

Dätwyler Holding Inc.

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Income Statement

in CHF	Notes	2016	2015
Dividend income from subsidiaries	2.1	124'670'127	70'328'000
Gain on sale of treasury shares	2.2	73'810'929	–
Trademark income	2.3	6'104'000	–
Other income		28'210	50'000
Personnel expenses		–2'681'146	–2'292'506
Other operating expenses	2.4	–6'749'217	–2'536'807
Income before interest and taxes		195'182'903	65'548'687
Financial income	2.5	9'339'557	9'332'058
Financial expenses	2.6	–55'481'490	–1'896'859
Income before taxes		149'040'970	72'983'886
Direct taxes		–2'677'742	–206'810
Annual profit		146'363'228	72'777'076

The accompanying notes are an integral part of these financial statements.

Balance Sheet

Assets

in CHF	Notes	31.12.2016	31.12.2015
Cash and cash equivalents		102'139	105'588
Other current receivables		651'367	800'628
Due from third parties		131'367	219'628
Due from subsidiaries		520'000	581'000
Total current assets		753'506	906'216
Financial assets: Long-term receivables from subsidiaries	2.7	1'008'505'026	895'821'639
Investments in subsidiaries	2.8	145'965'148	145'963'752
Intangible assets: Trademarks	2.3	1	–
Total non-current assets		1'154'470'175	1'041'785'391
Total assets		1'155'223'681	1'042'691'607

Liabilities and shareholders' equity

in CHF	Notes	31.12.2016	31.12.2015
Other current liabilities third parties		35'681	83'139
Accrued expenses and deferred income		3'568'770	1'162'558
Total current liabilities		3'604'451	1'245'697
Long-term interest-bearing liabilities: Bonds	2.9	150'000'000	150'000'000
Total long-term liabilities		150'000'000	150'000'000
Total liabilities		153'604'451	151'245'697
Share capital	2.10	850'000	850'000
Statutory capital reserves		83'000'000	83'000'000
Statutory retained earnings		4'000'000	4'000'000
Reserve for treasury shares	2.12	–	27'502
Voluntary retained earnings	2.12	305'263'318	305'235'816
Retained earnings available for distribution		608'505'912	498'332'592
Profit carried forward		462'142'684	425'555'516
Annual profit		146'363'228	72'777'076
Total shareholders' equity		1'001'619'230	891'445'910
Total liabilities and shareholders' equity		1'155'223'681	1'042'691'607

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 / VALUATION PRINCIPLES

These Financial Statements were prepared in accordance with the provisions of the Swiss Code of Obligations concerning commercial accounting and financial reporting standards (SCO 957 ff.). Significant balance sheet items are reported as follows.

Financial assets and investments in subsidiaries

Financial assets are measured at nominal value less necessary impairment charges. Investments in subsidiaries are measured individually at purchase price less necessary impairment charges.

Measurement of liabilities/bonds

Liabilities including bonds are carried at nominal value.

2 / EXPLANATIONS CONCERNING THE FINANCIAL STATEMENTS

Dätwyler Holding Inc. is domiciled in Altdorf.

The average number of full-time equivalents in the course of a year does not exceed ten employees.

2.1 / DIVIDEND INCOME FROM SUBSIDIARIES

Dividend income from subsidiaries comprises profit distributions from subsidiaries.

2.2 / GAIN ON SALE OF TREASURY SHARES

In 2016, 528'342 treasury shares were acquired from Alvest AG, which subsequently were sold to Pema Holding AG at current stock exchange prices and on the stock exchange respectively, see also note 2.11.

2.3 / TRADEMARK INCOME

The right to use the trademark Dätwyler is invoiced to subsidiaries and related companies. Until mid 2016, these revenues were transferred to Alvest AG, which was responsible for trademark management.

2.4 / OTHER OPERATING EXPENSES

This item comprises Dätwyler Holding Inc.'s general costs of doing business. Dätwyler Holding Inc. has no operating costs, as these are charged in full to Alvest AG and then in turn to the subsidiaries. "Stewardship costs" (Dätwyler Holding Inc. administrative expenses) are charged to Dätwyler Holding Inc. In 2016, other operating expenses include one-time costs related to the planned acquisition of Premier Farnell of CHF 3.9 million.

2.5 / FINANCIAL INCOME

Financial income is derived primarily from interest-bearing assets of subsidiaries.

2.6 / FINANCIAL EXPENSES

Financial expenses comprise interest expenses for bond coupon payments together with commissions and bank fees. In 2016, financial expenses include one-time hedging and financings costs related to the planned acquisition of Premier Farnell of CHF 44.1 million and a waiver of debt of CHF 9.5 million.

2.7 / LONG-TERM RECEIVABLES FROM SUBSIDIARIES

These are Swiss franc-denominated long-term loans receivable from subsidiaries. Most of the change from the previous year is due to dividend and interest payments by subsidiaries.

2.8 / INVESTMENTS IN SUBSIDIARIES

Dätwyler Holding Inc.'s direct and indirect subsidiaries are disclosed in note 34 to the consolidated financial statements.

2.9 / BONDS

Fixed-interest bonds were issued for CHF 150 million with a pay-in date of 7 December 2012 and an issue price of 100.50%. The bonds pay an interest rate of 1.125% and mature in five and a half years (on 7 June 2018).

2.10 / SHARE CAPITAL

in CHF	31 Dec. 2016	31 Dec. 2015
22'000'000 registered shares at CHF 0.01 par	220'000	220'000
12'600'000 bearer shares at CHF 0.05 par	630'000	630'000
Share capital	850'000	850'000

Shares in Dätwyler Holding Inc. are listed on the SIX Swiss Exchange. Each registered share and each bearer share, regardless of nominal value, carries one vote at the General Meeting of Shareholders, with the exception of bearer treasury shares. According to a resolution passed by the Extraordinary General Meeting on 10 August 2016 to authorize additional share capital, the Board of Directors is allowed to increase the share capital of the company at any time until 9 August 2018 in the maximum amount of CHF 84'999.94 by issuing a maximum of 2'199'999 fully paid-in registered shares (voting right shares) with a par value of CHF 0.01 and a maximum of 1'259'999 fully paid-in bearer shares with a par value of CHF 0.05. No new shares were issued in the year 2016.

All 22'000'000 registered shares along with 5'125'592 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 56.03% and its percentage of voting shares is 78.40%.

The Board of Directors is unaware of any further shareholders or of shareholder voting pools whose interest amounts to 3% of all votes.

2.11 / EMPLOYEE SHARE OWNERSHIP PLAN / TREASURY SHARES

In the current year, a total of 21'700 bearer treasury shares were used for Group employees under the Employee Share Ownership Plan. 11'800 bearer shares with a total value of CHF 1'747'580 were allocated to members of the Board of Directors and a total of 7'800 bearer shares with a total value of CHF 1'155'180 to the Executive Management (see Remuneration Report). 2'100 bearer shares with a total value of CHF 311'010 (previous year: 1'867 bearer shares with a total value of CHF 248'684) were allocated to other employees.

All remaining 528'342 treasury shares were acquired at nominal value from Alvest AG in 2016. Subsequently, 307'092 treasury shares were sold to Pema Holding AG at current stock exchange prices averaging CHF 139.99 and the remaining 221'250 treasury shares were sold on the stock exchange at an average price of CHF 139.42.

2.12 / VOLUNTARY RETAINED EARNINGS / RESERVE FOR TREASURY SHARES

The voluntary retained earnings represent a free reserve at the disposal of the General Meeting of Shareholders. Pursuant to Art. 659a para. 2 and Art. 671a of the Swiss Code of Obligations, the Company is required to maintain a separate reserve for treasury shares held by a subsidiary in an amount equal to their purchase cost. The Board of Directors forms this reserve by transfers to and from the voluntary retained earnings. At the end of 2016, the reserve for treasury shares of CHF 27'502 was transferred to voluntary retained earnings, because no treasury shares were held anymore. The ending balance of voluntary retained earnings therefore amounts to CHF 305'263'318.

2.13 / SURETIES, GUARANTEES AND PLEDGE COMMITMENTS IN FAVOUR OF THIRD PARTIES

On a basis of joint and several liability, lines of credit were extended to various subsidiaries in the amount of CHF 150.2 million (previous year: CHF 148.7 million), of which CHF 32.1 million (previous year: CHF 48.3 million) was used to secure bank debt and unsettled forward exchange contracts.

Upon selling the Precision Tubes division at the end of 2007, the Group tendered the customary contractual guarantees, such as those concerning environmental contamination, in favour of the buyer. These guarantees are limited to a maximum of CHF 6'100'000 (previous year: CHF 8'200'000) and apply in certain cases for no longer than 10 years or to expiration of the respective statute of limitations. No claims on the part of the buyer are known at this time.

2.14 / JOINT AND SEVERAL LIABILITY

Since 1 January 2009 the Company has been a member of the value-added tax group under the number CHE-116.346.605 MWST. The principal member of the group is Alvest AG, Altdorf. For the term of its membership in this group, the Company bears joint and several liability pursuant to Art. 15 para. 1 lit c of the VAT Act.

2.15 / CONTINGENT LIABILITIES

In the normal course of business, risks arise in connection with such matters as legal disputes and pending or disputed tax assessments that could potentially lead to liabilities (contingent liabilities). The amount involved in most current cases is immaterial. The amount involved in the most significant case is roughly CHF 10 million. Where the outcome of such cases is unclear or the risk is unquantifiable or the likelihood of an outflow of funds is unlikely, no provisions are being made. Provisions are being made where the outcome can be estimated or an outflow of funds is probable.

2.16 / LOANS AND CREDITS

No loans and/or credits were granted to individual current or former members of the Board of Directors or Executive Management (including persons connected with them) in the year under review. Likewise, no non-arm's length loans and/or credits were granted to current or former members of the aforementioned bodies or persons connected with them in the year under review.

2.17 / BOARD OF DIRECTORS AND EXECUTIVE BOARD SHAREHOLDINGS

As at 31 December 2016, the individual members of the Board of Directors and Executive Management and their related parties held the following quantities of the Company's equity securities:

Board of Directors shareholdings 2016

Surname, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2017	2018	2019	2020	2021
Graf, Ulrich	Chairman	25'134	0.072642	2'400	2'400	2'400	2'400	2'400
Rüegg, Hans R.	Vice-Chairman	14'706	0.042503	1'700	1'700	1'700	1'700	1'700
Fässler, Hanspeter	Member	11'264	0.032555	1'100	1'100	1'100	1'100	1'100
Fedier, Jürg	Member	2'200	0.006358	0	0	0	1'100	1'100
Huber, Gabi	Member	4'569	0.013205	0	1'100	1'100	1'100	1'100
Lienhard, Ernst	Member	11'264	0.032555	1'100	1'100	1'100	1'100	1'100
Odermatt, Ernst	Member	11'264	0.032555	1'100	1'100	1'100	1'100	1'100
Ulmer, Hanno	Member	2'200	0.006358	0	0	0	1'100	1'100
Zhang, Zhiqiang	Member	1'100	0.003179	0	0	0	0	1'100

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2016

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2017	2018	2019	2020	2021
Hälg, Paul J.	CEO	32'453	0.093795	3'300	3'300	3'300	3'300	3'300
Welte, Reto	CFO	6'700	0.019364	1'100	1'100	1'500	1'500	1'500
Lambrecht, Dirk	COO	6'753	0.019517	700	1'500	1'500	1'500	1'500
Harrison, Neil	Division CEO	3'000	0.008671	0	0	0	1'500	1'500
Maschke, Torsten	Division CEO	–	–	0	0	0	0	0

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Board of Directors shareholdings 2015

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2016	2017	2018	2019	2020
Graf, Ulrich	Chairman	20'734	0.060893	2'400	2'400	2'400	2'400	2'400
Rüegg, Hans R.	Vice-Chairman	13'006	0.038197	1'700	1'700	1'700	1'700	1'700
Fässler, Hanspeter	Member	10'164	0.029850	1'100	1'100	1'100	1'100	1'100
Fedier, Jürg	Member	1'100	0.003231	0	0	0	0	1'100
Huber, Gabi	Member	3'466	0.019889	0	0	1'100	1'100	1'100
Lienhard, Ernst	Member	10'164	0.029850	1'100	1'100	1'100	1'100	1'100
Odermatt, Ernst	Member	10'164	0.029850	1'100	1'100	1'100	1'100	1'100
Ulmer, Hanno	Member	1'100	0.003231	0	0	0	0	1'100

Share type: Bearer share, nom. CHF 0.05
Voting rights per bearer share: 0.000002937%

Executive Management shareholdings 2015

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2016	2017	2018	2019	2020
Hälg, Paul J.	CEO	29'153	0.085618	3'300	3'300	3'300	3'300	3'300
Welte, Reto	CFO	6'300	0.018502	1'100	1'100	1'100	1'500	1'500
Lambrecht, Dirk	Division CEO	6'753	0.019833	700	700	1'500	1'500	1'500
Harrison, Neil	Division CEO	1'500	0.004405	0	0	0	0	1'500

Share type: Bearer share, nom. CHF 0.05
Voting rights per bearer share: 0.000002937%

2.18 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

Proposed Appropriation of Retained Earnings

Retained earnings carried forward

in CHF	2016	2015
Retained earnings at the beginning of the business year	462'142'684	425'555'516
Annual profit	146'363'228	72'777'076
Retained earnings at disposal of General Meeting of Shareholders	608'505'912	498'332'592

Proposal of the Board of Directors on the appropriation of retained earnings

in CHF	2016 Proposal of the Board of Directors	2015 Resolution of the General Meeting of Shareholders
Retained earnings at disposal of General Meeting of Shareholders	608'505'912	498'332'592
Distribution of cash dividend	-37'400'000	-36'189'908
Registered shares: CHF 0.44 (previous year: CHF 0.44)	-9'680'000	-9'680'000
Bearer shares: CHF 2.20 (previous year: CHF 2.20)	-27'720'000	-26'509'908
To be carried forward	571'105'912	462'142'684

Report of the Statutory Auditor on the Financial Statements



Report of the statutory auditor to the Board of Directors of Dätwyler Holding AG Altdorf

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dätwyler Holding AG, which comprise the balance sheet as at 31 December 2016, income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements (pages 92 to 98) as at 31 December 2016 comply with Swiss law and the articles of incorporation.

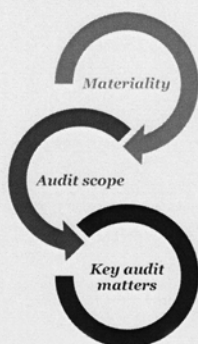
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 5,700,000

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

As a key audit matter, the following area of focus was identified:

Recoverability of investments in subsidiaries and long-term receivables from subsidiaries in the Technical Components Division

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future

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events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<i>Overall materiality</i>	CHF 5,700,000
<i>How we determined it</i>	0.5% of the total assets
<i>Rationale for the materiality benchmark applied</i>	We chose total assets as the benchmark because the Company primarily holds equity investments in and grants loans to subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements above CHF 500,000 identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Report on key audit matters based on the Circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Recoverability of investments in subsidiaries and long-term receivables from subsidiaries in the Technical Components Division

Key audit matter	How our audit addressed the key audit matter
<p>Please refer to page 94 (Valuation principles) in the notes to the financial statements.</p> <p>The investments in subsidiaries (CHF 30.0 million) and long-term loans receivable from subsidiaries (CHF 528.8 million) in the Technical Components Division are significant items on the company's balance sheet.</p> <p>The recoverability of these items depends on the economic substance and the future results or cash flows of the direct and indirect investments relating to this division of the Group. There is a degree of uncertainty involved in determining the assumptions with regard to future results, and the Board of Directors and Management have scope for judgement.</p> <p>The assessment of the recoverability of the investments in subsidiaries and long-term loans receivable from subsidiaries in the Technical Components Division is based on a comparison of the carrying amounts with the value of the pro rata share of equity. The economic value of equity is based on the intrinsic values of the Group companies and on their expected future results or cash flows. The assessments are made separately for the Nedis, Distrelec Elfa and Reichelt sub-groups. The Group companies generate their forecasts of future results based on a budgeting process defined by the Board of Directors.</p>	<p>We focussed our audit of the recoverability of investments in subsidiaries and long-term loans receivable from subsidiaries in the Technical Components Division on three areas:</p> <ol style="list-style-type: none"> Valuation process Business plans Capitalisation rates <p>The approach we used with regard to these three audit areas was as follows:</p> <ol style="list-style-type: none"> The results or cash flows underlying the valuations were based on the budget approved by the Board of Directors for the following year and the strategic planning for the subsequent years. Management and the Board of Directors monitored this process and challenged the assumptions that were used. We performed a plausibility check using our empirical values, taking into account the planned measures and their impacts. In order to assess the appropriateness of the prior year assumptions, we compared the forecasts made in the prior year with the effective results realised in the year under review. We compared the capitalisation rates used with the weighted average cost of capital rates of the Nedis, Distrelec Elfa and Reichelt sub-groups. <p>We consider the valuation process to be an appropriate and adequate basis for the testing of the recoverability of investments in subsidiaries and long-term loans receivable from subsidiaries in the Technical Components Division. The results of our audit support the reasonableness of the assumptions applied by the Board of Directors and Management.</p>

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: <http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'René' followed by a stylized surname.

René Rausenberger
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'Josef' followed by a stylized surname.

Josef Stadelmann
Audit expert

Zurich, 3 February 2017