

## Group Financial Review

### CONSOLIDATED INCOME STATEMENT DATWYLER GROUP

In 2016, the Datwyler Group generated net revenue of CHF 1'215.8 million (previous year CHF 1'165.2 million), representing an increase of 4.3%. The effect of subsidiaries acquired amounted to CHF 23.8 million or 2.0%. The positive impact from foreign currency translation to Swiss francs on consolidation was 0.9%. Adjusted for these factors, organic growth was 1.4%.

#### Change in net revenue

in CHF millions	2016	%	2015	%
Acquisition/disposal of subsidiaries	23.8	2.0%	-12.4	-1.0%
Foreign currency translation to CHF	10.3	0.9%	-95.4	-7.6%
Organic change	16.5	1.4%	21.1	1.7%
<b>Total change in net revenue</b>	<b>50.6</b>	<b>4.3%</b>	<b>-86.7</b>	<b>-6.9%</b>

The gross profit margin improved to 26.3% (previous year 24.8%). Gross profit was impacted by positive foreign currency translation effects of 0.5% and by raw material prices down 3.2%. Other organic change of gross profit amounted to 5.6%.

#### Change in gross profit

in CHF millions	2016	%	2015	%
Acquisition/disposal of subsidiaries	4.2	1.5%	-23.5	-7.3%
Foreign currency translation to CHF	1.4	0.5%	-6.9	-2.2%
Impact raw material purchases	9.3	3.2%	13.4	4.2%
Other organic change	16.3	5.6%	-14.6	-4.6%
<b>Total change in gross profit</b>	<b>31.2</b>	<b>10.8%</b>	<b>-31.6</b>	<b>-9.9%</b>

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

In 2016, the Group's operating result (EBIT) reached CHF 146.1 million (previous year CHF 126.1 million) and the EBIT margin was 12.0% (previous year 10.8%) with the following factors contributing to this change:

#### Change in EBIT

in CHF millions	2016	%	2015	%
Acquisition/disposal of subsidiaries	2.1	1.7%	3.9	2.9%
Foreign currency translation to CHF	-0.1	-0.1%	-11.5	-8.7%
Organic change	18.0	14.3%	1.4	1.1%
<b>Total change in EBIT</b>	<b>20.0</b>	<b>15.9%</b>	<b>-6.2</b>	<b>-4.7%</b>

EBIT includes a gain of CHF 0.6 million (previous year CHF 0.5 million) on sale of property, plant and equipment and one-time costs related to the planned acquisition of Premier Farnell of CHF 3.9 million.

Net finance costs increased to CHF 50.4 million (previous year CHF 10.9 million), with comparable interest expense of CHF 2.4 million (previous year CHF 2.3 million), but with higher net foreign exchange losses on financing activities of CHF 51.5 million (previous year of CHF 11.8 million). In 2016, net finance costs include one-time hedging and financings costs related to the planned acquisition of Premier Farnell of CHF 44.1 million. Income tax expense increased to CHF 38.1 million (previous year CHF 33.0 million). Accordingly, the tax ratio increased to 39.8% (previous year 28.6%). The Group's weighted average income tax rate for 2016 was 33.8% (previous year 25.7%).

With the higher income tax expenses and higher net finance costs, a net result of CHF 57.6 million (previous year CHF 82.2 million) or 4.7% (previous year 7.1%) of net revenue was achieved.

## CONSOLIDATED BALANCE SHEET DATWYLER GROUP

Total assets increased by CHF 88.0 million during the year to CHF 1'217.1 million (previous year CHF 1'129.1 million). Trade accounts receivable increased to CHF 191.0 million (previous year CHF 178.5 million) and inventories increased to CHF 178.7 million (previous year CHF 169.4 million). With trade accounts payable of CHF 63.7 million (previous year CHF 62.6 million), net working capital increased by 7.3% to CHF 306.0 million (previous year CHF 285.3 million). Cash and cash equivalents including money market investments grew by CHF 15.5 million.

Compared to the previous year, equity increased by CHF 79.4 million to CHF 805.5 million (previous year CHF 726.1 million), maintaining a solid equity ratio of 66.2% (previous year 64.3%). The significant changes in equity include the net result of CHF 57.6 million (previous year CHF 82.2 million), the dividend payment of CHF -36.2 million (previous year CHF -78.5 million), the offset of goodwill from acquisitions of CHF -11.2 million (previous year CHF -22.0 million), the proceeds from sales of treasury shares of CHF 68.0 million (previous year none) and negative currency translation differences of CHF -2.1 million (previous year CHF -11.0 million) arising on net investments in foreign subsidiaries.

Short-term and long-term bank debts increased slightly by CHF 2.8 million during the year to CHF 11.5 million (previous year CHF 8.7 million). The Group's liquidity situation remains good, with cash, cash equivalents and money market investments amounting to CHF 317.5 million (previous year CHF 302.0 million) at the end of the year under review. Including the bond of CHF 149.9 million, the net cash position has changed to CHF 156.1 million (previous year CHF 143.5 million).

Current assets grew by 6.7% to CHF 720.8 million (previous year CHF 675.7 million). Non-current assets increased by 9.5% to CHF 496.3 million (previous year CHF 453.4 million).

## CONSOLIDATED CASH FLOW STATEMENT DATWYLER GROUP

With the net result of CHF 57.6 million (previous year CHF 82.2 million), net cash from operating activities amounted to CHF 90.7 million (previous year CHF 172.5 million). These cash flows were used to pay for investments in property, plant and equipment totalling CHF 71.5 million (previous year CHF 59.5 million). This represents a capital expenditure ratio (capital expenditure as a percentage of net revenue) of 5.9% versus 5.1% a year earlier. In addition, operating cash flow was used for the acquisition of subsidiaries in the amount of CHF 28.5 million (previous year CHF 27.7 million) and influenced by the increase of bank debt of CHF 0.1 million net (previous year net repayment of CHF 21.4 million). Proceeds from the sale of money market investments and treasury shares amounted to CHF 60.0 million (previous year CHF 48.0 million) and CHF 73.8 million (previous year none), respectively. Overall cash outflows and inflows led to a net change in cash and cash equivalents of CHF 76.8 million (previous year CHF 32.5 million), resulting in a cash and cash equivalents balance of CHF 317.5 million (previous year CHF 242.0 million) at year-end.

## ADDITIONAL INFORMATION

The commentary of the significant events during the year under review is presented on pages 3 to 15 of this annual report.

### Full-time equivalents

The annual average of full-time equivalents was 7'056 (previous year 6'804).

### Risk assessment

As part of its duties to oversee the management of the Group, the Board of Directors of Dätwyler Holding Inc. conducts a systematic risk assessment at least once a year. At its meeting held on 1 October 2016, the Board of Directors acknowledged management's report on group-wide risk management and approved the proposed actions included therein.

### Financial risk management

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

### Liquidity reserves

in CHF millions	2016	2015
Cash and cash equivalents	317.5	242.0
Money market investments	–	60.0
Available credit lines	343.9	327.8
<b>Total liquidity reserves</b>	<b>661.4</b>	<b>629.8</b>

### Net cash surplus

in CHF millions	2016	2015
Cash and cash equivalents	317.5	242.0
Money market investments	0.0	60.0
Less short-term bank debt	–4.0	–3.3
<b>Net cash surplus</b>	<b>313.5</b>	<b>298.7</b>

### Order intake and backlog

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

### Research and development expenses

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

### **Exceptional events**

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

### **Future outlook**

The estimates relating to the future outlook are presented on pages 3 to 15 of this annual report.