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***Swmtl Holding AG in Liq.***

***Dornach***

***Report of the  
statutory auditors to the  
General Meeting***

***on the liquidation interim  
financial statements 2016***





# ***Report of the statutory auditors on the limited statutory examination to the General Meeting of Swmtl Holding AG in Liq.***

## ***Dornach***

As statutory auditors, we have examined the liquidation interim financial statements of Swmtl Holding AG in Liq., which comprise the balance sheet, income statement, the statement of changes on shareholders' equity and notes, for the year ended 31 December 2016.

These liquidation interim financial statements are the responsibility of the liquidators and Board of Directors. Our responsibility is to perform a limited statutory examination on these liquidation interim financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the liquidation interim financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered appropriate in the circumstances. However, the testing of the operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the liquidation interim financial statements do not comply with Swiss law and the company's articles of incorporation.

We draw attention to the general note, as well as notes 7, 11, 13 to the liquidation interim financial statements, which indicate that material valuation uncertainties exist. The uncertainties mentioned may cast significant doubt about Swmtl Holding AG's in liquidation ability to further proceed with the liquidation as planned. The material valuation uncertainties may lead to further impairments of assets or increases of liabilities and thus to the situation that the accumulated losses exceed the share capital in the sense of article 725 para. 2 CO and the corresponding regulations would need to be complied with. Our examination conclusion is not qualified in respect of this matter.



PricewaterhouseCoopers AG

Gerd Tritschler  
Audit expert  
Auditor in charge

Petar Lesic

Basel, 2 June 2017

Enclosures:

- Liquidation interim financial statements (balance sheet, income statement, the statement of changes on shareholders' equity and notes)

## Income statement

### SWMTL HOLDING LTD. IN LIQ., DORNACH

		2016	2015
<b>CHF 000</b>	<b>Notes</b>		
Operating and administrative expenses	1	-57	-89
<b>Operating income (EBIT)</b>		<b>-57</b>	<b>-89</b>
Financial result	2	-53	-39
Non operating and extraordinary result	3	-3	494
<b>Earnings before taxes (EBT)</b>		<b>-112</b>	<b>366</b>
Taxes	4	-	-
<b>Result for the year (EAT)</b>		<b>-112</b>	<b>366</b>

EBIT: Earnings before interest and taxes

EBT: Earnings before taxes

EAT: Earnings after taxes

The decrease of the operating and administrative expenses in the amount of TCHF 32 is mainly due to lower auditing fees (TCHF 13) lower remuneration to the Board of Directors and liquidators (TCHF 10) and lower consulting fees (TCHF 9).

Due to the interest calculation applied to almost but all liabilities, approx. TCHF 48 of the financial expenses should be considered as recurring.

In the previous year, the heading "non-operating and extraordinary result" relates to:

- the reversal of a provision created in the past to cover a potential remaining exposure toward a bank as no longer considered necessary, to
- the decrease of the tax account payables due to lower than expected capital taxes, and to
- the interests retroactively applied to almost but all liabilities.

Earnings per share for the reported financial year is of CHF – 0.017 (prior year CHF + 0.054). Since there are no outstanding convertible bonds or options, the diluted value corresponds to the undiluted one. Furthermore, the financial statements have been prepared based on liquidation values instead of going concern values, accordingly the earnings are highly volatile.

## Balance sheet (liquidation value)

### SWMTL HOLDING LTD. IN LIQ., DORNACH

		31.12.2016	31.12.2015
CHF 000	Notes	liquidation value	liquidation value
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	585	527
Other receivables	6	534	-
<b>Total current assets</b>		<b>1'118</b>	<b>527</b>
<b>Non-current assets</b>			
Other receivables	6	-	540
Receivable from subsidiaries - long term	7	6'703	6'816
Investment in subsidiaries	8	-	-
<b>Total non-current assets</b>		<b>6'703</b>	<b>7'356</b>
<b>TOTAL ASSETS</b>		<b>7'821</b>	<b>7'883</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade accounts payable	9	251	229
Payable to bank	7	6'137	6'137
Other liabilities	10	874	843
Accrued expenses and prepaid income	11	251	253
<b>Total liabilities</b>		<b>7'513</b>	<b>7'462</b>
<b>Shareholders' equity</b>			
Share capital	12	59'617	59'617
General statutory reserves		43'895	43'895
Available earnings		-103'203	-103'091
- Retained earnings		-103'091	-103'456
- Result for the year		-112	366
<b>Total shareholders' equity</b>		<b>308</b>	<b>420</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>7'821</b>	<b>7'883</b>

Compared to the previous year the structure of the assets slightly changed as the position "other receivables" has been reclassified (due to the repayment at the beginning of the financial year 2017) from long- to short-term. The financial assets primarily relate to receivables from subsidiaries and the decrease is due to a first down payment in the amount of approx. TCHF 114 on the claim toward Weidenareal Metall Ltd. In Liq ("WAM") as described in Note 7.

Due to the fact that Swmtl was not formally released from the guarantee obligation as the bank is of the opinion that there still exists a hypothetical uncertainty relating to the inherent claim of recovery the liabilities and the related receivable from the deconsolidated entity did not decreased in the extent of the repaid amount by WAM.

## Statement of Changes in Shareholders' Equity

SWMTL HOLDING LTD. IN LIQ., DORNACH

CHF 000	Share capital	General statutory reserves	Available earnings	Total shareholders' equity
<b>Balance as at 1 January 2015</b>	<b>59'617</b>	<b>43'895</b>	<b>-103'456</b>	<b>55</b>
Result for the year - 2015	-	-	366	<b>366</b>
<b>Balance as at 31 December 2015</b>	<b>59'617</b>	<b>43'895</b>	<b>-103'090</b>	<b>420</b>
Result for the year - 2016	-	-	-112	<b>-112</b>
<b>Balance as at 31 December 2016</b>	<b>59'617</b>	<b>43'895</b>	<b>-103'203</b>	<b>308</b>

As at 31 December 2016, the share capital remained unchanged at TCHF 59,617 (2015: TCHF 59,617), divided into 6,624,106 (2015: 6,624,106) bearer shares of nominal CHF 9.00. Capital reserves amounting to TCHF 43'895. Similarly, to the previous year as at 31 December 2016, no treasury shares were held by the company.

## Notes to the financial statements

### SWMTL HOLDING LTD. IN LIQ., DORNACH

#### GENERAL NOTE

Also in the past financial year, the Board of Directors (hereafter also “BoD”) of Swmtl Holding Ltd. in liq. (hereafter also “Swmtl” or “the company”) continued the efforts in winding down the company with the goal to realize the value of its assets in the best achievable way. The most significant achievements are summarized as follows:

- the approval of the delisting request of the shares by the SIX Swiss Exchange Regulation, and
- the cash-in of the first down-payment on the claim toward Weidenareal Metall Ltd. in liq. (hereafter also “Weidenareal” or “WAM”).

For the shareholders of the company, everything depends on the best possible realization of the remaining assets and of the result of the liquidation of Weidenareal. A transfer of funds to Swmtl will only be possible if all creditor classes were fully satisfied. In considering the officially communicated liquidation quote of 25 % for the 3<sup>rd</sup> class creditors of WAM, the BoD regards this as an unrealistic scenario.

Furthermore, in the context of the real estate transaction, Weidenareal have fully repaid the outstanding amount of the mortgage to the bank. However, Swmtl was not formally released from the guarantee as the bank believes there still exists a hypothetical uncertainty relating to the inherent claim of recovery. Accordingly, the liabilities and the related receivable from the deconsolidated entity did not decreased in the extent of the paid amount.

In considering the remaining shareholders equity, the main challenge to the BoD and liquidators in ensuring the continuation of the liquidation will be to strictly manage the disbursement and finally the liquidity. During the financial year, the BoD could enhance the cost structure of the company and will continue its effort in further decreasing the disbursements. However, the interests of 5 % on the liabilities, calculated in accordance with the Swiss Code of Obligation, represents an important cost item outside the influence of the BoD, also considering that Swmtl is not able to earn interest income due to the general economic environment. Swmtl is currently not involved in active or passive legal cases, however should one or more of the creditors explicitly or implicitly not extend the stand-still agreements and/or initiate a legal case, then the continuation of the liquidation could be seriously jeopardized.

**Basis of preparation** The balance sheet has been prepared consistently with the previous year on the basis of liquidation values instead of going concern values and represents the interim liquidation balance sheet. The valuation of certain assets and liabilities is depending on unpredictable future developments and relating possible outcomes. Therefore, there remains an inevitable uncertainty about their realisation value (for further details see also Notes 7, 11 and 13). However, the Board of Directors is convinced that the estimates made were reliably and that they represent the best estimate possible.

#### NOTES TO THE INCOME STATEMENT

**1 – Operating and administrative expenses** of TCHF 57 (previous year: TCHF 89) includes the Board of Directors’ compensation of TCHF 30 as well as auditing fees of TCHF 9 and consulting expenses and capital taxes.

**2 – Financial result** Net financial result amounts to TCHF 53 (previous year: TCHF 39).

CHF 000	2016	2015
Financial expenses	-53.0	-39.0
<b>Financial result</b>	<b>-53.0</b>	<b>-39.0</b>

The accrued interests on almost but all liabilities, calculated in applying an interest rate of 5% in accordance with Swiss Code of Obligation, amounts to TCHF 48.8 (prior year TCHF 45.3). The unrealized loss on the EUR net-position for the financial year 2016 amounts to TCHF 4.0 compared to an unrealized profit of TCHF 6.1 in the previous year.

**3 – Non-operating and extraordinary result** for 2016 consists almost exclusively of a minor and retroactive adjustments made to the interest accruals (see also Notes 2).

CHF 000	2016	2015
Reversal of the provision	-	537.0
Adjustment of the tax account payables	-	42.0
Charge of retractive interests on account payables and liabilities	-3.0	-81.7
Other items		-3.0
<b>Extraordinary results</b>	<b>-3.0</b>	<b>494.3</b>

The extraordinary result 2015 totalling TCHF 494 mainly relates to (i) the reversal of a provision to cover a potential remaining exposure toward a bank and no longer considered necessary, to (ii) interest rates of 5% retroactively applied to almost but all liabilities in order comply with the principle of “neutrality of treatment” for all creditors, and finally to the adjustment of the tax account payable due to lower than expected capital taxes.

**4 – Taxes** For the fiscal year 2016 there are no income taxes to be reported

## Notes to the balance sheet

**5 – Cash and cash equivalents** are valued using the current rate method at year end rates as of 31 December 2016 (CHF/EUR 1.074) and 31 December 2015 (CHF/EUR 1.083).

As of the balance sheet date, cash and cash equivalents totalled TCHF 584.7 (2015: TCHF 527.4), which represents an increase of approximately TCHF 57.3. The increase mainly relates to the first down-payment in the amount of TCHF 114 received on the Weidenareal claim (see note 7).

**6 – Other receivables** mainly relates to the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid in the amount of TCHF 532.5 (2015: TCHF 537.0). The decrease of TCHF 4.6 is due to the deterioration of the CHF/EUR exchange rate. Due to the repayment of the claim at the beginning of the financial year 2017, the receivable has been reclassified from non-current to current assets.



**7 – Receivables from subsidiaries and payable to bank** break-down as follows:

CHF 000	31.12.2016	31.12.2015
Current account from subsidiary	455.3	569.1
Claim relating to a mortgage	6'137.0	6'137.0
Claim relating to a contractual obligation	110.2	110.2
<b>Non-current assets</b>	<b>6'702.6</b>	<b>6'816.4</b>
<b>Total receivables from subsidiaries</b>	<b>6'702.6</b>	<b>6'816.4</b>

  

CHF 000	31.12.2016	31.12.2015
Interest-bearing liabilities	6'137.0	6'137.0
<b>Payable to bank</b>	<b>6'137.0</b>	<b>6'137.0</b>

The current account from subsidiary of TCHF 455.3 (2015: CHF 569.1) reflects the repayment in the context of the expected and officially communicated 25 % liquidation quota. On 18 August 2016, the company have received a first down-payment of approx. TCHF 114 corresponding to 5% of the recognized face amount of the claim. However, the timing of the payment of the remaining 20% remains unknown.

The claim relating to a mortgage provided to Weidenareal in the amount of TCHF 6'137.0 (previous year: TCHF 6'137.0) relates to the claim from a bank for a guarantee commitment of CHF 20.0 million (see Note 13) securing a credit line provided to the deconsolidated entity. Although, Weidenareal has fully repaid the outstanding amount of the mortgage to the bank, Swmtl was not formally released from the guarantee as the bank believes there still exists a hypothetical uncertainty relating to the inherent claim of recovery. Accordingly, the liabilities and the related receivable from the deconsolidated entity did not decreased in the extent of the paid amount.

Additionally, TCHF 110.2 due from Weidenareal relates to the claim for compensation claimed by a former Member of the Executive Management and was adjusted to reflect the expected repayment in the context of the liquidation quota of the subsidiary. However, the decision to collocate/recognize or not this amount have been suspended by the liquidator of WAM. A partial repayment appears to be likely based on the Board's current knowledge.

There exists an uncertainty regarding the valuation, as the amounts depend on the outcome of the liquidation of Weidenareal. As there exists an uncertainty regarding enforceability of the claims and the payment term of the receivables, it has been classified to current assets.

**8 - Investment in subsidiaries** Due to the "Nachlassvertrag mit Vermögensabtretung" (liquidation proceedings in course of the composition agreement with assignment of assets) Swmtl has lost all the information rights and/or duties on Weidenareal and its subsidiary in Hong Kong). Accordingly, the investments have been fully depreciated in the past.

**9 – Trade accounts payable** relate to claims made mainly to services provided previously to the opening of the liquidation. Almost but all the trade account payables bear an interest rate of 5%.

**10 – Other liabilities** amount to a total of TCHF 874.1, which is totally part of the short-term liabilities as of the balance sheet date (previous year TCHF 843.1) and consist of:

- TCHF 349.5 (nominal TCHF 262 plus TCHF 87 of accrued interests at a rate of 5% or TCHF 13 p.a.) for a compensation to a former member of the Board leaving 10 May 2013 arising from his past contractual agreement as CEO and of
- TCHF 521.6 (including TCHF 82 of accrued social security and pension plan contributions plus TCHF 81 accrued interests at a rate of 5% or TCHF 18 p.a.) arising from a contractual compensation claimed by a former Member of the Executive Management.

**11 – Accrued expenses and prepaid income** of TCHF 255.5 (prior year TCHF 258.0 includes accruals for auditing services of TCHF 8.5, an accrual of TCHF 30.0 for the unpaid remuneration to the Board of Directors for the financial year 2016, an accrual for expected costs of liquidation of TCHF 30.1 (2015: TCHF 59.8) and the accrued expenses for the Board of Directors till the financial year 2012 (including accrued interests at a rate of 5%). The former Board of Swmtl Holding Ltd. in liq. leaving 30 June 2011 served as well for a major subsidiary. However, the full compensation has been charged to Swmtl. Due to economic reasons, part of their compensation has been reallocated in 2011 to that major subsidiary. There exists an uncertainty regarding the valuation, as the amount due from Weidenareal entirely depends on the outcome of the liquidation (Note 13).

**12 – Share capital** The company has issued 6,624,106 bearer shares (previous year: 6,624,106) with a par value of CHF 9.00 each; all shares are fully paid. Each share is one bearer share and carries one vote. It conveys the right to a proportionate share of net profit and the residual proceeds of liquidation (if any) of the company. Swmtl recognizes only one owner per share. The share is indivisible with respect to the company. By amending the Articles of Incorporation, the Annual General Meeting may at any time convert bearer shares into registered shares.

The SIX Swiss Exchange Regulation has with decision of 15 September 2016 approved the request of the company to delist the 6,624,106 bearer shares with a par value of CHF 9.00 each (ISIN: CH0002572268 / Symbol: SMET). See also Note 17.

## Other explanatory notes

### 13 – Contingent liabilities

CHF 000	31.12.2016	31.12.2015
Other potential claims	450.0	450.0

In the context of the liquidation a bank asked the company to honour a guarantee commitment relating to a secured line of credit provided to Weidenareal. Accordingly, the due bank loan was recognised as a liability (see Notes 7). Although, the bank has been fully repaid in 2014 by Weidenareal, Swmtl was not formally released from the guarantee as the bank believes there still exists a hypothetical uncertainty relating to the inherent claim of recovery. Accordingly, the liabilities and the related receivable from WAM did not decrease in the extent of the paid amount.

In the financial year 2011, 10% of the accrued compensation in the amount of approximately CHF 0.5 million to the Board of Directors leaving 30 June 2011 were allocated to Swmtl.. In the financial year 2012 the Board of Directors came to the conclusion that this amount fairly represents their share of work for Swmtl and that other companies of the Group have to bear the rest of the compensation. However, a certain risk of honouring partially or in full the obligation remains at the Swmtl Holding Ltd. in liq. level.

Till 30 June 2013 the company, belonged to the Swiss value-added tax (VAT) group of Swmtl Group, and thus carries joint liability to the Swiss federal tax authority for the value-added tax debts of the entire Swmtl Group.

Furthermore, Swmtl was confronted 2012 with a claim raised by a metal supplier of WAM based on an alleged breach of duty of the Board of Directors of Swmtl Holding Ltd. in liq. leaving 30 June 2011. However, the company believes the allegations are unjustified. Accordingly, there are no relating provisions or accruals.

**14 – Significant shareholders** As at 31 December 2016 (unchanged compared to the previous year), the shareholders holding more than 3 % of the capital of the company are as follows:

Significant Shareholders	Date	Shareholding
Mr. Viktor Huser and Mr. Andreas Pumilia	14 March 2013	3.47%
K-S Anlagen AG	23 April 2015	5.73%

**15. Ownership of financial instruments** The number of shares held by each Member of the Board of Directors is given below:

Number of Shares ( votes)	2015	2014
<b>Jean-Paul Periat</b> Member of the Bod since 10 Mai and Chairman since 9 December 2013	-	-
<b>Viktor Huser</b> - Member of the BoD since 10 Mai 2013	100'000	100'000

Viktor Huser represents the interests of the shareholders holding more than 3 % of the capital (with the exception of K+S Anlagen AG”) of Swmtl as described in Note 14.

**16 – Employees** Since the company is in liquidation there were – similarly to the previous year - no employees working for the company.

### **17 – Events occurring after the balance sheet date**

In March 2017, the group of Mr. Viktor Huser and Mr. Andrea Pumilia have notified a shareholder holding of 6.17 %.

Furthermore, also in March 2017 Swmtl cashed-in TEUR 496 from the insolvency proceedings of Swissmetal Busch-Jaeger GmbH, Lüdenscheid (see Note 6).

The shares of the company have been delisted per 16 March 2017 (the last trading day being 15 March 2017).

In the last report of the liquidator of WAM dated 23 February 2017 (for further information see [www.liquidator-weidenareal.ch](http://www.liquidator-weidenareal.ch) sections “Mitteilungen zur Weidenareal Metall AG” publication dated 21 April 2017 and “Rechenschaftsbericht”) the expected liquidation quota is quantified at 30 – 35%. This represents an increase of 5 to 10 % compared to the previously communicated liquidation quota of 25%.

The financial statements (income statement, balance sheet, statement of changes in shareholders’ equity and the Notes) as of 31 December 2016 have been approved by the Board of Directors of the Swmtl Group on 30.06.2017.

There was no further significant event occurred after the balance sheet date.