

# 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.

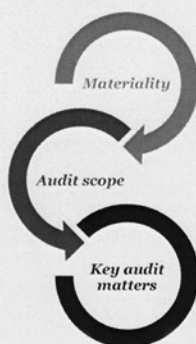
#### ***Basis for opinion***

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"> <li>Valuation process</li> <li>Business plans</li> <li>Capitalisation rates</li> </ol> <p>The approach we used with regard to these three audit areas was as follows:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>We compared the capitalisation rates used with the weighted average cost of capital rates of the Nedis, Distrelec Elfa and Reichelt sub-groups.</li> </ol> <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 flourish.

René Rausenberger  
Audit expert  
Auditor in charge

A handwritten signature in black ink, appearing to read 'Josef' followed by a long, horizontal flourish.

Josef Stadelmann  
Audit expert

Zurich, 3 February 2017