

Report of the Statutory Auditor on the Financial Statements



Report of the statutory auditor to the General Meeting 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 2017, income statement and notes for the year then ended, including a summary of significant accounting policies

In our opinion, the accompanying financial statements (pages 95 to 101) as at 31 December 2017 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 5,800,000

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 key audit matter the following area of focus has been 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 5,800,000
<i>How we determined it</i>	0.5% of 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

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Please refer to pages 97 and 98 (Valuation principles) in the notes to the financial statements.</i></p> <p>The investments in subsidiaries (CHF 30 million) and long-term loans receivable from subsidiaries (CHF 425 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. In determining the assumptions with regard to future results, the Board of Directors and Management have considerable scope to apply their judgement.</p> <p>The investments and loans were stated individually at historical cost less any necessary impairment provisions in accordance with the Swiss accounting requirements.</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 Company's share of the equity. The economic value of equity is based on the net asset values of the Group companies and on their expected future results or cash flows. The assessments are made separately for the Nedis, Distrelec and Reichelt sub-groups.</p> <p>The Group companies generate their forecasts of future results based on a budgeting process defined by the Board of Directors. Management and the Board of Directors monitor this process and challenge the assumptions used.</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 the following areas:</p> <ul style="list-style-type: none"> • We checked whether the results and 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. • We performed a plausibility check based on our experience, 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 for the year under review with the actual results realised. • We compared the capitalisation rates used with the cost of capital of the Nedis, Distrelec and Reichelt sub-groups. • We checked the arithmetical and technical correctness of the valuations. <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>. <http://www.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 Rausenberger'.

René Rausenberger
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'Josef Stadelmann'.

Josef Stadelmann
Audit expert

Zurich, 2 February 2018