

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 the previous year 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. In 2017 and 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 the previous year 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 the previous year 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. At the end of 2017, a subordination agreement in the amount of CHF 120 million was declared. Based on a current valuation of the respective investment, no impairment write-down was considered necessary.

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. 2017	31 Dec. 2016
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 current year.

All 22'000'000 registered shares along with 5'121'232 of the total 12'600'000 bearer shares are held by Pema Holding AG, Altdorf; thus its percentage of capital is 56.01% and its percentage of voting shares is 78.39%.

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 19'750 bearer shares were acquired by Alvest AG at current stock exchange prices averaging CHF 161.12 and then used for Group employees under the Employee Share Ownership Plan. 9'600 bearer shares with a total value of CHF 1'591'680 were allocated to members of the Board of Directors and a total of 8'500 bearer shares with a total value of CHF 1'409'300 to the Executive Management (see Remuneration Report). 1'650 bearer shares with a total value of CHF 273'570 (previous year: 2'100 bearer shares with a total value of CHF 311'010) were allocated to other employees.

In the previous year 2016, all remaining 528'342 treasury shares had been acquired at nominal value from Alvest AG. 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. At the end of 2017 and 2016, no treasury shares were held.

2.12 / VOLUNTARY RETAINED EARNINGS

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.

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

On a basis of joint and several liability, lines of credit were granted to various subsidiaries in the amount of CHF 136.3 million (previous year: CHF 150.2 million), of which CHF 13.9 million (previous year: CHF 32.1 million) was used to secure bank debt and unsettled forward exchange contracts. In addition, Dätwyler Holding Inc. has issued a guarantee in the amount of CHF 7.3 million until the end of 2027 for future rental commitments in favour of a subsidiary.

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 case disclosed in the previous year amounting to CHF 10 million was closed in 2017. 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 2017, 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 2017

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2018	2019	2020	2021	2022
Hälg, Paul J.	Chairman	29'915	0.086460	3'300	3'300	3'300	3'300	2'400
Fässler, Hanspeter	Vice-Chairman	12'964	0.037468	1'100	1'100	1'100	1'100	1'700
Fedier, Jürg	Member	3'300	0.009538	0	0	1'100	1'100	1'100
Huber, Gabi	Member	5'669	0.016384	1'100	1'100	1'100	1'100	1'100
Odermatt, Ernst	Member	12'364	0.035734	1'100	1'100	1'100	1'100	1'100
Ulmer, Hanno	Member	3'300	0.009538	0	0	1'100	1'100	1'100
Zhang, Zhiqiang	Member	2'200	0.006358	0	0	0	1'100	1'100

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Executive Management shareholdings 2017

Last name, first name	Position	Number of shares	% of voting rights	Of which blocked until				
				2018	2019	2020	2021	2022
Lambrecht, Dirk	CEO	10'000	0.028902	1'500	1'500	1'500	1'500	4'000
Welte, Reto	CFO	7'100	0.020520	1'100	1'500	1'500	1'500	1'500
Harrison, Neil	Division CEO	4'500	0.013006	0	0	1'500	1'500	1'500
Maschke, Torsten	Division CEO	1'500	0.004335	0	0	0	0	1'500

Share type: Bearer share, nom. CHF 0.05

Voting rights per bearer share: 0.00000289%

Board of Directors shareholdings 2016

Last name, 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%

2.18 / SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.