2016 43

Remuneration outlook 46

Report of the Statutory Auditor on the Remuneration Report 48

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 2016 fiscal year.

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

Remuneration governance framework

Remuneration Committee

The Remuneration Committee generally consists of three members of the Board of Directors who are elected individually each year by the Annual General Meeting. The Remuneration Committee appoints its chairman. As at the end of 2016, the members of the Remuneration Committee were: Hanspeter Fässler (Chairman), Gabi Huber and Hanno Ulmer. In 2016 the Remuneration Committee met four times, with all members present for each meeting.

Responsibilities of the Remuneration Committee:

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

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

Approval levels

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

Determination procedure for the remuneration system

The remuneration system is normally reviewed every three years by the Remuneration Committee and may be adjusted to reflect the evolving business environment. Such a regular review has taken place in 2015. As a result of which the Board of Directors decided to amend the design of the long-term incentive plan for Executive Management, effective from business year 2018. The resulting changes are described on page 46 under "Remuneration outlook".

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

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

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

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

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

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

Remuneration philosophy and principles

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

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

Remuneration principles

Pay for performance

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

Reward long-term and sustainable value creation

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

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

Market competitiveness

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

Fairness and transparency

Remuneration programs are straightforward, transparent and fair.

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

Remuneration structure of the Board of Directors

Remuneration model for members of the Board of Directors

Base fee for Board membership + **Additional fee for special functions**

CHF 50'000 + **1'100 shares**

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

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

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

Remuneration structure of the Executive Management

Remuneration model for the Executive Management

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

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

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

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

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

Relative net sales growth and EBIT improvement are measured by an independent consulting firm that compares and ranks the performance of Datwyler against the performances of similar companies. For each of the two Datwyler divisions, a specific peer group of more than 30 companies has been determined, including industrial and distribution firms that have a comparable base of products, technology, customers, suppliers or investors and thus are exposed to similar market cycles as the corresponding Datwyler division (for the list of peer companies, please refer to page 42). The intention of measuring the performance relatively to peer companies is to neutralize the effect of market cycles and external factors that impact the company's performance but are outside of the control of management. The external market cycles being neutralized, the true performance of the company can be better assessed.

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

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

Overview of calculation and payout of the variable incentive

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

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

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

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

Share participation

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

The share participation programme for Executive Management has been reviewed and amended effective from the 2018 business year. The new long-term incentive plan will be entirely based on future performance of Datwyler. The changes are described on page 46 in the section "Remuneration outlook".

Peer groups of companies to measure the collective performance

Technical Components division

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

Sealing Solutions division

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

Employer social insurance contributions

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

Perquisites

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

Employment contracts

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

Remuneration in 2016

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

Table 1: Remuneration in 2016

in CHF								
Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross[1]	Share participation[2]		Employer social insurance contributions	Perquisites	Total remuneration
				Number	Fair value			
Directors								
Graf Ulrich[3]	Chairman	150'000	0	2'400	355'440	27'786	0	533'226
Rüegg Hans R.	Deputy Chairman	110'000	0	1'700	251'770	19'199	0	380'969
Fässler Hanspeter	Director	90'000	0	1'100	162'910	16'397	0	269'307
Fedier Jürg	Director	110'000	0	1'100	162'910	17'862	0	290'772
Huber Gabi	Director	70'000	0	1'100	162'910	14'932	0	247'842
Lienhard Ernst	Director	90'000	0	1'100	162'910	13'303	0	266'213
Odermatt Ernst	Director	70'000	0	1'100	162'910	11'938	0	244'848
Ulmer Hanno	Director	70'000	0	1'100	162'910	13'295	0	246'205
Zhang Zhiqiang	Director	50'000	0	1'100	162'910	13'235	0	226'145
Total for Directors		**810'000**	**0**	**11'800**	**1'747'580**	**147'947**	**0**	**2'705'527**
Executive Management								
Hälg Paul J.[3]	CEO	770'004	931'200	3'300	488'730	349'259	6'720	2'545'913
Total for Executive Management		**2'046'004**	**1'866'280**	**7'800**	**1'155'180**	**1'062'788**	**37'860**	**6'168'112**

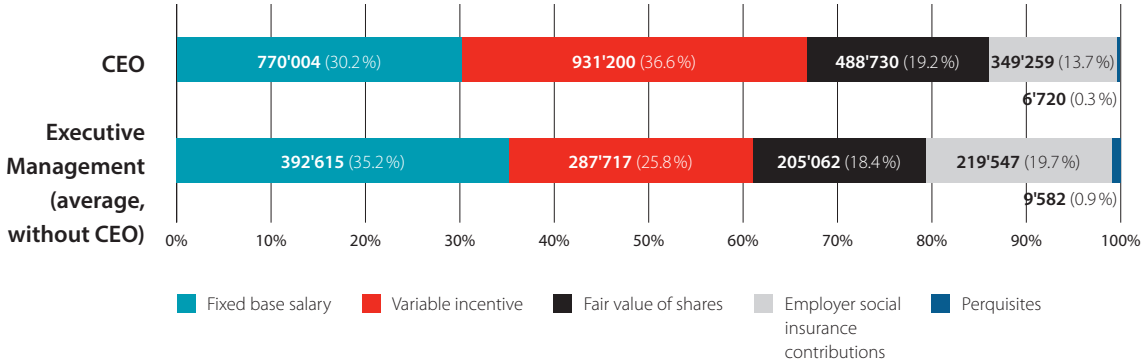
[1] Best estimate at the time of publication of the annual report.
[2] The shares were awarded on 1 June 2016 at a daily closing price of CHF 148.10.
[3] Highest remuneration

Table 1: Remuneration in 2015

in CHF								
Surname and first name	Function	Fixed base salary, gross	Variable incentives, gross	Share participation[1]		Employer social insurance contributions	Perquisites	Total remuneration
				Number	Fair value			
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**

[1] The shares were awarded on 1 June 2015 at a daily closing price of CHF 133.20.
[2] Highest remuneration.

Structure of 2016 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 2016 and includes the fixed cash salary in 2016, the variable incentive that will be paid out in 2017 related to performance year 2016, the number of shares granted in 2016, and the value of benefits received in 2016.

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. Two members of the Board of Directors (representatives in accordance with SCO 709) receive higher remuneration in consideration of their efforts in favour of bearer shareholders.

The Executive Management's variable incentive for the 2016 reporting year was calculated according to a new model described in detail on pages 40 and 41.

The following provisional figures for the collective performance component are based on the available revenue and profit figures of the peer group and the Datwyler Group as at mid-December 2016. In terms of the aggregate value of net revenue growth and EBIT improvement, the Sealing Solutions Division and the Technical Components Division outperformed 66.25% and 51% of the peer group's companies respectively. Both indicators – net revenue growth and EBIT improvement – are afforded the same weighting as far as their aggregate value is concerned, taking into account the operational performance of the two divisions excluding one-time effects.

An external, independent specialist calculated the provisional figures for net revenue growth and EBIT improvement relative to peer groups of similar companies. Based on the annual reports published by peer companies, the same specialist will ascertain the definitive figures in April 2017 before the date on which the collective performance component is paid out.

In terms of the individual performance component for members of the Executive Management, the Board of Directors envisages values between 1.8% and 30% of the annual fixed base salary for the year under review, with the definitive figures to be calculated on the basis of the annual financial statements.

Overall, this equates to a variable incentive of 120% of the annual fixed base salary for the CEO in 2016 (target: 90%; maximum rate: 180%). For the members of the Executive Management excluding the CEO, the average variable incentive corresponds to 73.3% of the annual fixed base salary (target: 60%; maximum rate: 120%). In absolute terms, the variable incentive for the entire Executive Management increased in 2016 to CHF 1.9 million (best estimate on the date of publication of this remuneration report; previous year: CHF 1.4 million). Another factor to take into account in this regard, other than the favourable business performance within the Sealing Solutions division, is that, owing to the succession plan, the Executive Management comprised an extra person for three months in the year under review.

If the variable incentive that is ultimately paid out differs significantly from the amount shown in the remuneration table on p. 43, the remuneration report of the following year will state this.

The share participation for the year 2016 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 2016 at the then market value of CHF 148.10 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 14.90 higher than in the previous year, which increased the fair value of the equity participation accordingly.

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

The total remuneration of the Board of Directors and the Executive Management is below the maximum total remuneration figures of CHF 2.8 million and CHF 7.7 million respectively, which the shareholders approved for the 2016 fiscal year at the 2015 Annual General Meeting.

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

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

Loans and credits

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

Remuneration outlook

The Board of Directors will propose the following maximum total sums to the 2017 ordinary Annual General Meeting for remuneration of the Board of Directors for their service during the period up to the 2018 ordinary Annual General Meeting and for remuneration of the Executive Management for the 2018 fiscal year:

- Board of Directors: CHF 3'100'000, of which CHF 800'000 for cash remuneration plus CHF 2'300'000 for granting of Dätwyler Holding Inc. bearer shares.
- Executive Management: CHF 9'700'000, of which CHF 6'600'000 for cash remuneration (fixed base salary, variable incentive, employer social insurance and perquisites) plus CHF 3'100'000 for the maximum value at grant of the Performance Share Units awarded under the new long-term incentive plan.

The remuneration system is reviewed by the Remuneration Committee at three-year intervals, to take account of the evolution of the business environmen, in which the company operates. The last regular review has taken place in 2015. As a result of which the Remuneration Committee reviewed the compensation system applicable to the Executive Management and proposed amendments to the share-based compensation which were approved by the Board of Directors and will enter into force as of fiscal year 2018.

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

The following is a summary of how the long-term incentive plan works. The 2018 remuneration report will provide a more detailed description once the plan has been implemented.

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

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

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

Datwyler's performance on all three indicators will be compared to a peer group of companies. The peer group is a consolidation of the peer companies that are already considered for the calculation of the annual variable incentive. Datwyler's relative performance will be expressed as a percentile rank, which results in a payout factor between 0% and 200%:

The combined payout factor is a weighted average of the payout factors for relative sales growth (one-third weight), relative ROCE growth (one-third weight) and relative TSR (one-third weight). An independent external specialist will calculate the level of relative performance achievement and as well as the combined payout factor.

Calculation of the total number of shares transferred to the participant after the vesting date:

If Datwyler reports a negative profit after tax (i.e. a loss) from continuous operations during the three-year vesting period, or if the Board of Directors believes that an adequate dividend cannot be paid out to shareholders, the Board of Directors reserves the right to determine whether and to what extent the PSUs for this period should be forfeited, irrespective of the combined payout factor achieved.

If Datwyler is required to prepare an accounting/financial restatement, clawback and malus provisions will apply on PSUs or shares awarded under the long-term incentive plan.

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

Report of the Statutory Auditor on the Remuneration Report

pwc

Report of the statutory auditor

to the General Meeting of Dätwyler Holding Inc.

Altdorf

We have audited the remuneration report of Dätwyler Holding Inc. for the year ended 31 December 2016. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables 1 and 2 on page 43 and pages 44 and 45 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 2016 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

René Rausenberger
Audit expert
Auditor in charge

Josef Stadelmann
Audit expert

Zürich, 3 February 2017

PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch

PricewaterhouseCoopers AG is a member of the global PricewaterhouseCoopers network of firms, each of which is a separate and independent legal entity.

Published and edited by
Dätwyler Holding Inc., Altdorf, Switzerland

Design and realization
Hotz Brand Consultants and gateB,
Steinhausen / Zug, Switzerland

Pictures
p. 8/9 : Fotosearch, iStock, Datwyler archive
p. 12/13: Getty Images, Datwyler archive
p. 29 and 31: Dominic Büttner,
Valentin Luthiger

Printing
Gisler Druck AG, Altdorf
Printed on chlorine-free bleached paper,
without optical brightening agent

© Dätwyler Holding Inc. 2017

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.

All trademarks mentioned herein are the property of their respective owners.

Dätwyler Holding Inc.
Gotthardstrasse 31, 6460 Altdorf / Switzerland
T +41 41 875 11 00, F +41 41 875 12 28
info@datwyler.com, www.datwyler.com