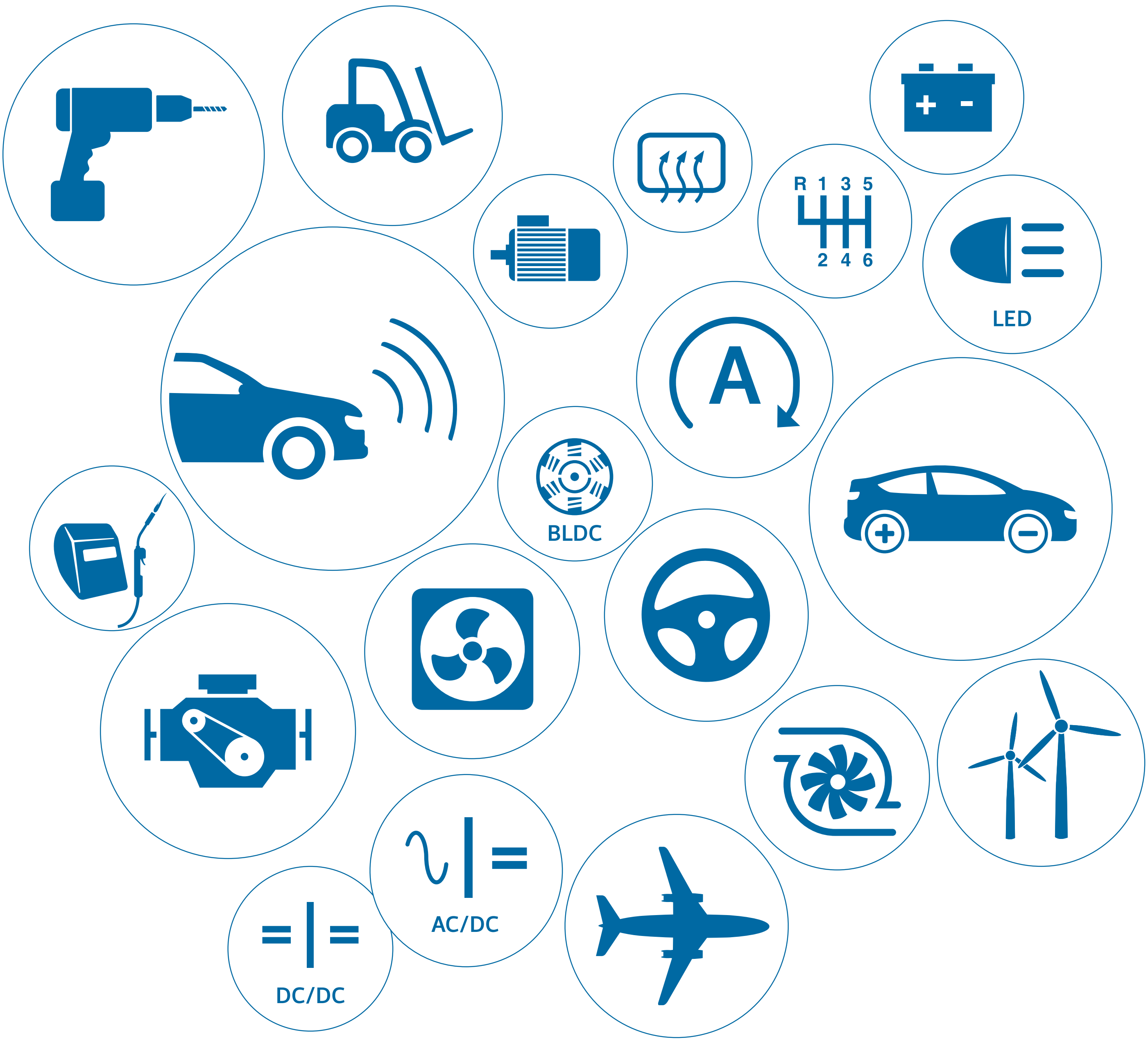
SCHWEIZER
ELECTRONIC

Annual Report 2015

Innovative technologies for sustainable growth



CONTENTS

KEY FIGURES

	2015	2014	Change absolute	Change in %
SCHWEIZER GROUP (IFRS)				
Revenues (EUR million)	115.6	110.2	5.4	4.8
Order book (EUR million)	149.1	119.2	29.9	25.1
Incoming orders (EUR million)	145.5	116.3	29.2	25.1
EBITDA (EUR million)	11.4	11.2	0.2	1.8
EBITDA ratio (%)	9.8	10.2		
EBIT (EUR million)	3.7	3.0	0.7	23.3
EBIT ratio (%)	3.2	2.7		
Annual result (EUR million)	1.5	0.1	1.4	
EPS (EUR)	0.39	0.05	0.34	
Total assets (EUR million)	119.4	117.2	2.2	1.9
Investments (EUR million)	4.2	6.1	-1.9	-31.1
Equity capital (EUR million)	67.4	68.4	-1.0	-1.5
Equity ratio (%)	56.5	58.3		
Net gearing (%)	-5.1	-3.3		
Working capital (EUR million)	22.4	19.4	3.0	15.5
Cash flow from operating activities (EUR million)	4.9	5.9	-1.0	-16.9
Employees[1] (at year end)	774	773	1.0	0.1
Schweizer Electronic AG (HGB)				
Revenues (EUR million)	115.5	110.2	5.3	4.8
Annual result (EUR million)	5.5	5.6	-0.1	-1.8
Dividend (EUR)	0.65[2]	0.65		
Equity ratio (%)	58.7	59.6		
Net gearing (%)	1.8	5.0		

[1] including temporary staff
[2] proposal to the annual general meeting

All figures are rounded, which can lead to minor deviations when these are added up.

HIGHLIGHTS

REVENUES

+4.8%

115.6

EUR million

INCOMING ORDERS

+25.1%

145.5

EUR million

ORDER BOOK

+25.1%

149.1

EUR million

MANAGEMENT BOARD

Marc Bunz, Dr. Maren Schweizer, Nicolas-Fabian Schweizer

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders, Business Partners and SCHWEIZER Employees,

During the last business year we achieved a sustainable, positive performance against the market trend. However, slowing growth momentum and an oversupply of standard products on the global PCB market reinforced the general trend of market consolidation.

Our financial figures are good overall, demonstrating that Schweizer is an exceptionally stable and successful company, and I am personally very pleased by this. Thanks to the success of technology products from our main plant in Germany, as well as products from plants operated by our partners in Asia, we have been able to grow further and faster than the European market. The basis of our success in a difficult economic environment remains our focus on technological solutions in power electronics and system cost reduction.

Our order book remained very well filled in the last business year. Both incoming orders and the order book increased by 25%, reaching the highest levels ever recorded in our company's history and providing a good basis for 2016. It is gratifying to note that our entry into the aerospace segment has already resulted in substantial new orders. Despite extraordinary pressures in the past business year, Schweizer's dividend remains stable: at the annual general meeting, the company will again propose a dividend of 0.65 cents per share.

In the 2015 reporting year, we took our defined strategic objectives for the Electronic and Systems divisions forward as planned. We developed additional measures for our Technology Roadmap based on our medium-term 5-year sales plan. We also fine-tuned our resources and investment plans on this basis. In the Systems division, we worked with our partner and investor Infineon to complete our joint Industrialisation Roadmap. In winding down the Energy division, we reached key milestones and limited the impact on Schweizer as far as possible.

SUSTAINABILITY AT SCHWEIZER

Sustainability is very important to us. Today we are already thinking about tomorrow and our goals are not only financial. In 2015 we focused particularly on energy management and the planning of our own combined heat and power (CHP) plant, which was officially connected to the grid at Schweizer on 15 April 2016. Further details can be found in the 'Energy management' section.

SCHWEIZER IS SUPPLIER OF THE YEAR FOR CONTINENTAL AG

In the last business year, our customer Continental once again named us their "Supplier of the Year". We are proud and delighted, because Continental's Supplier of the Year awards are regarded industry-wide as a hallmark of quality and performance.

SCHWEIZER RATED ONE OF GERMANY'S BEST EMPLOYERS FOR THE THIRD TIME IN A ROW

Schweizer Electronic AG is one of Germany's top employers. This was the finding of Germany's largest survey, in which more than 70,000 employees judged their own companies. It is based on assessments by employees from all hierarchy levels and age groups (Focus Spezial, February/March 2016). Respondents indicated, among other things, how satisfied they are with their supervisors' management style, their career prospects, their salary and their employer's image.

THANKS TO EMPLOYEES AND PARTNERS

On behalf of the Management Board, I would like to dedicate these two awards to our employees who, with their great commitment and talent for innovation, form the basis for our success. We thank them for their tireless efforts, without which we would not be so successful today. It is important that our employees should share in our financial success. Last year, for another year running, we awarded a bonus of EUR 500,000 for 2014, and Schweizer will distribute a profit share at the same level for 2015.

On behalf of the Management Board, I also thank the Supervisory Board for all that they have done for Schweizer, and the management and employees of our partners Elekonta, Infineon, Meiko Electronics and WUS for their confidence in Schweizer.

EXPECTATIONS FOR THE CURRENT BUSINESS YEAR

The growth potential for Schweizer results from the innovative product portfolio, which is aligned to the mobility and energy efficiency growth markets. The demand created by these two social trends drives our target markets. This forms the basis for the priorities we continue to pursue in the Electronic and Systems divisions, details of which can be found in our status report.

We anticipate weaker markets in 2016 compared to 2015. We currently expect the European market to move sideways and the global market to achieve slight growth of 1 percent. This was confirmed by Prismark Partners in its February forecast. In the long term, however, sustainable growth can be expected in the PCB market. The automotive market is our core sales segment and one of the strongest drivers of growth for the PCB market in the coming years. We have been preparing Schweizer for this in recent years and have established a strong position.

In view of our customer portfolio and our technological leadership we expect further growth during 2016, though not at the same level as in 2015, given the weak market, overcapacity in Asia and increasing economic uncertainty for 2016. Depending on the success of our Meiko Schweizer Electronics Co. Ltd. joint venture in Vietnam and of WUS with HF products, we expect sales growth of around 2%. Regular sales from chip embedding are not expected until 2019–2020, in line with our Industrialisation Roadmap.

In 2016, we plan to grow mainly as a result of additional business with Asian cooperation partners. This will improve our contribution margins. Given the lower value-added shares, the percentage margin on such business will be less than that on in-house production at our Schramberg technology plant. Moreover, from today's perspective, we cannot rule out an increase in the cost of input factors. Taking into account expected sales growth and the drop-out of one-off special effects in personnel expenses, we expect a slight increase in earnings before interest, taxes and depreciation (EBITDA). The EBITDA ratio is expected to rise again to 10% or higher.

On behalf of the Management Board, I thank you for your confidence.
We look forward to your continuing loyalty.

Sincerely yours,

Maren Schweizer

Dr Maren Schweizer, Chair of the Management Board

REPORT FROM THE SUPERVISORY BOARD

Dear shareholders,

The area of mobility and sustainability has become one of the dominant issues for our society and a challenge for the industry and its engineers. In addition to weight reduction in vehicles and further optimisation of internal combustion engines, electric mobility will increasingly become the focus of future vehicle concepts. Electronics is the key technology for optimising conventional drives, further developing electric drive systems and improving vehicle safety.

Schweizer Electronic AG began early on to develop printed circuit board technologies that follow the trend towards greater efficiency and safety of vehicles. Rapidly growing demand, particularly from the automotive industry, for these high-tech PCBs from Schweizer is the basis for stable growth and the economic success of our company in recent years. In 2015, automotive demand for our products was as high as ever, allowing Schweizer to post record sales.

While the Electronic division performed very positively, in the Energy division the Supervisory Board faced difficult decisions. Schweizer's decision to begin manufacturing solar cells with state-of-the-art technology in 2011 was innovative, and formed the basis for a rational strategy of diversification into new markets using known production and process technologies. The market structures and hence the general conditions for the Energy division's business plan changed completely as a result of the global crisis affecting the solar industry in 2012-2014. Despite efforts by management to adapt the business model to the new realities, we concluded that it was no longer possible to develop this division for the company with any prospect of success. The decision taken in 2015 to close this division was painful but logical.

The activities of the Supervisory Board during the last business year included, in particular, dealing with changes to the membership of the Management Board and Supervisory Board. Mr Bernd Schweizer resigned early from the Management Board of Schweizer Electronic AG with effect from 31 May 2015. After discussions with the Management Board, the Supervisory Board decided that in future the company should be managed by three Management Board members and altered the allocation of duties accordingly. Ms Kristina Schweizer resigned early from the Supervisory Board and hence also her seat on the personnel and finance committee of Schweizer Electronic AG with effect from 15 September 2015, for personal reasons. The Supervisory Board promptly appointed Mr Christian Schmid to the personnel and finance committee and began the process for appointing a new Supervisory Board member.

The Supervisory Board also provided intensive support and advice to the Management Board on all strategic issues and discussed various matters in detail, both at meetings and in the context of a series of informal discussions.

REPORTS AND MEETINGS

The Supervisory Board performed its duties as required by law, the Articles of Association, the German Corporate Governance Code and the rules of procedure in the 2015 business year. The Supervisory Board advised the Management Board on the leadership of the company extensively and on a regular basis, and supervised the management of the company.

The Supervisory Board was involved by the Management Board at an early stage in decisions that were of fundamental importance to the company. In addition, the Management Board informed the Supervisory Board both verbally and in writing of the company's current position and of all issues relevant to the company and the Group in a regular, comprehensive and timely manner. The Supervisory Board members were sent detailed monthly reports on the business performance between each meeting. In addition, a significant number of individual informational briefings and working meetings took place between the Chairman, his deputy, the finance committee and the Management Board members. The content and scope of the reporting by the Management Board fulfilled the requirements of the Supervisory Board entirely and at all times.

Decisions or measures by the management requiring the approval of the Supervisory Board due to law, the Articles of Association or rules of procedure were presented in good time, inspected and the relevant judgements made. Where necessary, urgent decisions of the Supervisory Board were taken by a circular resolution.

In the 2015 business year, five regular and two extraordinary meetings of the Supervisory Board as well as two regular meetings and one extraordinary meeting of the finance committee took place. All members took part in the meetings of the finance committee. With the exception of one meeting to which one member sent his apologies, all members of the Supervisory Board were present at the Supervisory Board meetings. Members occasionally took part by video-conference. One extraordinary meeting of the Supervisory Board was organised entirely by video-conference.

Michael Kowalski, Chairman of the Supervisory Board

IMPORTANT ISSUES DISCUSSED AT MEETINGS

In the regular meetings, the Supervisory Board regularly discussed the Management Board's reports on the general business performance, the current status of various divisions and the development of the partner network. The meetings dealt in particular with the sales and earnings trend and the financial and risk situation. The strategic development of the company and the resulting opportunities and risks for the company were recurring subjects of the meetings. The Management Board always involved the Supervisory Board in all key decisions affecting the company.

The Supervisory Board meeting of 23 March 2015 was primarily concerned with the audit of the 2014 financial statement. The financial statement, status report and appropriation of balance-sheet profit were discussed with the Management Board and the auditor's representatives. The proposal of the Management Board for appropriation of profit was unanimously adopted, the financial statement and status report of the Management Board, including the corporate governance report, were approved and the report of the Supervisory Board was adopted at the 2015 annual general meeting. Regarding other topics, the agenda for the annual general meeting, the future Supervisory Board election and the German Corporate Governance Code were dealt with, and the regular update to the Declaration of Compliance was adopted. Another agenda item discussed at this meeting was the Compliance Management System (CMS). Regarding the remuneration of the Management Board, the Supervisory Board discussed the Long Term Incentive Plan (LTIP) for the years 2015 – 2018.

The extraordinary Supervisory Board meeting held on 28 May 2015 addressed the early resignation from the Management Board of Mr Bernd Schweizer with effect from 31 May 2015 and the associated organisational issues. The allocation of duties proposed by the Management Board was amended and adopted accordingly.

In addition to the regular reporting of the Management Board, at its meeting on 19 June 2015 the Supervisory Board discussed the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act, which came into force on 1 May 2015. The Supervisory Board adopted targets for both the Supervisory Board and the Management Board.

Following the annual general meeting on 3 July 2015, the re-elected Supervisory Board member Mr Christoph Schweizer was confirmed in his position as deputy chairman of the Supervisory Board and deputy chairman of the personnel and finance committee.

A key item on the agenda for the meeting on 28 September was the early resignation of Ms Kristina Schweizer from the Supervisory Board and the consequent election by a circular resolution of Mr Christian Schmid to the personnel and finance committee. The process of finding a suitable person to succeed Ms Kristina Schweizer on the Supervisory Board was discussed and initiated. Discussions also took place regarding the Supervisory Board remuneration system, the changes to the German Corporate Governance Code and the current status of the Energy division.

The focus of the meeting on 27 November 2015 was the Management Board's presentation on the strategic development of the company, on the basis of which the Supervisory Board approved the budget for 2016 and took note of the plan for 2017 and 2018. In addition, changes to the procedure for reviewing efficiency and the new version of the rules of procedure for the Supervisory Board were discussed.

Efficiency reviews were regularly carried out and documented during the year.

CHANGES TO THE SUPERVISORY BOARD AND MANAGEMENT BOARD

Under the German Stock Corporation Act (Aktiengesetz), a substitute member of the Supervisory Board may only be appointed at the same time as the respective regular member. For this reason, the annual general meeting on 3 July 2015 confirmed Mr Christoph Schweizer in his position as member of the Supervisory Board and elected Dr. Stephan

Zizala as his substitute member. A seat on the Supervisory Board has been vacant since the resignation of Ms Kristina Schweizer on 15 September 2015. The process of finding a suitable person to succeed her is under way.

The Management Board consists of three members since the resignation of Mr Bernd Schweizer on 31 May 2015.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has set up a personnel and finance committee with the goal of improving efficiency. For a company of our size and orientation, we do not believe that it is either advisable or necessary to set up any further committees. Duties assigned to other committees can be readily dealt with by this body, provided they are not required to be dealt with by the Supervisory Board plenum. Furthermore, the full Supervisory Board is informed of the outcome of the committee's deliberations.

ADOPTION OF THE ANNUAL FINANCIAL STATEMENT AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENT

The financial statement and status report of Schweizer Electronic AG presented by the Management Board and the consolidated financial statement and status report for 2015 were audited by the auditing company Ernst & Young GmbH chosen at the 2015 annual general meeting.

The audits of the annual financial statement, consolidated financial statement and the respective status reports did not give rise to any objections. As a result of these audits, unqualified audit opinions were issued on 17 March 2016 and on 22 April 2016. The documents to be audited and the audit reports of the auditor were made available to every Supervisory Board member at the meetings on 21 March 2016 and 25 April 2016 and were sent to every Supervisory Board member in sufficient time to enable them to prepare. The auditor took part in the discussions of the annual financial statement and the consolidated financial statement, during which he reported on the main audit findings and provided additional information on request.

According to the final result of the audit, no objections are to be raised by the Supervisory Board. The Supervisory Board agrees with the result of the audit of both financial statements by the auditor, concurs with the Management Board's assessment of the position of the Group and of Schweizer Electronic AG and approves the annual financial statement and the consolidated financial statement as at 31 December 2015. The annual financial statement is thus adopted.

The Supervisory Board supports the proposal of the Management Board concerning the appropriation of profit, which envisages a dividend of EUR 0.65 per share.

The Supervisory Board sincerely thanks the members of the Management Board and all employees for their strong personal commitment. We also thank Ms Kristina Schweizer and Mr Bernd Schweizer, who stood down in 2015, for the work they have done and for their commitment to the company. The Supervisory Board also thanks the shareholders for the confidence they have shown.

Schramberg, 25 April 2016

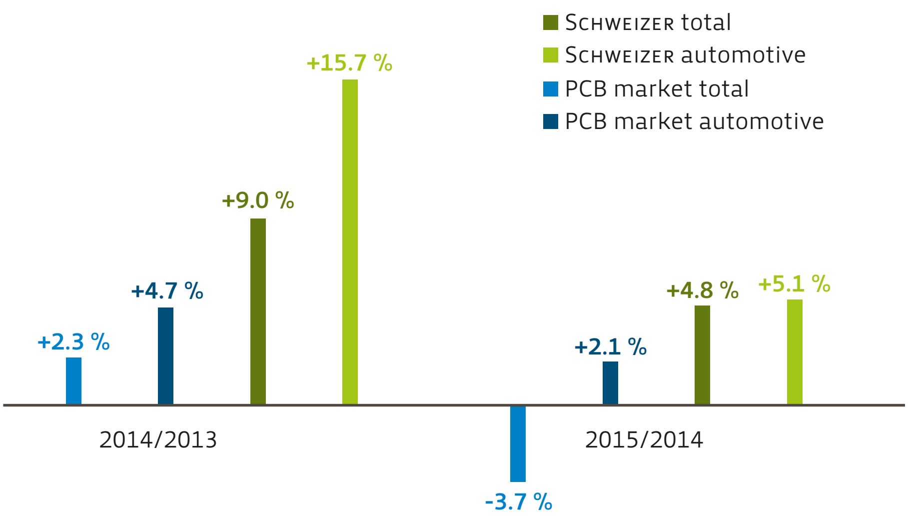
The Supervisory Board

Michael Kowalski
Chairman

INNOVATIVE TECHNOLOGIES FOR SUSTAINABLE GROWTH

The dynamic PCB market is subject to strong fluctuations, therefore the general growth forecasts had to be lowered several times during the course of the last business year. After the end of the business year, the Prismark institute revised its initial estimate of global growth of 2.7% for the PCB market in 2015 down to -3.7% (USD 55.33 billion). For 2016 a very slight increase of 0.8% to USD 55.76 billion is expected. The five-year forecast (2015-2020) also remains positive with expected growth of 2% in total to approximately USD 60.99 billion. In Europe, according to Prismark, the PCB market ended 2015 with a decline of -5.7% to USD 2.09 billion. The market is expected to remain virtually stagnant in 2016, growing by only 0.1% to USD 2.1 billion.

While the PCB market shrank by 3.7% overall last year from a global perspective, in the automotive segment it recorded stable growth of 2.1%. For 2016, the Prismark institute expects growth of 3.8%.



Growth of the global PCB market compared to Schweizer
Source: Prismark

Schweizer Electronic AG offers state-of-the-art, cutting-edge technology and consultancy expertise. With its innovative technologies the company addresses some of the key challenges facing society, such as mobility and energy efficiency, growing faster than its reference markets in the process. The products are of the highest quality and help save energy and conserve the environment. A particular focus area remains the fast-growing automotive market, which remained its dynamism last year.

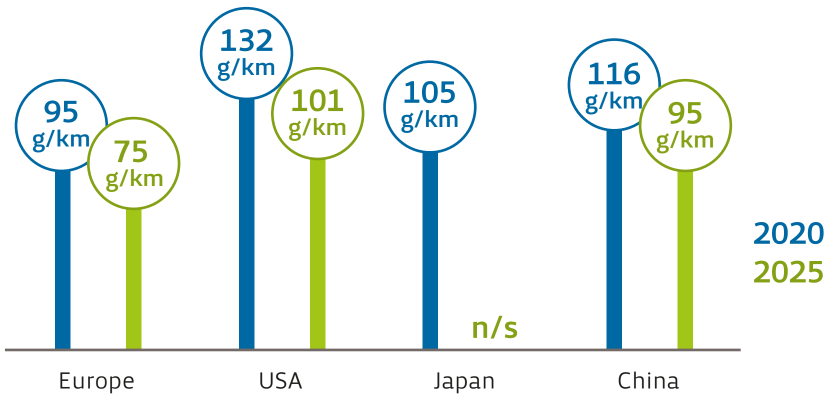
AUTOMOTIVE MARKET REMAINS DYNAMIC

The automotive industry in the United States and China broke new records in the last business year, and also performed strongly in Europe with growth of 9% to a total of 13.2 million new car registrations in Western Europe, and growth of 12% to more than 1 million new car registrations in the new EU countries. Germany ended the automotive year of 2015 with a strong final sprint, exceeding 3.2 million new car registrations for the first time in six years.

14.2 million new vehicle registrations in Europe, of which **3.2** million in Germany

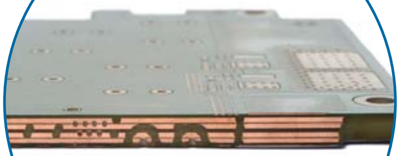
LEGAL REQUIREMENTS ENCOURAGE NEW DRIVE CONCEPTS

Increasingly stringent legal requirements for energy efficiency present the global automotive industry with great challenges. CO_2 emissions in Germany are to be reduced to 75 g per kilometre by 2025. Similar developments are taking place in other regions such as the United States, Japan and China. Conventional internal combustion engines have already reached their limits, emitting approximately 120 g of CO_2 per kilometre. Here, solutions are needed that support the trend towards electrification and new drive concepts. In this context, new applications are emerging for innovative PCBs, leading to growth opportunities in Europe, the United States and Asia, from which Schweizer can benefit thanks to its well established production landscape and technology transfer within the partner network.



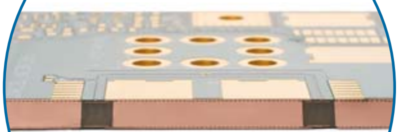
Legal requirements, CO_2 emissions in g/km
Source: Roland Berger Strategy Consultants

Schweizer Electronic AG increasingly offers technologically advanced products requiring in-depth knowledge of applications. Throughout the last business year, products from Schweizer's innovative product portfolio played a leading part in the company's good sales performance, accounting for 52% of total sales. In particular these included power electronics solutions for the hybrid and electric drives of tomorrow, which represent the strongest growth market in the automotive industry.



Heavy copper board: ideal for high currents

For example, Schweizer offers the most comprehensive range of solutions of any PCB manufacturer when it comes to high-current switching and heat dissipation. The automotive industry already uses PCBs from Schweizer that are able to carry up to 1,200 Ampere.

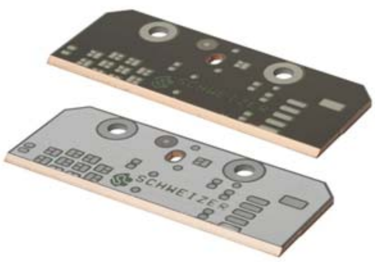


The inlay board allows current peaks significantly higher than 1,000 amps

HIGH-TECH PCBS FROM SCHWEIZER INCREASE COMFORT AND DRIVING SAFETY.

Ever increasing volumes of traffic on the roads make driving safety more important than ever. 30 percent of all accidents occur at night and approx. 50 percent of all accidents are caused by incorrect visual assumptions. Over the next few years LED headlights will replace xenon and halogen bulbs in the automotive industry due to their improved lighting performance. In the design of LED headlights, quick and efficient heat dissipation is particularly important so as to prevent the formation of so-called hotspots.

The Schweizer IMS board is the first choice of many premium manufacturers due to its excellent thermal management properties. The company is now working on the next generation of headlights – matrix LEDs, which should become the standard in the future. Using a large number of LEDs optimises the resolution of the lighting and hence the illumination of the road for drivers. In addition, they allow a glare-free high beam.

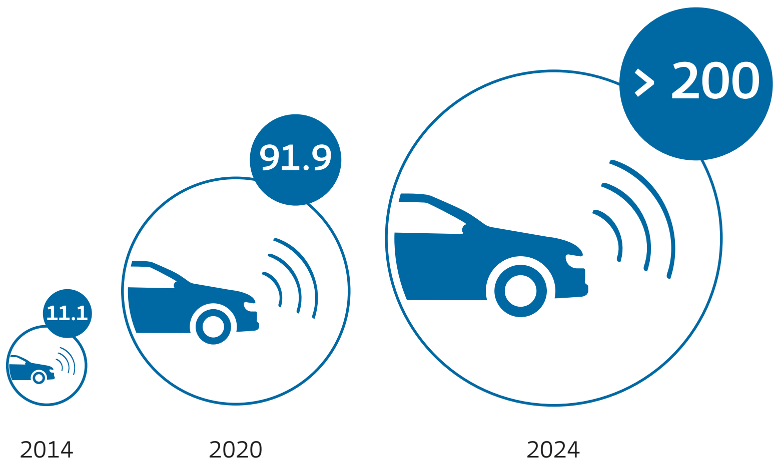


Schweizer IMS board

Source: BMW AG

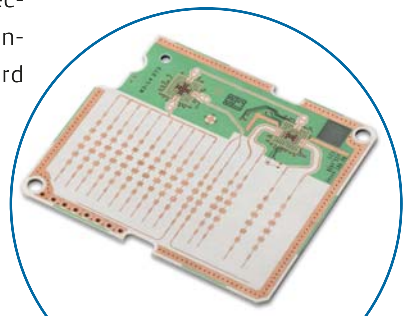
In the quest for greater comfort and driving safety, advanced driver assistance systems (ADAS) have become increasingly important over the last few years. The number of applications is rising all the time and ranges from proximity cruise control, braking to standstill, proximity and collision warning systems, and intelligent braking with adaptive brake assistant to blind spot monitoring, lane change assistant systems, rear cross traffic alert and autonomous driving. ADAS applications increasingly form part of vehicles' standard equipment, including in the compact class, with the result that this market has for some years enjoyed the second highest growth in the automotive industry.

The global research company ABI Research forecasts that the worldwide ADAS market will increase from USD 11.1 billion in 2014 to USD 91.9 billion in 2020, and by 2024 will have exceeded the USD 200 billion mark.



Global sales in the ADAS segment in USD billions
Source: ABI Research, January 2015

In ADAS systems, active intervention in the vehicle actuators places very high demands on the electronics and the PCB that is used. The basis for error-free detection of dangerous situations is the PCB technology, whereby radar radiation is generated and captured as a reflected imaginary image. The HF (high frequency) board combines the transmitter and receiver in a single component.



HF board in partnership with Bosch

The market for HF circuit boards is expected to rise to 100 million PCBs sold by the year 2024. With a market share of over 30%, Schweizer is already the market leader in this segment and will further consolidate its market leadership thanks to the now successfully qualified additional production capacity of its partner WUS in China.

EQUIPPED FOR THE FUTURE

Nicolas-Fabian Schweizer, Chief Technology Officer and Personnel Director.

"Sustainable growth – that's a trend that we plan to maintain going forward. Our innovation management is working well, while the technology portfolio is regularly reviewed and adapted to market requirements. We continually invest in our research and development and rely on a well-qualified team. About eleven percent of our employees are engineers and technicians.

Qualified and motivated employees are the basis of our success. The news magazine Focus has named us one of the best employers in Germany for the third time in a row."*

SCHWEIZER's quality management is integrated into all phases of the development process, allowing the company to take into account the high quality demands of customers right from the initial designs through to the delivery of qualification prototypes. SCHWEIZER strives to dovetail the differing requirements of the automotive, industrial, and aerospace industries, with the aim of achieving optimum product quality as well as optimum cost efficiency.

To remain at the forefront of new developments in the future, the company is steadily expanding its network to include universities, institutes and development partners and, particularly in the automotive sector, is already working on solutions for the next and next-but-one generation of products.

*Independent survey by Focus magazine in cooperation with the Xing career network and the Kununu rating platform. Focus Spezial, February/March 2016.

RAPID TRANSFORMATION OF THE AUTOMOTIVE INDUSTRY

Experts believe that the automotive industry will experience more changes in the next five to ten years than it has in the last 50 years. Germany has committed itself to being one of the pioneers.

For example, in recent years the German automotive industry with its manufacturers and suppliers has invested over EUR 14 billion in research and development relating to electromobility. Of all the industrialised nations, Germany now has the world's most comprehensive and innovative range, with 29 different electric models now on the market.

80 percent of automotive innovations today have been made possible by PCBs and semiconductors. Many systems for current and future applications are required to be smaller and smaller, and at the same time offer additional functionalities. Electric motors provide one such example, as the PCBs are now installed together with the electronics in the motor. The first applications are appearing in which the surface of the PCB and that of the installed semiconductors are almost the same. Hence the next and crucial step: the embedding of active and passive components in PCBs.

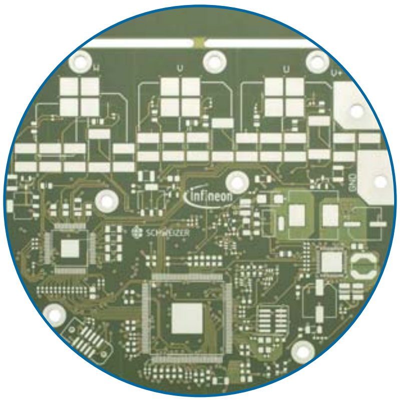
With chip embedding, components that are usually mounted on the front or back of a PCB are embedded inside the board. This makes the PCB smaller, which benefits systems in the vehicle for which limited space is available, such as the electric power steering, air conditioning compressors, electric turbochargers or starter-alternators. It also improves the chip cooling, because the heat produced when the chips are working is discharged directly via the PCB.

Smart p^2 Pack technology from SCHWEIZER leverages the potential of embedding components in PCB substrates, offering numerous advantages for the user. For example, the optimised assembly and connectivity techniques do away with cables and connectors and at the same time increase reliability. Reduced cooling measures, the use of smaller chip areas in power components, smaller passive components, improved electromagnetic compatibility and the pre-existing insulation save not only installation space but also system costs.

Smart p^2 Pack: electronic control system of the future

PARADIGM SHIFT IN THE BUSINESS MODEL

SCHWEIZER has developed embedding solutions for power and logic semiconductors. However, the real challenge lies not in the technical implementation but rather in the change to the business model, since the system boundaries are shifted. In the field of chip embedding, the semiconductor manufacturer and the PCB manufacturer should ideally work closely together to develop the optimum solution for the customer. Through cooperation with Infineon focusing on solutions in power electronics, SCHWEIZER is already able to offer this business model to its customers.



Demonstrator for electric power steering based on the VW MQB engine in cooperation with Infineon.

Infineon and SCHWEIZER have already jointly developed various demonstrators for tailor-made customer solutions, and together they plan to develop the market for chip embedding in the future, exploiting untapped market potential.

In future, Infineon and SCHWEIZER's Systems division will realise synergies from their semiconductor and PCB know-how. We expect chip embedding to become our next great mainstay, alongside our already well-established areas dedicated to innovative radar and power electronics PCBs. Thanks to innovative solutions and good cooperation with Infineon, we can build a clear competitive advantage for our Schramberg site in particular and generate further sustainable and profitable growth.

SUSTAINABLE GROWTH THANKS TO A FOCUSED INVESTMENT POLICY

"A company wishing to achieve sustainable growth must have the financial reserves needed for the long haul. Solid business results, a focused investment policy and balanced and forward-looking working capital management kept our balance sheet structures at a very good level during 2015.

Despite a slight increase in total assets, major financial structure ratios improved at Group level. With a net gearing of -5.1%, our Group is debt-free."

Marc Bunz, Chief Financial Officer.

SCHWEIZER continued to grow more strongly than its reference markets in 2015. Our innovative strength contributed significantly to this positive performance. Innovations at SCHWEIZER include both product innovations and process innovations.

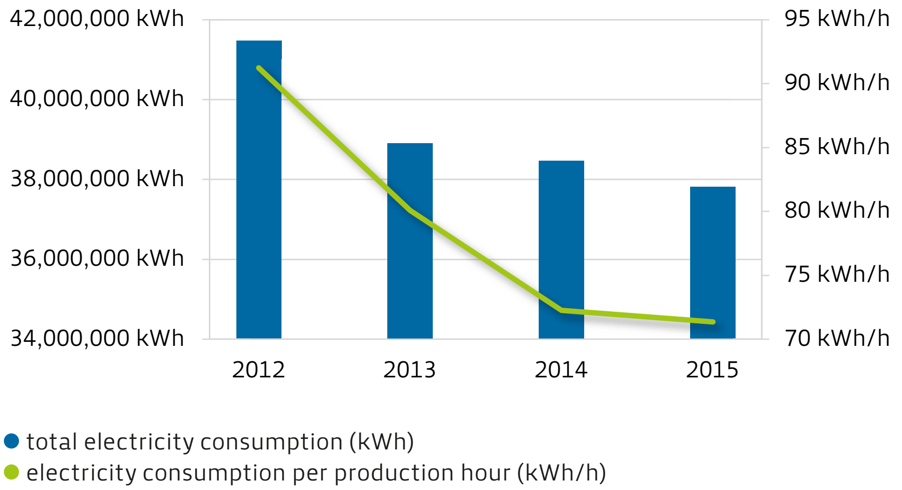
Great success with new products often leads to bottlenecks in the production areas particularly affected. For example, the rising functional density of our solutions dramatically increases the number of drill holes needed per PCB. During a multi-stage investment decision process, we start by examining the actual degree of utilisation of the machinery concerned, taking downtimes into account (known as the 'operational equipment effectiveness'). Only after plant utilisation levels have been optimised or alternative processes examined, will any remaining capacity shortfalls be eliminated through investments in equipment.

Careful management of investments even in good economic times with solid growth rates is a critical success factor for the financial soundness of the company. A financially strong company with a high equity ratio and low debt is equipped not only to deal with economic fluctuations but also to seize opportunities for external growth. The investment programme for the next few years will focus on three main areas. First, we will continue to invest in new technologies at the Schramberg site. Defending innovation leadership at the German site is the basis of our success. Second, we will continue to develop and expand production capacities for the industrialisation of chip embedding technologies. Investments at the Schramberg site and at other sites - yet to be defined - will be decisive for the commercial success of our cooperation with Infineon. Finally, we plan to make further investments in the expansion of our Asian activities. These will allow us to supply our existing customers in Europe, but also to open up markets in Asia. Particularly in China, we anticipate a significant increase in demand for products for alternative drive concepts and for increasing safety in vehicle construction.

ENERGY MANAGEMENT AT SCHWEIZER

Energy efficiency is a key market driver of the PCB business. Our PCBs help our customers in the automotive sector to increase the fuel efficiency of their vehicles and reduce CO_2 emissions. Therefore it is logical that energy management plays a significant role at SCHWEIZER, given our product and service offering. For such an energy-intensive company as SCHWEIZER, energy efficiency is important not only in terms of conserving resources but also with regard to cost management.

Considerable success has already been achieved through the introduction of an energy management system complying with ISO 50001 at the start of 2013. In the last three years (2013-2015), electricity consumption per production hour has been reduced by more than 23%.



In measuring energy consumption and other sustainability indicators relevant to financial reporting in the future, Schweizer Electronic AG always refers to the production hour, to take account of the growing complexity of PCB production. Specific electrical energy consumption is measured, i.e. electricity consumption in relation to utilisation of production capacity.

A focal point in 2015 was the planning of a new combined heat and power (CHP) plant for SCHWEIZER, which was officially connected to the grid in mid-April 2016. For the CHP plant, the most energy-intensive site was expanded to include an annex which houses the CHP plant including an exhaust system and the buffer storage unit. This means that energy is available on site, precisely where it is used in the production process. This greatly reduces power losses whilst at the same time maximising efficiency. The CHP plant is also connected to an absorption chiller that in summer converts excess heat into cold, which is then available for process cooling and air conditioning. The CHP plant generates 6.5 million kWh of electrical energy per year, equivalent to the electricity consumption of around 1,400 households, based on average consumption of 4,500 kWh p.a. each. Following a successful start-up, SCHWEIZER plans in future to generate approximately 20% of the electricity it consumes via CHP.

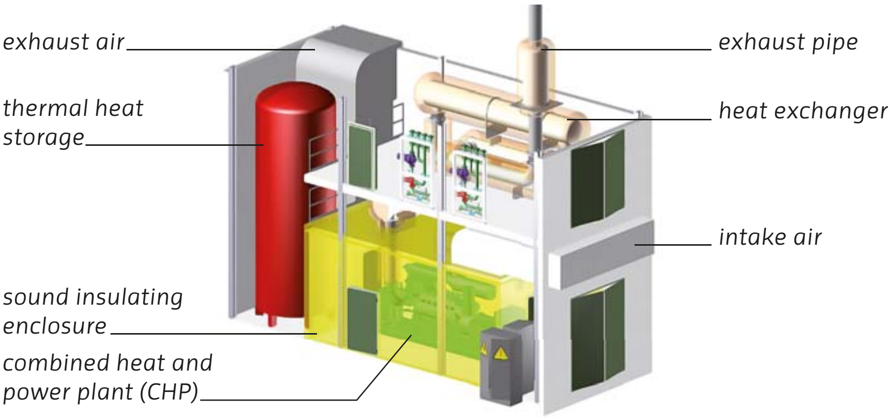


Diagram of CHP annex at SCHWEIZER

Energy efficiency is also a priority for our company in the current business year. The focus of this year's activities is the software optimisation of production facilities, which already began last year. We expect further savings to be achieved through programming modifications. This mainly concerns heating, cooling and standby behaviour in production processes.

SHARES

GENERAL STOCK MARKET PERFORMANCE

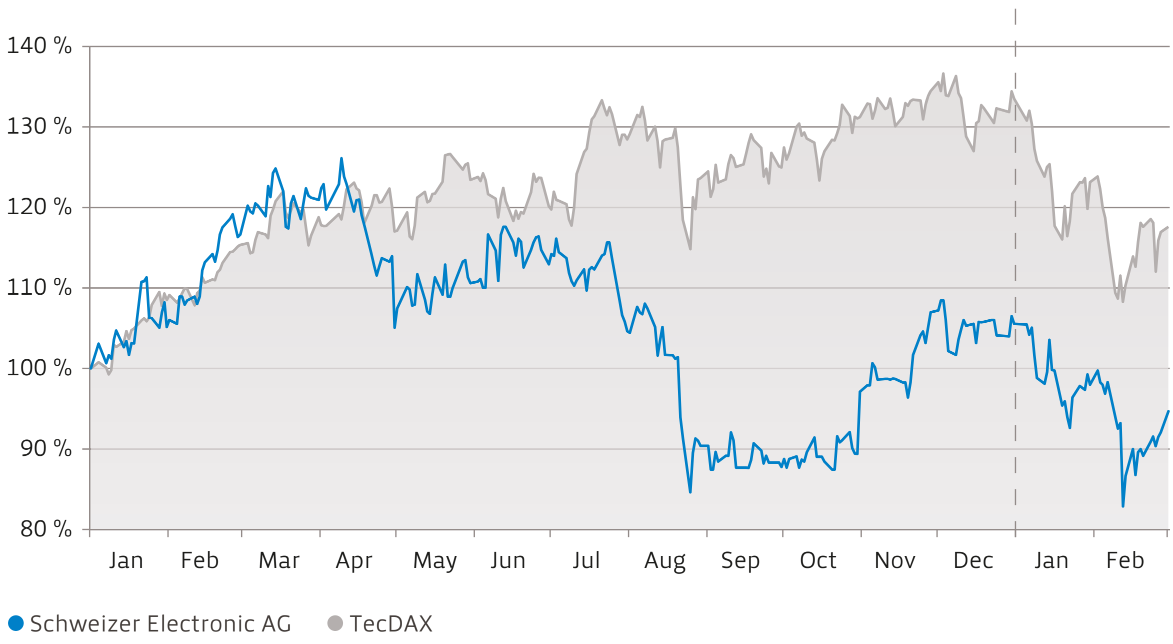
Germany's leading DAX index ended 2015 at 10,743 points, an increase of 9.6% on the previous year. However, the past year was marked by significant market fluctuations. Among other things, monetary easing by the European Central Bank and a weaker euro made for a positive start to the year, taking the DAX to a record high of 12,391 points in April. In the months that followed, however, several factors caused the market to deteriorate. The end of the euro's decline, resurgence of the Greek crisis and developments in China caused great uncertainty in the market. As a result, the market barometer fell to a year's low of 9,325 points in September.

The performance of our benchmark index TecDAX was very positive. The German technology index peaked just before the end of the year at 1,873 points, finally ending 2015 at 1,830, representing a gain of 33.5 percent.

UNEVEN PERFORMANCE OF THE SCHWEIZER SHARE

The price of the Schweizer share fluctuated considerably in 2015. A sharp rise of 26 percent in the early part of the year took the share price to a high of EUR 26.17. A slight dip was then followed by a prolonged sideways movement. The positive performance of the first few months could not continue, however, and the share fell to a year's low of EUR 17.56 at the end of August. By the end of the year it had regained about 25 percent of its value, finishing at EUR 21.90. If the dividend of EUR 0.65 is included, in line with the method used to calculate the performance of the DAX and our benchmark index TecDAX, the Schweizer share delivered a total return for the year of 8.7 percent.

Share price 01 January 2015 – 29 February 2016



DIVIDEND REMAINS UNCHANGED AT EUR 0.65 PER SHARE

The positive business performance of Schweizer Electronic AG makes it possible for the company to continue its cash-flow oriented dividend policy. Under this policy, the company pursues a strategy of sharing the company's success with all stakeholders as well as building up cash reserves.

The Management Board and Supervisory Board will propose a dividend of EUR 0.65 per share at the annual general meeting. Based on the price at year-end, this corresponds to a return on investment of 2.97 percent.

Dividend in EUR

Dividend for business year	Dividend per share
2011	EUR 0.47
2012	EUR 0.55
2013	EUR 0.60
2014	EUR 0.65
2015	EUR 0.65 *

*proposal to the annual general meeting

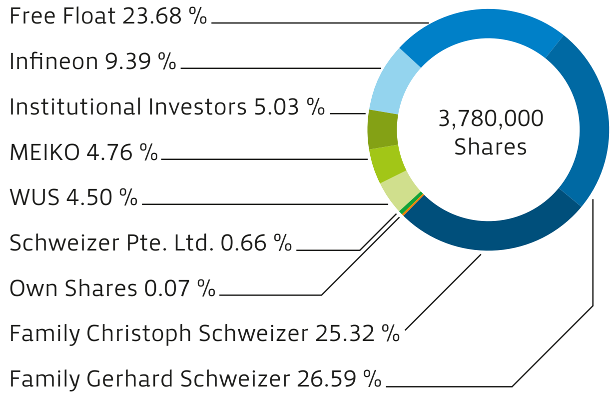
INVESTOR RELATIONS

In 2015, as part of its financial reporting, SCHWEIZER kept all interested capital market participants comprehensively informed through capital market conferences, teleconferences and investor events. This allowed them at all times to make a reasonable evaluation of the current business situation and assess the company's prospects. In the interest of long-lasting and trust-based relations with all stakeholders, in addition to the legally required documents, we also published a great deal of other corporate information on our website. Extensive numerical data, various presentations and the assessments of two analysts are published at *www.schweizer.ag/en/investor-relations.html*.

SHAREHOLDER STRUCTURE

The shareholder structure of Schweizer Electronic AG was virtually unchanged at the end of 2015. The Schweizer families continued to hold 51.8 percent of the shares at year-end. The shareholdings of our cooperation partners MEIKO, WUS and Infineon Technologies were also unchanged.

Shareholder structure as at 31/12/2015



SHARE DATA

	2015	2014
Year-end closing price	EUR 21.90	EUR 20.75
Year high	EUR 26.17	EUR 26.15
Year low	EUR 17.56	EUR 17.80
No. of shares	3,780,000	3,780,000
Market capitalisation at the end of business year	EUR 82.8 million	EUR 78.4 million
Dividend per share	EUR 0.65[1]	EUR 0.65
Dividend yield	3.0%[2]	2.7%[3]

[1] proposal to the annual general meeting
[2] relative to share price at year end
[3] relative to share price on day of the annual general meeting

BASIC SHARE DATA

ISIN	DE0005156236
WKN	515623
Symbol	SCE
Listed in	Xetra, Frankfurt, Stuttgart, Düsseldorf, Berlin
Stock market segment	Regulated market
Level of transparency	General Standard

GROUP STATUS REPORT

GROUP STATUS REPORT FOR SCHWEIZER ELECTRONIC AG, SCHRAMBERG, AS AT 31 DECEMBER 2015

PREPARATION OF IFRS CONSOLIDATED FINANCIAL STATEMENT

SCHWEIZER will continue to develop a more international business model in the coming years. This includes, in particular, expansion of the business through our strategic cooperation partner Meiko Electronics. We are working particularly hard to ensure the success of our jointly-built production facility in Vietnam. This site will offer a wide range of PCBs for the automotive industry. Preparations for a successful start to our cooperation with WUS Printed Circuit Co., Ltd. in Kunshan, China (WUS) are nearing completion. Competitive products in the high-frequency technology segment will be supplied to the European market from there.

To make this ambitious development possible, increased efforts were made in the year under review to build partnerships and qualify suppliers in Asia. To meet these challenges, SCHWEIZER has subsidiaries in Asia which began operating in the market for the first time in the year under review. For this reason, SCHWEIZER is preparing a consolidated financial statement according to IFRS so as to include the income and expenses of these subsidiaries within the scope of the consolidated financial statement.

Besides the parent company, Schweizer Electronic AG, the scope of consolidation also includes the foreign companies Schweizer Pte. Ltd., Singapore, Schweizer Electronic Singapore Pte. Ltd., Schweizer Energy Production Singapore Pte. Ltd. and Schweizer Energy Production Nantong Ltd., China. In addition, the pension fund Christoph Schweizer Unterstützungskasse e.V. is included in the consolidated financial statement as at 31 December 2015. Meiko Schweizer Electronics Hongkong Co. Ltd. is included in the consolidated financial statement as an associated company using the at-equity method.

A key aspect of the changeover to IFRS was the revaluation of the tangible fixed assets of Schweizer Electronic AG. As a result, the carrying value of the tangible fixed assets of Schweizer Electronic AG rose by EUR 40.0 million to EUR 66.7 million as at 1 January 2014. The revaluation resulted from a disclosure of hidden reserves arising in connection with the handling of the fire incident in 2005. For commercial and tax purposes, the disclosed hidden reserves were transferred to the newly acquired assets and recognised in the year of acquisition as unscheduled write-downs.

Because IFRS rules require a true and fair view, it is not possible to transfer hidden reserves through special write-downs. According to IFRS, income from insurance settlements must be recognised in income, so that this effect is reflected in equity as at 31 December 2013 / 1 January 2014. The total revaluations and consolidation entries in the IFRS opening balance sheet led to an increase in equity of EUR 24.4 million to EUR 69.5 million compared to the individual financial statement of Schweizer Electronic AG.

The higher value of the tangible fixed assets resulted in a significantly higher depreciation base under IFRS, which is reflected in higher annual depreciation in the income statement. The revaluation of fixed assets represents over 90% of the differences between the values under IFRS and HGB.

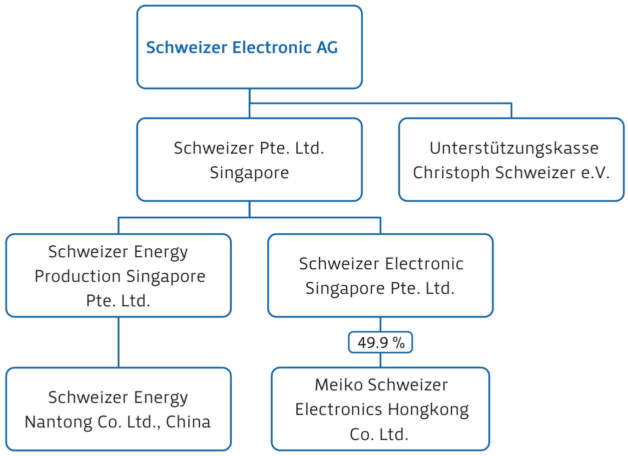
GROUP BASICS

GROUP STRUCTURE

LEGAL AND ORGANISATIONAL STRUCTURE

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the Group and manages the holdings directly and indirectly owned by it. The business performance of the parent company is closely linked to the performance of the subsidiaries and associated companies.

Group structure



BUSINESS MODEL

Schweizer is a global best-in-class technology company active in the manufacture of high-quality PCBs and the provision of innovative solutions to the automotive, industrial and aerospace sectors. Based on its recognised technology and consultancy expertise, Schweizer supplies products and solutions that address key challenges in power electronics, embedding technology and system cost reduction and that support the development of energy-conserving and environment-friendly vehicles.

In the Electronic division, Schweizer works with its partners Elekonta Marek GmbH & Co. KG, Meiko Electronics Co. Ltd. and WUS Printed Circuit (Kunshan) Co., Ltd. to supply cost-optimised and production-optimised solutions for small and medium batch sizes as well as for mass production. Schweizer Electronic AG employs around 760 people in Schramberg including temporary staff, and a total of more than 20,000 people in Germany, Japan, China and Vietnam through the global partner network. In future, the chip embedding market for automotive and industrial applications will be developed jointly with Infineon Technologies AG.

Schweizer Electronic AG has been listed on the stock exchange since 5 July 1989. The shares (ISIN DE0005156236) are listed in Frankfurt am Main and Stuttgart.

GLOBALISATION AND DIVERSIFICATION

The global organisation is focused on the Asian growth region as a complement to its European business. Schweizer also plans to take advantage of the trends towards energy efficiency and electromobility and the steadily growing demand for radar applications for advanced driver assistance systems, and has adapted its portfolio accordingly. This approach will be realised in future by structuring the company into Electronic and Systems divisions. Whilst the Electronic division has been established for many years, the Systems divisions is still undergoing development in cooperation with Infineon. Since the photovoltaic market remains in a generally critical condition, in the last business year Schweizer Electronic AG decided to discontinue the Energy division, which had not yet commenced operations, announcing its withdrawal on 7 August 2015. It was intended that this division should produce photovoltaic cells and modules. Business with PCBs for inverters used in the solar industry remains unaffected by this decision.

DIVISIONS / BUSINESS UNITS

ELECTRONIC DIVISION

Together with its partners Elekonta, Meiko Electronics Co. Ltd. and WUS, Schweizer is the global leader for the supply of rigid PCBs to the automotive industry. Within the partnership, Elekonta is focused on the production of prototypes. Meiko Electronics Co. Ltd. is responsible for mass production at low-cost locations in China and Vietnam and also has technology plants in Japan. Moreover, through the Meiko Schweizer Electronics Co. Ltd. joint venture, Schweizer also has production lines in Vietnam which have now received a positive audit and cater specifically to the requirements of European customers. WUS Printed Circuit Co., Ltd., which has several production sites in China, is the partner for handling constantly increasing demand for high-frequency (HF) PCBs for the automotive sector. This means that, while Schweizer focuses on the research and development of products and on series with technically sophisticated production techniques, WUS undertakes cost-effective mass production to ensure that high-quality and attractively priced HF PCBs continue to be available to customers in the desired quantity.

For the Electronic division Schweizer holds a stake in Meiko Electronics Co. Ltd., Ayase, Japan, and through subsidiary Schweizer Pte. Ltd., Singapore, it holds shares in Schweizer Electronic Singapore Pte. Ltd. and Meiko Schweizer Electronics Co. Ltd., Hong Kong.

SYSTEMS DIVISION

The creation and expansion of the future Systems division is the logical consequence of increasing customer demand, Schweizer's experience and expertise as well as its new solutions based on embedding technologies (integration of active and passive components in the PCB). The prevailing business model, whereby customers purchase the required PCBs and components separately, will be altered by the embedding approach. The integration of components in the PCB requires a new business and process model, in which both the component manufacturer and the PCB manufacturer are closely involved. To enable early implementation of this new approach and complete its range of products and services, Schweizer is working closely with Infineon, customers and technical institutes to ensure that in future the Schweizer Systems division can offer customers PCBs and much more besides. This division is therefore currently in development.

In future, the Schweizer Group will divide its business between the above-mentioned Electronic and Systems divisions. In addition to these divisions, the Group previously included an Energy division. It was intended that the Energy division should develop and offer solutions in the area of energy supply through renewable energy using photovoltaics. However, the activities planned for this business segment were discontinued for strategic business reasons.

In view of the discontinuation of the Energy division and the fact that the Systems division is still in development, the current business activities of the Schweizer Group are handled entirely by the Electronic division. Therefore, no reportable segments exist with regard to the requirements of IFRS 8. Rather, the Schweizer Group is currently a single-segment company.

RESEARCH AND DEVELOPMENT

The past year was dominated by the implementation of development projects which, with the help of the established Stage Gate® process, were transferred in a controlled fashion from the development stage to serial production.

Attention focused in particular on new products for driver assistance systems, where customer requirements and demand are increasing all the time. PCBs with high frequency properties in frequency bands up to 77 GHz require various adjustments during the manufacturing processes in which the permitted tolerances must be defined more and more narrowly.

Preparations have been made for the series launch of a new generation of PCBs representing a replacement technology for so-called LTCC ceramics. This new type of PCB makes the highest demands in terms of surface quality and cleanliness. Unpackaged "naked chips" or "bare dies" are mounted on the surface and then connected to the substrate via gold wire bonding processes. The large number of such connections on a single PCB and their use in a harsh environment make extreme demands on the materials used, as well as the functional surfaces. Preparations were made in 2015 for production of larger volumes using this technology in 2016.

Insulated metal substrates (IMS) have become increasingly important in the field of power electronics. They will be used mainly in high-performance light-emitting diodes (LEDs). Unlike many of its competitors, Schweizer uses substrates made of copper, which offer higher thermal conductivity and reliability and are therefore suitable for use in car headlights. The introduction of matrix LED headlights, for example, has increased the demand for such PCBs.

Quality management is integrated into all phases of the development process, making it possible to meet Schweizer's high quality demands right from the initial designs through to the delivery of qualification prototypes.

The technology portfolio and the Technology Roadmap will be reviewed regularly by SCHWEIZER and adapted to market requirements.

Cooperation strengthens innovation capacity

The network involving universities, institutes and development partners was maintained and expanded in 2015. In addition to the currently ongoing VoLiFa 2020 project, in which the next generation of vehicle headlights is being developed, another funding project was also secured.

The next generation of highly efficient and compact photovoltaic inverters is being developed under the name "Smart PVI Box". The project goal is to develop a solar inverter as a demonstrator covering the entire value-added chain, from December 2015 to December 2018. Technologies developed by SCHWEIZER for power electronics and chip embedding will flow into this project. A focal point of the project will be the use of next-generation semiconductors – so-called "wide band gap" semiconductors. The results of the company's research and development are protected by a systematic industrial property rights management system.

Cooperation with Infineon in the field of chip embedding for power electronics is intensive and goal-oriented. The two companies' teams are growing ever closer together in this task and are highly motivated. Further product demonstrators were built last year, impressing SCHWEIZER's customers with the performance of the p^2 Pack technology. Through the partnership with Infineon, a complete supply chain has been created for embedding technology, with clear handoffs and responsibilities, forming the basis for industrialisation and market launch and turning the required new business and process model into reality.

In the field of initial sampling, our prototyping and small series partner Elekonta has been increasingly involved in preliminary development. This relieves pressure on serial processes and production plants and at the same time increases flexibility in the earliest development phase.

In 2015, spending on research and development totalled EUR 3.3 million.

R&D expenditure (in EUR million)

Research and development employees

The required development resources are monitored using web-based software tools and released according to business priorities.

In 2015 further important steps were taken to develop leadership positions in the strategic axes of power electronics, embedding and system cost reduction. With the help of internal and external training measures, new employees were introduced to their responsibilities and systematically integrated into the development team. The expertise of the development team was further increased through a continual exchange of information at consortium and working group level.

At year end, SCHWEIZER employed 82 engineers or technical staff. With a total of 774 employees (including temporary staff), this corresponds to a ratio of approximately 11 percent.

Patents

The total number of granted patents increased to 20 patents as at 31 December 2015.

EMPLOYEES

The number of SCHWEIZER employees – based on the Schramberg site – including temporary staff increased slightly to 761 as at the end of 2015 (31 December 2014: 758). This includes natural employee turnover of 3.04%, 16 retirements, 39 new entrants, seven hirings of former trainees and 21 conversions of temporary staff to a permanent employment relationship. This shows that SCHWEIZER continues to create sustainable, secure jobs. The figures reflect a successful staff policy which keeps an eye on demographic change, relies heavily on the company's own training and development activities and sometimes takes unusual paths, resulting in a special approach both inside and outside the company. Across the Group, Schweizer employs an additional 13 employees at its subsidiaries in Asia.

In the 2015 business year, employees of Schweizer Electronic AG once again shared in the company's success. For the previous year (2014), the company distributed part of the annual profit to employees for the fifth time in a row.

Schweizer opts for eye-catching presence and authenticity in its employer branding

As a technology company, success very much depends on choosing the right kind of organisation and bringing and keeping the best talent on board. Many key positions were filled internally in the year under review. Schweizer sets the trend by offering positions in Technology Knowledge Management and Operational Excellence, ensuring that know-how is developed, documented and passed on within the company as effectively as possible. Such striving for innovation and perfection forms part of the everyday routine at Schweizer and makes the company attractive to talented individuals looking to develop and progress.

The news magazine Focus once again named Schweizer Electronic AG one of the best employers in Germany in 2015 (independent survey by Focus magazine in cooperation with the Xing career network and the Kununu rating platform, Focus Spezial, February/March 2015). At the beginning of the current business year, Schweizer received this award for the third time in a row (Focus Spezial, February/March 2016). To continue living up to this award, personnel management has adopted a succession plan designed for the long term and uses local employer branding campaigns.

CUSTOMER RELATIONS

Schweizer produces highly innovative PCBs for automotive, industrial and in the future also aerospace customers. PCBs play an increasingly fundamental role in new developments. For example, more than three quarters of all innovations in cars are today made possible by the use of electronics. The market is driven by technical developments, the need for increased efficiency and the integration of a wide variety of components in the smallest possible space. Opportunities for European PCB manufacturers lie above all in the ability to respond quickly to new challenges and in customer-specific solutions. Schweizer's technology-intensive products usually result from close collaboration with our customers. The trust required has been built up over years of collaboration with various key customers. This is a very important intangible asset for Schweizer. Good customer relations are reflected by the healthy state of the order book which increased to EUR 149 million by the end of 2015 (previous year: EUR 119 million).

SUPPLIER RELATIONSHIP

Purchasing activities in 2015 focused on achieving additional price reductions. Further, lower-cost alternatives were added to the existing material portfolio through successful supplier and material qualifications.

Schweizer stepped up coordination with its Asian partners in 2015. In further strategic discussions and regular coordination meetings, additional suppliers and materials were defined so as to open up procurement channels on the Asian market. Bundling of global volumes led to improved conditions.

However, due to the weak euro, the relocation of procurement volumes to Asia was not stepped up disproportionately. Close and intensive cooperation with suppliers in 2015 led to the realisation of further optimisation potential and cost reductions.

QUALITY MANAGEMENT AND SUSTAINABILITY

Schweizer continued to develop the efficiency and effectiveness of its integrated quality management system in 2015. The company observes the usual industry standards and strives to dovetail the differing requirements of the automotive, industrial, and aerospace industries, in order to achieve optimum product quality as well as optimum cost efficiency.

Quality management

The automotive quality management system was recertified according to ISO/TS 16949 in 2015. This re-certification audit, which takes place every three years and is annually verified through review audits, was passed successfully for the sixth time in succession. The other certified management systems, such as ISO 9100 for aviation, ISO 14001 for the environment and ISO 50001 for energy management, were reviewed and confirmed as compliant with the standard. SCHWEIZER's customers have also attested to the high quality of the company's management system in their audits.

Although the product portfolio is increasingly devoted to innovation and new developments and the proportion of standard products is decreasing significantly, SCHWEIZER's new products were successfully placed on the market without showing significant differences in quality compared with standard products. This confirms the continuing efficacy of the Stage Gate® process as part of the quality management system.

SCHWEIZER IS SUPPLIER OF THE YEAR FOR CONTINENTAL AG

In the last business year, Continental once again named SCHWEIZER as their Supplier of the Year. Continental's Supplier of the Year awards are regarded industry-wide as a hallmark of a company's quality and performance, as the selection criteria are strict and the competition fierce. Following a comprehensive quality initiative in 2014/2015, the company was able to further improve its internal processes and quality indicators and position itself once again as supplier of the year. In addition, the launch of radar applications and the company's technological leadership in the field of power electronics were particularly appreciated by customers.

ENVIRONMENTAL MANAGEMENT

"Green" technologies and processes are already a focus of product and process development. Environmental aspects are regularly checked, priorities are defined and then improved. In this way, SCHWEIZER not only ensures a safe and healthy working environment, but also conserves the living standards of the company's neighbours and the community.

SCHWEIZER actively embraces environmental conservation, as exemplified by the company's willingness to sort refuse and use water carefully. The company also pays attention to its suppliers' compliance with environmental standards and carries out regular supplier audits to determine not only the quality of the product but also the observance of environmental standards.

CHANGE OF PERSONNEL

After a total of seven years as Production Director at Schweizer Electronic AG, Mr Bernd Schweizer tendered his early resignation from the Management Board effective as of 31 May 2015.

ECONOMIC REPORT

Global economic growth remains hesitant and uneven

The recovery of the global economy remains hesitant and uneven. According to the ECB, the outlook for industrialised countries benefits from low oil prices, still favourable financing conditions, improvement in labour markets, and generally growing confidence. In emerging economies, structural barriers and macroeconomic imbalances continue to dampen growth prospects.

Economic recovery in the euro zone continues

The economic recovery in the euro zone is continuing and is increasingly supported by domestic demand. Real GDP rose by 1.5% in 2015. Growth rates of 1.7% and 1.9% are expected in 2016 and 2017 respectively. However, economic growth in the euro zone continues to be hampered by muted growth prospects in emerging economies, subdued world trade and the slow implementation of structural reforms. Regarding the prospects for growth, the downside risks still predominate in the euro zone, due in particular to increased uncertainty over global economic growth and the general geopolitical risks.

Strong growth in Germany

The German economy grew strongly last year. According to initial calculations of the Federal Statistical Office, real GDP increased by 1.7% compared to 2014. German foreign trade was also dynamic last year. Exports of goods and services rose by 5.4% in real terms. Since imports rose similarly strongly by 5.7% over the same period, foreign trade made a comparatively small contribution (0.2 percentage points) to economic growth overall.

Looking at the different sectors of the economy, the manufacturing sector excluding construction made a significant contribution to growth in 2015. The service sectors also performed well.

Growth supported above all by domestic demand will continue to rise, according to the Bundesbank. In their half-year forecast in December 2015, Bundesbank economists predicted real economic growth of 1.8% for 2016. In 2017 we expect economic output to rise by 1.7%.

Automotive market remains dynamic

In the last business year the automotive industry reached new highs in the United States and China. It also performed strongly in Western Europe, growing by 9% to reach a total of 13.2 million new car registrations. In the new EU countries new car registrations rose by 12%, exceeding the one million mark for the first time in six years. The Czech Republic recorded the highest growth among the major Eastern European markets, rising by 20% to 230,900 cars. Germany ended the automotive year of 2015 with a strong final sprint, exceeding 3.2 million new car registrations for the first time in six years. Car exports rose in 2015 by 3% to 4.4 million new cars, while production increase by more than 2% to 5.7 million cars. However both demand and production dipped slightly in December.

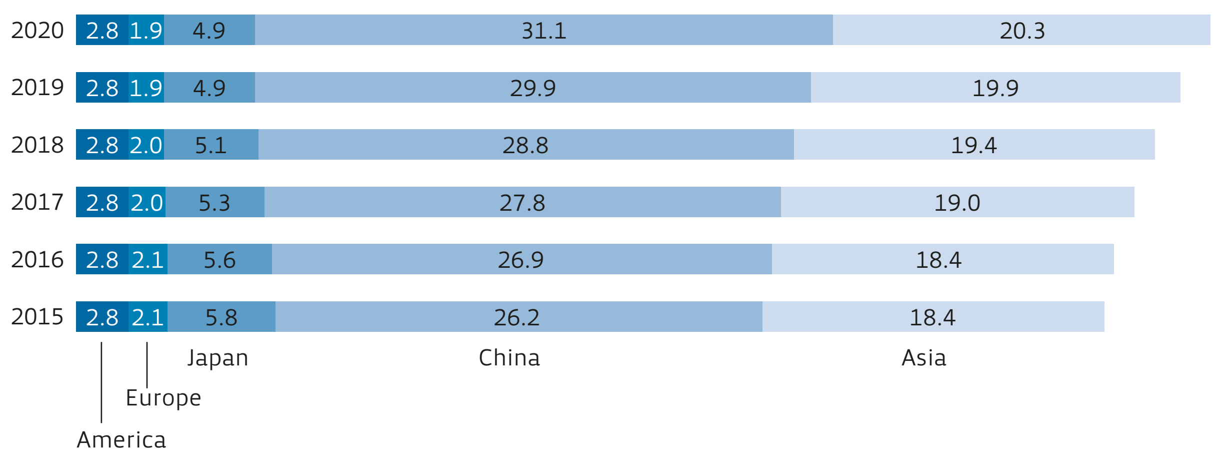
In recent years the German automotive industry with its manufacturers and suppliers has invested over EUR 14 billion in research and development relating to electromobility. Of all the industrialised nations, Germany now has the world's most comprehensive and innovative range, with 29 different electric models now on the market. Germany has thus become one of the world's leading suppliers. The German Association of the Automotive Industry (VDA) is now calling for a political framework to be swiftly created in order to expand the charging infrastructure, promote public procurement and ramp up the market.

Despite slower growth on the global PCB market in 2015, the long-term outlook remains positive

After the end of the business year, the Prismark institute revised its initial estimate of global growth of 2.7% for the PCB market in 2015 down to -3.7%. For 2016 a very slight increase of 0.8% to USD 55.8 billion is expected. The five-year forecast (2015-2020) also remains positive with expected growth of 2% in total to approximately USD 61 billion. In Europe, according to Prismark, the PCB market ended 2015 with a decline of -5.7% to USD 2.1 billion. The market is expected to remain virtually stagnant in 2016, growing by only 0.1% to USD 2.1 billion.

According to Prismark Partners, PCB sales in the automotive market grew by 2.1% in the last year, and are expected to grow by 3.8% in 2016.

Forecast for the global PCB market (USD billion)



Source: Prismark

INTERNAL PERFORMANCE INDICATORS

Schweizer measures its success based on the categories of profitability, growth and investment, capital commitment and financing.

Profitability is measured on the basis of earnings before interest, taxes, depreciation and amortisation (EBITDA) and the EBITDA ratio, that is to say, the ratio of EBITDA to sales.

Growth is measured by the rate of growth, i.e. the change in sales compared to the previous period. To calculate the investment ratio, the investments made in the year under review are compared with the generated EBITDA.

Schweizer uses working capital to determine the capital commitment. Here, inventories and trade receivables from operating activities are netted against short-term vendor liabilities.

Schweizer measures the quality of financing based on the balance sheet indicators of equity ratio and net gearing. The equity ratio is determined from the ratio of equity to total capital. Net debt is the difference between interest-bearing liabilities and liquidity holdings. The ratio of net debt to equity gives the net gearing.

TARGET ATTAINMENT BASED ON THE INDIVIDUAL FINANCIAL STATEMENT OF SCHWEIZER ELECTRONIC AG

The target values of the performance indicators have been defined for 2015 on the basis of the HGB financial statements of Schweizer Electronic AG. Therefore, in the following, actual values based on the individual financial statement are used. From 2016 onwards, target values will be based on the consolidated figures.

Profitability

EBITDA in the reporting year was EUR 12.3 million (2014: EUR 14.2 million). The EBITDA ratio therefore declined to 10.7% (2014: 12.9%). Hence, the goal of a slightly positive trend based on the sales forecast was not achieved. Two significant special effects had a negative impact on the key figure. First, the trend of the euro exchange rate relative to the US dollar was negative for Schweizer. This risk was noted in the forecast. Second, EBITDA was affected by a one-off personnel cost. Disregarding these two effects, EBITDA would have been EUR 14.4 million, producing a ratio of 12.5%, thereby achieving the target.

Growth and investment

Schweizer aims to grow at a faster rate than its reference markets. In 2015, PCB markets shrank worldwide by -3.7% and in Europe by as much as -5.7%. The global market for PCBs for the automotive industry grew by 2.1%. In fact, Schweizer Electronic AG achieved sales growth of 4.8%, thereby significantly exceeding the growth target.

The investment ratio was 34.1%, down on the previous year (2014: 54.9%). This was due to numerous process improvements whereby originally planned investments in bottleneck areas could be avoided.

Capital commitment

Schweizer measures capital commitment on the basis of working capital. This amounted to EUR 23.4 million at the end of the business year, an increase of EUR 0.9 million compared to the previous year. Working capital had been expected to increase at a similar rate to sales, while inventories were to be kept at the same level. Both targets were attained in 2015. The working capital ratio declined to 20.2% (2014: 20.4%). Inventories fell by EUR 0.1 million to EUR 15.1 million.

Financing

Equity increased in line with expectations, totalling EUR 51.5 million (2014: EUR 48.4 million). At the same time the equity ratio of Schweizer Electronic AG decreased slightly by 0.9 percentage points to 58.7%. The reason for this was a sharp rise in current assets, due in particular to increased receivables from customers and higher cash balances. The minimum equity ratio of 35–40% was significantly exceeded.

Schweizer continues to limit net gearing to a maximum of 150%. At 1.8%, this showed a further substantial improvement in the reporting year compared to the previous year.

All of the targets set by Schweizer Electronic AG were achieved or even exceeded. Robust profitability combined with excellent balance sheet structures provide SCHWEIZER with sufficient scope to take important strategic steps for the further development and growth of the company.

Sales and earnings expectations realised

As part of the reporting for the third quarter, we updated the sales and earnings expectations of Schweizer Electronic AG. The projected sales of EUR 115.0 million were slightly exceeded, reaching EUR 115.5 million. With EBIT standing at EUR 8.5 million, the EBIT forecast of between EUR 8.0 million and EUR 9.0 million was achieved precisely.

Target attainment table

	2014 actual	2015 target	2015 actual
		(forecast March 2015)	Schweizer Electronic AG (HGB)
Revenues	EUR 110.2 million	slightly rising sales	EUR 115.5 million
EBITDA	EUR 14.2 million	higher absolute EBITDA	EUR 12.3 million
EBITDA ratio	12.9%	slightly falling	10.7%
EBITDA before special effects	EUR 14.2 million	higher absolute EBITDA	EUR 14.4 million
EBITDA ratio before special effects	12.9%	slightly falling	12.5%
Investments	EUR 7.8 million	stable in the Electronic and Systems divisions, falling in the Energy division	EUR 4.2 million
Investment ratio	54.9%	stable in the Electronic and Systems divisions, falling in the Energy division	34.1%
Net gearing	5.0%	constant	1.8%
Equity ratio	59.6%	stable	58.7%
Working capital	EUR 22.5 million	stable	EUR 23.4 million

BUSINESS PERFORMANCE OF THE GROUP

OPERATIONAL ACTIVITIES OF SUBSIDIARIES

Sales to customers in 2015 were almost exclusively achieved by Schweizer Electronic AG as the parent company. The sales structure of the parent company, in terms of customer segments, regions and technologies, is the same as that of the Group.

Order intake significantly improved

Despite a still highly dynamic and hence critical environment for the PCB industry, in the PCB business across the Group we recorded a 25% increase in new orders to EUR 145.5 million. An exceptionally strong fourth quarter contributed significantly to this success. Despite turbulence in the world market, ordering activity among automotive customers was particularly encouraging for SCHWEIZER, rising by EUR 20.9 million to EUR 105.6 million. One of SCHWEIZER's key goals is focused expansion of the customer portfolio. Against this background, new orders worth EUR 6.2 million were received from customers in the aerospace segment.

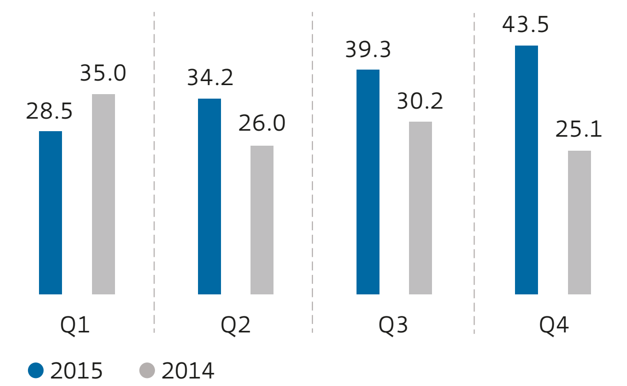
Record sales thanks to success of technology products

Record sales were attained for the second time in succession, rising to EUR 115.6 million in 2015. Growth of 4.8% was achieved thanks in particular to a successful sales performance in North and Central America, where revenues increased to EUR 11.0 million. Business in Germany was unchanged compared to the previous year. With a volume of EUR 70.5 million (2014: EUR 70.7 million), the German market accounted for 61% of total sales. It was a similar story in Europe. Here, sales fell slightly to EUR 28.6 million (2014: EUR 29.2 million). This was largely on account of weaker performance in Western Europe. Sales in North and Central America, on the other hand, grew strongly. Sales in this region more than doubled to EUR 11.0 million thanks to the success of our technology products. Sales in the Asia-Pacific region remained virtually constant compared to the previous year at EUR 5.2 million.

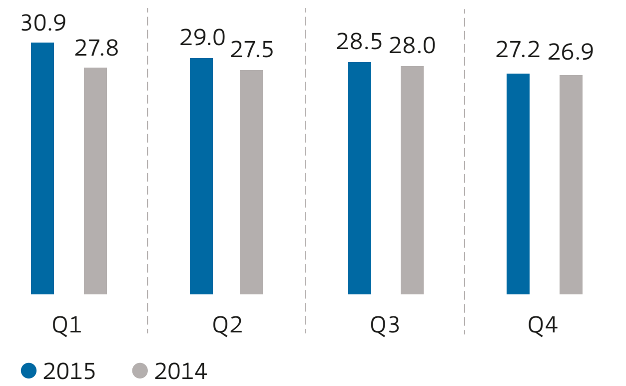
The production site in Schramberg achieved record sales of EUR 104.2 million in the year under review. Output has thus risen by 10.1% since 2013 through targeted investments in personnel and plant capacity. Business through our Asian cooperation partners rose to EUR 11.4 million, an increase of 75% since 2013. Most of this has been achieved through the Chinese factories of Meiko Electronics. The sites of Meiko Vietnam and WUS Kunshan, China, did not yet contribute to sales in the reporting year.

The basis of SCHWEIZER's success in a difficult economic environment is increasingly our focus on technological solutions in power electronics and system cost reduction. As a result, sales of these sophisticated products rose by EUR 9.8 million to EUR 60.3 million (19%).

Order intake by quarters (EUR million)



Sales by quarters (EUR million)

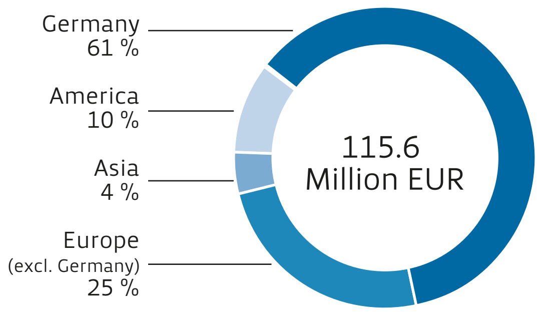


Healthy order book ensures good capacity utilisation

SCHWEIZER had a very well filled order book at the end of 2015. An order backlog of EUR 149.1 million (2014: EUR 119.2 million) is a promising basis for the coming quarters. The increase is reflected across all major customer groups. Orders from automotive customers rose by 20%, those from industrial electronics customers by 61% and those from other customer groups by an average of 41% compared to the previous year.

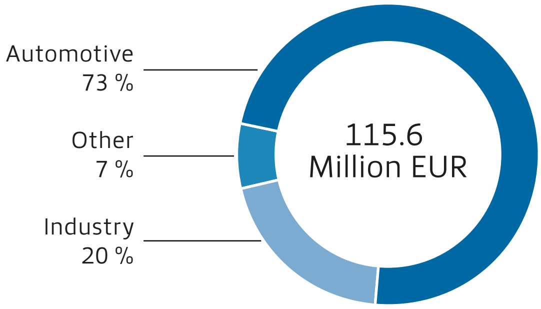
Sales by region

EUR million	2015	2014
Germany	70.5	70.7
Europe (excl. Germany)	28.6	29.2
Asia	5.2	5.1
America	11.0	5.0
Other countries	0.3	0.2
	115.6	**110.2**



Sales by customer segment

EUR million	2015	2014
Automotive	84.7	80.5
Industry	23.0	24.5
Other	7.9	5.2
	115.6	**110.2**



EARNINGS POSITION

Group EBITDA totalled EUR 11.4 million in the reporting year (2014: EUR 11.2 million). The EBITDA ratio was 9.8%. Based on Schweizer Electronic AG, EBITDA of EUR 12.3 million was achieved. EBITDA in 2015 was affected by special expenses for personnel amounting to EUR 1.1 million as well as negative currency effects of EUR 1.0 million due to the stronger US dollar. The special effects came to a total of EUR 2.1 million.

IFRS depreciation of tangible and intangible assets, taking into account the above-mentioned revaluation of fixed assets, totalled EUR 7.6 million (2014: EUR 8.2 million), resulting in earnings before interest and taxes (EBIT) of EUR 3.7 million (2014: EUR 3.0 million).

The cost of sales rose by EUR 4.2 million to EUR 95.3 million. Key factors for this development included the negative impact of the US dollar's appreciation relative to the euro. SCHWEIZER buys a substantial part of its materials in US dollars. This is due to the fact that the supplier base is increasingly located in the United States or in Asia. The effects of the exchange rate movement totalled EUR 1.0 million. Without the exchange rate effect, the cost of sales would have risen by 3.5%, less than the increase in sales. Mainly due to exchange rate effects and the drop-out of one-off credits in the previous year, other expenses rose to EUR 1.5 million (2014: EUR 0.7 million).

Overall, this resulted in earnings after tax of EUR 1.5 million (2014: EUR 0.1 million).

	2015	**2014**	**Change**
Sales (EUR million)	115.6	110.2	+4.8%
EBITDA (EUR million)	11.4	11.2	+1.8%
EBITDA ratio (%)	9.8	10.2	
EBIT (EUR million)	3.7	3.0	+23.3%
EBIT ratio (%)	3.2	2.7	
Earnings after tax (EUR million)	1.5	0.1	-

FINANCIAL PERFORMANCE OF THE GROUP

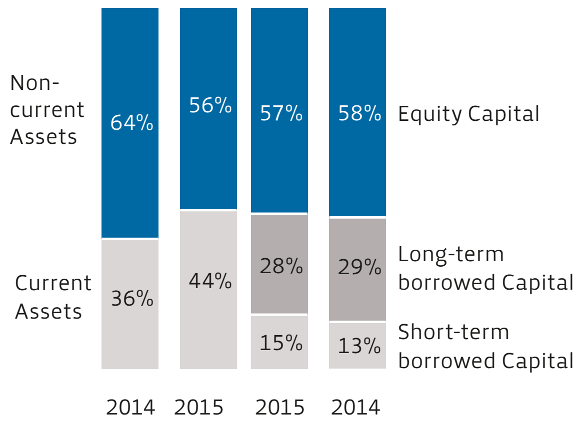
Balance sheet structures

At the end of the year under review the Group's assets stood at EUR 119.4 million, an increase of EUR 2.1 million compared to the previous year.

Schweizer invested EUR 4.2 million, primarily in technology and bottleneck areas at the production site in Schramberg. After depreciation of EUR 7.2 million, tangible fixed assets were reduced by EUR 6.5 million to EUR 62.2 million. Non-current assets decreased by EUR 7.3 million overall to EUR 67.2 million, while current assets increased by EUR 9.5 million to EUR 52.1 million. While inventories remained almost unchanged despite higher production volumes thanks to the success of the lean production initiative launched in 2015, receivables increased by EUR 7.1 million to EUR 23.0 million as a result of higher sales. Cash and short-term deposits rose to EUR 13.3 million (2014: EUR 10.8 million). Equity amounted to EUR 67.4 million.

At EUR 33.5 million, non-current liabilities were little changed compared to the previous year. Long-term interest-bearing loans increased by EUR 1.8 million. An innovation loan of EUR 3.0 million was obtained, whilst on the other hand the company made repayments of EUR 1.6 million. In addition, shareholder loans of EUR 0.6 million granted to Schweizer Electronic AG were repaid in full. Current liabilities totalled EUR 18.4 million (2014: EUR 15.0 million). In particular, vendor liabilities rose by EUR 3.2 million to EUR 7.6 million due to the larger volume of business. Liabilities increased at year-end owing to higher investment.

Balance sheet structure



Management of liquidity and financing

The central finance department based in Germany is responsible for Group Accounting, Group Treasury and Group Reporting. It defines accounting standards for the Group companies. Surplus liquidity is managed and invested by Group Treasury. It also prepares the short and medium-term liquidity planning. Debt financing was also managed entirely centrally in the year under review. There were no capital measures.

Schweizer Pte. Ltd. in Singapore functions as a financial holding company for its subsidiaries and sub-subsidiaries in Singapore and China. The financial holding company is financed by equity contributions of Schweizer Electronic AG. Schweizer Pte. Ltd. finances its subsidiaries by means of equity contributions, shareholder loans and internal credit lines. Surplus liquidity of subsidiaries is used to repay credit lines which have been utilised or the shareholder loans. In addition, the financial holding company holds shares in its subsidiaries and in Schweizer Electronic AG.

The finance departments of the national subsidiaries manage day-to-day payments and ensure reporting to Schweizer Electronic AG.

Financing activities in 2015

In the year under review a call was made on an existing innovation loan framework agreement dating from 2014 in the amount of EUR 3.0 million. The called amounts were divided half each into a debt tranche and a subordinated tranche. Therefore a total of EUR 6.0 million was drawn out of the available framework of EUR 8.0 million. The remaining amount is no longer required under the innovation agreement.

The working capital lines at Schweizer Electronic AG remained constant at EUR 8.2 million. Of this amount, EUR 1.0 million was transferred to Schweizer Electronic Singapore Pte. Ltd. in the business year.

Schweizer is debt-free

Solid business results, a focused investment policy and balanced and forward-looking working capital management kept our balance sheet structures at a very good level in 2015. Even though total assets increased to EUR 119.4 million (2014: EUR 117.2 million), our main financial structure ratios at Group level remained very healthy or even improved. Net gearing stood at -5.1%. At EUR 3.4 million, cash and short-term deposits exceeded interest-bearing loans. The equity ratio was 56.5% (2014: 58.3%).

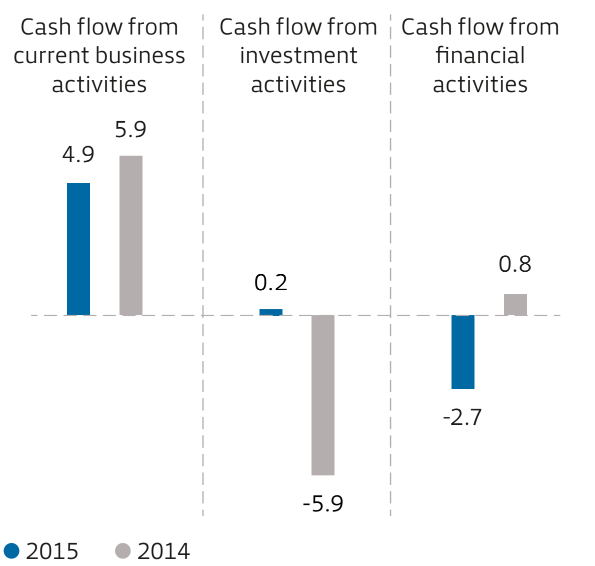
Cash flow from operating activities in the reporting period was EUR 4.9 million (2014: EUR 5.9 million). Operating cash flow was affected in particular by an increase of EUR 6.8 million in trade receivables, which was only partially offset by an increase of EUR 3.8 million in vendor liabilities / other liabilities. Reduced income tax payments, which in the year under review amounted to EUR 2.8 million (2014: EUR 3.6 million), had a positive effect.

Cash flow from investment activities resulted in a cash inflow of EUR 0.2 million. Investments in tangible assets of EUR 3.9 million were made exclusively at the production site in Schramberg. Investments in intangible assets amounted to EUR 0.3 million. No development costs were capitalised in this regard. In connection with the termination of the Energy division, a capital reduction was offset against a long-term financial receivable. As a result, the positive effect on cash flow from investment activities came to EUR 1.1 million. Proceeds from the sale of tangible fixed assets amounted to EUR 3.4 million. This includes a reallocation of an advance payment on a receivable of EUR 2.9 million, which is also connected with the termination of the Energy division.

Cash flow from financing activities was EUR -2.7 million. A key factor was an inflow of EUR 3.0 million due to the drawing of an innovation loan. Repayments of financial loans in the amount of EUR 2.2 had a negative impact. These included the full repayment of the shareholder loan of EUR 0.6 million The dividend of EUR 0.65 paid by Schweizer Electronic AG resulted in a cash outflow of EUR 2.4 million. Finally, a sum of EUR 0.9 million was paid out of the equity capital reduction to a shareholder of the Energy division, though this was offset against the shareholder's financial liabilities.

Cash and cash equivalents in the Group therefore rose by EUR 2.5 million to EUR 13.3 million.

Cash flow (EUR million)



SUPPLEMENTARY REPORT

The financial statement and status report of Schweizer Electronic AG presented by the Management Board to the Supervisory Board were approved and adopted by the latter on 21 March 2016.

On 21 March 2016 the Supervisory Board also approved the Management Board's proposal to appropriate the profit of Schweizer Electronic AG as follows:

Given a profit carried forward in the amount of EUR 2,945,404, annual net income of EUR 5,456,767 and the deposit of EUR 3,000,000 in the other profit reserves, the balance-sheet profit totals EUR 5,402,171.

It will be proposed at the annual general meeting to appropriate this balance-sheet profit as follows:

	EUR
Distribution of EUR 0.65 per share for 3,752,417 nominal shares	2,439,071
Balance to be carried forward	2,963,100
	5,402,171

There were no other events having a material effect on the earnings, financial position or net assets.

FORECASTS, OPPORTUNITIES AND RISK MANAGEMENT REPORT

In terms of its business development, the SCHWEIZER Group as a whole is essentially subject to the same risks and opportunities as Schweizer Electronic AG. Schweizer Electronic AG shares in the risks of its subsidiaries and affiliates in principle according to its stake in those companies.

Furthermore, the Group outlook reflects the outlook for Schweizer Electronic AG, in view of its ties with the other Group companies and its weight within the Group.

FORECASTS AND OPPORTUNITIES REPORT

TARGET BUSINESS MODEL

The growth potential for SCHWEIZER results from the innovative product portfolio, which is aligned to the mobility and energy efficiency growth markets. The demand created by these two social trends drives SCHWEIZER's target markets.

For a number of years the company has held a leading market position in the automotive sector. With sales up by 5.2% in the last business year, the automotive market was again the engine of growth for SCHWEIZER. Radar applications for advanced driver assistance systems, power electronics solutions to replace ceramics and IMS boards for LED headlights are especially worth highlighting.

Innovative products and solutions from SCHWEIZER address key trends in today's society, namely mobility and energy efficiency. SCHWEIZER focuses on these growth markets by continuously developing its product portfolio.

Focus areas for the Electronic division

- Expansion of the company's leading technological position in power electronics and system cost reduction, especially in high-frequency applications
- Further strengthening and developing cooperation with partners
- Continuation of the internationalisation strategy
- Expansion of production capacities in Asia for technology transfer from Schramberg
- Strengthening the foundations of the production landscape to promote further innovative technologies from Germany.

Focus areas for the Systems division, currently in development

- Expansion of partnership with the leading semiconductor manufacturer Infineon
- Market launch of new technologies for key applications on growth markets
- Substitution of products currently used with new technological solutions from SCHWEIZER in existing markets

Major strategic priorities that have been realised in the Electronic and Systems division include:

1. Successful customer qualification of the production capacities of Chinese partner WUS for 24 GHz applications. Additional sales can now be expected in 2016 in the segment of high-frequency PCBs.

2. The successful start-up of IMS boards for LED headlights.

3. Definition of target applications and an Industrialisation Roadmap for the Systems division currently in development with Infineon.

SCHWEIZER has further stabilised and expanded its good starting position.

Given its good market position and innovative product portfolio, SCHWEIZER can be expected to continue growing faster than its reference markets. The company proved this once again in 2015. With an overall growth rate of 4.8% compared to 2014, we are well ahead of the global PCB market which, according to the Prismark institute, shrank by -3.7% over 2015 as a whole.

SCHWEIZER increasingly offers technologically advanced products requiring in-depth knowledge of applications. Throughout the last business year, products from SCHWEIZER's innovative product portfolio played a leading part in the company's good sales performance, accounting for 52% of total sales.

SCHWEIZER has a sustained record of standing out from the market trend

Slowing growth momentum and an oversupply of standard products on the global PCB market reinforce the general trend of market consolidation. Only well-financed companies with a strong competitive position can survive in the long term and continue to grow. With an order intake of EUR 145.5 million and an order backlog of EUR 149.1 million as at 31 December 2015, SCHWEIZER again stood out clearly from the market trend.

Despite slower growth in 2015, the long-term outlook for the PCB market is positive

Despite a decline in the global PCB market of 3.7% to USD 55.3 billion and in the European PCB market of 5.7% to USD 2.1 billion in 2015, in its February forecast the Prismark institute predicted sustained moderate long-term growth. For 2016, admittedly, virtual stagnation is expected in Europe, with the market growing by 0.1 percent to USD 2.1 billion, and for the global market the forecast is only slightly higher at 0.8 percent growth to USD 55.8 billion. However, the five-year forecast (2015 – 2020) remains positive, with an expected global growth rate of 2 percent to around USD 61.0 billion.

Over the coming years the automotive segment will become the biggest driver of growth in the PCB market, displacing the mobile phone from its position as the strongest growth market for PCBs. That means that this segment offers new market opportunities for technology companies. However, the automotive market has its own special characteristics, given the long design-in cycles, demanding quality requirements and heavy price pressure.

OUTLOOK FOR THE ELECTRONIC DIVISION AND THE DEVELOPING SYSTEMS DIVISION

Automotive market remains the engine of growth for Schweizer

The car market remained dynamic in the last business year. The United States and China recorded new highs and Western Europe also saw powerful growth of 9%, reaching a total of 13.2 million new car registrations. According to the Prismark institute, PCB sales in the automotive market grew by 2.1% in the last year, and are expected to grow by 3.8% in 2016.

The global automotive industry faces major challenges, which mean further opportunities for Schweizer. In Europe, CO_2 emissions are to be reduced to 75 g per kilometre by 2025, and similar developments are taking place in other regions such as the United States, Japan and China. Here, solutions are needed that support the trend towards electrification and new drive concepts such as hybrid and electric drives. In this context, new applications are emerging for innovative PCBs, leading to growth opportunities in Europe, the United States and Asia, from which Schweizer can benefit with its partner network.

What is more, driving will become safer and more comfortable. Therefore, as well as hybrid and electric drive systems, radar applications are also among the major growth drivers in the automotive market. These 24 and 77 GHz solutions provide the basis for functions such as proximity cruise control, braking to standstill, lane change assistance, rear cross traffic alert and autonomous driving. Because of worldwide efforts to increase road traffic safety, these applications – initially only found on high-end vehicles – are increasingly becoming standard equipment. The global market for advanced driver assistance systems (ADAS) is expected to grow almost twentyfold to USD 200 billion by 2024, and the number of HF PCBs sold in this period should grow at least tenfold. At Schweizer, sales of HF PCBs rose by 22% to EUR 29.4 million in the last business year. Thanks to continuing growth and the successful customer qualification of production capacities at our partner WUS in the field of 24 GHz applications, Schweizer will be able to exploit this enormous growth potential more fully in the future.

Due to the technology on which they are based, LED headlights also offer many advantages for safety and comfort on the road and are becoming increasingly important in automotive production. They generate around 30% more light than Xenon headlights for the same energy consumption and help reduce fuel consumption. Schweizer's copper IMS boards for LED headlights are selling very well on the market. The company is listed at several premium manufacturers and is already actively working on the next but one headlight generation within the research and value-added chain.

The trend toward miniaturisation continues in the automotive industry too

Eighty percent of automotive innovations are today made possible by PCBs and semiconductors. Miniaturisation combined with ever higher performance is steadily gaining importance. Systems must be made smaller and smaller and at the same time offer additional functionalities and greater performance. Electric motors provide one such example, as the PCBs are now installed together with the electronics in the motor. The first applications are appearing in which the surface of the PCB and that of the installed semiconductors are almost the same. Hence the next logical step: the embedding of components in PCBs. PCBs become smaller, thereby overcoming the lack of available space, while at the same time there is a weight saving, which in turn helps reduce CO_2 emissions.

System boundaries are shifting

With the p² Pack, Schweizer has developed an innovative technology for manufacturing power modules that makes full use of the potential of chip embedding in PCB substrates.

Schweizer has developed embedding solutions for power and logic semiconductors. However, the real challenge lies not in the technical implementation but rather in the change to the business model, since the system boundaries are shifted. In the field of chip embedding, the semiconductor manufacturer and the PCB manufacturer should ideally work closely together to develop the optimum solution for the customer. Through cooperation with Infineon focusing on solutions in power electronics, Schweizer will be able to offer such a business model in the future. Working in partnership with Infineon, the market for chip embedding will be developed and market potential exploited.

RESEARCH AND DEVELOPMENT

In Research and Development the focus in 2016 will continue to be on taking innovative solutions from the technology spectrum and transferring them to series production, while reducing the manufacturing costs involved. Schweizer will increase spending in this area, in order to meet the requirements of its key customers.

SALES FORECAST

Due to the company's technological positioning, we expect to again grow more quickly than our reference markets in 2016. In view of the growing economic uncertainties for 2016, however, we expect lower growth than in the year under review. Depending on the success of our Meiko Schweizer Electronics Co. Ltd. joint venture in Vietnam and of WUS with HF products, we expect sales growth of around 2%. Regular sales from chip embedding are not expected until 2019–2020.

Targets for the Schweizer Group (IFRS)

	2015 actual	2016 target
Sales (EUR million)	115.6	approx. +2%
EBITDA ratio (%)	9.8	10 – 11
Investment ratio (%)	37.3	just under 50
Net gearing (%)	-5.1	low single digits
Equity ratio (%)	56.5	55 – 60
Working capital (EUR million)	22.4	stable depending on sales

EARNINGS TREND

The planned sales growth will be generated primarily from the additional business achieved through our Asian cooperation partners. This will improve our contribution margins. Given the lower value-added share, the percentage margin on such business will be less than that on in-house production.

An increase in the cost of input factors – particularly personnel expenses – cannot be ruled out, in view of the increased competition for resources. Schweizer generally tries to pass on any change in factor costs as part of the offer calculation with a neutral impact on income.

Taking into account expected sales growth and one-off special effects in the area of personnel expenses, a slight increase in earnings before interest, taxes and depreciation (EBITDA) is expected. The EBITDA ratio is expected to rise again to 10% or higher.

Investments

Demand for Schweizer's innovative products increased in the 2015 business year, so that the portfolio shift was implemented as planned. Sales and earnings from our Asian production network also developed positively. Here, sales increased from EUR 9.9 million in 2014 to EUR 11.4 million, corresponding to a growth rate of 15.2 percent. Restructuring measures at Meiko Electronics Co. Ltd. meant that the production launch at the Meiko Schweizer Electronics Co. Ltd. joint venture had to be postponed.

In the coming years Schweizer will adhere to its policy of investing more for the future. Financing of investment programmes in the Electronic and Systems divisions is already assured by agreed credit facilities.

An investment ratio of just under 50 percent is expected for 2016.

Furthermore, Schweizer does not rule out investing in external growth (acquisitions). This would require significant investment, which can only be estimated in the specific case. Such an acquisition would also have a significant impact on other key figures of the company. Besides the investment ratio, all other performance indicators would also be affected. However, the strategic targets for these indicators should still be achieved.

EMPLOYEE DEVELOPMENT

The number of employees including temporary staff rose slightly in 2015 from 773 to 774 at year-end. Of these, 13 (previous year: 15) are employed by the SCHWEIZER Group in Asia. The number of employees in the Asian partner network and those engaged in production at the Meiko Schweizer Electronics joint venture is not provided here.

One focus of attention last year was the expansion of the engineering team (Global Frontend) responsible for work preparation. Through intensive training measures, both in Schramberg and on site in China, customer requirements could be shared and work processes harmonised.

DIVIDEND POLICY

SCHWEIZER intends to continue the dividend policy adopted in the last few years.

In the 2010 business year, SCHWEIZER resumed dividend payments and distributed a dividend of EUR 0.42 per share. In subsequent years, the dividend was increased to EUR 0.47 per share in 2011, EUR 0.55 per share in 2012, EUR 0.60 per share in 2013 and EUR 0.65 per share in 2014.

The Supervisory Board and Management Board will again propose a dividend of EUR 0.65 at the forthcoming annual general meeting. The dividend thus remains stable, despite exceptional pressures in the year under review.

With its dividend policy, SCHWEIZER pursues a strategy of giving shareholders their fair share while building up cash reserves. This should ensure steady dividend growth. SCHWEIZER therefore intends to pay at least constant dividends in future. Part of the dividend policy is also to allow employees to share in the company's success through performance-related payments.

SCHWEIZER ensures balanced use of equity capital and borrowed capital when financing new projects. The ratio is aligned with the strategic equity ratio target when investing in expansions and technology.

WORKING CAPITAL

In 2015, the working capital amounted to EUR 22.4 million. SCHWEIZER does not expect any structural change in the factors that define the working capital in 2016. The payment terms with both suppliers and customers for European business are expected to remain stable. With cash flow remaining healthy, SCHWEIZER will continue to choose payment methods based on profitability criteria – by utilising discounts for example. No significant changes in the customer and supplier structure in Europe are expected either. The trend of inventories will be strongly influenced by customers' acceptance behaviour. We do not expect any major changes in this respect, but there is a risk of acceptance delays due to global economic uncertainties which could adversely affect inventories of finished and semi-finished goods. Based on the projected sales, we expect stable working capital.

FINANCING STRUCTURE – DEVELOPMENT OF EQUITY AND NET DEBT

The objectives for the balance sheet structure of Schweizer Electronic AG are targeted at maintaining a creditworthiness assessment at investment grade for refinancing by means of borrowed capital. In this context, SCHWEIZER is pursuing the long-term objectives of net indebtedness below 150 percent and an equity ratio of at least 35 percent. SCHWEIZER's plans make allowances for the event that these objectives are considerably exceeded once again over the coming business years.

The Group anticipates a further increase in equity capital for 2016 in view of the expected positive results. An equity ratio between 55 and 60 percent continues to be expected on the basis of current plans. The management also expects net gearing in the low single digits.

OVERALL STATEMENT ON THE EXPECTED DEVELOPMENT OF SCHWEIZER

Mobility and energy efficiency are long-term drivers for the growth of SCHWEIZER. In the Electronic core business, the company leads the market and has excellent technologies, products and well-established customer relationships that can also be utilised in future in the Systems division.

Based on this positioning, business volume and results can be expected to remain above the industry average.

RISK MANAGEMENT REPORT

FUNDAMENTALS

Effective management of risks and opportunities is an important part of SCHWEIZER's business activities and supports the goal of growing sustainably and profitably. Risk and opportunity management is applied in a cross-hierarchical fashion within the Group. The core business of PCBs is largely characterised by regular periods of market growth that alternate with downturns in the market. Moreover, the risk and opportunity position is affected by the need for a high level of investment in order to achieve and secure a market position as well as exceptionally fast technological turnaround. Against the background of these fundamental characteristics of the PCB industry, SCHWEIZER's risk policy is aimed at responding quickly to opportunities and exploiting them in order to continually add value for the company. At the same time, any risks – which could be associated with the exploitation of opportunities – must be actively controlled and any existential risks avoided. For this purpose, risk management is closely linked to planning at company level and implementation of the strategy and falls to the higher responsibility of our Management Board.

For the purposes of implementing this risk policy, a risk management and control system made up of a number of complementary elements has been established. In addition to the "Risk and opportunity management" and "Internal control system governing the financial accounting process" systems described below, this notably includes the standardised planning, control and internal reporting processes linked to the systems.

In principle, it is the job of each and every employee to actively avert all imminent risks to the company. The risk system is therefore recorded in a management document that is accessible to all employees and that includes planning, information and controlling processes. A cross-hierarchy reporting system ensures that management receives accurate information.

Relevant risks and opportunities are evaluated annually according to a standardised procedure from a qualitative perspective (based on a risk priority number). The assessment covers the following dimensions: degree of impact on business activities, financial position and results of operations, cash flow and reputation, and probability of occurrence. A risk indicator is determined for the potential degree of impact on the business activities, financial position and results of operations, cash flow and reputation, and probability of occurrence. The level of the risk indicator denotes the classification of the risk as low, medium or high. If risks are identified as high, short-term measures are initiated to eliminate them. In the case of medium risks, medium-term remedial actions are defined and addressed. Risks rated as low are normally reduced as part of the continuous improvement process. All remedial measures are time-monitored and documented. The risks and opportunities are re-validated after the remedial measures have been implemented, and these are further adapted where necessary.

Insurance agreements are concluded for insurable risks according to their valuation and considering an acceptable cost-benefit ratio, and these are adapted where necessary and checked at regular intervals.

SIGNIFICANT RISKS

Market risks

Slowing growth momentum and an oversupply of standard products on the global PCB market reinforce the general trend of market consolidation, a situation that presents SCHWEIZER with both opportunities and risks. However, if this leads to massive disruptions within the PCB market, this would affect SCHWEIZER's result. Opportunities are generated mainly by the ongoing development of the innovative product portfolio and expansion of activities in Asia. This creates the basis for further growth exceeding that of the reference markets.

Liquidity risks

To ensure that sufficient liquidity is always available to enable the current payment liabilities to be met, short- and medium-term finance planning is analysed in weekly cash meetings and where necessary, measures for liquidity management are agreed. Liquidity provisions from the cash flow are maintained in the short term. Furthermore, EUR 7.2 million is constantly available as an available-for-sale liquidity reserve that can only be used in operations by the Management Board subject to the approval of the Supervisory Board. The financial liabilities are linked with standard market loan commitments and are subject to ongoing monitoring as part of a daily financial status. Opportunities for improvement, particularly with regard to low market interest rates, are regularly investigated. Short-term credit lines were only briefly taken in 2015 and are regularly agreed and maintained with the credit institutions.

Currency risks

Due to its international integration, SCHWEIZER is subject to exchange rate risks and opportunities. In particular, supplies from the strategic cooperation partner Meiko Electronics Co. Ltd. are paid for in US dollars, meaning that material expenditure is subject to an exchange rate risk. The majority of the company's sales markets, however, are located in the euro area. Consequently, US dollar requirements exceed US dollar income. The hedging tools used by Schweizer Electronic AG take into account existing foreign currency receivables and payables as well as expected payment flows. Derivative financial instruments are used in order to reduce currency risks and secure the calculation basis for customer orders. Currency risks are monitored and managed centrally.

Procurement risks

To create our high-quality products, in many of our business processes we need raw materials and energy which are sourced from corresponding procurement markets, mainly in Asia and Europe. Purchase prices can vary considerably depending on the market situation and put pressure on our cost structures. We counter the risks through adjusted selling prices and alternative sources of global procurement, thereby ensuring our competitiveness. Further Asian suppliers were audited and approved in 2015. We also use derivative financial instruments to hedge risks from volatile commodity prices, particularly for gold and copper. The use of such financial instruments is subject to strict guidelines.

Credit risk

The continued positive trend in the automotive segment caused dependency on the automotive industry to remain high during the reporting year. As this industry sector is subject to cyclical variations, there is a risk of insolvencies and associated bad debt losses. In order to diversify risk, SCHWEIZER continues to believe in the importance of winning new customers, including medium-sized companies. Yet new customers also mean increased risk in terms of creditworthiness,

therefore managing the risk of bad debt is extremely important for SCHWEIZER. Customers' creditworthiness is monitored constantly based on external credit ratings and internal findings, such as changes in payment history and press reports. Trade credit insurance was not taken out. Customers are split into different creditworthiness categories and the payment conditions, and thus the maximum liability, are adjusted accordingly in line with the risk. These assumptions are continuously monitored in credit risk meetings every two weeks, ensuring the relevant sales employees are made aware of critical issues in good time. Monthly management reports provide details of changes involving major customers. The liabilities of major customers with respect to risk and measures to cover risk are also considered regularly at Management Board meetings.

Production risks

SCHWEIZER's competitive edge is founded in particular in its capacity to innovate and the speed with which it does so, even in the face of complex problems on the part of its customers. This leads to increasing complexity and higher value of the products it manufactures. This in turn leads to heightened risks for the production of such new, high-value products with respect to the stabilisation of new production processes, production quality and reject rates. These risks are countered by involving the people responsible for production, processes and purchasing heavily in the development phase of new products. Once production is under way, regular interdisciplinary team meetings are held, during which problems with processes are addressed and resolved. The high quality standard is ensured by effective quality control; subsequent risks such as warranty and recourse claims are covered as part of product liability insurance.

The production network with partners Elekonta, Meiko Electronics Co. Ltd. and WUS means that part of the value creation does not take place solely in the Schweizer production facilities. It is not possible to monitor quality aspects and delivery reliability at external partners to the same extent as in your own organisation. Therefore, to minimise the potential risk, Schweizer has introduced a "safe launch" concept to identify quality risks in the start-up phase, both at the partner's site and in the main plant in Schramberg.

CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM GOVERNING THE FINANCIAL ACCOUNTING PROCESS

In contrast with the risk management system, the focus of the internal control system is on the financial accounting process with the aim of monitoring the correctness and effectiveness of the accounting and financial reporting processes. The aim of the internal control system is to minimise the risk of misstatements in accounting and in external reporting and to ensure a reasonable degree of assurance for the financial statement and that it complies with regulatory requirements. For this to be achieved, company-wide compliance with statutory provisions and internal company rules is essential. Clear ownership of processes is assigned. The internal control system fulfils the requirements for effectiveness and forms part of the accounting process in all significant legal entities and corporate functions. The system monitors the principles and procedures on the basis of preventive and detective controls.

The internal control and risk management system governing the financial accounting process is not formally defined by law. Schweizer therefore follows the definitions of the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany), based in Düsseldorf, concerning the accounting-related internal control system (IDW AS 261 Subs. 19 f.) and the risk management system (IDW AS 340, Subs. 4).

With regard to the financial accounting process, the company attributes the greatest importance to those features of the internal control and risk management system that significantly influence the accounting procedures as well as the overall tenor of the financial statement and consolidated financial statement including the status report.

This includes the following elements in particular:
- Identification of the main risk and control areas relevant to the accounting process
- Reporting of the results of the accounting process controls at Management Board level
- Preventative control measures in the finance and accounting system as well as in all operational company processes that provide salient information on the composition of the financial statement and consolidated financial statement with the status report, including a division of functions and pre-defined approval processes in relevant areas
- Measures to assure the correct, computer-based processing of data and facts relating to accounting
- Establishment of an internal revision system to monitor and test the efficacy of the internal control and risk management system for financial accounting
- Involvement of external experts for complex accounting issues in the financial accounting process
- Implementation of a risk management system, which includes measures for identifying and evaluating significant risks as well as measures to limit risks, in order to ensure the correctness of the financial statement.

The effectiveness of the internal control system governing the financial accounting process is systematically evaluated. Initially, an annual risk analysis is carried out and the defined controls revised if necessary. At this stage, significant risks with regard to the financial accounting and financial reporting process are identified and updated. The controls defined for the identification of risks are documented in a standardised way across the company. To evaluate the effectiveness of controls, we carry out regular tests on the basis of spot checks. These form the basis for an internal assessment of whether the controls are fit for purpose. The results of this internal assessment are documented and reported in a standardised system. Where weaknesses in the control system are identified, these are rectified taking into account their potential effects.

Evaluation of effectiveness

At the end of the annual cycle we check and endorse the effectiveness of the internal control system governing the financial accounting process. The Management Board and the finance committee of the Supervisory Board are kept informed of any significant control weaknesses that are found as well as the effectiveness of the controls put in place. The risk management and internal control system is subject to ongoing revision in line with internal and external requirements. The system is improved in order to continuously monitor the relevant risk areas.

OVERALL STATEMENT ON THE RISK SITUATION BY THE COMPANY MANAGEMENT

The overall risk situation has been evaluated by consolidating all significant individual risks. We are not currently aware of any risks that could jeopardise the continued existence of the Schweizer Group.

Risk areas and risk assessment of the Schweizer Group

Risk areas	Risk assessment
Market risks	medium
Liquidity risks	low
Currency risks	medium
Production Risks	medium
Procurement risks	medium
Credit risks	low

MATTERS RELEVANT TO ACQUISITIONS

Composition of the subscribed capital

The company's share capital of EUR 9,664,053.86 is divided into 3,780,000 no-par-value shares (individual shares). The same rights and obligations are associated with all company shares and arise from statutory provisions and the Articles of Association.

Restrictions relating to voting rights or the transfer of shares

The Management Board is not aware of any restrictions relating to voting rights or the transfer of shares.

Direct or indirect shareholdings in the company's capital that exceed 10 percent of the voting rights

As at the balance-sheet date, Mr Christoph Schweizer, Germany, directly or indirectly held an interest greater than 10 percent in both the capital and the voting rights.

Shares conferring special control rights

No shares with special rights or voting right control, or shares with special rights or voting right control due to the participating interests of employees exist.

Statutory provisions and provisions governing the nomination and withdrawal of Management Board members and amendments to the Articles of Association

The regulations governing the nomination and withdrawal of Management Board members, as set out in Sections 84 and 85 of the German Stock Corporation Act (AktG) and in Section 5(2) of the company's Articles of Association, are as follows: The Supervisory Board determines the number and appointment of Management Board members as well as their withdrawal. The Supervisory Board is also responsible for appointing a member of the Management Board as CEO. Deputy board members may be appointed.

The regulations governing amendments to the Articles of Association, as set out in Section 179 of the German Stock Corporation Act (AktG) and in Section 17(2) of the Articles of Association, are as follows: Resolutions of the annual general meeting regarding amendments to the Articles of Association and dissolution of the company are subject to the legally prescribed majority requirements.

Powers of the Management Board to issue and buy back shares

By resolution of the annual general meeting of 1 July 2011, the Management Board is authorised, subject to the approval of the Supervisory Board, to increase the company's share capital until 30 June 2016 by up to EUR 3,221,351.29 by issuing new, no-par-value shares in return for contributions in cash and/or in kind (authorised capital). In the process, the shareholders must be granted a subscription right. However, the Management Board was authorised, subject to the approval of the Supervisory Board, to exclude the subscription right a) for fractional amounts; b) for the issuance of new shares against cash contributions if the pro rata amount of capital stock attributable to the new shares does not exceed 10 percent of the share capital on the date of entry of this authorisation in the commercial register (EUR 9,664,053.86) and – in total – does not exceed 10 percent of the share capital on the date of issuance of the new shares, and if the issue price of the new shares is not substantially lower than the stock exchange price of the company's shares of the same class and structure on the date of final determination of the issue price (Section 203(1) Clause 1 in conjunction with Section 186(3) Clause 4 AktG); c) for the issuance of new shares against contributions in kind for the purpose of acquiring companies, parts of companies or stakes therein. This authorisation is regulated in Section 4(4) of the Articles of Association.

By resolution of the annual general meeting of 1 July 2011, the Management Board is authorised until 30 June 2016 to acquire own shares up to a total value of 10 percent of the share capital at the time of the resolution (EUR 9,664,053.86) for purposes other than trading in own shares. Together with the other shares held by the company or to be treated as such in accordance with Sections 71 a et seqq. AktG, the acquired shares must not at any time constitute more than 10 percent of the share capital at the time of the resolution. Further information can be found in the publicly available invitation to the annual general meeting 2011 at *www.schweizer.ag/en/investor-relations/shareholders-meeting.html*.

Essential agreements for the event of a change in control

The conditions for the event of a change in control are variously set out in individual credit agreements. Agreements with an overall volume of EUR 8 million of which only EUR 6 million was utilised at 31 December 2015, provide an extraordinary right of termination, if one or more people, who act jointly in the meaning of Section 2, para. 5 of the German Securities and Takeover Act (WpÜG) and at any time in the future purchase or hold directly or indirectly more than 50 percent of the voting rights.

In the event of premature loss of a position on the Management Board due to a change of control, two members of the Management Board are entitled to a severance payment and a compensation payment as a result of their employment contract. If the employment contract of the Management Board member ends six months after the change of control as a result of mutual termination, expiry or termination of the Management Board member due to his Management Board position having been considerably affected by the change of control, then he is due severance payments 1.25 times the amount of his total annual remuneration earned on average over the past three business years for the residual term of his employment contract. If the residual term of the employment contract comes to more than three years, then the severance payments for the additional period shall be subject to a flat-rate reduction of 25 per cent in order to take into account the discounting and deduction of additional benefits.

In addition, the Management Board member shall receive compensation of at least double his total annual remuneration, or triple in the event that he has been an active member of the company's Management Board for more than ten years. The total of the severance and compensation payments shall be limited to an amount equal to six times the total annual remuneration of the Management Board member.

CORPORATE GOVERNANCE STATEMENT IN ACCORDANCE WITH SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

The corporate governance statement (Section 289a HGB) contains the statement pursuant to Section 161 AktG, relevant information about corporate governance practices that exceed the legal requirements and a description of the operating principles of the Management Board and Supervisory Board with details of their composition and working practices.

The corporate governance statement and information about the Act concerning equal participation of women and men in leadership positions in the private and public sectors are part of the corporate governance report and can be found on the website at: *www.schweizer.ag/en/investorrelations/corporate-governance.html*.

REMUNERATION REPORT

Management Board remuneration system

The remuneration of the Management Board comprises a fixed and a variable remuneration element. The latter is divided into a component geared towards the achievement of defined targets for the respective business year as well as a component with a long-term incentive effect and a proportion of risk. The modified corporate law regulations governing Management Board remuneration according to the German Act on the Appropriateness of Management Board Compensation (VorstAG) as of 31 July 2009, apply to Management Board contracts. Contracts issued before 31 July 2009 have been modified accordingly. No changes were made to the remuneration system in the year under review.

Components of the remuneration system

The fixed income component of the Management Board's remuneration is not tied to the achievement of defined targets and is paid monthly. In addition, ancillary payments such as the provision of a company car, insurance subsidies and payments for international assignments are granted. The variable income component, which relates to the targets for a business year, is geared towards the attainment of certain quantitative and qualitative targets. The quantitative targets – to which the greatest weight is assigned – are Economic Value Added® (EVA®) and the improvement of the Economic Value Added® compared with the previous year (ΔEVA). In addition to these, individual strategic objectives, agreed upon with the members of the Management Board, are taken into consideration. This remuneration component is paid following approval and adoption of the financial statement by the Supervisory Board. The amount is determined by the level of goal attainment and is capped. In addition to these two board remuneration components, there is also a Long Term Incentive Program ("LTIP") for Management Board members. The LTIP is a remuneration component that offers a long-term incentive effect and a proportion of risk in the form of a "share matching" plan with a four-year ban on sale. Taxes due on this shall be taken over if required.

Remuneration for the 2015 business year

In the 2015 business year, the remuneration of the entire Management Board at Group level amounted to EUR 2.113 million (fixed) and TEUR 759 (variable). The variable remuneration component includes 7,168 shares for long-term targets.

Of this, the remuneration of members of the Management Board of Schweizer Electronic AG amounted to EUR 1.351 million (fixed) and TEUR 486 (variable) in the 2015 business year. The variable remuneration component includes 3,821 no-par-value shares for long-term targets. This also includes the remuneration components of the Management Board member who stood down at the end of May 2015.

In addition, a sum of TEUR 762 (fixed) and TEUR 273 (variable) was allocated to a member of the Management Board of a subsidiary company. The variable remuneration component includes 3,347 shares for long-term targets.

Furthermore, one-off personnel expenses of EUR 1.1 million were incurred in connection with the departure of a Management Board member in May 2015.

The members of the Schweizer Electronic AG Management Board are covered by directors and officers liability insurance ("D&O") with an excess of at least 10 percent of the loss amount, up to a maximum of one and a half times their fixed annual remuneration, in accordance with the German Stock Corporation Act (AktG).

Supervisory Board remuneration system

The remuneration of the Supervisory Board is regulated in Section 13 of the Articles of Association. In addition to the reimbursement of expenses, each member receives a fixed remuneration component of TEUR 8 per business year as well as a variable remuneration of EUR 400 for each EUR 0.01 by which the dividend declared at the annual general meeting exceeds a dividend of EUR 0.10 per share with full dividend entitlement distributed to the shareholders. The chairman is paid double and his deputy one and a half times this amount. Members of Supervisory Board committees also receive a fixed annual remuneration of TEUR 2. The total remuneration of the Supervisory Board in 2015 came to TEUR 64 (fixed) and TEUR 159 (variable).

Schramberg, 21 April 2016

The Management Board

(Dr M. Schweizer) (M. Bunz)

(N. F. Schweizer)

CONSOLIDATED FINANCIAL STATEMENT

INCOME STATEMENT

	2015	2014
	€ thousands	**€ thousands**
Sales revenue	115,550	110,243
Cost of sales	-95,274	-91,051
Gross profit	**20,276**	**19,192**
Other operating income	2,809	2,769
Distribution costs	-4,077	-4,103
Administrative costs	-13,786	-14,232
Other operating expenses	-1,536	-664
Operating result	**3,686**	**2,962**
Other interest and similar expenses	-903	-1,029
Depreciation from financial assets	-119	-862
Financial expenses	**-1,022**	**-1,891**
Other interest and similar income	25	26
Income from holdings	0	10
Share of profit from associated companies	73	5
Financial income	**98**	**41**
Earnings before tax	**2,762**	**1,112**
Tax on profits	-1,273	-997
Annual net income / period result	**1,489**	**115**
Of which attributable to:		
Shareholders of the parent company	1,448	197
Non-controlling interests	41	-82
Earnings per share		
Undiluted (= diluted) shareholding	3,748,826	3,724,952
Undiluted, based on the profit attributable to holders of ordinary shares of the parent company	0.39	0.05

CONSOLIDATED BALANCE SHEET

ASSETS

	31 December 2015	31 December 2014	01 January 2014
	€ thousands	**€ thousands**	**€ thousands**
Non-current assets	**67,239**	**74,579**	**77,006**
Tangible assets	62,200	68,682	71,322
Intangible assets	1,165	1,169	1,476
Shares in associated companies	2,782	2,429	2,134
Holdings	730	849	1,711
Other financial assets	56	1,111	192
Tax receivables	41	85	128
Deferred tax assets	265	254	43
Current assets	**52,111**	**42,655**	**40,476**
Inventories	15,492	15,619	14,750
Trade and other receivables	22,267	15,470	15,534
Tax receivables	684	415	46
Other financial assets	340	328	229
Cash and short-term deposits	13,328	10,823	9,917
	119,350	**117,234**	**117,482**

LIABILITIES

	31 December 2015	31 December 2014	01 January 2014
	€ thousands	**€ thousands**	**€ thousands**
Equity capital	**67,374**	**68,403**	**69,501**
Subscribed capital	9,664	9,664	9,664
Own shares	-70	-96	-145
Capital reserves	21,971	22,031	21,982
Profit reserves / balance-sheet profit	34,377	34,444	37,348
Equity attributable to shareholders of the parent company	65,942	66,043	68,849
Non-controlling interests	1,432	2,360	652
Non-current liabilities	**33,542**	**33,782**	**31,516**
Interest-bearing loans	8,743	6,920	5,558
Other financial liabilities	0	600	600
Trade and other payables	348	283	229
Grants from public authorities	0	294	0
Pension liabilities	18,716	18,820	16,119
Deferred tax liabilities	5,735	6,865	9,010
Current liabilities	**18,434**	**15,049**	**16,465**
Trade and other payables	16,105	12,458	12,890
Interest-bearing loans	1,177	1,638	1,828
Other financial liabilities	0	0	22
Grants from public authorities	314	0	0
Pension liabilities	838	817	815
Tax provisions	0	136	910
Total liabilities	**51,976**	**48,831**	**47,981**
	119,350	**117,234**	**117,482**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015	2014
	€ thou-sands	**€ thou-sands**
Annual net income / period result	**1,489**	**115**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (after taxes):		
Gains (losses) on the revaluation of defined benefit pension plans	-72	-2,746
Tax on profits	20	761
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (after taxes):	**-52**	**-1,985**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (after taxes):		
Currency translation of foreign operations	740	1,227
Other comprehensive income to be reclassified to profit or loss in subsequent periods (after taxes):	**740**	**1,227**
Other earnings after tax	**688**	**-758**
Overall result after taxes	**2,177**	**-643**
Of which attributable to:		
Shareholders of the parent company	2,144	-754
Non-controlling interests	33	111
	2,177	**-643**

CONSOLIDATED CASH FLOW STATEMENT

	2015	2014
	€ thousands	€ thousands
Operating activities		
Earnings before tax	**2,762**	**1,112**
Adjustments to reconcile earnings before taxes to net cash flows:		
Depreciation and impairment of tangible assets	7,218	7,864
Amortisation and impairment of intangible assets	385	367
Profit from sale of tangible assets	1	10
Expenses for share-based remuneration	275	333
Interest income	-25	-26
Interest expenses	903	1,029
Depreciation and impairment of financial assets	119	862
Exchange differences, net	-199	355
Share of profit from associated companies	-73	-5
Changes in pension liabilities (excluding changes not recognised in income)	-155	-43
Change in tax provisions	-136	-774
Change in tax receivables	-225	-326
Change in public-sector liabilities	20	294
Change in net current assets:		
Increase/decrease in trade and other receivables and advance payments	-6,784	76
Increase/decrease in inventories	127	-869
Increase/decrease in trade and other payables	3,793	-322
Interest received	25	21
Interest paid	-392	-411
Tax on profits paid	-2,752	-3,614
Cash flow from operating activities	**4,887**	**5,933**
Investment activities		
Proceeds from the sale of tangible assets	3,352	234
Purchase of tangible assets	-3,875	-5,067
Purchase of intangible assets	-341	-60
Payments for investments in the financial assets	0	-983
Proceeds from the disposal of financial assets	1,055	0
Cash flow from investment activities	**191**	**-5,876**
Financing activities		
Proceeds from additions to equity from other shareholders	0	1,445
Payments from equity reductions to other shareholders	-903	0
Incoming payments from the take-up of loans	3,000	3,000
Repayment of loans	-2,238	-1,828
Repayment of finance lease	-81	-78
Dividends paid to shareholders of the parent company	-2,439	-2,234
Sale of own shares	0	496
Cash flow from financing activities	**-2,661**	**801**
Net increase in cash and cash equivalents	2,417	858
Changes in cash and cash equivalents owing to exchange rates	88	48
Cash and cash equivalents as at 1 January	**10,823**	**9,917**
Cash and cash equivalents as at 31 December	**13,328**	**10,823**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

In € thousands	Subscribed capital	Own shares	Capital reserves	Profit reserves / balance-sheet profit
Status as at 1 January 2014	**9,664**	**-145**	**21,982**	**37,348**
Consolidated result				197
Other comprehensive income				-951
Overall result				-754
Change in minority interests				-152
Change in own shares		49	34	236
Long-term incentives for Management Board members			15	
Dividend payout				-2,234
Allocation to reserves				
Status as at 31 December 2014	**9,664**	**-96**	**22,031**	**34,444**
Status as at 1 January 2015	**9,664**	**-96**	**22,031**	**34,444**
Consolidated result				1,448
Other comprehensive income				696
Overall result				2,144
Change in minority interests				58
Change in own shares		26	9	170
Long-term incentives for Management Board members			-69	
Dividend payout				-2,439
Allocation to reserves				
Status as at 31 December 2015	**9,664**	**-70**	**21,971**	**34,377**

Included in profit reserves / balance-sheet profit:					
Actuarial losses Pension commitment	Currency translation difference	Consolidated result (attributable to shareholders of SEAG)	Equity attributable to shareholders of the parent company	Non-controlling interests	Equity capital
0	**22**	**2,579**	**68,849**	**652**	**69,501**
		197	197	-82	115
-1,985	1,034		-951	193	-758
-1,985	1,034	197	-754	111	-643
			-152	1,597	1,445
			319		319
			15		15
		-2,234	-2,234		-2,234
		-3,000			
-1,985	**1,056**	**-2,458**	**66,043**	**2,360**	**68,403**
-1,985	**1,056**	**-2,458**	**66,043**	**2,360**	**68,403**
		1,448	1,448	41	1,489
-52	748		696	-8	688
-52	748	1,448	2,144	33	2,177
			58	-961	-903
			205		205
			-69		-69
		-2,439	-2,439		-2,439
		-3,000			
-2,037	**1,804**	**-6,449**	**65,942**	**1,432**	**67,374**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. GENERAL PRINCIPLES

The SCHWEIZER Group is a global best-in-class technology company active in the manufacture of high-quality PCBs and the provision of innovative solutions to the automotive, industry and aerospace sectors. Based on its recognised technology and consultancy expertise, SCHWEIZER supplies products and solutions that address key challenges in power electronics, embedding technology and cost reduction and that stand out thanks to their energy efficiency and consideration for the environment.

The parent company of the SCHWEIZER Group is Schweizer Electronic AG (hereafter referred to as the company or SCHWEIZER). SCHWEIZER's registered office is located at Einsteinstrasse 10, 78713 Schramberg, Germany. The company is entered in the commercial register at the District Court of Stuttgart under commercial register number HRB 480540. Schweizer Electronic AG has been listed on the stock exchange since 5 July 1989. The shares (ISIN DE0005156236) are listed in Frankfurt am Main and Stuttgart.

The consolidated financial statement of Schweizer Electronic AG and its subsidiaries (together referred to as the Group) for the business year ending 31 December 2015 was prepared and approved by the Management Board on 21 April 2016. It was then presented to the Supervisory Board for examination.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENT

Schweizer Electronic AG prepared, for the first time, a consolidated financial statement for the 2015 business year according to international accounting standards in accordance with Section 290 in conjunction with Section 315a of the German Commercial Code (HGB). In the past, due to the immateriality of direct and indirect investments in subsidiaries, Schweizer Electronic AG took advantage of the exemption from preparation of a consolidated financial statement in accordance with Section 290 (5) in conjunction with Section 296 (2) HGB.

The present consolidated financial statement of Schweizer Electronic AG was prepared for the first time in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and the supplementary commercial law provisions to be observed in accordance with Section 315a (1) HGB. Details for the comparative period ending 31 December 2014 were likewise prepared applying the International Financial Reporting Standards (IFRS).

The consolidated financial statement was prepared essentially applying the historical cost principle, except for derivative financial instruments, which have been measured at fair value. The consolidated financial statement is prepared in euros. Unless otherwise specified, all values are rounded up or down to the nearest thousand euros in accordance with commercial rounding practices.

The income statement was produced according to the cost-of-sales method.

2.2 CONSOLIDATION PRINCIPLES

The consolidated financial statement comprises the individual financial statements of Schweizer Electronic AG and its subsidiaries as at 31 December 2015. Control is said to exist where the Group is exposed to risk due to, or is entitled to fluctuating returns from, its engagement in the associated company, and is also able to use its power of disposition over the associated company to influence these returns.

Capital consolidation of subsidiaries is carried out according to the acquisition method. Under this method, the acquirer assesses the identifiable assets acquired and the acquired debt at their fair value at the time of acquisition. The shares, valued at the fair value of the consideration, are then offset against the newly valued equity of the consolidated subsidiary at the date of acquisition. Any positive difference remaining after offsetting the participation is reported as goodwill. Negative differences are recognised through profit or loss following a further review. Minority interests can be recognised either in the amount of the proportionate net assets attributable to them or at fair value. This option can be exercised for each business combination separately. Transaction costs in connection with business combinations are recognised as expenses.

Intra-group profits and losses, sales, expenses and income and all receivables and liabilities between the consolidated companies are eliminated. Deferred tax assets are recognised on consolidation measures that affect profit and loss.

Associated companies are included in the consolidated financial statement using the equity method based on financial statements prepared in accordance with IFRS.

The consolidated financial statement is based on the financial statements of Schweizer Electronic AG and its subsidiaries. All financial statements were prepared as at 31 December 2015.

The financial statements of the individual companies included in the consolidated financial statement have been prepared in accordance with IFRS 10 applying uniform accounting and valuation methods.

The functional currency of the foreign subsidiaries is the respective national currency. Translation of the financial statements of foreign subsidiaries is carried out at the year-end rate. Translation of income statements is done using the year's average exchange rate. The effects of exchange rate movements on the net assets of subsidiaries are recognised directly in equity.

The main exchange rates applied in the translation of individual financial statements in foreign currencies are shown below:

Exchange rates	**Year-end rate**		**Average rate**	
EUR	31/12/2015	31/12/2014	2015	2014
USD USA	1.0887	1.2141	1.1095	1.3285
CNY China	7.0608	7.5358	6.9733	8.1857
SGD Singapore	1.5417	1.6058	1.5251	1.6830

2.3 CHANGES IN ACCOUNTING ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Schweizer applied the following standards and interpretations of the International Accounting Standards Board (IASB) for the first time in 2015:

- Annual Improvements to IFRS – 2010 – 2012
- Annual Improvements to IFRS – 2011 – 2013
- Change to IAS 19 Defined Benefit Pension Plans: Employee contributions

The first-time application of the amended standards had little or no impact on the consolidated financial statement.

Application of the accounting pronouncements listed below published by the IASB and by the IFRS Interpretations Committee is not yet mandatory. Apart from the Annual Improvements to IFRS – 2010 – 2012 and the changes to IAS 19, both of which are applicable to business years from 1 February 2015 onwards, standards already adopted have not been voluntarily applied in advance. These standards, interpretations and amendments can only be applied if they are endorsed by the EU, which is still pending in some cases.

Standards / Interpretations		
IFRS 9	Financial Instruments	
IFRS 10, IFRS 12 and IAS 28	Amendment to IFRS 10, IFRS 12 and IAS 28 – Exemption from Preparing Consolidated Financial Statements	
IFRS 11	Amendment to IFRS 11 – Joint Arrangements – Accounting for Acquisitions of Interests	
IFRS 14	Regulatory Deferral Accounts	
IFRS 15	Revenue from Contracts with Customers	
IFRS 16	Leases	
IAS 1	Amendment to IAS 1 – Transparency Initiative	
IAS 7	Amendments to IAS 7 – Transparency Initiative	
IAS 12	Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	
IAS 16 and IAS 38	Amendment to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	
IAS 16 and IAS 41	Amendment to IAS 16 and IAS 41 – Bearer Plants	
IAS 27	Amendment to IAS 27 – Equity Method in Separate Financial Statements	
IAS 28 and IFRS 10	Amendment to IAS 28 and IFRS 10 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	
Miscellaneous standards	Annual Improvements to IFRS 2012 – 2014 Cycle	

[1] From this date or for reporting periods beginning after this date.

[2] The standard will not be proposed for adoption under EU law.

Mandatory application[1]	Adoption by EU	Expected impact
01/01/2018	No	Changes in the areas of classification and measurement of financial assets and liabilities, impairment, hedge accounting and extended explanatory notes; the extent of the changes is considered to be low
01/01/2016	No	None
01/01/2016	Yes	None
01/01/2016	No[2]	None
01/01/2016	No	No major changes expected
01/01/2019	No	Currently being reviewed
01/01/2016	No	No major changes expected
01/01/2017	No	No major changes expected
01/01/2017	No	No major changes expected
11/01/2016	Yes	None
01/01/2016	Yes	None
01/01/2016	No	None
01/01/2016	No	None
01/01/2016	No	No major changes expected

3. ACCOUNTING AND VALUATION PRINCIPLES

3.1 FIRST-TIME APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In previous years, only one financial statement was prepared applying local accounting practices. This consolidated financial statement for the year ended 31 December 2015 was prepared for the first time applying International Financial Reporting Standards (IFRS).

Schweizer Electronic AG has therefore prepared the consolidated financial statement according to the IFRS rules applicable to periods on or after 1 January 2015. The present consolidated financial statement was prepared on the basis of a consolidated opening balance sheet as at 1 January 2014, the date of the transition to IFRS.

This section explains the principal adjustments made by the company in the context of the transition to IFRS.

The relaxations under IFRS 1 – First-time Adoption of International Financial Reporting Standards could not be utilised, as a consolidated financial statement was prepared for the first time.

The following adjustments were relevant:

A. Tangible assets: A key aspect of the changeover to IFRS was the revaluation of the tangible fixed assets of Schweizer Electronic AG. The value of the tangible fixed assets as at 1 January 2014 is thus EUR 40 million higher than under the German Commercial Code and amounts to EUR 66.7 million. Of the revaluation, EUR 31.5 million is due to the disclosure of hidden reserves arising in connection with the handling of the fire incident in 2005, after special write-downs were applied to replacement investments in the amount of the imputable insurance payments in accordance with German commercial law. The underlying useful lives were also adjusted, the effect of which amounted to EUR 8.5 million. Consequently, the depreciation base and hence the scheduled depreciation were increased, essentially resulting in a higher valuation of inventories and higher cost of sales.

B. Loans: An inter-company loan was reclassified to other assets.

C. Holdings: The participating interest in Schramberger Wohnbau GmbH was assigned to holdings.

D. Pension fund assets: The recognised amount of EUR 2.478 million results from the pension survey for indirect pension obligations of Unterstützungskasse Christoph Schweizer e.V., Schramberg, and represents the calculated assets of the pension fund. The recognised amount is equal to the liability of Schweizer Electronic AG to the pension fund (affiliated company), which corresponds to the assets of the pension fund.

E. Inventories: Due to the higher depreciation applied to tangible fixed assets used in production under IFRS, the cost of finished and unfinished products is increased by TEUR 476. In addition, a valuation adjustment of TEUR 810 was taken into account due to modified valuation methods. In the commercial financial statement, this adjustment was first made in 2014.

F. Receivables: The general allowances (Pauschalwertberichtigungen) made according to the German Commercial Code in the amount of TEUR 221 were not created in the IFRS consolidated financial statement.

G. Capital reserves: Liabilities arising from share-based remuneration in the amount of TEUR 299 were reclassified from the other provisions to capital reserves.

H. Provisions for pensions and similar obligations / provision for defined benefit pension plans: Pension obligations were recalculated by external pension experts based on relevant interest rates according to IFRS accounting standards. The present values of direct obligations amount to EUR 12.2 million. Indirect obligations in connection with the pension fund Unterstützungskasse Christoph Schweizer e.V. are also recognised in accordance with IFRS. In contrast to the German

Commercial Code, according to which the difference between the present value of pension commitments and the fund assets (subsidiary liability) is not currently stated in the balance sheet, the present value is now reported in accordance with IFRS at EUR 4.7 million.

I. Additional provisions: Other provisions were reclassified to liabilities and all provisions that do not meet the criterion of an external obligation and under German commercial law represent provisions for internal expenses were eliminated. Tax provisions are reported separately.

J. Leasing liabilities: In accordance with IAS 17, leased tangible assets are reported as liabilities under finance leases.

K. Other liabilities: Under HGB, developments in the area of derivative financial instruments were allowed for with a provision for anticipated losses. Under IFRS they are recognised as financial assets or liabilities.

L. Deferred taxes: Deferred tax assets were created to allow for temporary differences between the carrying amounts under IFRS and the carrying amounts permitted under tax law.

Start-up costs: Start-up costs in relation to the establishment and continuation of Schweizer Energy Nantong Co. Ltd. were recognised as assets on its balance sheet in accordance with Chinese accounting regulations. The capitalised costs were eliminated for purposes of financial reporting according to IFRS and recognised through profit or loss.

IFRS rules were also applied to the financial statements of foreign subsidiaries. No significant adjustments were necessary in this regard.

The reconciliation of accounting principles according to the German Commercial Code (HGB) to International Financial Reporting Standards is explained below. Besides the opening balance sheet values under IFRS, the Subsidiaries column also contains consolidation entries:

Reconciliation of equity as at 1 January 2014 (date of transition to IFRS):

		HGB 01/01/2014	Schweizer Electronic AG IFRS Adjustment	IFRS 01/01/2014	Subsidiaries / consolidation IFRS 01/01/2014	Consolidated IFRS 01/01/2014
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
ASSETS						
Non-current assets		**38,574**	**41,542**	**80,116**	**-3,110**	**77,006**
Tangible assets	**A**	26,677	40,053	66,730	4,592	71,322
Intangible assets		1,475	0	1,475	1	1,476
Financial assets		10,422	1,489	11,911	-8,066	3,845
Shares in affiliated companies		7,722	0	7,722	-7,722	0
Shares in associated companies		-	-	0	2,134	2,134
Loans	**B**	1,000	-1,000	0	0	0
Holdings	**C**	1,700	11	1,711	0	1,711
Pension fund assets	**D**	0	2,478	2,478	-2,478	0
Other financial assets		-	-	0	192	192
Tax receivables		-	-	0	128	128
Deferred tax assets		0	0	0	43	43
Current assets		**38,098**	**2,494**	**40,592**	**-116**	**40,476**
Inventories	**E**	13,452	1,285	14,737	13	14,750
Trade and other receivables		15,418	1,209	16,627	-1,093	15,534
Receivables and other assets	**F**	15,406	221	15,627	-93	15,534
Holdings	**C**	12	-12	0	0	0
Loans	**B**	0	1,000	1,000	-1,000	0
Tax receivables		-	-	0	46	46
Other financial assets		-	-	0	229	229
Cash and short-term deposits		8,999	0	8,999	918	9,917
Prepayments and accrued income		229	0	229	-229	0
Total assets		**76,672**	**44,036**	**120,708**	**-3,226**	**117,482**

		HGB 01/01/2014	Schweizer Electronic AG IFRS Adjustment	IFRS 01/01/2014	Subsidiaries / consolidation IFRS 01/01/2014	Consolidated IFRS 01/01/2014
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
LIABILITIES						
Equity capital		**45,060**	**25,701**	**70,761**	**-1,260**	**69,501**
Subscribed capital		9,657	0	9,657	-138	9,519
Other capital reserves	**G**	21,683	299	21,982	0	21,982
Profit reserves / balance-sheet profit	**A, B, C,D, E, F, H, I, J, L**	13,720	25,402	39,122	-1,774	37,348
Equity attributable to shareholders of the parent company		-	-	-	68,849	68,849
Minority interests		-	-	-	652	652
Current/non-current liabilities		**31,612**	**18,335**	**49,947**	**-1,966**	**47,981**
Provisions for pensions and similar obligations	**H**	7,345	9,589	16,934	0	16,934
Additional provisions	**I**	5,691	-312	5,379	-4,469	910
Tax provisions		908	0	908	2	910
Other provisions		4,783	-312	4,471	-4,471	0
Leasing liabilities	**J**	0	166	166	0	166
Interest-bearing loans		7,386	0	7,386	0	7,386
Trade and other payables		3,638	0	3,638	9,315	12,953
Liabilities to affiliated companies		2,480	0	2,480	-2,480	0
Liabilities to companies in which a participating interest is held		721	0	721	-721	0
Other financial liabilities		600	0	600	22	622
Miscellaneous other liabilities	**K**	3,577	57	3,634	-3,634	0
Deferred tax liabilities	**L**	174	8,835	9,009	1	9,010
Total liabilities		**76,672**	**44,036**	**120,708**	**-3,226**	**117,482**

Reconciliation of equity as at 31 December 2014:

		HGB 31/12/2014	Schweizer Electronic AG IFRS adjustments	IFRS 31/12/2014	Subsidiaries / consolidation IFRS 31/12/2014	Consolidated IFRS 31/12/2014
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
ASSETS						
Non-current assets		**40,337**	**38,607**	**78,944**	**-4,365**	**74,579**
Tangible assets	A	27,570	35,826	63,396	5,286	68,682
Intangible assets		1,169	0	1,169	0	1,169
Shares in affiliated companies		10,760	0	10,760	-10,760	0
Shares in associated companies		-	-	-	2,429	2,429
Holdings	C	838	11	849	0	849
Pension fund assets	D	0	2,770	2,770	-2,770	0
Other financial assets		-	-	0	1,111	1,111
Tax receivables		-	-	0	85	85
Deferred tax assets		0	0	0	254	254
Current assets		**40,835**	**662**	**41,497**	**1,158**	**42,655**
Inventories	E	15,214	405	15,619	0	15,619
Trade and other receivables		15,683	257	15,940	-470	15,470
Receivables and other assets	F	15,672	268	15,940	-470	15,470
Holdings	C	11	-11	0	0	0
Tax receivables		-	-	0	415	415
Other financial assets		-	-	0	328	328
Cash and short-term deposits		9,610	0	9,610	1,213	10,823
Prepayments and accrued income		328	0	328	-328	0
Total assets		**81,172**	**39,269**	**120,441**	**-3,207**	**117,234**

		HGB 31/12/2014	Schweizer Electronic AG IFRS adjustments	IFRS 31/12/2014	Subsidiaries / consolidation IFRS 31/12/2014	Consolidated IFRS 31/12/2014
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
LIABILITIES						
Equity capital		**48,438**	**20,084**	**68,522**	**-119**	**68,403**
Subscribed capital		9,657	0	9,657	-89	9,568
Other capital reserves	**G**	21,717	315	22,032	-1	22,031
Profit reserves / balance-sheet profit	**A, B, C, D, E, F, H, I, J, L**	17,064	19,769	36,833	-2,389	34,444
Equity attributable to shareholders of the parent company		-	-	-	66,043	66,043
Minority interests		-	-	-	2,360	2,360
Current/non-current liabilities		**32,734**	**19,185**	**51,919**	**-3,088**	**48,831**
Provisions for pensions and similar obligations	**H**	6,852	12,785	19,637	0	19,637
Additional provisions	**I**	4,941	-253	4,688	-4,552	136
Tax provisions		136	0	136	0	136
Other provisions		4,805	-253	4,552	-4,552	0
Leasing liabilities	**J**	0	88	88	0	88
Interest-bearing loans		8,558	0	8,558	0	8,558
Trade and other payables		3,012	0	3,012	9,935	12,947
Liabilities to affiliated companies		3,914	0	3,914	-3,914	0
Liabilities to companies in which a participating interest is held		1,031	0	1,031	-1,031	0
Other financial liabilities		600	0	600	0	600
Miscellaneous other liabilities	**K**	3,526	0	3,526	-3,526	0
Deferred tax liabilities	**L**	300	6,565	6,865	0	6,865
Total liabilities		**81,172**	**39,269**	**120,441**	**-3,207**	**117,234**

Reconciliation of statement of comprehensive income for 2014:

		HGB 2014	Schweizer Electronic AG IFRS adjustments	IFRS 2014	Subsidiaries / consolidation IFRS 2014	Consolidated IFRS 2014
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Income statement						
Sales revenue		110,217	0	110,217	26	110,243
Cost of sales	A,E	-86,025	-5,013	-91,038	-13	-91,051
Gross profit		**24,192**	**-5,013**	**19,179**	**13**	**19,192**
Other operating income		2,516	-22	2,494	275	2,769
Distribution costs		-3,860	-3	-3,863	-240	-4,103
Administrative costs		-11,491	-6	-11,497	-2,735	-14,232
Other operating expenses	F	-1,328	3	-1,325	661	-664
Operating result		**10,029**	**-5,041**	**4,988**	**-2,026**	**2,962**
Other interest and similar expenses	H	-920	-114	-1,034	5	-1,029
Income from holdings		10	0	10	0	10
Depreciation from financial assets		-862	0	-862	0	-862
Other interest and similar income		30	0	30	-4	26
Share of profit from associated companies		-	-	-	5	5
Earnings before tax		**8,287**	**-5,155**	**3,132**	**-2,020**	**1,112**
Tax on profits		-2,704	1,509	-1,195	198	-997
Annual net profit		**5,583**	**-3,646**	**1,937**	**-1,822**	**115**

		HGB 2014	Schweizer Electronic AG IFRS adjustments	IFRS 2014	Subsidiaries / consolidation IFRS 2014	Consolidated IFRS 2014
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods (after taxes):						
Currency translation of foreign operations		-	-	0	1,227	1,227
Other comprehensive income to be reclassified to profit or loss in subsequent periods		**0**	**0**	**0**	**1,227**	**1,227**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (after taxes):						
Gains (losses) on the revaluation of defined benefit pension plans		0	-2,746	-2,746	0	-2,746
Tax on profits		0	761	761	0	761
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**0**	**-1,985**	**-1,985**	**0**	**-1,985**
Other earnings after tax		**0**	**-1,985**	**-1,985**	**1,227**	**-758**
Overall result after taxes		**5,583**	**-5,631**	**-48**	**-595**	**-643**

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statement is based on the financial statements of Schweizer Electronic AG and its subsidiaries. All financial statements were prepared as at 31 December 2015.

The financial statements of the individual companies included in the consolidated financial statement have been prepared in accordance with IFRS 10 applying uniform accounting and valuation methods.

Purchased intangible assets are capitalised at cost and amortised. Amortisation is based on the following useful lives:

- Software: 3 – 8 years

Internally generated intangible assets are analysed in relation to the criteria of IAS 38 and, if recognised with a finite useful life, written off over such useful life.

Impairments are also applied if the fair value less costs of sale or the value in use of the asset has fallen below the carrying amount. If the impairment of an asset reflected by a write-down in the past is reduced or eliminated, the impairment loss is reversed, up to the amount of the amortised cost of acquisition or production.

Tangible fixed assets are capitalised at their cost of acquisition or production. In the case of internally generated assets, the costs of production include pro rata overheads and depreciation in addition to the directly attributable costs.

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs are interest and other costs incurred by an enterprise in connection with the take-up of the borrowing.

Costs of repairs and maintenance are basically recognised as expenses. They are only capitalised if a future economic benefit is likely in this regard and the cost of acquisition or production can be measured reliably.

Movable assets and buildings are depreciated on a straight-line basis according to their actual useful life.

Scheduled depreciation is determined according to the following useful lives:

- Building: 50 years maximum
- Technical equipment and machines: 5 – 20 years
- Other plant, factory and office equipment: 3 – 20 years

Impairments are also applied if the fair value less costs of sale or the value in use of the asset has fallen below the carrying amount. If the impairment of an asset reflected by a write-down in the past is reduced or eliminated, the impairment loss is reversed, up to the amount of the amortised cost of acquisition or production.

Government grants are recognised if there is adequate certainty that the grants will be forthcoming and the company meets the relevant conditions. Expense-related grants are recognised as income on a systematic basis over the period necessary to match them with the associated costs. Grants for an asset are deducted from the cost of the asset and the costs of acquisition and production are written down on a net basis.

Leased fixed assets are recognised according to IAS 17 as finance leases and depreciated according to their economic life, if all opportunities and risks of an asset associated with ownership are essentially transferred to the lessee. Such assets are carried at the fair value of the leased asset at the inception of the lease or, if lower, at the present value of the minimum lease payments. The same amount is carried as a liability. In the case of an operating lease, on the other hand, the lease instalments are recognised as an expense.

Investments in associated companies are initially measured at the cost of purchase. They are adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee.

The income statement reflects the Group's share in the period result of the associated company and is recognised in the operating result. Changes in the other comprehensive income of this investee are recognised in the other comprehensive income of the Group. Furthermore, any changes reported directly in the equity of the associate are stated by the Group in the amount of its share and where necessary reported in the statement of changes in equity. Unrealised profits and losses deriving from transactions between the Group and the associate are eliminated according to the share in the associate.

Inventories are recognised at the lower of acquisition or production cost and the net realisable value. Net realisable value is the estimated selling price achievable in the ordinary course of business less estimated expenses up to the time of completion and the estimated cost of sales. The average cost method is applied for the valuation of raw materials and supplies and goods purchased for resale. In addition to directly attributable costs, the production costs also include manufacturing and material overheads as well as depreciation.

Receivables and other assets are stated at amortised cost. Identifiable individual risks are taken into account through valuation allowances. A valuation allowance is made on a separate account if circumstances become known which suggest that certain receivables carry a risk beyond the general credit risk. The amortised costs correspond approximately to market values. Non-current receivables are discounted if the discount amount is material.

Liquid funds are recognised at nominal value. The carrying amount of foreign currency holdings is determined by applying the exchange rate at the balance sheet date.

Non-current assets and groups of assets that are held for sale are shown separately in the balance sheet, unless they can be sold in their present condition and the sale is highly probable in the next twelve months. They are recognised at their fair value less costs of disposal, if these are lower than their carrying amount. Scheduled depreciation and amortisation is no longer applied from the date of the reclassification. Debts included in a disposal group are shown separately on the liabilities side.

The requirement to reinstate original values (Wertaufholungsgebot) is observed in the case of both current and non-current assets. The amortised costs of acquisition or production form the upper value limit, unless specific standards require a different valuation.

Provisions for pensions and similar obligations are calculated on the basis of actuarial advice according to the projected unit credit method, taking into account future salary and pension adjustments. The service costs and net interest expense on net debt from defined benefit plans are recognised in income. Revaluations of recognised net debt from defined benefit plans are included in other comprehensive income. The fund assets are measured at fair value.

Deferred taxes are calculated on temporary differences between the carrying amounts in the tax balance sheets of individual companies and in the consolidated balance sheet, taking into account the respective national income tax rates applicable at the time of realisation and already in effect at the balance sheet date. In addition, deferred tax assets on loss carryforwards are created when it is to be expected that these loss carryforwards will be used. Netting of the resulting deferred tax assets and liabilities is only carried out where the income taxes concerned are levied by the same tax authority and concern the same period.

Other provisions take into account all recognisable risks and uncertain obligations toward third parties whose settlement is expected to lead to an outflow of funds which can be reliably estimated. They are recognised at their most likely amount and discounted if the discount amount is material. Rights of recourse are presented separately under other assets.

Liabilities are reported at the nominal value or higher repayment amount. Non-current liabilities are discounted if the discount amount is material.

Revenue from the company's own products, goods purchased for resale and services is recognised at the fair value of the consideration received or receivable in the period in which ownership of the products or goods passes to the customer or the service was provided. Agreed discounts or rebates are taken into account in the appropriate reporting period in the recognition of sales revenues. In line with revenues, the costs of goods and products sold are recognised through profit or loss in the same period. Other income is recognised at fair value at the time the legal claim came into being. Operating expenses are recognised in profit or loss at the time the service is used or at the time they are caused. Interest income and interest expenses are recorded for the relevant period and other financial income is recognised at the time the legal claim came into being.

The consolidated cash flow statement is broken down into cash flows from ongoing business, capital expenditure and financing activities. Effects of changes in the scope of consolidation and the impact of changes in exchange rates are eliminated; their effect on cash and cash equivalents is shown separately.

The fair value is determined on the basis of input factors in three defined categories. The following valuation hierarchy is applied:

Level 1: Use of quoted (not corrected) prices for identical assets or liabilities in active markets accessible on the valuation date.

Level 2: Fair value calculated using valuation methods based on observable input factors for similar assets and liabilities in active markets or for identical assets and liabilities in inactive markets.

Level 3: Assets and liabilities measured using valuation methods based on developed, non-observable input factors, because insufficient observable market data is available to determine the fair value.

The members of the Group's Management Board receive a variable remuneration component with long-term incentive effect and risk elements (called the Long Term Incentive Programme; hereafter: LTIP). The LTIP component depends on the LTIP plan approved by the Supervisory Board. The amount of the LTIP component amounts to 10% or 20% of the gross annual fixed salary multiplied by the target attainment percentage. The LTIP component is paid in the form of equity instruments on a regular basis following approval and adoption of the annual financial statement of Schweizer Electronic AG.

The costs of the LTIP component settled through equity instruments are determined based on the share price at the balance sheet date, since payment is made at short notice. Valuation is not carried out using valuation models, for reasons of materiality.

The costs of the LTIP, together with a corresponding increase in equity (capital reserves), are recognised as personnel expenses. The accumulated expenses reported at the balance sheet date arising from the award of equity instruments reflect the number of equity instruments to be paid according to the Group's best possible estimate.

3.3 SIGNIFICANT DISCRETIONARY DECISIONS, ESTIMATES AND ASSUMPTIONS

In the preparation of the consolidated financial statement, the management makes discretionary decisions, estimates and assumptions that affect the amount of reported income, expenses, assets, liabilities and corresponding information, and the disclosure of contingent liabilities. Due to the uncertainty associated with these estimates and assumptions, actual results in future periods may lead to significant adjustment of the carrying amounts of the assets or liabilities concerned.

Deferred tax assets are recognised for unused tax losses to the extent it is likely that taxable income will be available for this purpose so that the loss carryforwards can actually be used. When determining the amount of deferred tax assets that can be capitalised, the management must exercise considerable discretion with regard to the expected timing and level of future taxable income, as well as the future tax planning strategies.

As at 31 December 2015, tax loss carryforwards amounted to EUR 3.245 million (2014: EUR 1.375 million). Deferred tax assets relating to loss carryforwards were created in the amount of only EUR 1.375 million (2014: EUR 1.375 million). On the remaining loss carryforwards in the amount of EUR 1.870 million (2014: EUR 0), no deferred tax assets were created as they are not expected to be used.

No deferred tax assets were recognised for these tax losses as they may not be used to offset taxable profits of other companies of the Group and they originated in subsidiaries which have already generated losses in previous years. Nor will other tax planning opportunities or other ways of offsetting or use be available in the near future. If the Group were able to capitalise all the disregarded deferred tax assets, profit would increase by TEUR 318.

Costs related to defined benefit plans and the present value of pension obligations are calculated based on actuarial calculations. An actuarial valuation is based on various assumptions which may differ from actual developments in the future. These include determination of the discount rate, future salary increases, mortality rates and future pension increases. Given the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

3.4 BUSINESS SEGMENTS

The Schweizer Group is active in the following business segments:

- In the "Electronic" business segment, the Schweizer Group develops, produces and distributes high-quality printed circuit boards for the automotive, solar, aerospace and general industries. Partnerships exist with Elekonta Marek GmbH & Co. KG, Gerlingen, Germany; Meiko Electronics Co. Ltd., Ayase, Japan; and WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China.
- Moreover, the company's Energy division sought to develop and offer energy supply solutions based on renewable energy using photovoltaics. However, these activities have been discontinued due to lack of funding by co-investors and adverse market developments.
- In future, the chip embedding market for automotive and industrial applications will be developed jointly with Infineon Technologies AG and a new Systems division will be built up.

Thus, the business activities of the Schweizer Group are exclusively in the Electronic segment. Therefore, no reportable segments exist with regard to the requirements of IFRS 8. Rather, the Schweizer Group is a single-segment company.

We refer to note 8.1 regarding sales revenues by geographical regions.

With the exception of minor office equipment, the entire fixed assets are located in Germany.

3.5 INFORMATION ON CAPITAL MANAGEMENT

For purposes of capital management, equity includes subscribed capital as well as all other capital reserves attributable to the shareholders of the parent company. The primary objective of the Group's capital management is to maximise shareholder value.

The Group's capital structure is managed and adjusted depending on changes in economic conditions, as well as the agreed requirements. To maintain or adjust the capital structure, the Group may make adjustments to dividend payments to shareholders or make capital repayments to shareholders or issue new shares.

Firstly, the Group monitors its capital based on a debt ratio which corresponds to the ratio of debt to equity. Schweizer focuses on the development of net gearing. Net gearing is calculated from interest-bearing liabilities less the liquidity portfolio. Secondly, the equity ratio, which corresponds to the ratio of equity to total capital, is used as a control parameter. As a target figure, the company observes a minimum ratio that must not be undershot. It may however be exceeded and is oriented to the actual situation (investment programme, interest rate levels, credit rating factors).

	2015	**2014**
Net gearing as a performance indicator	**€ thousands**	**€ thousands**
Interest-bearing loans	9,920	8,558
Less cash and short-term deposits	-13,328	-10,823
Net financial liabilities	**-3,408**	**-2,265**
Equity capital	67,374	68,403
Net gearing	-5.1%	-3.3%

Equity capital amounted to EUR 67.4 million (2014: EUR 68.4 million). Schweizer's equity ratio therefore declined slightly by 2 percentage points to 56 percent. The reason for this was a sharp rise in current assets, due in particular to increased receivables from customers and higher cash and cash equivalents.

The minimum equity ratio of 35–40% was significantly exceeded. Schweizer continues to limit net gearing to a maximum of 150%.

4. SCOPE OF CONSOLIDATION

The following are included in the consolidated financial statement:

				Share of equity (in %)	
Name		**Main business activity**	**Headquarters**	**2015**	**2014**
Schweizer Pte. Ltd.	(1)	Holding company	Singapore	100.0	100.0
Schweizer Electronic Singapore Pte. Ltd.	(2)	Electronic division	Singapore	100.0	100.0
Meiko Schweizer Electronics Hongkong Co. Ltd.		Electronic division	Hong Kong	49.9	49.9
Schweizer Energy Production Singapore Pte. Ltd.	(3)	Energy division	Singapore	89.1	81.9
Schweizer Energy Nantong Co. Ltd.		Energy division	Nantong, China	100.0	100.0
Unterstützungskasse Christoph Schweizer e.V.	(4)	Pension fund	Schramberg, Germany	100.0	100.0

(1) The company holds 89.1 percent of the shares in Schweizer Energy Production Singapore Pte. Ltd. Schweizer Electronic AG thus holds 89.1 percent of the shares indirectly as at the balance sheet date. Changes compared to the previous year are the result of capital reductions.

(2) The company holds 49.9 percent of the shares in Meiko Schweizer Electronics Hongkong Co., Limited. Schweizer Electronic AG thus holds 49.9 percent of the shares indirectly. Consolidation is according to the equity method.

(3) The company holds 100 percent of the shares in Schweizer Energy Nantong Co. Ltd. Schweizer Electronic AG thus holds 89.1 percent of the shares indirectly as at the balance sheet date.

(4) Schweizer Electronic AG is the sponsoring undertaking of the pension fund Unterstützungskasse Christoph Schweizer e.V. The pension fund is fully consolidated as a special-purpose entity.

The direct, higher level company is Schweizer Electronic AG, Schramberg, Germany.

5. SUBSIDIARY COMPANIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

The following information relates to the significant non-controlling interests of Schweizer Energy Production Singapore Pte. Ltd., of which the company owns 89.1 percent.

The stake in the non-controlling interests was 10.9 percent in 2015 and 18.1 percent in 2014.

The balances of the non-controlling interests are as follows:

	2015	2014
	€ thousands	€ thousands
Attributable equity	592	1,124
Attributable losses	-4	-73

Financial information on this subsidiary is presented below in summarised form. This presentation includes no assets requiring elimination of intercompany profits and losses.

Summarised balance sheet of Schweizer Energy Production Singapore Pte. Ltd.:

	2015	2014
	€ thousands	€ thousands
Current assets	3,486	174
Non-current assets	9,332	13,075
Current liabilities, including tax liabilities	-7,414	-7,047
Equity capital	**5,406**	**6,202**
Of which attributable to the Group	4,814	5,078
Of which attributable to non-controlling interest	592	1,124

Summarised income statement of Schweizer Energy Production Singapore Pte. Ltd.:

	2015	2014
	€ thousands	€ thousands
Operating result	140	-410
Financial expenses, including interest expense	-175	5
Earnings before tax	-35	-405
Tax on profits	-2	0
Result for the business year	**-37**	**-405**
Of which attributable to the Group	-33	-332
Of which attributable to non-controlling interest	-4	-73

No dividends were paid to holders of non-controlling interests.

Summarised cash flow statement of Schweizer Energy Production Singapore Pte. Ltd.:

	2015	2014
	€ thousands	€ thousands
Operating cash flow	-203	-329
Investment activities	0	-1,426
Financing activities	142	1,675
Net decrease in cash and cash equivalents	**-61**	**-80**

6. SHARES IN AN ASSOCIATED COMPANY

Through Schweizer Electronic Singapore Pte. Ltd., Singapore, Schweizer Electronic AG indirectly holds 49.9 percent of the shares in Meiko Schweizer Electronics Hongkong Co. Ltd., Hong Kong, which is active in the leasing sector. The joint venture partner is Meiko Electronics Co., Ltd., Ayase, Japan, which holds the other 50.1 percent of the shares.

The share of Schweizer Electronic AG is accounted for in the consolidated financial statement according to the equity method. The summarised financial information of the associate corresponds to its financial statement prepared in accordance with IFRS. The reconciliation of this financial information to the carrying amount of the share in this associate in the consolidated financial statement is shown below.

Meiko Schweizer Electronics Hongkong Co. Ltd. employed one person in both the 2015 and 2014 business years.

Summarised balance sheet of Meiko Schweizer Electronics Hongkong Co. Ltd.:

	2015	2014
	€ thousands	€ thousands
Share of 49.9%		
Summarised balance sheet of the associate:		
Current assets, including cash and cash equivalents	2,442	1,301
Non-current assets	3,147	4,010
Current liabilities, including tax liabilities	-13	-443
Non-current liabilities, including deferred tax liabilities	0	0
Equity capital	**5,576**	**4,868**
Carrying amount of Group's share	2,782	2,429

Summarised income statement of Meiko Schweizer Electronics Hongkong Co. Ltd.:

	2015	2014
	€ thousands	€ thousands
Sales revenue	224	184
Cost of sales	0	-105
Administrative costs	-71	-64
Earnings before tax	153	15
Tax on profits	-6	-5
Result for the business year	**147**	**10**
Group's share of result	73	5

The associate reported no contingent liabilities or capital commitments as at 31 December 2015 and 31 December 2014. The associate may not distribute its profits without the consent of both partners.

7. FAIR VALUE MEASUREMENT

Fair value was measured for the following situations.

The target forwards concern four currency-related transactions relating to EUR/USD exchange rates. Measurement was based on level 2 input factors using values from active markets for identical assets. The fair values of the target forwards are as follows:

	Nominal amount	Fair value	Carrying amounts
	$ thousands	€ thousands	€ thousands
Currency-related transactions	**8,275**	**-77**	**-77**
Target Forward Capped Gain USD/EUR	875	6	6
Target Forward Capped Gain USD/EUR	1,800	-50	-50
Target Forward USD/EUR	2,000	6	6
Target Forward USD/EUR	3,600	-39	-39

As at 31 December 2014, the fair value of a currency-related transaction (nominal USD 1.925 million) was TEUR 24.

The gold swaps concern commodity derivatives whereby a fixed price is paid for gold and the bank pays variable amounts. Here too, measurement was based on level 2 input factors using values from active markets for identical assets. The fair values of the gold swaps are as follows:

	Nominal amount	Fair value	Carrying amounts
	$ thousands	€ thousands	€ thousands
Commodity transactions	**689**	**-43**	**-43**
Commodity swap gold USD	301	-26	-26
Commodity swap gold USD	388	-17	-17

No commodity derivatives existed as at 31 December 2014.

The interest in Meiko Electronics Co. Ltd., Ayase, Japan, is reported on the basis of level 1 in the amount of the market value of the shares and the JPY/EUR exchange rate at the reporting date.

The fair value of finance lease liabilities was TEUR 7 at 31 December 2015 and TEUR 88 at 31 December 2014. Finance lease liabilities are measured on the basis of level 2. A call option existed at the end of the lease which was exercised in the 2016 business year.

The fair value of fixed-interest loans was EUR 9.920 million at 31 December 2015 and EUR 8.558 million at 31 December 2014. Measurement was at level 2.

No reclassifications between level 1 and level 2 of the measurement hierarchy took place in the business year.

8. NOTES TO THE CONSOLIDATED INCOME STATEMENT

8.1 SALES REVENUE

The net sales revenue is divided up as follows:

	2015	2014
	€ thousands	€ thousands
By fields of activity		
Metallised circuits	18.4	18.3
Non-metallised circuits	5.8	5.3
Multilayer/HDI	89.6	85.2
Other	1.8	1.4
	115.6	**110.2**
By regions		
National	70.5	70.7
EU countries	26.7	27.3
Rest of Europe	1.9	1.9
America	11.0	5.0
Asia	5.2	5.1
Other countries	0.3	0.2
	115.6	**110.2**

The above information on sales revenue is broken down by customer sites.

In both 2015 and 2014, one customer accounted for more than 10 percent of total sales. Sales revenue with this customer in 2015 amounted to EUR 18.3 million (2014: EUR 17.5 million).

8.2 COST OF SALES

The cost of sales shows the cost of products sold and amounted in the business year to EUR 95.3 million (2014: EUR 91.1 million). As well as direct individual costs such as personnel and material expenses, it also comprises overheads including depreciation and amortisation.

	2015	2014
	€ thousands	€ thousands
Included in cost of sales:		
Cost of acquisition or production of inventories recognised as expenses	49,002	45,175
Employee benefits expense	29,349	27,752
Expenditure on temporary staff	2,285	2,901
Depreciation	6,910	7,091
Expenses for maintenance, servicing and cleaning	2,179	2,814
Wearing parts	3,608	3,293
Miscellaneous other operating expenses	1,941	2,025
Total cost of sales	**95,274**	**91,051**

8.3 OTHER OPERATING INCOME

Other operating income mainly consists of income from waste recycling and currency gains. It also included income from supplier credits and out-of-period income from the reversal of provisions.

	2015	2014
	€ thousands	€ thousands
Other operating income includes:		
Waste revenues	1,147	1,135
Currency gains	1,321	372
Reversal of provisions	49	345
Electricity tax relief	0	204
Grants for fixed assets	0	150
Grants from public authorities	217	140
Income tax refunded by Meiko for Meiko staff	0	86
Net gain on disposal of own shares	0	135
Miscellaneous	75	202
Total other operating income	**2,809**	**2,769**

Waste revenues concern in particular the recycling of gold salts remaining after the production process.

Government grants concern non-repayable grants from publicly funded research and development projects.

8.4 OTHER OPERATING EXPENSES

Other operating expenses mainly include expenses from currency losses.

	2015	2014
	€ thousands	€ thousands
Currency losses	1,387	567
Allocations to provisions	119	18
Miscellaneous	30	79
Total other operating expenses	**1,536**	**664**

8.5 FINANCIAL EXPENSES

Financial expenses essentially concern interest expenses from the compounding of liabilities relating to pensions, long-term loans and expenses from derivative financial instruments.

	2015	2014
	€ thousands	€ thousands
Compounding and effect of changes in the discount rate on provisions	455	765
Loan interest	220	211
Rate hedging expense/income	145	-24
Depreciation from financial assets	119	862
Interest on loans from related parties	27	54
Other interest and similar expenses	29	7
Swap transaction expense	26	12
Financing costs from finance leases and hire purchase contracts	2	4
Total financial expenses	**1,022**	**1,891**

8.6 FINANCIAL INCOME

	2015	2014
	€ thousands	€ thousands
Other interest and similar income	25	26
Income from holdings	0	10
Share of profit from associated companies	73	5
Total financial income	**98**	**41**

8.7 EMPLOYEES AND PERSONNEL EXPENSES

At the end of the business year, Schweizer employed 774 people (2014: 773), who were engaged in the following functions.

2015	National	International	Total
Production	524	6	530
Sales	27		27
Research and development	88		88
Administration	122	7	129

Personnel expenses amounted in the reporting year to EUR 41.534 million (2014: EUR 39.864 million) and are recognised in the income statement in the following functional areas:

	2015	2014
	€ thousands	€ thousands
Employee benefits		
Included in cost of sales:		
Wages and salaries	24,918	23,569
Social security contributions	4,431	4,183
	29,349	**27,752**
Included in selling expenses:		
Wages and salaries	2,331	2,322
Social security contributions	258	318
	2,589	**2,640**
Included in administration expenses:		
Wages and salaries (excluding Management Board)	4,703	5,485
Social security contributions	707	652
Expenses relating to pension commitments	218	81
Company pensions Management Board	649	693
Expenses for share-based remuneration Management Board	275	327
Severance payment Management Board	1,096	0
Variable remuneration Management Board	484	664
Fixed remuneration excluding company pensions Management Board	1,464	1,570
	9,596	**9,472**
Total employee benefits expense	**41,534**	**39,864**

8.8 RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development activities in the Electronic division are focused mainly on the development of printed circuit board systems, particularly in relation to the above-mentioned systems for the Systems division. No development costs were capitalised since the conditions of IAS 38 are not met. Research and development costs are recognised as an expense in the period in which they arise (2015: EUR 3.3 million [2014: EUR 3.0 million]).

Grants for funding projects in research and development are recognised in other operating income.

8.9 COMPONENTS OF OTHER COMPREHENSIVE INCOME

Components of other comprehensive income are actuarial gains and losses in the area of pension provisions and deferred taxes relating thereto.

	2015	2014
	€ thousands	€ thousands
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods (after taxes):		
Gains (losses) on the revaluation of defined benefit pension plans	-72	-2,746
Tax on profits	20	761
Other comprehensive income to be reclassified to profit or loss in subsequent periods	**-52**	**-1,985**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods (after taxes):		
Currency translation of foreign operations	740	1,227
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	**740**	**1,227**
Other earnings after tax	**688**	**-758**

8.10 SELLING EXPENSES

Selling expenses essentially comprise personnel expenses, depreciation and insurance expenses.

	2015	2014
	€ thousands	€ thousands
Included in selling expenses:		
Employee benefits expense	2,589	2,640
Depreciation	33	34
Miscellaneous other operating expenses	1,455	1,429
Total selling expenses	**4,077**	**4,103**

8.11 ADMINISTRATION EXPENSES

Administration expenses essentially comprise personnel expenses, depreciation and insurance expenses. They also include remuneration of the Supervisory Board.

	2015	2014
	€ thousands	€ thousands
Included in administration expenses:		
Employee benefits expense	9,596	9,472
Supervisory Board remuneration	222	246
Other expenses Supervisory Board	13	16
Contributions and insurance premiums	650	625
Legal and consultancy expenses	843	829
Travel expenses	403	578
Depreciation	558	542
Other administration expenses	1,501	1,924
Total administration expenses	**13,786**	**14,232**

8.12 TAX ON PROFITS

Domestic corporate income tax (plus solidarity surcharge), trade taxes and similar income-related taxes levied abroad are reported in this item.

This item also includes deferred taxes due to temporary differences between the amounts stated in the tax balance sheet and the IFRS balance sheets of the Group companies and the IFRS consolidated balance sheet.

Deferred taxes are calculated based on the tax rates applicable in each country.

Taxes on income and revenue are made up of expense (+) / income (-):

	2015	2014
	€ thousands	**€ thousands**
Current taxes related to the reporting period	2,385	2,579
Taxes on income from other periods	-2	0
Deferred tax income	-1,110	-1,582
Total taxes on income and revenue	**1,273**	**997**

RECEIVABLES RELATING TO TAX AND TAX PROVISIONS

These items only include tax on profits; any other taxes are included in other payables or other receivables.

TAX RECEIVABLES

	2015	2014
	€ thousands	**€ thousands**
Corporate income tax refund 2014 + 2015	364	213
Trade tax refund 2014 + 2015	274	156
Corporate income tax credit	87	131
Total receivables relating to taxes on income and revenue	**725**	**500**
Long-term	41	85
Short-term	684	415

The tax refunds result from the calculated tax liability, net of tax prepayments. At the end of the business year, no final assessments were available for 2014.

No tax prepayments were made at subsidiaries, so that no tax receivables exist.

Repayment of the corporate income tax credit expires completely in 2017.

TAX PROVISIONS

	2015	2014
	€ thousands	**€ thousands**
Corporate income tax 2013	0	136
Tax provisions	**0**	**136**
Long-term	0	0
Short-term	0	136

The provision was fully utilised in 2015 due to the assessment in the amount of TEUR 138.

It was not necessary to create tax provisions for subsidiaries due to low profits or accumulated losses.

DEFERRED TAXES

Changes in tax rates resulted in deferred tax expenses of TEUR -202 (2014: TEUR 95). Deferred taxes on transactions that are recognised directly in equity increased equity in the reporting period by TEUR 20 (2014: TEUR 761). As at 31 December 2015, tax loss carryforwards amounted to EUR 3.245 million (2014: EUR 1.375 million). Deferred tax assets relating to loss carryforwards were created in the amount of only EUR 1.375 million (2014: EUR 1.375 million). On the remaining loss carryforwards in the amount of EUR 1.870 million (2014: EUR 0), no deferred tax assets were created as they are not expected to be used.

The deferred taxes are made up as follows:

	Deferred tax assets 31/12/2015	Deferred tax liabilities 31/12/2015	Deferred tax assets 31/12/2014	Deferred tax liabilities 31/12/2014
Tangible assets	0	9,657	0	10,706
Inventories	0	117	0	112
Receivables	21	71	3	74
Pension provisions	4,058	0	4,011	0
Liabilities	48	17	24	11
Tax loss carryforwards	265	0	254	0
	4,392	**9,862**	**4,292**	**10,903**
Netting	4,127	4,127	4,038	4,038
	265	**5,735**	**254**	**6,865**

RECONCILIATION OF EXPECTED AND ACTUAL TAX EXPENSE

The results of Schweizer Electronic AG in Germany are subject to corporate income tax (plus solidarity surcharge) and trade tax. Results assessed abroad are taxed at the tax rates applicable in the respective country. The tax rate of 28.0% on which the expected tax expense is based (2014: 27.73%) takes account of the company structure relevant for taxation. It is calculated as a weighted tax rate of the regions in which the main results originated.

	2015 € thousands	2014 € thousands
Earnings before tax on profit	2,762	1,112
Expected tax expense (-) / income (+)	-773	-308
Divergent tax rates:		
International	-202	95
Tax portion for:		
Tax-free income	174	40
Non-tax-deductible expenses	-454	-328
Taxes from other periods	-4	-195
Tax portion of new loss carryforwards for which no deferred tax assets were formed	-312	-86
Effects of consolidation	410	-112
Other tax effects	-112	-103
Actual tax expense	-1,273	-997
Effective tax expense in percent	46%	90%

Deferred tax assets and deferred tax liabilities are offset when the Group has a legally enforceable right to set off current tax assets against current tax liabilities and these relate to income taxes for the same taxable entity levied by the same taxation authority.

In the foreign subsidiaries, tax losses of EUR 1.833 million (2014: EUR 1.014 million) were incurred. These tax losses can be offset to an unlimited extent against future taxable profits of the companies in which the losses were incurred.

No deferred tax assets were recognised for these tax losses as they may not be used to offset taxable profits of other companies of the Group. Nor will other tax planning opportunities or other ways of offsetting or use be available in the near future. Schweizer has decided that no previously undistributed profits of its subsidiaries and associated companies will be distributed in the foreseeable future. The Group has agreed with its associate that the profits of the associate will only be paid out if the Group gives its consent. As at the balance sheet date, the parent company did not have the intention to grant such consent. Furthermore, the associate only distributes its profits when it has received the consent of all its joint venture partners.

The payment of dividends by the Group to its shareholders will not have income tax implications in 2015 or in 2014.

Deferred income taxes arising from items directly recognised in other comprehensive income during the business year relate to:

	2015	2014
	€ thousands	**€ thousands**
On gains (losses) resulting from actuarial gains and losses on the revaluation of defined benefit pension plans	20	761
Deferred tax asset recognised in other comprehensive income	**20**	**761**

8.13 EARNINGS PER SHARE

When calculating the undiluted earnings per share, the earnings attributable to holders of ordinary shares of the parent company are divided by the weighted average number of ordinary shares in circulation during the year.

The following tables shows the amounts on which the calculation of undiluted (= diluted) earnings per share is based:

	2015	2014
	€ thousands	**€ thousands**
Earnings attributable to holders of ordinary shares of the parent company	1,448	197
Weighted average number of ordinary shares*	3,748,826	3,742,952

**The weighted average number of shares includes the weighted average effect of changes in treasury share transactions during the year.*

In the period between the balance sheet date and approval of the consolidated financial statement for publication, 7,168 (2014: 9,383) ordinary shares were transferred to members of the Management Board by way of share-based remuneration.

8.14 GAINS/LOSSES ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

	2015	2014
	€ thousands	**€ thousands**
+ gains / - losses	41	-82

Non-controlling interests arise from minority interests in Schweizer Energy Production Singapore Pte. Ltd., Singapore, based on the following participations:

	Shares	Share currency	Ratio	Payments into/out of capital	Paid-up capital	Currency
Status as at 31/12/2014	Quantity		%	SGD		
Schweizer Pte. Ltd.	6,972,000	SGD	81.9	6,812,470	6,812,470	SGD
Yoke Lee Pang, Singapore, Singapore*	74,000	SGD	0.9	128,760	128,760	SGD
Gebrüder Schmid GmbH, Freudenstadt, Germany*	371,000	USD	4.3	3,668,585	3,000,000	USD
Darcet Pte. Ltd., Singapore, Singapore*	1,098,814	USD	12.9	2,511,000	2,000,000	USD
Schweizer Energy Production Singapore Pte. Ltd.	**8,515,814**		**100.0**	**13,120,815**		
Change 2015						
Darcet Pte. Ltd., Singapore, Singapore*	-686,814	USD		-1,569,501	-1,250,001	USD
Status as at 31/12/2015						
Schweizer Pte. Ltd.	6,972,000	SGD	89.1	6,812,470	6,812,470	SGD
Yoke Lee Pang, Singapore, Singapore*	74,000	SGD	0.9	128,760	128,760	SGD
Gebrüder Schmid GmbH, Freudenstadt, Germany*	371,000	USD	4.7	3,668,585	3,000,000	USD
Darcet Pte. Ltd., Singapore, Singapore*	412,000	USD	5.3	941,499	749,999	USD
Schweizer Energy Production Singapore Pte. Ltd.	**7,829,000**		**100.0**	**11,551,314**		

Minority interests are marked with an asterisk (*).

In the business year a capital reduction and repayment was made to Darcet Pte. Ltd in the amount of USD 1.25 million. The repayment was offset against a loan to Darcet Pte. Ltd. in the same amount. In this regard we refer to section 9.5.1 of the Notes.

A full capital reduction and repayment was agreed with Gebrüder Schmid GmbH in 2015. This had not yet been carried out as at 31 December 2015.

9. NOTES TO THE CONSOLIDATED BALANCE SHEET

9.1 TANGIBLE ASSETS

Concerning movements in tangible assets from 1 January 2015 to 31 December 2015, reference is made to the assets analysis which is shown separately.

The carrying amount of technical equipment and machines held under finance leases and hire purchase contracts as at 31 December 2015 was TEUR 155 (2014: TEUR 211).

Land and buildings with a carrying amount of EUR 2.358 million (2014: EUR 2.358 million) serve as senior collateral for two bank loans of the Group.

9.2 INTANGIBLE ASSETS

Concerning movements in intangible assets from 1 January 2015 to 31 December 2015, reference is made to the assets analysis which is shown separately.

The intangible assets essentially concern software licences for the ERP system.

Development of fixed assets

	Procurement and manufacturing costs					
	01/01/2014	**Currency translation**	**Acquisi-tions**	**Divest-ments**	**Transfer postings**	**31/12/2014**
	€ thou-sands	**€ thou-sands**	**€ thou-sands**	**€ thou-sands**	**€ thou-sands**	**€ thou-sands**
Intangible assets						
Rights and assets acquired for valuable consideration	4,185	0	60	0	0	4,245
Tangible assets						
1. Land and buildings	38,686	1	23	67	0	38,643
2. Technical equipment and machines	81,948	0	2,557	3,610	188	81,083
3. Other plant, factory and office equipment	54,535	7	541	177	0	54,906
4. Advance payments and plants under construction	4,641	394	1,946	5	-188	6,788
	179,810	402	5,067	3,859	0	181,420
Holdings	**4,651**	**0**	**0**	**0**	**0**	**4,651**

*) Impairments in the amount of TEUR 862 on participating interests

	Procurement and manufacturing costs					
	01/01/2015	**Currency translation**	**Acquisi-tions**	**Divest-ments**	**Transfer postings**	**31/12/2015**
	€ thou-sands	**€ thou-sands**	**€ thou-sands**	**€ thou-sands**	**€ thou-sands**	**€ thou-sands**
Intangible assets						
Rights and assets acquired for valuable consideration	4,245	0	341	5	40	4,621
Tangible assets						
1. Land and buildings	38,643	0	11	0	0	38,654
2. Technical equipment and machines	81,083	0	2,210	1,164	1,472	83,601
3. Other plant, factory and office equipment	54,906	4	253	281	36	54,918
4. Advance payments and plants under construction	6,788	250	1,401	3,079	-1,548	3,812
	181,420	254	3,875	4,524	-40	180,985
Holdings	**4,651**	**0**	**0**	**0**	**0**	**4,651**

*) Impairments in the amount of TEUR 114 on technical equipment and machines and in the amount of TEUR 119 on participating int

Accumulated depreciations					Carrying amounts	
01/01/2014	Currency translation	Acquisi-tions	Divest-ments	31/12/2014	31/12/2014	31/12/2013
€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands
2,709	0	367	0	3,076	1,169	1,476
10,742	0	757	0	11,499	27,144	27,944
62,548	0	3,913	3,449	63,012	18,071	19,400
35,198	1	3,194	166	38,227	16,679	19,337
0	0	0	0	0	6,788	4,641
108,488	1	7,864	3,615	112,738	68,682	71,322
2,940	**0**	**862*)**	**0**	**3,802**	**849**	**1,711**

Accumulated depreciations					Carrying amounts	
01/01/2015	Currency translation	Acquisi-tions	Divest-ments	31/12/2015	31/12/2015	31/12/2014
€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands
3,076	0	385	5	3,456	1,165	1,169
11,499	0	758	0	12,257	26,397	27,144
63,012	0	3,868*)	895	65,985	17,616	18,071
38,227	0	2,592	276	40,543	14,375	16,679
0	0	0	0	0	3,812	6,788
112,738	0	7,218	1,171	118,785	62,200	68,682
3,802	**0**	**119*)**	**0**	**3,921**	**730**	**849**

erests

9.3 SHARES IN ASSOCIATED COMPANIES

This item concerns the indirect interest of 49.9 percent of Schweizer Electronic AG in Meiko Schweizer Electronics Hongkong Co. Ltd., Hong Kong, held indirectly through Schweizer Electronic Singapore Pte. Ltd., Singapore. In view of the control relationship, this interest is classified as an associate and is consolidated according to the equity method.

	€ thousands
Costs of acquisition	**2,247**
Accumulated results	-37
Currency differences	-76
Status as at 1 January 2014	**2,134**
Profit allocation	5
Currency difference	290
Status as at 31 December 2014	**2,429**
Profit allocation	73
Currency difference	280
Status as at 31 December 2015	**2,782**

9.4 PARTICIPATING INTERESTS

This item concerns the interest in Meiko Electronics Co. Ltd., Ayase, Japan. This is shown at the market value of the shares denominated in JPY.

The shares serve for the long-term strengthening of the partnership with Meiko Electronics Co. Ltd., which in turn holds 4.8 percent of the shares in Schweizer Electronic AG. The shares are assigned to the "available for sale" category (financial investments recognised at fair value in other comprehensive income). However, due to the persistently low market value, the impairment to fair value was recognised through profit or loss in the income statement.

	€ thousands
Costs of acquisition	
Status as at 01/01/2014	4,639
Additions/Disposals	0
Status as at 31/12/2014	**4,639**
Additions/Disposals	0
Status as at 31/12/2015	**4,639**
Impairments	
Status as at 01/01/2014	-2,940
Impairments	-862
Status as at 31/12/2014	**-3,802**
Impairments	-119
Status as at 31/12/2015	**-3,921**
Net carrying amount	
Status as at 31/12/2015	**718**
Status as at 31/12/2014	837

An interest of 1.34 percent is also held in SCHRAMBERGER WOHNUNGSBAU GmbH, Schramberg, with an acquisition cost of EUR 12,000.

9.5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

9.5.1 FINANCIAL ASSETS

The other financial assets are composed as follows:

	2015	2014
	€ thousands	**€ thousands**
Loan to Darcet Pte. Ltd., Singapore	0	1,030
Other financial assets	340	328
Long-term portion of other receivables	56	81
Total financial assets	**396**	**1,439**
Long-term	56	1,111
Short-term	340	328

In 2014, Schweizer Energy Production Singapore Pte. Ltd. issued two unsecured loans in the amount of TUSD 700 and TUSD 550 to its minority investor Darcet Pte. Ltd., Singapore, for the purpose of acquiring production facilities for manufacturing solar modules. The loans had a term of 10 years each, bore interest at 12-month SIBOR and were agreed as instalment loans to be repaid in 99 and 102 instalments starting in January 2016. In view of the capital reduction in connection with the discontinuation of the Energy division in 2015, the loans were fully offset against the capital repayment obligation of USD 1.25 million and thus repaid early.

9.5.2 INTEREST-BEARING LOANS

The interest-bearing loans relate exclusively to bank loans and are made up as follows:

		2015	2014	2015	2015	2014	2014	2015	2014
				Short-term	Long-term	Short-term	Long-term	Interest paid	Interest paid
		€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
KFW loan	(1)	18	55	18	0	37	18	0	1
KFW loan	(2)	2,131	2,519	388	1,743	388	2,131	63	73
KFW loan	(3)	0	630	0	0	630	0	3	14
KFW loan	(4)	3,000	1,500	188	2,812	0	1,500	26	10
KFW loan	(5)	3,000	1,500	0	3,000	0	1,500	55	20
Loan	(6)	1,146	1,562	417	729	417	1,145	55	71
Loan	(7)	625	792	166	459	166	626	18	22
		9,920	**8,558**	**1,177**	**8,743**	**1,638**	**6,920**	**220**	**211**

		Nominal	Interest rate	Conditions	Term	Repayment	Repayment(-) Drawdown(+)	Collateral
		€ thousands	%		until		€ thousands	
(1)	KFW development loan	275	1.00	Interest subsidy 3.9%	2016	Last repayment 31/03/16	-37	Mortgage
(2)	KFW innovation loan	3,100	2.65	Fixed interest rate until end of term	2021	TEUR 388 p.a.	-388	Mortgage
(3)	KFW development loan	3,000	1.08	3-month Euribor + 1%	2015	Fully repaid in 2015	-630	Mortgage
(4)	KFW innovation loan	3,000	1.15	Subordinated tranche	2023	from 03/2016 TEUR 375 p.a.	1,500	Unsecured
(5)	KFW innovation loan	3,000	2.45	Debt tranche	2023	7 years repayment-free, from 03/2021 EUR 1 million p.a.	1,500	Mortgage
(6)	Instalment loan	2,500	3.90	Fixed interest rate until end of term	2018	TEUR 416 p.a.	-416	Mortgage
(7)	Instalment loan	1,000	2.50	Fixed interest rate until end of term	2019	TEUR 167 p.a.	-167	Mortgage

Variable interest rates have not been agreed. The agreed repayments are fixed and cash outflows are not expected to be earlier or higher than agreed. The loan portfolio is reviewed on a weekly basis together with the regular short and medium-term financial planning for the Schweizer Group. The loan exposure is adjusted where necessary. The subsidiaries of Schweizer Electronic AG have no agreements with banks to take out long-term loans.

9.5.3 OTHER FINANCIAL LIABILITIES

	2015	2014
	€ thousands	€ thousands
Loans from related parties	0	600
Total other financial liabilities	**0**	**600**
Long-term	0	600
Short-term	0	0

The loan from related parties was granted to Schweizer Electronic AG in connection with the economic crisis of 2009. The loan was repaid in full on 30 June 2015. We refer to the information concerning payments to related parties.

9.5.4 ADDITIONAL INFORMATION CONCERNING FINANCIAL INSTRUMENTS

The term financial instrument refers to any contract that gives rise both to a financial asset of one enterprise and to a financial liability or equity instrument of another enterprise. They are divided into primary and derivative financial instruments. Primary financial instruments such as purchases or sales of assets are recognised at the settlement date, i.e. the delivery of the asset concerned, and derivative financial instruments are recognised on the trading date. In the event of loss of authority to dispose of the contractual rights to a financial asset, the asset is derecognised. A financial liability is derecognised if it expires or is settled or remitted.

Under IAS 39 financial instruments are divided into the following categories:

- Loans and receivables
  In this category are financial assets with fixed or determinable payments that are not quoted in an active market.
- Held-to-maturity investments
  Financial assets with fixed or determinable payments and a fixed maturity date are assigned to this category if the company intends and is able to hold the financial assets to maturity.
- Available-for-sale financial assets
  This category comprises all other financial assets that cannot be assigned to any of the above categories.
- Financial assets or financial liabilities at fair value through profit or loss
  These include:
  - Financial assets or financial liabilities held for trading and
  - Financial assets or financial liabilities designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.

Use has not been made of the "fair value option" under IAS 39, whereby any financial asset or financial liability can be measured at fair value, with value changes recognised in profit or loss.

PRIMARY FINANCIAL INSTRUMENTS

Primary financial instruments are assigned to categories based on the relevant balance sheet items. Their recognition and measurement are thereby clearly defined.

Loans and receivables are measured at amortised cost.

Available-for-sale financial assets are measured at fair value in other comprehensive income, unless the fair value cannot be measured reliably. In this case they are measured at the cost of acquisition. Necessary impairment is recognised through profit or loss in the income statement.

The shares in the partner company Meiko Electronics Co. Ltd., Ayase, Japan, are assigned to the "Available-for-sale financial assets" category. Impairments on these are recognised through profit or loss. See the information on participating interests in this regard.

The fair values of the financial assets and financial liabilities recognised at amortised cost correspond approximately to the carrying amounts.

The financial instruments measured by Schweizer at fair value have been calculated using values from active markets for identical assets (level 2 inputs) in the amount of TEUR -120 (2014: TEUR 24).

DERIVATIVE FINANCIAL INSTRUMENTS

Schweizer uses derivative financial instruments to hedge exchange rates (EUR/USD) and also gold prices which affect the price of raw materials containing gold. See section 7 in this regard. Fair value measurement.

Fair values are determined based on quoted prices or recognised market information systems.

As at 31 December 2015, as in the previous year, derivatives were not used to hedge interest rates.

The nominal volume of financial instruments for hedging currencies concluded and outstanding at 31 December 2015 amounted to EUR 8,275. This resulted in a negative fair value of TEUR -77 (2014: TEUR 24).

The nominal volume of financial instruments for hedging commodities concluded and outstanding at 31 December 2015 amounted to TUSD 689. This resulted in a negative fair value of TEUR -43 (2014: TEUR 0).

Of the total volume of derivatives, 2 percent (2014: 0 percent) had a term of more than one year.

Reconciliation of financial instruments to measurement categories according to IAS 39:

2015	**Carrying amounts 31/12/2015**	**Costs of acquisition**	**Amortised cost**	**Fair value in other comprehensive income**	**Fair value through profit or loss**
	€ thousands	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**
Assets					
Cash and short-term deposits	13,328	-	13,328	-	-
Trade and other receivables	22,267				
Trade and other receivables	22,256	-	22,256	-	-
Derivative financial assets (no hedge relationship)	11	-	-	-	11
Tax receivables	725	-	725	-	-
Other financial assets	396	-	396	-	-
Liabilities					
Interest-bearing loans	9,920	-	9,920	-	-
Trade and other payables	16,453				
Trade and other payables	16,314	-	16,314	-	-
Leasing liabilities	7	-	7	-	-
Derivative financial assets (no hedge relationship)	132	-	-	-	132
Grants from public authorities	314	-	314	-	-
Of which aggregated according to measurement categories according to IAS 39					
Loans and receivables	26,785	-	26,785	-	-
Financial liabilities measured at fair value	-121	-	-	-	-121
Financial liabilities recognised at amortised cost	-16,635	-	-16,635	-	-

2014	Carrying amounts 31/12/2014	Costs of acquisition	Amortised cost	Fair value in other comprehensive income	Fair value through profit or loss
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Assets					
Cash and short-term deposits	10,823	-	10,823	-	-
Trade and other receivables	15,470				
Trade and other receivables	15,446	-	15,446	-	-
Derivative financial assets (no hedge relationship)	24	-	-	-	24
Tax receivables	500	-	500	-	-
Other financial assets	1,439	-	1,439	-	-
Liabilities					
Interest-bearing loans	8,558	-	8,558	-	-
Loans from related parties	600	-	600	-	-
Trade and other payables	12,741				
Trade and other payables	12,653	-	12,653	-	-
Leasing liabilities	88	-	88	-	-
Derivative financial assets (no hedge relationship)	-	-	-	-	-
Grants from public authorities	294	-	294	-	-
Of which aggregated according to measurement categories according to IAS 39					
Loans and receivables	19,650	-	19,650	-	-
Financial liabilities measured at fair value	24	-	-	-	24
Financial liabilities recognised at amortised cost	-13,635	-	-13,635	-	-

RISKS IN RELATION TO FINANCIAL INSTRUMENTS

Schweizer is exposed to risks from changes in exchange rates and interest rates and uses standard derivative instruments to a limited extent to hedge risks arising from operating and financing activities. The use of these instruments is governed by Group directives within the risk management system which lay down limits based on the value of the underlying transactions, define approval procedures, prohibit the use of derivative instruments for speculative purposes, minimise credit risks and regulate internal reporting and the segregation of duties. Reviews are carried out regularly to ensure compliance with these guidelines and the correct processing and measurement of transactions whilst observing the segregation of duties. The risk management of financial instruments is also integrated into the Group-wide risk management system.

The risks which are hedged are chiefly as follows:
Commodity price risk:

Derivatives designated as hedging instruments also reflect the change in the fair value of the concluded commodity futures contracts. The Group is exposed to the risk of price fluctuations in its projected purchases of gold salt and raw materials containing gold. The futures contracts do not result in physical delivery of gold, but are designed as cash flow hedges to offset the effects of changes in the gold-price-related raw material prices. The Group therefore hedges the purchase of 50 troy ounces of gold per month.

If the price of gold were to rise (fall) by 10 percent, earnings before tax would rise by TEUR 58 or fall by TEUR 58. In the previous year, as at the balance sheet date, no financial instrument was held for hedging the price of gold.

Interest rate risks:
In the case of fixed-interest loans or investments, there is a risk that changes in the market interest rate will affect the market value of the item concerned (interest-related price risk). By contrast, variable interest loans and investments are not subject to this risk as the interest rate is adjusted to reflect changes in the market situation with a very short delay. However, the fluctuation of the short-term rate presents a risk in respect of the future interest payment (interest-related cash flow risk).

As a general principle, external borrowings are repaid when due. Therefore, an interest rate risk only exists in the case of a variable-rate borrowing. No variable-rate loans existed as at the balance sheet date.

Currency risks:
Primary financial instruments are held essentially in the functional currency.

Exchange rate differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

If the exchange rate of the euro against major currencies (USD, SGP and CNY) as at 31 December 2015 were to rise (fall) by 10 percent, earnings before tax would fall by TEUR 856 (2014: TEUR 186) or rise by TEUR 876 (2014: TEUR 228).

Liquidity risks:
Risks arising from cash flow fluctuations are detected early within the framework of the established liquidity planning system. In view of the good ratings of several banks, as well as the lines of credit pledged by banks, the Group is able to access substantial liquid funds at any time.

In addition, Schweizer holds a liquidity reserve of EUR 7.2 million (2014: EUR 6.8 million), which is covered by part of the deposits and funds and may be used only with the approval of the Supervisory Board and with the bank mandates of the Management Board.

The financial liabilities have the following maturities:

2015	31/12/2015	Up to 3 months	3 – 12 months	1 – 5 years	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Interest-bearing loans					
Repayment	9,920	-261	-916	-8,743	-9,920
Interest		-151	-476	-2,106	-2,733
Balance	**9,920**	**-412**	**-1,392**	**-10,849**	**-12,653**
Trade and other payables	**16,453**	**-12,956**	**-3,149**	**-348**	**-16,453**
Grants from public authorities	**314**	**0**	**-314**	**0**	**-314**
Derivatives					
Inflow		1,729	3,720	621	6,070
Outflow		-1,775	-4,045	-675	-6,495
Balance		**-46**	**-325**	**-54**	**-425**
Total	**26,687**	**-13,414**	**-5,180**	**-11,251**	**-29,845**

2014	31/12/2014	Up to 3 months	3 – 12 months	1 – 5 years	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Interest-bearing loans					
Repayment	8,558	-414	-1,224	-6,920	-8,558
Interest		-182	-500	-1,922	-2,604
Balance	**8,558**	**-596**	**-1,724**	**-8,842**	**-11,162**
Trade and other payables	**12,741**	**-11,123**	**-1,335**	**-283**	**-12,741**
Other financial liabilities					
Repayment	600	0	0	-600	-600
Interest		-14	0	-14	-28
Balance	**600**	**-14**	**0**	**-614**	**-628**
Grants from public authorities	**294**	**0**	**0**	**-294**	**-294**
Derivatives					
Inflow		864	2,304	0	3,168
Outflow		-804	-2,144	0	-2,948
Balance		**60**	**160**	**0**	**220**
Total	**22,193**	**-11,673**	**-2,899**	**-10,033**	**-24,605**

Forward exchange transactions concluded with banks are subject to contractual netting agreements which, in the event of a bank becoming insolvent, allow Schweizer to offset certain financial assets again certain financial liabilities.

Derivative financial assets which are subject to netting agreements:

	2015	2014
	€ thousands	€ thousands
Gross amounts of financial assets	11	24
Gross amounts of financial liabilities that are netted in the balance sheet	0	0
Net amounts of financial assets	**11**	**24**
Related amounts from financial instruments that are not netted in the balance sheet	-11	-24
Net amount	**0**	**0**

Derivative financial liabilities which are subject to netting agreements:

	2015	2014
	€ thousands	€ thousands
Gross amounts of financial liabilities	132	0
Gross amounts of financial assets that are netted in the balance sheet	0	0
Net amounts of financial liabilities	**132**	**0**
Net amounts of financial liabilities that are not netted in the balance sheet	-11	0
Net amount	**121**	**0**

The above figures relate to the positive and negative values of foreign currency and gold derivatives.

Default risks:
Recognisable risks are taken into account through individual valuation allowances; there are no generalised individual valuation allowances. Otherwise, the carrying amount represents the maximum credit risk.

Collateral:
Collateral is provided to banks exclusively in the form of mortgages totalling EUR 17.1 million, of which EUR 9.9 million (2014: EUR 8.6 million) was utilised as at the balance sheet date. No further collateral was provided.

9.6 INVENTORIES

	2015	2014
	€ thousands	€ thousands
Raw materials and supplies	4,078	4,669
Unfinished products	4,470	4,334
Finished products	6,944	6,616
Total inventories	**15,492**	**15,619**

Write-downs on inventories, which were recognised as expenses in the reporting period, amount to TEUR 536 (2014: TEUR 563) and are reported under cost of sales. Write-ups in accordance with the requirement to reinstate original values (Wertaufholungsgebot) were not carried out in 2015 and 2014, as the reasons for the impairment have not ceased to exist.

The carrying amount of inventories measured at net realisable value is EUR 15.492 million (2014: EUR 15.619 million). There are no major restrictions on ownership or disposal in respect of the inventories reported in the balance sheet.

9.7 TRADE AND OTHER RECEIVABLES

	2015	2014
	€ thousands	**€ thousands**
Trade receivables	17,608	14,634
Other receivables		
Gebrüder Schmid GmbH	3,256	0
Claims for refund of energy taxes	1,151	584
Miscellaneous other receivables	252	252
	22,267	**15,470**

Miscellaneous other receivables include positive fair values of foreign currency derivatives in the amount of TEUR 11 (2014: TEUR 24).

The non-current other receivables are included in non-current other financial assets.

Trade receivables are not interest-bearing and are usually payable in 30 – 90 days.

As at 31 December, the age structure of the trade receivables was as follows:

			Overdue but not impaired				
	Total	**Neither overdue nor impaired**	**< 30 days**	**30 – 60 days**	**61 – 90 days**	**91 – 120 days**	**> 120 days**
	€ thousands	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**
31/12/2015	**17,608**	15,010	1,763	280	141	111	303
31/12/2014	**14,634**	13,174	885	232	51	60	232

As at 31 December 2015, individual valuation allowances were unchanged compared with the previous year, standing at TEUR 102.

Development of valuation allowances for receivables

	2015	2014
	€ thousands	**€ thousands**
Status 1 Jan.	**102**	**103**
Utilised	3	1
Reversed	0	0
Added (charges for valuation allowances)	3	0
Status 31 Dec.	**102**	**102**

9.8 CASH AND SHORT-TERM DEPOSITS

	2015	2014
	€ thousands	€ thousands
Bank balances and cash on hand	6,130	4,034
Short-term deposits	3,501	3,091
Money market funds	3,697	3,698
Status 31 December	**13,328**	**10,823**

Cash at banks earns interest at variable rates for on-call deposits. Short-term deposits are made for varying periods of time ranging from one day to three months, depending on the Group's cash requirements. Short-term deposits earn interest at the interest rates applicable to short-term deposits. Since interest rates remain at a low level, the received interest is immaterial.

This item also includes money market funds at Deutsche Bank in the amount of EUR 2.699 million (2014: EUR 2.699 million) and at Union Investment in the amount of TEUR 998 (2014: TEUR 999). These have been classified as cash equivalents, as they can be converted into fixed amounts of cash at any time and are subject to an insignificant risk of changes in value.

As at 31 December 2015, the Group had access to firmly pledged, non-utilised credit lines in the amount of EUR 8.190 million (2014: EUR 8.190 million). Of this credit line, EUR 7.190 million (2014: EUR 8.190 million) relates to Schweizer Electronic AG and EUR 1 million (2014: EUR 0) relates to Schweizer Electronic Pte. Ltd.

9.9 EQUITY

SCHWEIZER ELECTRONIC AG

The fully paid-up share capital amounted to EUR 9,664,054 as at 31 December 2015 and is divided into 3,780,000 registered shares (no-par-value shares).

In the 2015 business year, 10,000 no-par-value shares of Schweizer Pte. Ltd., Singapore, were acquired at a price of EUR 24.70 per share, making a total of EUR 247,000.00. This corresponds to TEUR 26 or 0.26 percent of the share capital. Of the overall holding of 2,608 shares as at 1 January 2015 and the acquired 10,000 no-par-value shares, 9,383 shares (2014: 9,489 shares) were granted to members of the Management Board in the 2015 business year under a Long Term Incentive Programme (LTIP) as a variable remuneration component. This corresponds to TEUR 24 or 0.25 percent of the share capital. The transfer price of TEUR 227 was measured on the basis of the stock market price. In addition, 742 shares (2014: 848 shares) were transferred to a member of the leadership team in the reporting year as a variable remuneration component. This corresponds to TEUR 2 or 0.02 percent of the share capital. The transfer price of TEUR 16 was measured on the basis of the stock market price at the transfer date. As at the balance-sheet date, Schweizer Electronic AG held a total of 2,483 own shares. This corresponds to TEUR 6 or 0.07 percent of the share capital. The subscribed capital is shown net of the nominal value of the own shares.

Furthermore, at the balance sheet date, Schweizer Pte. Ltd., Singapore, as a wholly-owned subsidiary, held a total of 25,100 shares (2014: 35,100 shares) of Schweizer Electronic AG. This corresponds to TEUR 64 or 0.66 percent of the share capital.

AUTHORISED CAPITAL

The Management Board is authorised, with the consent of the Supervisory Board, to increase the share capital of the company up to 30/06/2016 by up to a total of EUR 3,221,351.29 through the issue of new, registered non-par-value shares against contributions in cash and/or in kind (authorised capital). This authorisation may be exercised in full or in parts, and on one or several occasion(s).

In the process, the shareholders must be granted a subscription right.

However, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders

a) for fractional amounts;
b) for the issue of new shares against cash contributions if the total pro-rata amount accounted for by the new shares with regard to the share capital does not exceed 10% of the share capital available at the time of entry of this authorisation in the Commercial Register (EUR 9,664,053.86) and – in cumulative terms – does not exceed 10% of the share capital available at the time of issue of the new shares and if the issue price of the new shares does not fall considerably below the listed price of the shares of the company of the same class and category at the time of the final definition of the issue price (Section 203(1) Clause 1 in conjunction with Section 186(3) Clause 4 of the AktG); in the calculation of the 10% limit, the pro-rata amount in reference to the share capital must be deducted which is accounted for by new or re-acquired shares that were issued or divested since 01/07/2011 under the simplified exclusion of subscription rights pursuant to or in accordance with Section 186(3) Clause 4 of the AktG, and the pro-rata amount in reference to the share capital which forms the basis for option and/or convertible rights arising from option and/or convertible bonds and/or duties to convert, which have been issued since 01/07/2011 according to the application of Section 186(3) Clause 4 of the AktG, must also be deducted;
c) for the issue of new shares against contributions in kind for the purpose of acquiring companies, parts of companies or holdings in companies.

The Management Board is authorised, with the consent of the Supervisory Board, to define further details concerning the implementation of capital increases from the authorised capital and the conditions for issuing shares, in particular the issue price. The Supervisory Board is authorised to adjust the wording of Section 4(1) and (4) of the Articles of Association according to the use of the authorised capital or after expiry of the authorisation period.

The share capital is unchanged.

NOTIFICATIONS OF VOTING RIGHTS

The German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) obliges investors to notify the relevant company if their voting interest in listed companies reaches specified thresholds. We have been informed of the existence of the following holdings:

Dr Maren Schweizer, Schramberg, informed us on 02/04/2002 that her voting interest in Schweizer Electronic AG amounted to 8.28% as per the reference date of 01/04/2002.

Mr Nicolas Schweizer, Schramberg, informed us on 02/04/2002 that his voting interest in Schweizer Electronic AG amounted to 8.28% as per the reference date of 01/04/2002.

Meiko Electronics Co. Ltd., Ayase, Japan, informed us in accordance with Section 21(1) of the WpHG on 13/01/2011 that its voting interest in Schweizer Electronic AG fell below the threshold of 5% of the voting rights on 30/12/2010 and on that date it amounted to 4.76% (which corresponds to 180,000 voting rights).

LBBW Asset Management Investmentgesellschaft mbH, Stuttgart, Germany informed us in accordance with Section 21(1) of the WpHG on 06/07/2012 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 5% of the voting rights on 05/07/2012 and on that date it amounted to 5.29% (which corresponds to 200,000 voting rights). 5.29% of the voting rights (corresponding to 200,000 voting rights) are to be assigned by the company in accordance with Section 22(1) Clause 1, No. 6 of the WpHG to the Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte (Baden-Württemberg Pension Fund Institution for Doctors, Dentists and Veterinary Surgeons).

The Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, based in Tübingen, Germany informed us in accordance with Section 21(1) of the WpHG on 06/07/2012 that its voting interest in Schweizer

Electronic AG, Schramberg, Germany exceeded the threshold of 5% of the voting rights on 05/07/2012 and on that date it amounted to 5.29% (which corresponds to 200,000 voting rights).

Mr Christoph Schweizer, Germany, informed us in accordance with Section 21(1) of the WpHG on 18/07/2014 that his voting interest in Schweizer Electronic AG fell below the threshold of 15% of the voting rights on 15/07/2014 and on that date it amounted to 14.43% (which corresponds to 545,600 voting rights).

WUS International Company Limited, Tsuen Wan, Hong Kong, informed us in accordance with Section 21(1) of the WpHG on 30/09/2014 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 3% of the voting rights on 30/09/2014 and on that date it amounted to 4.5% (which corresponds to 170,100 voting rights).

WUS Printed Circuit (Kunshan) Co., Ltd., Kunshan, China, informed us in accordance with Section 21(1) of the WpHG on 30/09/2014 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 3% of the voting rights on 30/09/2014 and on that date it amounted to 4.5% (which corresponds to 170,100 voting rights). 4.5% of the voting rights (corresponding to 170,100 voting rights) are to be assigned by the company in accordance with Section 22(1) Clause 1, No. 1 of the WpHG. Attributable voting rights are held via the following controlled companies, whose voting interest in Schweizer Electronic AG is 3% or more: WUS International Company Limited.

Infineon Technologies AG, Neubiberg, Germany, informed us in accordance with Section 21(1) of the WpHG on 28/11/2014 that its voting interest in Schweizer Electronic AG, Schramberg, Germany exceeded the threshold of 3% and 5% of the voting rights on 28/11/2014 and on that date it amounted to 9.39% (which corresponds to 355,000 voting rights).

Mr Bernd Schweizer, Germany, informed us in accordance with Section 21(1) of the WpHG on 22/09/2015 that his voting interest in Schweizer Electronic AG fell below the threshold of 20%, 15% and 10% of the voting rights on 21/09/2015 and on that date it amounted to 9.91% (which corresponds to 374,707 voting rights).

Ms Kristina Schweizer, Germany, informed us in accordance with Section 21(1) of the German Securities Trading Act (WpHG) on 22/09/2015 that her voting interest in Schweizer Electronic AG fell below the threshold of 15% and 10% of the voting rights on 21/09/2015 and on that date it amounted to 9.06% (which corresponds to 342,525 voting rights).

Ms Hannelore Schweizer, Germany, informed us in accordance with Section 21(1) of the German Securities Trading Act (WpHG) on 22/09/2015 that her voting interest in Schweizer Electronic AG fell below the threshold of 15% and 10% of the voting rights on 21/09/2015 and on that date it amounted to 7.62% (which corresponds to 287,920 voting rights).

Notifications of voting rights for the last year are also published on our website at *www.schweizer.ag/en/investor-relations/corporate-governance.html*.

Subscribed and authorised capital

	2015	2014
	€ thousands	**€ thousands**
3,780,000 ordinary shares	**9,664**	**9,664**

Own shares

	€ thousands
Status as at 01/01/2014	**146**
Purchased 15/01/2014	25
Issued 22/04/2014	-24
Sold on 29/09/2014	-49
Issued 21/11/2014	-2
Status as at 31/12/2014	**96**
Intra-group sale/purchase on 16/04/2015	0
Issued 21/04/2015	-24
Issued 29/12/2015	-2
Status as at 31/12/2015	**70**

Claims for share-based remuneration were met in the following year with the Group's own shares.

OTHER CAPITAL RESERVES

The capital reserve concerns premiums in relation to capital increases, share purchases and sales made at Schweizer Electronic AG and transferred own shares. Under the German Stock Corporation Act (Aktiengesetz), the capital reserve is not available for dividend payments.

PROFIT RESERVES

The profit reserves include changeover effects from the first-time preparation of an IFRS consolidated financial statement, as well as undistributed profits and losses generated in previous years by Schweizer Electronic AG and the consolidated subsidiaries, and allocations due to share-based payment transactions settled with equity instruments. As well as differences arising from currency translation in the amount of EUR 1.804 million (2014: EUR 1.056 million), this also includes effects of the revaluation of pension obligations of TEUR -72 (2014: EUR -2.746 million) less contrary effects from deferred taxes in the amount of TEUR 20 (2014: TEUR 761).

DIVIDENDS

	2015	2014
	€ thousands	€ thousands
Approved and paid cash dividends on ordinary shares: Final dividend for 2014: 0.65 cents per share (2013: 0.60 cents per share)	2,439	2,234
Proposed dividends on ordinary shares: Final dividend for 2015: 0.65 cents per share (2014: 0.65 cents per share)	2,439	2,432

Proposed dividends on ordinary shares require a resolution of the annual general meeting and are not recognised as a liability as at 31 December.

9.10 GRANTS FROM PUBLIC AUTHORITIES

Government grants have been provided for the purchase of land use rights in China. This results in a repayment obligation in the amount of RMB 2.2 million (TEUR 314).

	2015	2014
	€ thousands	€ thousands
Status 1 Jan.	**294**	**272**
Received in the business year	217	629
Research and development	217	140
NETDA incentive	0	489
Released through profit and loss		
Research and development	-217	-140
NETDA incentive	0	-147
Offset against purchase costs in other comprehensive income		
NETDA incentive	0	-342
Released through profit and loss	-217	-629
Change due to exchange rates	20	22
Status 31 Dec.	**314**	**294**
Of which short-term	314	0
Of which long-term	0	294

Following the establishment of a new Energy division in 2012, it was planned to produce solar modules through the subsidiary Schweizer Energy Nantong Co., Ltd, at its own factory in Nantong, China. In this context, Schweizer Energy Nantong Co., Ltd received an investment grant (incentive) of CNY 20.5 million from the Nantong Economic & Technology Development Area (NETDA), Nantong, China, in 2013 for the purchase of land use rights. In 2014 the company received a further CNY 4.0 million as an earmarked grant. Of the total sum of CNY 24.5 million, CNY 21.1 million was offset against the land use rights purchase. The acquisition cost of the land use rights was offset against the grants by the net method. In 2013, only land purchase tax in the amount of 3% or TCNY 548 was capitalised as acquisition costs under the heading of rights equivalent to real property (grundstücksgleiche Rechte).

At the end of 2014, during negotiations with a co-investor, it transpired that it would be more advantageous to carry out the envisaged solar module production at the investor's location rather than in Nantong. For this reason, purchase of the land use right was cancelled in December 2014 and repayment of the purchase price was offset against repayment of the grant by the net method. Agreement was reached with the NETDA that, of the remaining amount of CNY 3.4 million, CNY 2.2 million would be repaid in December 2016 if no new purchase of land use rights was made by then, and that the remainder of CNY 1.2 million would be used to pay costs already incurred and was not repayable; this amount was recognised in profit and loss in 2014.

There is no intention to make a new purchase of land use rights in the Nantong Economic & Technology Development Area (NETDA), Nantong, China. Therefore, repayment of CNY 1.2 million (TEUR 314) in December 2016 is regarded as highly probable.

9.11 PENSIONS AND OTHER BENEFITS AFTER TERMINATION OF EMPLOYMENT

Pension obligations are commitments funded with provisions and are subject to the defined rules of the pension fund and legal requirements. These are benefit commitments that depend on the number of years worked and salary, and provide not only pension but also invalidity and survivor's benefits.

All defined benefit pension plans of the Group are exposed to typical actuarial risks, particularly investment and interest rate risks. The past-service costs and net interest on the net liabilities of defined benefit plans are reported in the profit and loss account as personnel expenses in the respective functional areas.

The carrying amount of the defined benefit obligations is determined according to the projected unit credit method using actuarial techniques. For the German companies, the following actuarial assumptions and the 2005 G guideline tables of Prof. Dr. Klaus Heubeck have been applied:

	2015	2014
Discount rate	2.33%	2.30%
Pension trend (in the case of executive employees, otherwise 1%)	2.50%	2.50%
Salary trend	0%	0%

A salary trend based on future pay increases was not taken into account because, with one minor exception, the employment relationships have already ended.

The net obligations are reported in the balance sheet in the amount of EUR 19.6 million (2014: EUR 19.6 million and are derived as follows:

		2015	2014
	Value	€ thousands	€ thousands
Expenses recognised in profit and loss for retirement benefits			
Current service cost		223	171
Interest expense for defined benefit obligation		443	608
Expenses for retirement benefits		**666**	**779**
Changes in present value of defined benefit obligations			
Liability from defined benefit obligation as at 1 Jan.		**19,637**	**16,934**
Expenses recognised in profit and loss			
Interest expense		443	608
Current service cost		223	171
Retirement benefits paid		-817	-815
Amounts recognised in other comprehensive income		0	0
Actuarial gains and losses		0	0
Changes in demographic assumptions		0	0
Changes in financial assumptions		-86	2,887
Experience adjustments to gains/losses		154	-148
Employee contributions		0	0
Currency translation differences		0	0
Liability from defined benefit obligation as at 31 Dec.		**19,554**	**19,637**
Benefit commitment amounts recognised in the balance sheet			
Present value of defined benefit obligations		19,554	19,637
Provisions for pensions and similar obligations		**19,554**	**19,637**
The following assumptions were made when calculating pension provisions according to the projected unit credit (PUC) method			
Financial assumptions			
Discount rate as at 31 December	%	2.33	2.3
Future pay increases	%	-	-
Future pension increases, executive employees	%	2.5	2.5
Future pension increases, others	%	1	1
Demographic assumptions			
Biometric calculation basis		RT 2005 G	RT 2005 G
Assumed retirement age, individual commitments	Years	60	60
Assumed retirement age, others	Years	Statutory	Statutory
Fluctuation p.a.	%	2	2

The weighted average maturity of the defined benefit pension plans at the end of the reporting period is 15.0 years (2014: 15.4 years).

When calculating the sensitivity of the obligations to the relevant actuarial assumptions, the same method was applied as when calculating the obligation. The effects of changes in assumptions were determined separately. Possible dependencies were therefore not analysed. If several assumptions are changed simultaneously, the overall effect does not necessarily correspond to the sum of the individual effects.

	2015	**2014**
	€ thousands	**€ thousands**
Sensitivity		
The change in key assumptions has the following effects on the defined benefit obligations.		
Discount rate +0.5%	-1,354	-1,391
Discount rate -0.5%	1,524	1,569

The following pension payments are expected
in the coming years for the defined benefit plans:

	2015	**2014**
	€ thousands	**€ thousands**
Within the next 12 months (next business year)	838	824
Between 2 and 5 years	3,403	3,309
Between 6 and 10 years	4,501	4,390

In the case of defined contribution plans for members of the Management Board, no further obligations exist beyond remittance of the contributions to the pension fund. The contribution payments are recognised as a personnel expense and for the reporting year amount to TEUR 649 (2014: TEUR 693).

Contributions to statutory pension insurance in the 2015 business year came to EUR 2.568 million (2014: EUR 2,458 million).

Development of other provisions as at 31 December 2014

	Status as at 01/01/2014	Utilised	Rever-sed	Allo-cated	Interest effect	Actuarial losses	Status as at 31/12/2014	Of which long-term	Of which short-term
	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands
Liabilities for other obligations	**960**	**447**	**171**	**678**	**52**	**-**	**1,072**	**107**	**966**
Outstanding supplier invoices	317	303	-	357	-	-	371	0	371
Warranty provisions	260	-	-	20	-	-	280	0	280
Outstanding credit notes	-	-	-	143	-	-	143	0	143
Decontamination of old factory site	227	16	144	-	52	-	119	107	13
Financial statement costs	62	60	2	63	-	-	63	0	63
Employers' Liability Insurance Association	43	18	25	46	-	-	46	0	46
Insurance premiums	32	32	-	35	-	-	35	0	35
Publication of annual financial statement	9	9	-	10	-	-	10	0	10
Provision for future company audits	8	7	-	2	-	-	3	0	3
Provisions for anticipated losses	2	2	-	2	-	-	2	0	2
Liabilities to employees	**3,268**	**2,677**	**117**	**3,041**	**4**	**7**	**3,526**	**176**	**3,349**
Time credit entitlements	1,030	905	-	983	-	-	1,108	0	1,108
Variable salary components	822	822	-	1,198	-	-	1,198	0	1,198
Employee profit participation	797	495	117	520	-	-	705	0	705
Semiretirement programmes for older employees	309	185	-	98	2	1	225	129	96
Holiday not yet taken	170	170	-	165	-	-	165	0	165
Long-service bonuses	44	4	-	2	2	6	50	47	2
Severance payments	-	-	-	45	-	-	45	0	45
Company pensions (Board of Man-agement)	96	96	-	30	-	-	30	0	30
Supervisory Board remuneration	**244**	**244**	**-**	**246**	**-**	**-**	**246**	**0**	**246**
	4,472	**3,368**	**288**	**3,965**	**56**	**7**	**4,844**	**283**	**4,561**

Development of other provisions as at 31 December 2015

	Status as at 01/01/2015	Utilised	Rever-sed	Allo-cated	Interest effect	Actuarial losses	Status as at 31/12/2015	Of which long-term	Of which short-term
	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands
Liabilities for other obligations	**1,072**	**649**	**39**	**517**	**-7**	**-**	**894**	**58**	**836**
Outstanding supplier invoices	371	361	15	64	-	-	59	0	59
Warranty provisions	280	-	-	-	-	-	280	0	280
Outstanding credit notes	143	140	3	43	-	-	43	0	43
Decontamination of old factory site	119	19	-	-	-7	-	93	58	35
Financial statement costs	63	57	-	192	-	-	198	0	198
Employers' Liability Insurance Association	46	27	19	37	-	-	37	0	37
Insurance premiums	35	35	-	91	-	-	91	0	91
Publication of annual financial statement	10	10	-	11	-	-	11	0	11
Provision for future company audits	3	-	-	2	-	-	5	0	5
Provisions for anticipated losses	2	-	2	-	-	-	-	0	0
Consultancy	-	-	-	77	-	-	77	0	77
Liabilities to employees	**3,526**	**2,274**	**10**	**1,759**	**1**	**4**	**3,006**	**290**	**2,716**
Time credit entitlements	1,108	156	-	205	-	-	1,157	0	1,157
Variable salary components	1,198	1,198	-	653	-	-	653	0	653
Employee profit participation	705	494	10	500	-	-	701	0	701
Semiretirement programmes for older employees	225	184	-	80	-	-	121	106	15
Holiday not yet taken	165	165	-	170	-	-	170	0	170
Long-service bonuses	50	2	-	3	1	4	56	53	3
Severance payments	45	45	-	-	-	-	-	0	0
Company pensions (Board of Man-agement)	30	30	-	-	-	-	-	0	0
Severance payments, Board of Management	-	-	-	148	-	-	148	131	17
Supervisory Board remuneration	**246**	**246**	**-**	**222**	**-**	**-**	**222**	**0**	**222**
Legal disputes	**-**		**-**	**75**	**-**	**0**	**75**	**0**	**75**
	4,844	**3,169**	**49**	**2,573**	**-6**	**4**	**4,197**	**348**	**3,849**

9.12 SHARE-BASED REMUNERATION

Stock option plan for executives

There are no stock option plans for executives. Concerning share-based remuneration, see the information concerning payments to related parties.

9.13 TRADE AND OTHER PAYABLES

Composition of payables:

	2015	Of which provisions 2015	2014	Of which provisions 2014
	€ thousands	€ thousands	€ thousands	€ thousands
Goods and services	7,016	-	4,378	-
Liability to associated companies	567	-	-	-
Other taxes	1,272	-	1,395	-
Liability relating to social security	514	-	434	-
Negative fair values of derivative financial instruments	132	-	-	-
Finance leases	7	-	88	-
Wages and salaries unpaid at the balance sheet date	2,093	-	1,586	-
Liabilities for other obligations	1,549	894	1,094	1,072
Liabilities to employees	3,006	3,006	3,526	3,526
Supervisory Board remuneration	222	222	246	246
Legal disputes	75	75	-	-
Total	**16,453**	**4,197**	**12,747**	**4,844**
Of which long-term	348	348	283	283
Of which short-term	16,105	3,849	12,458	4,561

Concerning provisions, please refer to the detailed provisions table in the appendix to the Notes.

Conditions of the financial liabilities listed above:

Trade payables are not interest-bearing and are usually payable in 30 days.

Other payables are not interest-bearing. Concerning the conditions of payables due to related companies and persons, please refer to the corresponding information in the Notes.

For an explanation of the objectives and policies of the Group's liquidity risk management, please refer to the corresponding information in the Notes.

The liability to associated companies relates to a liability arising from the purchase of a machine by the holding Meiko Schweizer Electronics Hongkong Pte. Ltd., which is to be separated from that company's leasing portfolio and used within Schweizer Electronic AG.

Of the trade payables, a sum of EUR 1.142 million (2014: EUR 1.031 million) relates to deliveries of Meiko Electronic Hongkong Co., Ltd., Hong Kong, a subsidiary of our partner Meiko Electronics Co. Ltd., Ayase, Japan, in which a participating interest is held. Trade goods are purchased from China through Meiko Electronic Hongkong Co. Ltd.

Other taxes chiefly concern income and church tax from the December 2015 payroll and value added tax for the months of November and December 2015.

Liabilities relating to social security concern outstanding social security contributions from the December 2015 payroll.

Liabilities for other obligations consist primarily of guarantee obligations, outstanding invoices for goods and services and miscellaneous other liabilities.

Liabilities to employees mainly comprise time credits for overtime and unused leave and employees' profit shares; they also include performance-based remuneration of Management Board members.

9.14 GUARANTEES AND OTHER FINANCIAL OBLIGATIONS

There are uncalled liabilities relating to cooperative shares in the amount of TEUR 5 (2014: TEUR 5).

In the 2015 business year, a letter of comfort was issued to a supplier of Schweizer Electronic Singapore Pte. Ltd. At 31 December 2015, Schweizer Electronic Singapore Pte. Ltd. had liabilities to the supplier amounting to TEUR 339.

Schweizer Electronic AG also undertakes to meet the obligation arising from a local service agreement between Schweizer Electronic Singapore Pte. Ltd. and the CEO, if the company is unable to fulfil it punctually and in good time.

No guarantees exist in relation to subsidiaries.

The risk of claims arising from guarantees is deemed to be negligible.

OBLIGATIONS ARISING FROM OPERATING LEASES

The Group has entered into operating leases for various motor vehicles and technical equipment. The average term of the leases is between three and five years. Under some leases, the Group has the option to renew the lease for another three to five year period.

At 31 December, the following future minimum lease payment obligations existed under non-cancellable operating leases:

	2015	**2014**
	€ thousands	**€ thousands**
Up to one year	250	350
More than one year and up to five years	385	448
Over 5 years	0	0

	2015	**2014**
	€ thousands	**€ thousands**
Annual payment liabilities arising from		
Lease agreements	635	798
Rental agreements	166	168
Maintenance agreements	449	506
Order obligation from awarded investment orders	2,911	6,402
	4,161	**7,874**

The high order commitment in 2014 resulted from an order placed by Schweizer Energy Production Singapore Pte. Ltd. with Gebrüder Schmid GmbH, Freudenstadt, for solar module production machines in the amount of EUR 5.138 million. This order was cancelled in 2015 due to the closure of the division. Advance payments already made were recognised in other financial assets, in the amount of a right to purchase machines in the tangible assets (advance payments).

OBLIGATIONS RELATING TO FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The Group has entered into a finance lease for a technical installation. The Group's obligations under finance leases are secured by the lessor's ownership of the leased assets. The future minimum lease payments under finance leases can be reconciled with their present value as follows:

Obligations relating to finance leases and hire purchase contracts

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	€ thousands	€ thousands	€ thousands	€ thousands
Up to one year	7	7	82	81
More than one year and up to five years	0	0	7	7
Over 5 years	0	0	0	0
Total minimum lease payments	7	7	89	88
Less interest portion	0	0	1	0
Present value of minimum lease payments	**7**	**7**	**88**	**88**

LEGAL DISPUTES

A lawsuit exists against Schweizer Electronic AG in connection with licences. The amount in dispute of TEUR 75 corresponds to the estimated risk thereof. A corresponding other provision is recognised in the other financial liabilities.

CONTINGENT LIABILITIES

No further contingent liabilities exist, as in the previous year.

9.15 INFORMATION ABOUT RELATIONSHIPS WITH RELATED COMPANIES AND PERSONS

No transactions were carried out with related companies and persons under other than standard market conditions.

REMUNERATION OF KEY PERSONNEL OF THE GROUP

The key personnel of the Group comprise the members of the Management Board of Schweizer Electronic AG.

MANAGEMENT BOARD

The following persons were appointed as members of the Management Board during this business year:

Dr Maren Schweizer
Chief Executive Officer

Responsible for Operations, Sales & Marketing, Global Supply Chain and the Systems Division.

Activities and mandates within the Group:

- Managing Director of Schweizer Pte. Ltd., Singapore
- Managing Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore
- Managing Director of Schweizer Electronic Singapore Pte. Ltd., Singapore
- Director of Schweizer Energy (Nantong) Co., Ltd., China
- Vice President of Meiko Schweizer Electronics Co. Ltd., Hong Kong

Other activities and mandates:

- Managing Director of Schweizer Aviation GmbH, Schramberg
- Managing Director of Schweizer Air Service GmbH & Co. KG, Schramberg
- Managing Director of Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg
- Board Member of Meiko Electronics Co. Ltd., Ayase, Japan
- Member of the General Management Board of ZVEI
- Member of the Economic Committee of the entire ZVEI
- Member of the PCB section in the PCB and Electronic Systems association of the ZVEI
- Member of the advisory board of HDI Gerling

Bernd Schweizer (up to 31/05/2015)
Member of the Management Board, Chief Operating Officer

Responsible for Operations, Technology and Supply Chain.

Activities and mandates within the Group:

- Director of Schweizer Pte. Ltd., Singapore (up to 31/05/2015)
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (up to 31/05/2015)
- Managing Director of Schweizer Electronic Singapore Pte. Ltd., Singapore (up to 31/05/2015)

Marc Bunz
Member of the Management Board, Chief Financial Officer

Responsible for Finance & Controlling, Information Systems, Purchasing and Investor Relations.

Activities and mandates within the Group:

- Director of Schweizer Asia Ltd., Hong Kong (up to 15/05/2015)
- Managing Director of Schweizer Pte. Ltd., Singapore
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore
- Director of Schweizer Energy (Nantong) Co. Ltd., China

Other activities and mandates:

- Member of the Stock Exchange Council of the Baden-Württembergische Wertpapierbörse

Nicolas-Fabian Schweizer
Member of the Management Board, Chief Technology Officer

Responsible for Technology, Human Resources, Legal and Media & Communications.

Activities and mandates within the Group:

- Director of Schweizer Pte. Ltd., Singapore
- Director of Schweizer Energy Production Singapore Pte. Ltd., Singapore (up to 02/12/2015)
- Supervisor of Schweizer Energy (Nantong) Co., Ltd., China

Other activities and mandates:
- Member of the plenum of IHK Schwarzwald-Baar-Heuberg
- Member of Deutsche Bank's Freiburg regional advisory board

MANAGEMENT BOARD REMUNERATION SYSTEM

The remuneration of the Management Board comprises a fixed and a variable remuneration element. The latter is divided into a component geared towards the achievement of defined targets for the respective business year as well as a component with a long-term incentive effect and a proportion of risk. The modified corporate law regulations governing Management Board remuneration according to the German Act on the Appropriateness of Management Board Compensation (VorstAG) as of 31/07/2009, apply to Management Board contracts. Contracts issued before 31/07/2009 have been modified accordingly. No changes were made to the remuneration system in the year under review.

COMPONENTS OF THE REMUNERATION SYSTEM

The fixed income component of the Management Board's remuneration is not tied to the achievement of defined targets and is paid monthly. In addition, ancillary payments such as the provision of a company car, insurance subsidies and payments for international assignments are granted. The variable income component, which relates to the targets for a business year, is geared towards the attainment of certain quantitative and qualitative targets. The quantitative targets – to which the greatest weight is assigned – are Economic Value Added® (EVA®) and the improvement of the Economic Value Added® compared with the previous year (ΔEVA). In addition to these, individual strategic objectives, agreed upon with the members of the Management Board, are taken into consideration. This remuneration component is paid following approval and adoption of the annual financial statement of Schweizer Electronic AG by the Supervisory Board. The amount is determined by the level of goal attainment and is capped. In addition to these two board remuneration components, there is also a Long Term Incentive Program ("LTIP") for Management Board members. The LTIP is a remuneration component that offers a long-term incentive effect and a proportion of risk in the form of a "share matching" plan with a four-year ban on sale. Taxes due on this shall be taken over if required.

REMUNERATION FOR THE 2015 BUSINESS YEAR

According to a resolution of the annual general meeting of Schweizer Electronic AG on 1 July 2011, the individual remunerations of each Management Board member for the business years 2011 to 2015 are not disclosed.

In the 2015 business year, the remuneration of the entire Management Board at Group level amounted to EUR 2.113 million (fixed) and TEUR 759 (variable). The variable remuneration component includes 7,168 shares for long-term targets.

Of this, the remuneration of members of the Management Board of Schweizer Electronic AG amounted to EUR 1.351 million (fixed) and TEUR 486 (variable) in the 2015 business year. The variable remuneration component includes 3,821 no-par-value shares for long-term targets. This also includes the remuneration components of the Management Board member who stood down at the end of May 2015.

In addition, a sum of TEUR 762 (fixed) and TEUR 273 (variable) was allocated to a member of the Management Board of a subsidiary company. The variable remuneration component includes 3,347 shares for long-term targets.

Furthermore, one-off personnel expenses of EUR 1.1 million were incurred in connection with the departure of a Management Board member in May 2015.

The members of the Schweizer Electronic AG Management Board are covered by directors and officers liability insurance ("D&O") with an excess of at least 10 percent of the loss amount, up to a maximum of one and a half times their fixed annual remuneration, in accordance with the German Stock Corporation Act (AktG).

	2015	2014
Remuneration of Management Board members	**€ thou-sands**	**€ thou-sands**
Short-term benefits, fixed	1,464	1,570
Short-term benefits, variable	484	664
Severance payment	1,096	0
Share-based remuneration, variable	275	327
Pension fund contributions	649	693
Interest	6	11
Total remuneration	**3,974**	**3,265**

The members of the Management Board have no defined benefit entitlements after their employment has ended; they receive defined contribution commitments relating to the pension fund.

Other than remuneration elements not yet paid, the Group has the following receivables and liabilities in relation to members of the Management Board:

	2015	2014
	€ thou-sands	**€ thou-sands**
Receivables	37	10
Liability from loans, including interest	0	131
Severance payment not yet paid	598	0

The total remuneration of former Management Board members and their surviving dependants was as follows:

	2015	2014
	€ thou-sands	**€ thou-sands**
Total remuneration of former Management Board members and their surviving dependants	**430**	**355**
Pensions paid	423	350
Interest paid on loans to related parties	2	5
Within the Group the following receivables and liabilities exist in relation to former Management Board members and their surviving dependants	**6,166**	**6,459**
Provisions for pensions and similar obligations for former Management Board members and their surviving dependants	6,166	6,407
Loans from related parties, including interest	0	52

SUPERVISORY BOARD

The Supervisory Board consists of the following persons:

Michael Kowalski
Chairman
Member of the finance committee
Consultant, Senior Adviser of mmc Mollenhauer Management Consulting AG, Wiesbaden

Christoph Schweizer
Deputy Chairman
Member of the finance committee
Managing Director:
- Schweizer Verwaltungs- und Beteiligungsgesellschaft mbH, Schramberg
- Schweizer Air Service GmbH & Co. KG, Schramberg

Kristina Schweizer (up to 15/09/2015)
Member of the finance committee
Ass. Jur.

Christian Schmid
Member of the finance committee (from 16/09/2015)
Managing Director:
- Gebr. Schmid GmbH, Freudenstadt
- Schmid Technology Systems GmbH, Niedereschach
- Schmid Vacuum Technology GmbH, Karlstein a.M.
- Schmid Technology GmbH, St. Leon-Rot
- Schmid Technology Center GmbH, Dunningen
- Schmid Energy Systems GmbH, Freudenstadt
- Schmid Silicon Technology Holding GmbH, Freudenstadt
- Schmid Verwaltungs GmbH, Freudenstadt

Director/Member of the Board:
- Schmid Systems Inc., Watsonville, USA
- Schmid Thermal Systems Inc., Watsonville, USA
- Schmid Singapore Pte. Ltd., Singapore
- Schmid China Ltd., Hong Kong
- Schmid Shenzhen Ltd., China
- Schmid Zhuhai Ltd., China
- Schmid Asia Ltd., China

Carsten Brudlo*
Manager Surface Finishing, Schweizer Electronic AG, Schramberg

Siegbert Maier*
Member of the Works Council, Schweizer Electronic AG, Schramberg

* Employees' representative

SUPERVISORY BOARD REMUNERATION SYSTEM

The remuneration of the Supervisory Board is regulated in Section 13 of the Articles of Association. In addition to the reimbursement of expenses, each member receives a fixed remuneration component of TEUR 8 per business year as well as a variable remuneration of EUR 400 for each EUR 0.01 by which the dividend declared at the annual general meeting exceeds a dividend of EUR 0.10 per share with full dividend entitlement distributed to the shareholders. The chairman is paid double and his deputy one and a half times this amount. Members of Supervisory Board committees also receive a fixed annual remuneration of TEUR 2.

REMUNERATION FOR THE 2015 BUSINESS YEAR

The total remuneration of the Supervisory Board in 2015 came to TEUR 64 (fixed) and TEUR 159 (variable).

The total remuneration of the Supervisory Board is made up as follows:

	2015	2014
	€ thousands	€ thousands
Relating to Supervisory Board activity	223	246
Relating to activity for Schweizer Electronic AG	141	196
Relating to pension payments for former activity as member of Management Board of Schweizer Electronic AG	180	180
Relating to interest for granted loans	6	11
	549	**634**

The Group has the following liabilities to related companies and persons other than members of the Management Board:

	2015	2014
	€ thousands	€ thousands
Loan from Kristina Schweizer, including interest	0	131
Loan from Schweizer Air Service GmbH, including interest	0	314
Other	0	27
Liabilities	**0**	**472**
Transactions with related companies and persons		
Loans received from related parties:		
Schweizer Air Service GmbH	0	300
Community of heirs following the death of Gerhard Schweizer	0	150
Bernd Schweizer	0	75
Kristina Schweizer	0	75
Total amount of loans from related parties	**0**	**600**
Repayment of loans from related parties	**-600**	**0**
Interest payments on loans from related parties	**27**	**54**
Schweizer Air Service GmbH	14	27
Hannelore Schweizer, widow of former Management Board member Gerhard Schweizer	2	5
Bernd Schweizer	6	11
Kristina Schweizer	6	11

The loan was granted to Schweizer Electronic AG in connection with the economic crisis of 2009 by related parties (Schweizer Air Service GmbH, the community of heirs Gerhard Schweizer, Kristina Schweizer and Bernd Schweizer) for an indefinite period at an interest rate of 9% p.a.. The loan was repaid in full on 30 June 2015. The loan and interest are reported as a total amount; insofar as they are attributable to Management Board members, former Management Board members, their surviving dependants and Supervisory Board members, they are also included in the disclosures relating to them.

10. PUBLISHED, NOT YET MANDATORY STANDARDS

Standards and interpretations published but not yet mandatory as at the date of publication of the consolidated financial statement are presented below. The Group intends to adopt these standards as of the date they enter into force.

IFRS 9 FINANCIAL INSTRUMENTS

In July 2014, the IASB published the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together the three phases of the financial instruments accounting project covering "classification and measurement", "impairment" and "hedge accounting". IFRS 9 applies for the first time to business years beginning on or after 1 January 2018. Early adoption is permitted. With the exception of hedge accounting, the standard is to be applied retroactively, but the disclosure of comparative information is not required. The rules for hedge accounting are generally applied prospectively, with a few exceptions.

The Group intends to apply the new standard as of the mandatory effective date. In the 2015 business year, the Group carried out a comprehensive assessment of the impact of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may change on the basis of further detailed analysis or additional relevant and reliable information obtained by the Group in the future. Overall, the Group does not anticipate any significant impact on its balance sheet or equity, other than effect resulting from the application of impairment requirements under IFRS 9. The Group expects to have to make larger allocations to loan loss provisions, which will have an adverse effect on equity, and will carry out a detailed review to determine the extent of this impact.

(a) Classification and measurement

The Group does not expect application of the classification and measurement requirements of IFRS 9 to have a significant impact on its balance sheet or equity. It assumes that all financial assets held at fair value will continue to be measured at fair value. Quoted shares currently classified as held for sale and whose gains and losses are recognised in other comprehensive income will however be measured at fair value through profit or loss. This will increase the volatility of the reported profit or loss. The reserve currently included in accumulated other comprehensive income for available-for-sale financial assets will be reclassified to the opening balance of the profit reserves. Under IFRS 9 debt instruments are to be recognised at fair value, as the Group expects not only to hold the assets in order to collect the contractual cash flows, but also regularly to dispose of a substantial part thereof.

The Group intends to hold the shares in unlisted companies for the foreseeable future. It expects to be able to utilise the option for equity securities not held for trading and thus to recognise changes in fair value in other comprehensive income. Therefore, the Group believes that the adoption of IFRS 9 will not have any material impact on its financial statement. If the Group does not apply this option, the shares would be classified as being measured at fair value, which would increase volatility in the income statement.

Loans and trade receivables are held in order to collect the contractual cash flows, which exclusively represent repayments and interest on the outstanding principal. The Group therefore expects that under IFRS 9 they will be continue to be measured at amortised cost. However, the Group will examine the characteristics of the contractual cash flows of these instruments in more detail before a final assessment can be made as to whether all of these financial instruments meet the criteria for measurement at amortised cost under IFRS 9.

(b) Impairment
Under IFRS 9, the Group's expected credit losses (ECL) on all its debt securities, loans and trade receivables are to be measured on the basis of either 12-month ECL or lifetime ECL. The Group intends to apply the simplified approach and recognise lifetime ECL on all trade receivables. Since its loans and receivables are not secured, the Group expects significant impact on its equity, but a more detailed analysis of all relevant and reliable information, including elements pertaining to the future, is required in order to determine the level of impact.

(c) Hedge accounting
Under IFRS 9, the Group's expected credit losses (ECL) on all its debt securities, loans and trade receivables are to be measured on the basis of either 12-month ECL or lifetime ECL. The Group intends to apply the simplified approach and recognise lifetime ECL on all trade receivables. Since its loans and receivables are not secured, the Group expects significant impact on its equity, but a more detailed analysis of all relevant and reliable information, including elements pertaining to the future, is required in order to determine the level of impact.

IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was published in May 2014 and introduces a five-step model for recognition of revenue from contracts with customers. Under IFRS 15, revenue is recognised in the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer (the transaction price as defined in IFRS 15).

The new standard relating to revenues will replace all current rules for revenue recognition under IFRS. For business years beginning on or after 1 January 2018, either full retrospective application or modified retrospective application is required. Early adoption is permitted. The Group intends to apply the new standard as of the mandatory effective date and to select the full retrospective approach. In the 2015 business year, the Group carried out a preliminary assessment of IFRS 15, which may change following further detailed analysis. The Group also takes account of the clarifications published in an Exposure Draft by the IASB in July 2015 and will monitor further developments.

The Group operates in the areas of fire protection equipment and electronics and provides services related to these. The equipment and services are sold both under separately identified customer contracts and also collectively as a package of goods and/or services.

(i) Sale of goods
Contracts with customers where the sale of goods is the

only performance obligation are not expected to affect the consolidated financial statement. The Group expects revenue to be recognised on the date when power to dispose of the asset passes to the customer. This is generally the case with deliveries of goods.

In the application of IFRS 15, the Group has taken the following aspects into account:

(ii) Variable consideration
Some contracts with customers provide for a right of return, discounts or rebates. Currently, the Group recognises revenue from the sale of goods and products, which are measured at the fair value of the consideration received or to be claimed after deduction of returns, refunds, discounts and rebates. If revenues cannot be reliably determined, the revenue is only recognised once the Group is certain of it. Because of such situations, IFRS 15 introduced the concept of variable consideration, which must be determined at the commencement of the contract.

Under IFRS 15, the estimated variable consideration must be limited to prevent excessive revenue recognition. The Group will continue to analyse individual contracts in order to determine the estimated variable consideration and the associated limit. Due to application of the limitation rule, it is expected that more revenues will be deferred than is the case under the current IFRS.

(iii) Warranty obligations
In its customer contracts the Group provides warranties for general repair obligations, but no extended warranties or maintenance agreements. The Group has classified such warranties as so-called assurance-type warranties, which continue to be reported in line with the current practice according to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

IFRS 16 LEASES

The standard now regulates the recognition of leases and replaces IAS 17 Leases and related interpretations. Under IFRS 16, the lessee has a basic obligation to recognise assets and liabilities for all leases. In future, the lessee will recognise the right of use of a leased item in its fixed assets, and a corresponding lease liability at the present value of the lease payments payable. Leases with a term of twelve months or less and leases where the underlying asset has a low value are exempted from the recognition obligation.

The new regulation will lead to an increase in the fixed assets in the consolidated balance sheet; at the same time, the financial liabilities will increase. In the income statement, the expenses will be recognised in depreciation and interest expenses, rather than as previously in other operating expenses.

AMENDMENT ON IFRS 11 – JOINT ARRANGEMENTS – ACCOUNTING FOR ACQUISITIONS OF INTERESTS

The amended IFRS 11 stipulates that the acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply all of the principles on business combinations accounting in IFRS 3. The amendments also clarify that a previously held share in a joint operation is not remeasured if an additional interest is acquired in the same joint operation whilst maintaining joint control. These changes should not apply when the parties sharing joint control (including the reporting entity) are under the control of the same ultimate controlling party.

The amendments affect both the acquisition of the initial interest in a joint operation as well as the acquisition of additional interests in the same joint operation. They are to be applied prospectively for business years beginning on or after 1 January 2016. Early adoption is permitted. These changes are not expected to affect the consolidated financial statement.

AMENDMENT OF IAS 16 AND IAS 38 – CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

The amendments clarify the principle contained in IAS 16 and IAS 38 that the revenue should reflect the operation of a business (to which an asset belongs) rather than the consumption of the economic benefit of an asset. Consequently, a revenue-based method cannot be used for the depreciation of fixed assets, but only - and then only in very limited cases - for the amortisation of intangible assets. The amendments are to be applied prospectively for business years beginning on or after 1 January 2016. Early adoption is permitted. These changes are not expected to have an impact on the Group, because the Group does not use revenue-based methods for the depreciation of its long-term assets.

AMENDMENT OF IAS 16 AND IAS 41 AGRICULTURE – BEARER PLANTS

This introduces changes to the accounting rules for biological assets that meet the definition of bearer plants. As a result of these changes, biological assets that meet the definition of bearer plants no longer fall within the scope of IAS 41. Instead, IAS 16 is to be applied. After initial recognition, such plants are measured until maturity in accordance with IAS 16 at amortised cost. After the bearer plants mature, they are measured using either the cost model or the revaluation model. Under the amendments, products of bearer plants will in future continue to be measured in accordance with IAS 41 at fair value less costs to sell. Government grants in connection with bearer plants are subject to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The amendments are to be applied retrospectively for business years beginning on or after 1 January 2016. Early adoption is permitted. These changes are not expected to have an impact on the Group, because the Group does not have disposal over bearer plants.

AMENDMENT OF IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS UNDER IFRS

The change allows the entity to use the equity method of accounting in measuring investments in subsidiaries, joint ventures and associates in separate financial statements. Entities that already report in accordance with IFRS and opt to switch to the equity method in their individual financial statements have to apply this change retrospectively. First-time users of IFRS which opt to use the equity method in their individual financial statements must employ this method from the time of changeover to IFRS. The change is to be applied to business years beginning on or after 1 January 2016. Early adoption is permitted. This change will have no impact on the consolidated financial statement.

AMENDMENT OF IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments address the discrepancy between the requirements of IFRS 10 and IAS 28 in connection with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss on the sale or contribution of assets should be recognised fully in such cases, provided that the assets constitute a business as defined in IFRS 3. Any gains or losses on the sale or contribution of assets that do not constitute a business are to be recognised only to the extent of the unrelated investors' interests in the associate or joint venture. The amendments are to be applied prospectively for business years beginning on or after 1 January 2016. Early adoption is permitted. These changes are not expected to affect the consolidated financial statement.

ANNUAL IMPROVEMENTS TO IFRS 2012 – 2014

The improvements under this project are to be applied for the first time to business years beginning on or after 1 January 2016. The improvements comprise in particular:

IFRS 5 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. This amendment is to be applied prospectively.

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for reporting periods beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is to be applied retrospectively.

IAS 19 EMPLOYEE BENEFITS

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is to be applied prospectively.

IAS 34 INTERIM FINANCIAL REPORTING

The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g. in the status report or risk management report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is to be applied retrospectively.

This amendment is not expected to have any impact on the consolidated financial statement.

AMENDMENT OF IAS 1 – TRANSPARENCY INITIATIVE

The amendments to IAS 1 Presentation of Financial Statements are more in the nature of a clarification than a substantial modification of the existing requirements of IAS 1. The amendments clarify the following:

- The materiality requirements in IAS 1.
- Certain items in the income statement, statement of comprehensive income and in the balance sheet can be broken down.
- Entities are free to choose the order in which they present the information in the notes.

The share of associates and joint ventures accounted for using the equity method in other comprehensive income should be reported in a single item divided up according to whether or not these items should be reclassified to the income statement in subsequent periods.

The amendments also clarify the requirements for presentation of additional subtotals in the balance sheet, the income statement and in other comprehensive income. These amendments are to be applied to business years beginning on or after 1 January 2016. Early adoption is permitted. These changes are not expected to affect the consolidated financial statement.

IAS 7 STATEMENT OF CASH FLOWS

The amendments to IAS 7 include requirements for additional disclosures about changes in liabilities arising from financing activities.

IAS 12 – RECOGNITION OF DEFERRED TAX ASSETS FOR UNREALISED LOSSES

The amendments address several issues regarding the recognition of deferred tax assets arising from unrealised losses on available-for-sale debt instruments measured at fair value. The amendments are not expected to have any impact on the Group's net assets, financial position or results of operations.

IFRS 10, IFRS 12 AND IAS 28 INVESTMENT ENTITIES – APPLYING THE CONSOLIDATION EXCEPTION

The amendments are intended to clarify issues that have arisen in relation to the exemption from consolidation for investment entities according to IFRS 10. The amendments to IFRS 10 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is the subsidiary of an investment entity, provided that investment entity measures all of its subsidiaries at fair value.

The amendments to IFRS 10 further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to its investment activities applies only to subsidiaries that are not themselves investment entities. All other subsidiaries of an investment entity should be measured at fair value. The amendments to IAS 28 clarify that, for interests in associates or joint ventures that are classified as investment entities, the investor may retain the fair value measurement applied by the associate or joint venture when it is applying the equity method. These amendments are to be applied retrospectively for business years beginning on or after 1 January 2016. Early adoption is permitted. These changes are not expected to affect the consolidated financial statement.

11. EVENTS AFTER THE REPORTING PERIOD

The financial statement and status report of Schweizer Electronic AG presented by the Management Board to the Supervisory Board were approved and adopted by the latter on 21 March 2016.

On 21 March 2016 the Supervisory Board also approved the Management Board's proposal to appropriate the profit of Schweizer Electronic AG as follows:

Given a profit carried forward in the amount of EUR 2,945,404, annual net income of EUR 5,456,767 and the deposit of EUR 3,000,000 in the other profit reserves, the balance-sheet profit totals EUR 5,402,171.

It will be proposed at the annual general meeting to appropriate this balance-sheet profit as follows:

	EUR
Distribution of EUR 0.65 per share for 3,752,417 nominal shares	2,439,071
Balance to be carried forward	2,963,100
	5,402,171

There were no other events having a material effect on the earnings, financial position or net assets.

12. AUDIT AND CONSULTING FEES

The auditor's fee charged for the business year amounts to TEUR 171 (previous year: TEUR 54) for the audit of the (consolidated) financial statement, TEUR 24 (previous year: TEUR 10) for other confirmation services and TEUR 92 (previous year: TEUR 10) for miscellaneous services.

13 DECLARATION IN ACCORDANCE WITH SECTION 161 AKTG WITH REGARD TO THE CORPORATE GOVERNANCE CODE

Schweizer Electronic AG has issued the declaration for 2015 stipulated in Section 161 AktG and has made this declaration available to shareholders on its website *www.schweizer.ag*.

Schramberg, 21 April 2016

Schweizer Electronic AG

The Management Board

(Dr M. Schweizer) (M. Bunz) (N. F. Schweizer)

AUDIT OPINION

We have audited the consolidated financial statement – comprising the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the notes – and the Group status report prepared by SCHWEIZER ELECTRONIC AG, Schramberg, for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statement and status report in accordance with IFRS as applicable in the EU and the supplementary commercial law provisions to be observed in accordance with Section 315a (1) HGB is the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statement and the Group status report based on our audit.

We conducted our audit of the consolidated financial statement in accordance with Section 317 of the HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit so that misstatements and violations which materially affect the presentation of the net assets, financial position and results of operations as presented in the consolidated financial statement in compliance with the applicable financial reporting framework and in the Group status report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and evidence supporting the disclosures in the consolidated financial statement and Group status report are examined primarily on the basis of random samples within the framework of the audit. The audit includes assessing the financial statements of the companies included in the consolidated financial statement, the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statement and the Group status report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statement complies with IFRS as applicable in the EU and the supplementary commercial law provisions to be observed in accordance with Section 315a (1) HGB, and gives a true and fair view of the net assets, financial position and results of operations of the Group in compliance with those provisions. The Group status report is consistent with the consolidated financial statement and on the whole provides an accurate picture of the Group's position and suitably presents the opportunities and risks of future development.

Freiburg im Breisgau, 22 April 2016

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Dr. Wetzel	Wehrle
Auditor	Auditor

DECLARATION BY THE LEGAL REPRESENTATIVES CONCERNING THE CONSOLIDATED FINANCIAL STATEMENT AND THE GROUP STATUS REPORT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated annual financial statement gives a true and fair view of the net assets, financial position and results of operations of the Group, and the Group status report includes a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Schramberg, 21 April 2016

The Management Board

Dr. M. Schweizer M. Bunz N.-F. Schweizer

SCHWEIZER ELECTRONIC AG

CONDENSED VERSION ACCORDING TO HGB

Further to the reporting on the Schweizer Group, below we also report on the performance of Schweizer Electronic AG:

Schweizer Electronic AG, headquartered in Schramberg, is the parent company of the Group and manages the holdings directly and indirectly owned by it. The business performance of the parent company is closely linked to the performance of the subsidiaries and associated companies.

The annual financial statement of Schweizer Electronic AG is prepared according to the German Commercial Code (HGB). The consolidated financial statement complies with the International Financial Reporting Standards (IFRS). This results in certain differences with regard to recognition and measurement.

EARNINGS POSITION

The sales revenues of Schweizer Electronic AG in the reporting year amounted to EUR 115.5 million (2014: EUR 110.2 million).

EBITDA amounted to EUR 12.3 million The decrease of EUR 1.9 million compared to the previous year was due to one-off personnel expenses of EUR 1.1 million, increased purchase prices due to the EUR-USD exchange rate in the amount of EUR 1.0 million and, finally, the higher volume of business achieved through our Asian cooperation partners.

EBIT was accordingly reduced by EUR 1.5 million to EUR 8.5 million. Thanks to focused investment volumes, depreciation was reduced to EUR 3.8 million (2014: EUR 4.2 million). Without the special effects - one-off personnel expenses and exchange rate effects - EBIT was EUR 10.6 million. This corresponds to an EBIT margin of 9.2 percent.

ASSET POSITION

The balance sheet total at year end stood at EUR 87.6 million (2014: EUR 81.3 million). The rise was due firstly to a business-driven increase in debtors and other assets of EUR 3.7 million to EUR 19.5 million. No bad debts were recorded in the reporting year. Secondly, bank deposits increased to EUR 12.0 million (2014: EUR 9.6 million). Of this amount, EUR 7.2 million was allocated to a liquidity reserve consisting of highly liquid investments. The liquidity reserve serves as a financial reserve for bridging major seasonal fluctuations in business.

Due to annual net income, equity capital increased to EUR 51.5 million (2014: EUR 48.4 million). Furthermore, liabilities increased to EUR 24.6 million. Amounts owed to credit institutions rose by EUR 1.4 million to EUR 9.9 million and vendor liabilities by EUR 2.8 million to EUR 5.8 million. In the reporting year, loans were obtained in the amount of EUR 3.0 million and repayments of EUR 2.2 million were made. Vendor liabilities increased due to the volume of business. Schweizer Electronic AG remains a discount payer.

FINANCING ACTIVITIES IN 2015

In the year under review a call was made on an existing innovation loan framework agreement dating from 2014 in the amount of EUR 3.0 million. The called amounts were divided half each into a debt tranche and a subordinated tranche. Therefore a total of EUR 6.0 million was drawn out of the available framework of EUR 8.0 million. The remaining amount is no longer required under the innovation agreement.

The working capital lines at Schweizer Electronic AG remained constant at EUR 8.2 million. Of this amount, EUR 1.0 million was transferred to Schweizer Electronic Singapore Pte. Ltd. in the business year.

Schweizer is debt-free

Solid business results, a focused investment policy and balanced and forward-looking working capital management kept our balance sheet structures at a very good level in 2015. Net gearing stood at 1.8%. Liquid assets were EUR 0.9 million lower than interest-bearing liabilities. The equity ratio was 58.7% (2014: 59.6%).

As in the previous year, cash flow from current business operations was EUR 9.0 million. Operating cash flow was impacted by reduced period profits, the increase in funds tied up in working capital and higher income tax payments.

Cash flow from investment activities resulted in a cash outflow of EUR 4.2 million. Investments in tangible assets of EUR 3.9 million were made exclusively at the production site in Schramberg. Investments in intangible assets amounted to EUR 0.3 million. No development costs were capitalised in this regard.

Cash flow from financing activities was EUR -2.3 million. A key factor was an inflow of EUR 3.0 million due to the drawing of an innovation loan. Repayments of financial loans in the amount of EUR 2.2 had a negative impact. These included the full repayment of the shareholder loan. The dividend of EUR 0.65 resulted in a cash outflow of EUR 2.4 million. Cash in hand therefore rose by EUR 2.4 million to EUR 12.0 million.

INCOME STATEMENT

	2015 € thousands	2014 € thousands
Sales revenue	115,539	110,217
Cost of sales	-91,362	-86,025
Gross profit	**24,177**	**24,192**
Distribution costs	-3,920	-3,860
General and administrative costs	-12,474	-11,491
Other operating income of which income arising from currency translation: TEUR 732 (previous year: TEUR 239)	2,212	2,516
Other operating expenses of which expenses arising from currency translation: TEUR 918 (previous year: TEUR 245)	-1,485	-1,328
Income from holdings	0	10
Other interest and similar income	12	30
Depreciation from financial assets	-119	-862
Interest and similar expenditure of which expenses for discounting: TEUR 288 (previous year: TEUR 469)	-711	-920
Result from ordinary business activities	**7,693**	**8,287**
Taxes on income and revenue of which income (previous year: expense) arising from the change in recognised deferred taxes: TEUR 148 (previous year: TEUR -126)	-2,236	-2,704
Annual net profit	**5,457**	**5,583**
Profit carried forward	2,945	2,801
Deposits in other profit reserves	3,000	3,000
Balance-sheet profit	**5,402**	**5,384**

BALANCE SHEET

ASSETS	31/12/2015 € thousands	31/12/2014 € thousands
Fixed assets		
Intangible assets	1,165	1,168
Tangible assets	27,976	27,570
Financial assets	11,479	11,598
	40,620	**40,336**
Current assets		
Inventories	15,074	15,214
Receivables and other assets	19,542	15,840
Cash on hand, bank balances	12,050	9,610
	46,666	**40,664**
Prepayments and accrued income	**340**	**328**
Total assets	**87,626**	**81,328**

LIABILITIES		
Equity capital		
Subscribed capital	9,664	9,664
./. Own shares	-6	-7
	9,658	**9,657**
Capital reserves	21,725	21,717
Profit reserves		
Other profit reserves	14,667	11,680
Balance-sheet profit	5,402	5,384
	51,452	**48,438**
Provisions		
Provisions for pensions and similar obligations	7,042	6,852
Additional provisions	4,410	4,941
	11,451	**11,793**
Liabilities		
Amounts owed to credit institutions	9,920	8,558
Trade creditors	5,791	3,012
Liabilities to affiliated companies	3,783	3,914
Liabilities to companies in which a participating interest is held	1,154	1,187
Other liabilities	3,922	4,126
	24,570	**20,797**
Deferred tax liabilities	**152**	**300**
Total equity and liabilities	**87,626**	**81,328**

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT AND STATEMENT

The principles of responsible and good corporate governance determine the activities of the management and control bodies of Schweizer Electronic AG. In this statement, the Management Board reports on corporate governance in accordance with Section 289a(1) of the HGB. At the same time, the Management Board and Supervisory Board report on the corporate governance of the company in accordance with item 3.10 of the German Corporate Governance Code.

Schweizer Electronic AG is a listed company in accordance with German law and is subject to the statutory provisions for management and monitoring of listed companies. The administration of the company is carried out by the Management Board and the Supervisory Board.

The Management Board leads the company in accordance with the statutory provisions and the rules of the Board and the Supervisory Board monitors, advises and supports the Management Board in its activities. The rules of both Boards regulate aspects such as this cooperation. Since the introduction of the German Corporate Governance Code in 2002, the company is required to comply with nationally and internationally recognised standards for responsible corporate governance.

The Declarations of Compliance made by the Management Board and the Supervisory Board have been made available to all interested parties on the company website *www.schweizer.ag/en/investor-relations/corporate-governance.html.*

The Management Board and the Supervisory Board addressed the recommendations and suggestions of the German Corporate Governance Code once again in the 2015 business year. The changes to the Code on 5 May 2015 (published in the Federal Gazette on 12 June 2015) have been inspected and will be taken into account in the next Declaration of Compliance in May 2016. If there are changes, the Declaration of Compliance will also be updated during the year. Schweizer Electronic AG has always been committed to the principles of responsible leadership and controlling, and thus complies with the recommendations of the German Corporate Governance Code governmental commission with a few minor exceptions.
The Declaration of Compliance issued by the Management Board and Supervisory Board pursuant to section 161 of the German Stock Corporation Act (AktG) in May 2015 deviated on the following points from the recommendations of the German Corporate Governance Code governmental commission in the version published in the Federal Gazette on 30 September 2014.

DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 AKTG

(As at May 2015)

The Management Board and Supervisory Board of Schweizer Electronic AG (hereinafter also referred to as the “company”) issue the following Declaration of Compliance in accordance with Section 161 of the AktG with reference to the recommendations of the “German Corporate Governance Code governmental commission” and will ensure that it is published on the company’s website. The Management Board and the Supervisory Board of Schweizer Electronic AG issued the last Declaration of Compliance in accordance with Section 161 of the AktG in May 2014. The following notes refer to the recommendations of the German Corporate Governance Code ("Code") in the edition of 24 June 2014, which was published in the Federal Gazette on 30 September 2014.

The Management Board and the Supervisory Board of Schweizer Electronic AG declare that, since the last Declaration of Compliance was issued in May 2014, the recommendations of the Code were and will be complied with, with the following exceptions:

Code No. 4.2.2: Code No. 4.2.2(2), clause 3, recommends that, when determining the total remuneration of the individual members of the Management Board, the Supervisory Board should consider the relationship of the Management Board remuneration to the remuneration of senior management staff and the workforce overall and its development over time.

The Supervisory Board did not fully comply with this recommendation when concluding new employment contracts with the Management Board in October 2013. When concluding the employment contracts the Supervisory Board did take steps, in accordance with the provisions of the German Stock Corporation Act (AktG), to ensure that the total remuneration awarded to Management Board members does not exceed the customary remuneration without special reason. To the extent that the Code in the new version of 13 May 2013 does specify in accordance with the German Stock Corporation Act (AktG) that the vertical appropriateness of the Management Board remuneration should be considered and to the extent that it further defines the relevant groups and the time scale for the comparison, we wish to make it clear that no claim to comply with the Code in this respect is made. The new recommendation in the Code resulted in a controversial debate in legal literature on the clarity of the individual requirements. As a result, the Supervisory Board did not have sufficiently specific information on how the senior management staff should be distinguished from junior management and which sections of the workforce are relevant and which irrelevant in this respect. It was also unclear what time frame and perspective should be considered in terms of “development over time”. The Supervisory Board is therefore of the view that the measures already implemented for determining the remuneration of the Management Board are sufficient to ensure appropriate remuneration for members of the Management Board.

Code No. 4.2.3: Code No. 4.2.3(2), clause 8, also recommends, with respect to the variable remuneration components, that any retroactive change to performance targets or comparison parameters should be excluded.

This recommendation is not complied with. The current and future remuneration rules in the Management Board employment contracts provide, in the event of extraordinary developments within the company (e.g. change in legal form, share buyback, capital measures, acquisition and/or sale of the company and plant, disclosure of hidden reserves) that have a significant impact on the achievability of the targets subject to variable remuneration, for the Supervisory Board to unilaterally revise the contract terms and conditions and other variable remuneration parameters. The Management Board and Supervisory Board believes it is advisable and necessary to take reasonable steps to counter the impact of such extraordinary developments.

The company has not complied with and does not comply with the recommendation set forth in Section 4.2.3(4), clause 1, of the Code, which stipulates that when concluding contracts with members of the Management Board, care should be taken to ensure that payments including fringe benefits made to a member as a result of premature termination of management duties do not exceed the value of two years’ compensation (severance payment cap), and compensate no more than the remaining term of the contract. The employment contracts signed with members of the Schweizer Electronic AG Management Board do not contain such a regulation. The Management Board and the Supervisory Board do not consider it advisable to incorporate such a clause, since even in this case the board member could refuse to step down from the Board and insist on payment of his remaining entitlement under the Management Board employment contract. We also believe that the Supervisory Board would have regard to the company's interests in its negotiations with members who retire from the Board early and would not award any excessive severance payment. This means that the recommendation in Code No. 4.2.3(4), clause 3 (calculation of the severance payment cap) is not complied with.

Code No. 4.2.3, clause 5, recommends that payments promised in the event of premature termination of management duties due to a change of control should not exceed 150% of the severance payment cap amounting to two years’ compensation (i.e. total of three years’ compensation). The company has not complied with and does not comply with this recommendation. In the event of premature loss of a position on the Management Board due to a change of control, three members of the Schweizer Electronic AG Management Board are entitled to a severance payment and a compensation payment as a result of their employment contract that is not limited to three years’ compensation. Incorporating such a restriction would limit Schweizer Electronic AG and its Supervisory Board in the selection of suitable candidates for a position on the board, since on occasion an undertaking may be sought for payment in the event of premature termination of management duties due to a change of control greater than that recommended in Code No. 4.2.3, clause 5. Therefore, a degree of discretion is needed to enter into such undertakings for the event of a change in control. For this reason, the Supervisory Board reserves the right to enter into undertakings for the event of a change in control in the employment contracts of members of the Management Board that do not comply with the recommended limit in Code No. 4.2.3, clause 5.

Code No. 4.2.5: According to the new Code recommendation introduced in 2013 in No. 4.2.5(3) for financial years starting after 31 December 2013, the Management Board remuneration shall be presented individually in the compensation report using model tables.
This recommendation will not be complied with in the future, since at the annual general meeting of Schweizer Electronic AG on 1 July 2011 it was decided not to publish the individualised remunerations of the individual members of the Management Board.

Code No. 5.1.2: Code No. 5.1.2(2), clause 3, recommends that an age limit is set for members of the Management Board. The company has not complied with and does not comply with this recommendation. The Management Board and the Supervisory Board do not consider it advisable to make a standard specification of an age limit for members of the Management Board. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age.

Code Nos. 5.3.1, 5.3.2 and 5.3.3: The Supervisory Board does not have an audit committee as recommended in Code No. 5.3.2 nor does the Supervisory Board have a nomination committee as recommended in Code No. 5.3.3. The Supervisory Board does not believe it is either advisable or necessary to set up the above committees for a company the size of Schweizer Electronic AG with only six members sitting on the Supervisory Board. The tasks designated for the audit committee and nomination committee as well as the other tasks of the Supervisory Board can easily be dealt with in plenary sessions, provided they are not delegated to the existing personnel and finance committee.

The personnel and finance committee is the only committee of the Supervisory Board. Given the size of the company and the size of the Supervisory Board of Schweizer Electronic AG, the Supervisory Board believes it is neither advisable nor necessary to set up additional committees. With the composition of the personnel and finance committee, the Supervisory Board has adequately satisfied the recommendation in Code No. 5.3.1(1) (formation of professionally qualified committees depending on the specific nature of the enterprise and the number of its members). However, as an extreme precautionary measure, it is clear that no claim to comply with the Code recommendation is made.

Code No. 5.4.1: Code No. 5.4.1(2), clause 1, recommends that, when stating the specific objectives to be achieved when constituting the board, the Supervisory Board should consider an age limit for members of the Supervisory Board. The company has not complied with and does not comply with this recommendation. The Supervisory Board does not consider it advisable to make a standard specification of an age limit for members of the Supervisory Board. Competence, technical expertise and experience are far more relevant criteria, which should be evaluated regardless of age. The Supervisory Board therefore did not define such an age limit when it stated the specific objectives to be achieved when constituting the board.

Code No. 5.4.1(4 to 6) recommends that when proposing candidates to the annual general meeting the Supervisory Board should disclose the personal and professional relationships of each candidate to the company, the organs of the company and to any shareholder holding a material interest in the company. The company has not complied with and does not comply with this recommendation, because the Supervisory Board believes the requirements of the Code on the duty to report are not clearly defined or delineated. In this context such notification is not considered advisable.

Code No. 5.4.6: Code No. 5.4.6(1), clause 2 recommends that chairmanship of Supervisory Board committees should be considered in the compensation of the members of the Supervisory Board. The company has not complied with and does not comply with this recommendation, because the Management Board and the Supervisory Board believe that the additional remuneration provided for in Section 13(4) of the Articles of Association adequately rewards members of the Supervisory Board for sitting on committees, as well as the duties undertaken by the committee chairperson.

According to the Code recommendation in No. 5.4.6(2), clause 2, if one of the Supervisory Board members is promised performance-related compensation, it should be oriented toward sustainable growth of the enterprise. The company has not complied with and does not comply with this recommendation, because the performance-related compensation promised to Supervisory Board members is linked to the dividend distributed for the respective business year. The Management Board and the Supervisory Board believe that linking performance-related remuneration to the dividend adequately reflects the responsibility of the Supervisory Board for sustainable business development and that the existing compensation arrangement provides the members of the Supervisory Board with sufficient incentive to orient the exercise of their duties towards the long-term, successful development of the company.

An individualised disclosure as recommended in Code No. 5.4.6(3), clause 1, of the remuneration of the members of the Supervisory Board regulated in the company's Articles of Association is not made in the appendix or the status report, because no additional information that in the opinion of the Management Board and the Supervisory Board is relevant to the capital market is involved.

Schramberg, May 2015

Schweizer Electronic AG

The Management Board	The Supervisory Board
Dr Maren Schweizer Chairperson of the Management Board	Michael Kowalski Chairman of the Supervisory Board

THE STRUCTURE OF THE COMPANY MANAGEMENT AND MONITORING OF SCHWEIZER ELECTRONIC AG IS AS FOLLOWS:

Shareholders and annual general meeting

Our shareholders exercise their rights at the annual general meeting of the company, which takes place in the first eight months of the business year. The Chairman of the Supervisory Board presides over the annual general meeting. The annual general meeting decides on all the tasks assigned to it by the law.

It is our goal to make it as easy as possible for shareholders to participate in the annual general meeting, which is why all documents necessary for participation are published online in advance. A proxy is named for the shareholders for the annual general meeting; this proxy can exercise their voting rights according to their instructions.

Supervisory Board

Under the Articles of Association the Supervisory Board of Schweizer Electronic AG is made up of six members, of whom two are chosen by the company employees in accordance with the provisions of the law with respect to the German One-Third Employee Representation Act (Drittelbeteiligungsgesetz). Three members of the Supervisory Board were chosen up until the annual general meeting in 2019 and one member was chosen up until the annual general meeting in 2016. A seat on the Supervisory Board has been vacant since the resignation of Ms Kristina Schweizer on 15 September 2015.

Based on item 5.4.1 of the German Corporate Governance Code and taking into account the company-specific situation, the size of the company and the proportion of international business activities in relation to its composition, the Supervisory Board defined the following objectives:

1. A minimum of one seat on the Supervisory Board for persons that particularly embody the criterion of internationality (for example, through foreign nationality, relevant experience abroad or relevant experience in international business);
2. no more than two seats on the Supervisory Board for persons that have an advisory or organisational role with regard to customers, suppliers, creditors or other

business partners of Schweizer Electronic AG; this is intended to limit potential conflicts of interest within the Supervisory Board;

3. a minimum of three seats on the Supervisory Board for independent members of the Supervisory Board in terms of Code No. 5.4.2, i.e. a minimum of one seat on the Supervisory Board for independent shareholder representatives and a minimum of two seats on the Supervisory Board for independent employee representatives (the Supervisory Board estimates that employee representatives will in principle be independent members of the Supervisory Board);

4. a minimum of one seat on the Supervisory Board to be occupied by a woman.

The composition of the Supervisory Board fully complied with this objective until 15 September 2015. Following the resignation of Ms Kristina Schweizer, the Supervisory Board initiated the candidate search process. Candidates are selected on the basis of an expertise/competence matrix which integrates the target composition of the Supervisory Board and is taken into account in future nominations to the annual general meeting.

Information on the members of the Supervisory Board, specifically regarding their working methods and the activities and mandates performed by the members, can be found in the Report from the Supervisory Board and in the Notes to the annual financial statement.

The Chairman of the Supervisory Board is chosen from among the members of the Supervisory Board.

The Supervisory Board appoints the members of the Management Board. It monitors and advises the Management Board in the leadership of the company. The key decisions made by the Management Board require the approval of the Supervisory Board. The Supervisory Board meets at least four times a year and meets without the Management Board if required. There is also a personnel and finance committee consisting of three members of the Supervisory Board. The committee chairperson subsequently informs the Supervisory Board plenum of the results. The Supervisory Board adopts the financial statement, approves the consolidated financial statement and appoints the auditor.

The status report shall report on the essential features of the Supervisory Board remuneration system.

D&O insurance with an excess has been concluded for the Supervisory Board.

Management Board

The Management Board leads the company under its own responsibility Since the departure of a Management Board member on 31 May 2015, the Board consists of three members.

The Management Board informs the Supervisory Board regularly, promptly and comprehensively with regard to all relevant issues regarding business development, planning, finance and the business situation.

The status report describes the essential features of the Management Board remuneration system.

D&O insurance with an excess has been concluded for the Management Board.

Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act

The "Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector Act", which came into force on 1 May 2015, stipulates a minimum quota of 30 percent for women and men (so-called gender quota) on the supervisory boards of companies that are publicly listed and subject to parity codetermination. For companies such as Schweizer Electronic AG, which are publicly listed or subject to codetermination (including under the One-Third Employee Representation Act [Drittelbeteiligungsgesetz]), an obligation has been introduced whereby they themselves must set targets for the proportion of women on the Supervisory Board and Management Board and at the two highest management levels. The company has to observe a "no deterioration" rule.

Schweizer Electronic AG has adopted targets whereby one seat on the Supervisory Board, one seat on the Management Board and one position at the main management level below the Management Board must be occupied by a woman. This target should be achieved by 30 June 2017.

Accounting and financial statement audit

Since the 2015 business year, a consolidated financial statement is prepared in accordance with IFRS guidelines. The annual financial statement of Schweizer Electronic AG is prepared in accordance with HGB guidelines. The consolidated financial statement and the annual financial statement are produced by the Management Board, checked by the auditor and approved and adopted by the Supervisory Board. The consolidated financial statement and the annual financial statement are is published within four months of the end of the business year.
It has been agreed with the auditor, Ernst & Young GmbH – a Stuttgart-based audit firm – that the Chairman of the Supervisory Board shall immediately be informed of key issues that surface during the audit. The auditor reports on all issues and occurrences that are of essential importance to the tasks of the Supervisory Board that are revealed by the financial statement audit – reporting immediately to the Chairman of the Supervisory Board. In addition, the Chairman shall be informed if the auditor identifies facts that result in inaccuracy with respect to the Declaration of Compliance submitted by the Management Board and the Supervisory Board in accordance with Section 161 AktG. The auditor participates personally in the Supervisory Board meetings at which the consolidated financial statement and the annual financial statement are approved and adopted.

Transparency

SCHWEIZER attaches particular importance to ensuring consistent, comprehensive and timely information. The business situation and the results are reported in the annual report, at the Analyst Conference, in the interim reports and in the half-yearly financial report.

Information is also communicated via press releases and ad hoc disclosures. All reports and disclosures are available at *www.schweizer.ag/de/investorrelations.html*. Queries are dealt with by the Investor Relations and Communications department.

SCHWEIZER has drawn up the required Insider List and the persons in question have been informed of the statutory obligations and sanctions.

Share holdings as at 31/12/2015

The members of the Management Board together held 410,714 shares. These include 209,041 shares held by Dr Maren Schweizer and 191,742 shares held by Mr Nicolas-Fabian Schweizer.

The members of the Supervisory Board together held 482,050 shares. These include 481,800 shares held by Mr Christoph Schweizer.

Acquisition and Sale of Company Shares

In accordance with Section 15a of the WpHG, the members of the Management Board, employees with managerial functions and members of the Supervisory Board or persons closely associated with them are legally obliged to disclose the acquisition and sale of shares in Schweizer Electronic AG where the value of the business conducted by the member and persons associated with him amounts to EUR 5,000 or more within one calendar year. The dealings reported to Schweizer Electronic AG during the last business year were duly disclosed and can be viewed on the company's website at *www.schweizer.ag/de/investor-relations/corporate-governance/directors-dealings.html*.

Schramberg, 21 March 2016

The Management Board	The Supervisory Board
Dr Maren Schweizer Chairperson of the Management Board	Michael Kowalski Chairman of the Supervisory Board

INFORMATION

FINANCIAL GLOSSARY

AktG
Abbreviation for the "Aktiengesetz", which is the German Stock Corporation Act

Book-to-bill ratio
Ratio of orders taken to turnover within a specified period. A book-to-bill ratio of more than 1.0 indicates that incoming orders in the business year were higher than turnover.

Cash flow
Any excess of receipts over payments for a company, which is variably determined depending on the size of the payments under consideration.

Corporate governance
Refers to the responsible management and control of a company, aligned towards long-term value creation. The German Corporate Governance Code governmental commission compiles the relevant standards and integrates them in the Corporate Governance Code.

D&O insurance
Abbreviation for director & officers insurance. D&O insurance is professional liability insurance for bodies, such as management and supervisory boards, and executive employees.

Derivative financial instruments
Derivative financial instruments are used to insure against and minimise interest rate and/or currency risks due to fluctuations in the exchange rate or market interest rate.

EBIT
Abbreviation for earnings before interest and taxes and/or EBITDA ./. Depreciation of tangible and intangible assets.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortisation or overall performance + other operating performance Material costs Personnel costs ./. Other operating expenses.

EVA®
Abbreviation for Economic Value Added®. Indicator used in the context of a comprehensive performance measurement and value creation concept.

Equity ratio
Calculated as the ratio of total equity to total assets.

EPS
Abbreviation for earnings per share, calculated by dividing the annual net income of the company by the number of shares.

Free float
Proportion of the share capital not in the permanent possession of specific shareholders, but that are in free float.

General Standard
One of three Regulated Market transparency levels from which a company can choose for its listing on the stock exchange. Issuers in the General Standard fulfil the high transparency standard of the Regulated Market, without having a specific international orientation. The General Standard is primarily suitable for medium and large companies focused primarily on domestic investors.

HGB
Abbreviation for "Handelsgesetzbuch", which is the German Commercial Code.

Investment grade
Securities and issuers whose credit risk is considered to be relatively low fall under the category "Investment Grade".

Investment ratio
The ratio of investments made to generated EBITDA.

IFRS/IAS
Abbreviation for International Financial Reporting Standards. The internationally accepted accounting standards ensure the comparability of consolidated financial statements. The individual standards of the IFRS are referred to as IAS (International Accounting Standards), while the newer standards are referred to as IFRS.

ISIN
Abbreviation for International Security Identification Number. Used to clearly identify securities internationally.

Joint venture
Cooperation between two or more partner companies, in which the partners remain legally autonomous.

Cash flow statement
Analysis of the development of liquid funds/flow of payments under consideration of the source and use of funds.

Consolidation
Within the consolidated financial statement, it is necessary to consolidate the shareholding relationships that exist between the Group companies. Here, the carrying amount of the participating interest is offset against the proportionate equity capital amounts of the subsidiaries.

Deferred taxes
Payable or recoverable income taxes that result from the difference between the values stated in the tax and commercial balance sheets.

LTIP
Abbreviation for Long Term Incentive Program. Remuneration components with long-term incentive component and a proportion of risk in the form of a “share matching” plan.

NOPAT
Abbreviation for Net Operating Profit After Taxes. This key figure provides the net profit based on the premise of complete equity financing.

Net gearing
Interest-bearing liabilities after allowing for liquid assets and short-term financial assets.

Prepayments and accrued income
Payments that have already been made or received in advance in the reporting period, but relate to a period after the reporting date

Provisions
Payments or depreciation in value for later periods recognised as expenditure in the accounting period, the level and/or time of which is not fixed on the reporting date, but which is reasonably certain to occur.

Scorecards
Instrument for the measurement, documentation and control of a company’s activities.

Treasury
Treasury means financial management and is part of the finance area. The goal of Treasury and its management instruments is to optimise a company's liquidity and profitability.

Cost-of-sales method
Procedure for the income statement to determine the success of the relevant period, whereby expenses are split into functional areas (manufacturing, administration, sales). The sales revenue is only set against the manufacturing costs that were responsible for the sales.

WACC
Abbreviation for Weighted Average Cost of Capital.

WKN
Abbreviation for "Wertpapier-Kenn-Nummer", the German securities code, which uniquely identifies securities in Germany. In international transactions the German securities code number is replaced by the ISIN.

Working capital
The sum of the inventories and trade receivables from operating activities less vendor liabilities.

TECHNOLOGY GLOSSARY

ACT technique
Assembly and connectivity technique

Design-in cycles
Development cycles

Embedding technology
Technology for the integration of active and passive components in PCBs

High frequency application
In this case, in the 24GHz and 77GHz range. These are radar applications in vehicles

i2 Board technology
Integration of semiconductors as well as passive components in PCBs.

Inlay solution
Inlay is a solid copper layer that is embedded in the PCB using a special technique. The inlay is form-fitted in a resin composite.

Power electronics
The conduction of high currents and/or heat dissipation

Power semiconductor
Power semiconductors offer almost unlimited freedom in shaping the flow of electrical energy. Their advantage is that they can switch extremely fast – typically within a split second – between the "open" and "closed" states. By using fast on/off pulses, virtually any shape of energy flow can be produced.

PCB
Printed Circuit Board – a carrier for electronic components. PCBs are used to link active, passive and electromechanical components as well as connectors. Depending on the technological requirements, PCBs are available in a variety of formats. They offer a range of technological possibilities, which can be combined with one another in a modular manner.

Off-grid
An off-grid system is what is known as an "island system": a photovoltaic system that is not connected to the national grid and only functions with an energy store.

p² Pack technology
Innovative technology for the manufacture of power modules

Prepreg
Fibre glass mats that are pre-impregnated with a resin and are used to bond the individual layers in a multi-layer product

Prismark
Market research institute

Single-board solution
Combining two different PCBs and technologies into a single PCB.

SiP
Systems in package. Alternative to classic “Motherboard Embedding”. In this instance, modules with different functions are installed on a base PCB or substrate.

Smart battery switch
A semiconductor switch that cuts out the on-board voltage in a vehicle in a reversible manner. In the event of a fault (e.g. accident), the switch disconnects the vehicle on-board voltage from the battery to prevent potential short circuits and so avoid the risk of fire. It can also be used to disconnect the battery voltage if a vehicle is transported (e.g. sea crossing).

Stage Gate® process
The Stage Gate model is a model for optimising innovation and development processes. The Stage Gate® process divides a development project into a number of individual sections and so-called gates.

Thermo-Prepregs
Special prepregs with approx. 10-times better thermal conduction than standard prepregs

ZVEI
Zentralverband Elektrotechnik- und Elektronikindustrie e.V. [German Electrical and Electronic Manufacturers’ Association].

VDA
The German Association of the Automotive Industry (Verband der Automobilindustrie)

FINANCIAL CALENDAR

Date	Publication/event
29/04/2016	Consolidated financial report 2015
29/04/2016	Interim report for 1st quarter 2016
29/04/2016	Analyst conference
01/07/2016	Annual general meeting
10/08/2016	Half-yearly financial report as at 30/06/2016
28/10/2016	Interim report for 3rd quarter 2016

These dates and potential updates are also detailed on our website at *http://www.schweizer.ag/en/investor-relations/financial-calendar.html*.

IMPRINT

Schweizer Electronic AG
Einsteinstrasse 10
78713 Schramberg
Germany
Tel.: +49 (0) 7422 512-0
Fax: +49 (0) 7422 512-397
www.schweizer.ag

In this report, Schweizer Electronic AG is also referred to as Schweizer.
In this report, Meiko Electronics Co., Ltd. is also referred to as Meiko.
In this report, WUS Printed Circuit (Kunshan) Co., Ltd. is also referred to as WUS.
In this report, Elekonta Marek GmbH & Co. KG is also referred to as Elekonta.
All figures are rounded, which can lead to minor deviations when these are added up.
To aid readability, the male form is used throughout this document. However, the female form is also always implied.

Picture credits
Photographs @ Nicolas Knebel – perceptum.de

SAFE HARBOUR STATEMENT

Schweizer Electronic AG
Einsteinstraße 10
78713 Schramberg
Postfach 561
78707 Schramberg
Germany