



Engineering Expertise

Experienced Designer and Engineering Teams implement

individual
Customer Requirements

Annual Report 2015

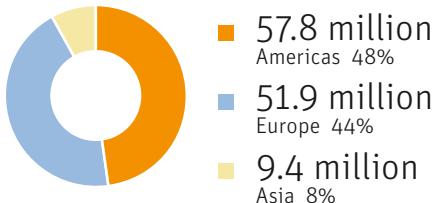
Key Figures

Elma Group Key Figures

in CHF 1,000	2015	2014
Order income	115,672	122,644
Net sales	119,109	118,079
EBITDA	5,496	6,596
EBIT	2,905	4,093
in % of net sales	2.4	3.5
Net profit	2,340	2,296
in % of net sales	2.0	1.9
in % of average equity (ROE)	8.9	9.2
Balance sheet total	72,520	67,576
Shareholders equity	25,521	27,210
in % of balance sheet total	35.2	40.3
Headcount year end (FTE)	722	683

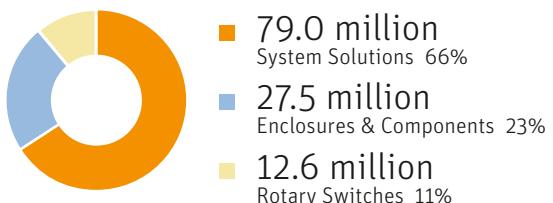
Net sales by region

in CHF and %



Net sales by product line

in CHF and %



722
employees

CHF 115.7 million
Order income

CHF 119.1 million
Net sales

ELMA – Your Solution Partner

Elma Electronic is a global manufacturer of electronic packaging products for the embedded systems market – from components, backplanes, storage boards and chassis platforms to fully integrated systems. Elma is listed at the Swiss Stock Exchange, with subsidiaries in 10 countries on 3 continents. To ensure our integrated solutions are optimized to our customers' needs, Elma chooses partners with leading board manufacturers in the industry.

Elma also provides enclosure solutions and high-end rotary switches for demanding applications for electronics companies. The company has a broad base of proven standard products which can be tailored to individual applications: from the initial concept to volume production. Elma's reliable solutions, flexibility, and design expertise are key reasons why the leading electronics companies in the world choose Elma time and again.

Highlights 2015



Development expertise

Elma combines its extensive expertise in system integration, network technology and packaging design across many complex applications with the tried-and-tested solutions from Cisco Mobile Routing. Elma has been designated by Cisco as a qualified Solution Technology Integrator (STI Partner). In 2015, Elma has offered a series of rugged, embedded router computer systems. Featuring Cisco IOS software and complemented by Cisco mobile ready net capabilities each system enables highly secure data, voice and video communications to stationary and mobile network nodes across wired and wireless links.



Acquisition of Trenew

In 2015, the Elma Group acquired Trenew Electronic AG, Rüti (Canton of Zurich), a Swiss company that operates in the system integration business. As well as offering a range of embedded computing systems and electronic packaging, Trenew Electronic AG is a specialist in power supply solutions. With the acquisition of Trenew, Elma continues its growth strategy to further develop and expand the system business and strengthens its know-how in the development and implementation of integrated system solutions.

India Design Center

Elma has established a Design Center in Bangalore, India, to reinforce its expertise in electronic design and software solutions. The main focus is on Small Form Factor solutions and integrated embedded systems. The Design Center started its operations in February 2015 and has since been working on complex electronic design projects.



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Dear Shareholders,

2015 was a challenging year. The global economy grew more slowly than experts had anticipated. By removing the Euro/Franc floor, the Swiss National Bank surprised the Swiss business world as well as financial markets across the globe; the US central bank Fed tightened its monetary policy again slightly for the first time in almost a decade; and geopolitical tensions heightened during the course of the year. The Elma Group was able to hold its ground well in this very challenging market environment. Let us begin with a brief summary of the key results:

- **Net sales increased by 0.9% year-on-year to CHF 119.1 million
(adjusted for currency translation and acquisition effects: -1.1%)**
- **Europe region up; down in the Americas and Asia regions**
- **Order income down by 5.7% to CHF 115.7 million
(adjusted for currency translation and acquisition effects: -7.8%)**
- **Operating result (EBIT) CHF 2.9 million by 29.0% below previous year
primarily due to weak rotary switch exports from Switzerland to Asia**
- **Net profit CHF 2.3 million on previous year's level due to positive impact on income taxes**
- **System business in Switzerland strengthened with the acquisition of
Trenew Electronic AG on November 9, 2015**
- **Equity ratio dropped from 40.3% to 35.2% due to the offset of goodwill**
- **Net debts up by CHF 3.8 million to CHF 18.1 million due to the acquisition**

Market trends

After an initial positive start, growth dynamics in the Americas region slowed down in the second half of 2015. Governmental authorities remained under financial and cost pressure and they remained cautious in awarding major projects during the reporting year. This trend became stronger towards the end of the financial year. The slowing of China's growth momentum also prompts us to be cautious. On the other hand, economic growth in Europe has shown a generally encouraging development during the reporting year. A revival of investment activities among customers was particularly evident in Germany and the UK. There was a noticeable revitalization in the defense sector in Israel which had a positive impact on the local company. By contrast, the Swiss economy posted only moderate growth for the year as a whole, with a perceptible economic slowdown in the second half of the year that led to a decrease in order placements towards the end of the fourth quarter of 2015, especially in the export sector.

Despite the challenges in individual markets, we continued our growth strategy in 2015 by developing and expanding the systems business. On November 9, 2015, we have acquired the Swiss company Trenew Electronic AG headquartered in Rüti (Canton of Zurich). The company has been consolidated as of November 2015. We expect to see a positive impact on the Elma Group's net sales and net profit in 2016.

Innovation, research and development

All three product lines launched new products in the market in 2015. The System Solutions product line, for example, introduced the new ProSys family which features high computing power for industrial automation. As a qualified Solution Technology Integrator (STI partner) for Cisco, we offer a range of rugged, embedded computing systems designed for deployment in harsh environments. The Enclosures & Components product line includes the 19-inch enclosure cases type 38 with convincing features such as modular construction, robustness and stability. We extended our product range with the Shapebox 22, a customized plastic enclosure for

electronic packaging which is manufactured with a tool-free method and an innovative cost-saving production process. Rotary Switches is offering its new Uni Selector, a versatile multi-deck selector switch designed for bounce sensitive, analog switching applications – the ideal choice for high-end audio products. We also extended our product portfolio with an extremely small yet robust, multifunctional rotary switch, the MR50. This new switch is primarily designed for portable devices, outdoor applications and for the defense sector.

On pages 11 to 15 of this Annual Report, we present three innovative projects that we successfully completed in 2015 to provide complete system integration solutions for our customers. In these projects, we offer our engineering expertise to assist our customers in the concept evaluation, simulation and design phases, during production and all the way through to complete testing and performance verification. We also offer the security of an experienced team of developers and engineers who implement our customers' individual product requirements.

Net sales

The Elma Group posted net sales of CHF 119.1 million in the financial year 2015 (previous year: CHF 118.1 million). This represents a growth of 0.9%; adjusted for currency translation effects, net sales rose by 0.9%, adjusted for currency translation and acquisition effects, net sales fell by 1.1%. Each of the three regions developed differently during the 2015 financial year. The Americas region, with a 48% share of net sales the Elma Group's largest region, reported a decline of 1.0%; adjusted for currency translation effects, sales fell by 5.7% to USD 59.9 million. The Europe region, which contributed 44% to the Group's net sales, increased sales by 4.2% to CHF 51.9 million; adjusted for currency translation effects, net revenue grew by 5.9%, adjusted for currency translation and acquisition effects they were down 0.4%. In the Asia region, which accounts for 8% of the total net sales, they fell by 5.0% to CHF 9.4 million; adjusted for currency translation effects, this represents a decrease of 9.5%.

As of the beginning of the business year 2015, the revenue of electronic cabinets has been allocated to the product line Enclosures & Components, rather than to the product line System Solutions as in the past. To ensure comparability with the previous year's figures, they have been restated accordingly. We increased our net sales with systems, backplanes and storage modules in the System Solutions product line to CHF 79.0 million year-on-year (previous year: CHF 71.0 million). Net sales for the Enclosures & Components product line amounted to CHF 27.5 million (previous year: CHF 29.5 million), while the Rotary Switches contributed CHF 12.6 million (previous year: CHF 17.5 million).

Order income

Especially in the second half of the year, order income was weaker than expected in all three regions. The Elma Group received orders totaling CHF 115.7 million (previous year: CHF 122.6 million), equivalent to a downturn of 5.7%; adjusted for currency translation effects, order income fell by 5.8%, adjusted for currency translation and acquisition effects the decline was 7.8%. In the Americas region, order income dropped by 5.4% year-on-year; in local currency it fell by 9.9% to USD 58.8 million. The Europe region posted a decrease of 6.8% to CHF 50.0 million; adjusted for currency translation effects, the reduction was 6.8%, adjusted for currency translation and acquisition effects the downturn was 6.1%. Order income in the Asia region fell by 0.7% to CHF 8.9 million; adjusted for currency translation effects, this represents a year-on-year decrease of 5.3%.

EBIT and net profit

Although the Europe region achieved a year-on-year increase in net sales for 2015, the operating result of the Elma Group was negatively influenced by the poor investment demand of the Swiss company's customers, especially in the fourth quarter. The positive developments in Germany, the UK and Israel could not compensate for the decrease. Structural changes and cost-optimization measures were immediately initiated – in particular in Switzerland – to align the organization to the new market conditions and to improve profitability.

The Elma Group closed the 2015 financial year with EBITDA of CHF 5.5 million (previous year: CHF 6.6 million). EBIT reached CHF 2.9 million (previous year: CHF 4.1 million). The provisions of the new accounting legislation in Switzerland were applied for the first time in the statutory accounts of the 2015 financial year. This legislation now stipulates individual valuation of investments instead of group valuation as in the past. This changeover had a substantial positive impact on income taxes and net profit for the Elma Group. Elma reports a net profit on previous year's level of CHF 2.3 million (previous year: CHF 2.3 million).

Balance sheet

As of 31 December 2015, Elma reported total assets of CHF 72.5 million (previous year: CHF 67.6 million). The equity ratio was 35.2% (prior year: 40.3%) due to the offset of goodwill. Net debts rose by CHF 3.8 million to CHF 18.1 million (previous year: CHF 14.3 million) as a consequence of the acquisition of Trenew Electronic AG. This acquisition was financed by a bank loan that was not tied to any financial covenants. The private placement of CHF 10 million with a group of private investors was extended prematurely by another five years until 2022 with reduced interest conditions.

Dividend policy

We continue to adhere to our long-term objectives, which are:

- improve the balance-sheet structure
- reduce net debts
- attain an equity ratio of over 50%

The achievement of these targets provides the basis for a distribution of dividends. We have achieved progress over recent years and shall continue to pursue our objectives. Therefore, the Board of Directors will again propose to the shareholders at the General Meeting on April 21, 2016 to forgo dividend payments for 2015.

Investments

Investments are an essential factor in continuing our company's successful development. We therefore made investments in machinery, plant, technology, and our employees. The focus was on optimizing production capacity, automation in all three regions, reducing delivery times and also on education and training for our employees across the globe. We have launched a new eCommerce platform that will initially serve our customers in the US. It offers them the opportunity to place online orders for the range of standard articles in the Enclosures & Components product line. In 2015, we invested a total of CHF 2.9 million (previous year: CHF 2.1 million) in tangible assets in the three regions. 38% of these investments were made in the Americas region, 57% in Europe and 5% in Asia.



By acquiring Trenew Electronic AG, we are expanding our know-how in the development and implementation of integrated System Solutions.

Growth strategy

During the financial year we acquired Trenew Electronic AG, headquartered in Rüti, Switzerland. This represents a major step in the ongoing expansion and development of the systems business, in line with our corporate strategy. The purchase agreement was signed on November 9, 2015. By acquiring Trenew Electronic AG, we are expanding our know-how in the development and implementation of integrated system solutions. At the same time, we are consolidating our market position for standard and customized solutions in the electronic packaging segment. Through Trenew, the Elma Group will also enter the power supply market; we plan to continue developing this market with our existing engineering and sales know-how. We anticipate synergy effects by focusing on joint target markets, and by marketing the expanded product portfolio across the globe through our international subsidiaries.

Trenew was consolidated within the Elma Group for the first time in November 2015. In a first phase, Trenew will continue to operate independently. In order to ensure a successful integration into the Elma Group, the founder and previous owner, Peter Hotz, will remain CEO with operational responsibility. The Board of Directors will propose to the Annual General Meeting 2016 to elect Peter Hotz as a member of the Board of Directors of Elma Electronic AG.

Our employees are the key players

Due to the acquisition of Trenew Electronic AG, the Elma Group's headcount had risen by 5.7% to 722 employees at the end of 2015 (previous year: 683). All 40 employees of Trenew were transferred. As at the end of 2015, Elma employed 412 staff in the Europe region (previous year: 378), followed by the Americas region with 267 (previous year: 268) and the Asia region with 43 (previous year: 37).

Changes on the Group Executive Board

Tedy Kratenstein, President of Elma Europe and member of the Group Executive Board, decided in December 2015 to leave the Elma Group as of May 31, 2016 in order to pursue new professional challenges. We wish to thank Tedy Kratenstein for his efforts and contribution to the Elma Group and we wish him all the best in his future personal and professional endeavors.

Objectives

The overall economic environment is expected to remain challenging worldwide in 2016. Global economic growth will be impacted by a further slowdown in growth in China, uncertainties about further monetary policy steps in the US and the EU and risks emanating from geopolitical tensions that are still unresolved. We shall adhere to our objectives to increase net sales and to improve the operating result (EBIT).

Appreciation

We maintain close relationships with our customers. Their constructive feedback is an incentive to us to continue improving our products and services and to step up the pace of innovation. We wish to thank our shareholders for their trust. Finally, great thanks are due to our employees. Without their readiness to work as a team, their passion and their dedication, our success would not be possible.



Martin Wipfli
Chairman



Fred Ruegg
CEO

Strategy of the Elma Group

Elma – Your Solution Partner. This claim is recognized worldwide, as we offer the products and services of our three strategic product lines through ten local Group companies, spread across the regions Americas, Europe and Asia. We aim to improve results significantly in the medium-term and achieve an organic growth each year. Through selective acquisitions we exploit additional growth potential. Our corporate strategy focuses on four key elements:

Expand our market share:

We intensify our market activities and develop strategies to win more customers in new market segments for our three strategic product lines Systems Solutions, Enclosures & Components and Rotary Switches.

Sell all product lines in our three regions:

Our system solutions are based on the component business. We sell our products through our regional subsidiaries, strategic partners and distributors worldwide.

Regional production:

With production sites in the three regions, we can quickly respond to the needs of our customers. In addition, they provide us extensive protection against the consequences of significant currency fluctuations (“natural hedging”).

Develop and expand the systems business from level 3 to level 4 and expand the customer base and design-ins for the Rotary Switches business:

We focus on advanced technical components and system solutions and on expanding the system integration business in all three regions. We expand our product range with small form factor products in the electronic packaging. In the Rotary Switches product line, we supplement our business activities and solutions for human-machine interface applications.

With our production sites in the Americas, Europe, and Asia regions, we can quickly respond to the requirements of our customers.

Corporate and leadership culture

Corporate development starts with each individual employee. Interesting jobs with future prospects, individual development, values that are living realities, team spirit and a safe, healthy working environment: these are key requirements for first-class performance by employees and high satisfaction levels. The Elma Group operates globally and sees itself as a cosmopolitan and culturally diverse corporation. This mindset is reflected in the composition of the workforce: in ten countries on three continents, backed by a global sales and distribution network, we bring together a huge variety of specialist skills, talents and individuals.

Employees

At the end of 2015, Elma employed 722 employees throughout the world. 57% of our employees work in Europe, 37% in North America and 6% in Asia. The Elma Group employed 216 women worldwide, equivalent to a 30% quota of the headcount end of 2015. The quota of women in the Europe region is 33%; in the Americas region it is 26% and in the Asia region 28%. Annual appraisal interviews are conducted with each employee to discuss performance, agree on individual goals and define personal development targets. Every two or three years, the Group companies also conduct employee and satisfaction surveys among their workforces. In 2015, survey were carried out in the subsidiaries in Germany and China.

Employee development

Elma aims to recruit and retain the best employees. To attain these objectives, Elma offers opportunities for training and ongoing education throughout the world and at all levels of the organization. The aim is to foster the development of employees with a long-term mindset. Elma attaches great importance to technical expertise and know-how of products: training courses are conducted regularly, both in-house and externally, to educate not only Elma's suppliers and distributors but also employees. Elma's high level of quality is ensured by continuously optimizing the quality system, in compliance with the ISO9001/ISO14001 standards. Elma also advances its employees' continued education through seminars on management and technical subjects, language courses and targeted IT user training.

Corporate values

At global level, the shared framework for behavior is defined by the company's vision and strategy, the corporate values and the code of conduct and ethics. The corporate values are the basis for the sustained development as an entity, and they are becoming even more important as globalization gathers pace. The Group Executive Board imparts and implements the fundamental corporate values, thereby fostering and developing our corporate culture within the Group.

Employees by region

Number of employees end 2015



267	Americas 37%
412	Europe 57%
43	Asia 6%

Employees by function

Number of employees end 2015



63	Management and administration 9%
237	Marketing, sales and engineering 33%
422	Production 58%

Core Values

Leadership

We lead by mutual respect and open communication. For our transparent actions, we assume personal responsibility. We embrace change confidently.

Result orientation

We derive our motivation from successes in working with our customers, our employees and our shareholders.

Innovation

In recognizing opportunities and in developing creative solutions we are “best in class”. For our customers, we are “Your Solution Partner”.

Focus

We focus on the requirements of our customers and our markets.

Commitment

As employees, we represent our company. We are committed to Service, Quality and Dependability.

Working together for a better future.

Americas

About Elma Americas

With its two operating companies (Elma Electronic Inc. and Optima Stantron Corp.) and through various sales, engineering and production centers, the Americas region offers its customers services that embrace the Elma Group's entire value chain.

Activities in 2015

Economic development in the US began encouragingly, but growth momentum tailed off again – especially towards the end of 2015 – thereby triggering renewed uncertainties among customers as to their readiness to invest. Government agencies continue to be exposed to financing and cost pressure. This prompted a correspondingly cautious approach to awarding projects in the Defense and Aerospace sectors. Despite government budget cuts and delays in contract placement, Elma managed to secure some major orders in the Defense industry. An encouraging trend was also reported in the Telecom sector, where Elma obtained large orders from key account customers. The components business on the other hand regressed. In 2015, the Americas region concentrated mainly on consolidating its leading position in the Defense sector, while continuing to develop its opportunities in the Industrial Automation and Telecommunications markets.

The reporting year saw a continued upswing in demand for Small Form Factor solutions (SFF), i.e. enclosures and packaging products which are usually smaller than the standardized 19-inch enclosures. SFF market was addressed on the basis of complex research and development projects, flanked by marketing campaigns. To accommodate demand, additional SFF solutions – such as the NetSys series – were introduced onto the market in 2015. New developments for ATCA systems, Cisco router solutions, storage products and backplanes were also introduced.

With the aim of stepping up process automation, an eCommerce platform has gone live on the Elma Group's website; it offers online ordering of standard articles from the Enclosures & Components product line. The soft launch was accomplished in the beginning of 2016, and the platform is initially available to customers in the US. Furthermore, the production facilities in California, Georgia and Pennsylvania have stepped up automation for standard parts and have implemented important customer programs.

The North and Latin American markets are being supplied with complex, customized system solutions and an extensive range of backplanes and electronic cabinets.

Net sales

in CHF million

2015	57.8
2014	58.4
2013	57.3

Order income

in CHF million

2015	56.7
2014	60.0
2013	60.1



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System Solutions for extreme temperature ranges

Evans Enterprises, Inc. provides first-class plant services and products to their customers in utility/energy, government and industrial sectors. They operate 10 full-service plants located primarily in south-central United States. They sell, service and support all types of electric motors and generators, controls, and offer value-added services such as repairs, upgrades and testing services to their customers.

Evans needed to retrofit HMI/SCADA-based computers operating GE wind turbines in Texas and New Mexico. Due to the very hot summers in those locations, the computers were failing, as they were not originally designed to withstand such heat extremes, where the outside temperatures reach over 40 °C, and internal readings as high as 80 °C. Elma designed and integrated a solution for Evans that included boards and components that operate in such extreme temperature ranges. The result is that Evans and their customers have a reliable computer to deliver necessary data without field failures.

www.goevans.com

Europe

About Elma Europe

Elma is represented in Europe by six Group companies in Switzerland, Romania, Germany, the UK, France, and Israel. The central production facility for this region is located in Romania and guarantees supplies with rotary switches, enclosures and components for all Group companies in the Europe region.

Activities in 2015

The economic revival in Europe continued throughout the entire reporting year. The local companies in Germany and in the UK were the main beneficiaries of increased demand and customers' improved demand for investments. On the other hand, the business trend tipped in France and Switzerland, especially towards the end of 2015. Structural changes and cost-cutting measures were introduced to align our organizations to the new market conditions and to ensure improvement of profitability.

The technological trend continues to move away from 19-inch-based systems towards smaller form factors (SFF solutions). In order to actively develop these new business fields, we need appropriate products and in-depth knowledge – not only as regards design, but also in terms of manufacturing, sales and marketing. Demand for SFF solutions was on the increase, especially from customers in the Defense and Transportation sectors. Among the products launched in 2015 were new, compact and affordable CompactPCI serial systems for the Transportation sector.

The acquisition of Trenew Electronic AG in Switzerland gives Elma the capability to offer its customers an even more extensive product portfolio as well as additional services. Elma will expand its know-how in the development and implementation of integrated system solutions, particularly in the railway sector. In addition, the Elma Group will enter the power supply market through Trenew.

Elma Europe is a leading provider of customized solutions. The region supplies the Elma Group's entire product range to customers through its own companies and also via a network of distributors.

To complement the classical business in the 19-inch segment, we have continued to invest in "Next Generation" areas, i.e. by upgrading tools, machinery and employee know-how. At our production facility in Romania, moreover, we pushed the modernization of our sheet metal processing operation for enclosures and rotary switches. In addition, we continued the process of transferring operational activities from Switzerland to the production facility in Romania.

In 2015, Elma Electronic UK was awarded the Bronze Prize for an exemplary standard of achievement in the ADS SC21 supply chain program (21st Century Supply Chain). This program was developed with the aim of accelerating competitiveness in the UK's Defense and Aerospace industries.

Net sales

in CHF million

2015	51.9
2014	49.8
2013	46.2

Order income

in CHF million

2015	50.0
2014	53.6
2013	49.5

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Highest art of engineering for the use in the stratosphere



The Science and Technology Facilities Council's UK Astronomy Technology Centre (UKATC) is the national centre for astronomical technology. Their scientists carry out observational and theoretical research into fundamental questions such as the origins of planets and of galaxies. UKATC approached Elma to provide a sealed custom enclosure to house COTS computing elements with a bespoke heat exchanger with cooling and controlled systems pressurization. The enclosure had to operate efficiently at 65,000 ft. which was technically challenging.

The enclosure was installed on NASA's Global Hawk aircraft and the unit contributes to the Greenhouse Observations of the Stratosphere and Troposphere (GHOST) tests carried out by UKATC in a joint effort with the Universities of Edinburgh and Leicester. The device will fly above the equatorial regions of the Pacific Ocean at an altitude of 20-km-measuring greenhouse gases such as carbon dioxide and methane across large regions in fine detail.

www.ukatc.stfc.ac.uk

Asia

About Elma Asia

Elma is represented in Asia with local companies in China, Singapore and India. By utilizing the manufacturing facility at the Shanghai production site, Elma is able to offer customers in Asia an extensive portfolio of high-quality enclosures. At the Design Center in India, Elma develops complex electronic design and software solutions, mainly for Small Form Factor solutions and integrated embedded systems for various units in the company group.

Activities in 2015

Growth momentum in the Asian region slackened noticeably during 2015. Demand in the Aerospace sector declined primarily due to project cancelations. Elma was able to post sound growth in the core markets of Industrial Automation and Transportation thanks to the active participation in projects for high-speed trains and subway and metro signaling. Elma Asia holds good positioning in both of these markets.

At the production facility in Shanghai, China, Elma continued to expand its expertise in sheet metal manufacturing and system integration. By strengthening the own production operation in Asia, Elma deepened its local value chains, thereby opening up new business opportunities.

The Design Center in Bangalore, India, founded at the end of 2014, began its operational activities in February 2015. The Design Center gives the Elma Group added expertise in electronic design and software solutions. A number of challenging electronic design projects were already processed during the reporting year, principally for customers in the Aerospace and Industrial Automation sectors.

Chassis and system platforms are manufactured and assembled locally at our own production facility in Shanghai, mainly for sale to the markets in China and South-East Asia.

Net sales

in CHF million

2015	9.4
2014	9.9
2013	9.5

Order income

in CHF million

2015	8.9
2014	9.0
2013	11.1



Customized Engineering Solutions for maximum speed

HollySys, one of the leading automation and IT solutions providers in the region of China and Southeast Asia, specializes in process automation, factory automation, rail automation and mechanical & engineering solutions.

Elma tailors system solutions to ensure fastness and cost-effectiveness with compatibility, consistency and reliability. Elma's customized system platforms 4U CPC1 & 7U VME64x were selected by HollySys as ground train control system RBC (Radio Block Centre) which is able to satisfy train operation requirements for a speed of 300 to 350 km/h.

www.hollysys.com.sg



System Solutions

Elma develops and produces complex, integrated system solutions for exceptionally advanced applications and environments. As a leading provider of fully integrated solutions in the embedded systems segment, Elma offers customers support from its worldwide engineering teams – from the concept evaluation, simulation and design phases through production to successful testing.

Activities in 2015

Elma offers enormous computing power for Industrial Automation with its new ProSys family of products. This family consists of four high-performance systems – the ideal choice for industrial application areas such as process control, measurement & control, control center technology and process visualization. Elma has also unveiled its CompactPCI serial systems for Industrial Automation applications. These platforms, which come at exceptionally low prices, are in tune with current trends in Industrial Automation; they feature CompactPCI serial backplanes with varying slots. Their compact design makes them especially suitable for applications in the process automation and railway segments. An extensive selection of CompactPCI serial systems is ready for use in line with specific customer requirements.

Our forte is the development and production of complex partially and fully integrated customized system solutions for exceptionally demanding applications.

As a Cisco-certified Solution Technology Integrator (STI Partner), Elma offers a selection of vibration-resistant embedded computing systems for use under demanding ambient conditions. Cisco's IOS® software is already installed on the systems, with the addition of Cisco's Mobile Ready Net functions. This combination enables highly secure data, voice and video communication via stationary and mobile network nodes, using wired and wireless connections.

With its new FlexSys system concepts, Elma offers quadruple embedded computing power. The modular plug-in FlexSys system is based on COM Express technology, allowing flexible adaptation to requirements for the Defense and Transportation sectors as well as other industrial applications.

Enclosures & Components

Elma operates globally as a manufacturer of enclosures and components for industrial housing applications and electronic cabinets. Elma offers its customers standard products, modified standard products and customized solutions, all of which meet the highest quality requirements. Our strengths include the development of solutions with appealing designs, integrated IP protection, cooling and electromagnetic compatibility (EMC). Our enclosures offer safe packaging for highly sensitive electronic equipment used in the Telecommunication and Railway engineering sectors, to name two examples.

Activities in 2015

Elma's 19-inch type 38 enclosure cases provide the ideal basis for applications that call for a high degree of flexibility. Type 38 can be used as a table-top or free-standing enclosure. Elma offers a standard version and numerous design options with an extensive range of accessories for customized solutions.

As a new feature, Elma supplies its individual Shapebox 22 plastic enclosure with a tool-free method. This innovative manufacturing process dispenses with costly molds, thus prototypes are quickly available. Series can also be launched promptly to minimal initial costs.

With more than 50 years of engineering experience, Elma transforms customers' ideas and requirements into products that precisely match their goals and specifications.

Elma's iD-Box 16 design enclosure was launched in 2014. This new innovation secured Elma a vast of customer projects during the reporting year, in diverse sectors such as measurement, medical and sensor technology, mobile test and measurement equipment as well as test and calibration devices. The ergonomic design of the iD-Box 16 is adaptable to every requirement: from sizes, color combination, front panel and backplane design and integration of the front panel components, all the way through to electronic component assembly.

The upgrading of Elma's successful front panel centers in the Americas and Europe regions has continued. With its latest milling and printing machinery, Elma offers individual front panel printing with various methods, such as digital and anodized digital printing. By using the online configurator, customers can draw their own individual front panel.

In 2015, Elma confirmed its status as a leading developer and manufacturer of electronic cabinets and consoles by the market launch of an innovative broadcast rack design with a modular frame. The new cabinet offers multiple user-defined design features that are integrated on the standard platform.

Rotary Switches

The Rotary Switches product line develops and manufactures complex rotary switches and encoders for use in electronic devices. Elma's products and services are used all over the world in every sector of industry; communication equipment for mobile use is one of the most important applications for these products. The portfolio extends from standard switches to customized solutions. Professional design-in-consultations and premium support are our USPs and are crucial factors when developing customized solutions.

Activities in 2015

For the first time, Elma is offering a versatile multi-deck selector switch: the new Uni-Selector. This impressive product features exact haptics and detent torques of 1.5 to 15 Ncm. The selector switch is suitable for use in measuring and testing technology, medical control units and in particular for bounce-sensitive analog applications, e.g. in high-end audio products.

Our strength lies in developing robust switch solutions to meet challenging requirements at the haptic and optical human-machine interface.

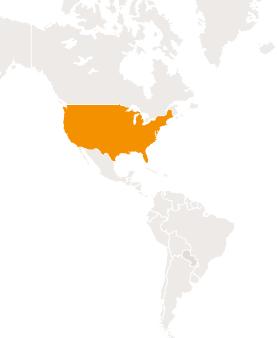
Elma also extended its product portfolio in 2015 with the addition of an extremely small, but rugged multi-function rotary switch. The MR50 is designed for portable devices outdoors and in the Defense sector. Our new MR50 multi-rotary switch has passed every qualification test: lifecycle, contact resistance, shock and vibration. This product also meets the requirements for protection class IP68, i.e. it is dustproof and watertight. Customer specific adaptations such as a variety of coding options and the "pull-to-turn" safety function are also available.

Other new developments include the MultiWheel and the A47. The MultiWheel is an all-in-one joystick and encoder that takes advantage of the latest operating concepts for applications in demanding ambient conditions. Elma also offers the A47 switch: a new high-end series attenuator with 47 positions for extra-large resistors.

Engineering expertise: the people at Elma

Elma is a leading developer of innovative products. Our strength lies in customized products that stand out clearly from the competition. We develop individual and tailor-made solutions that meet our customers' requirements in terms of functionality as well as esthetic appeal. We follow the projects in every stage of the process – from the prototype all the way through to production.

We introduce three teams of developers from our global engineering network. These teams represent the more than 700 employees at Elma who dedicate themselves passionately to delivering premium products and services.



Elma Americas

Experience and Innovation guarantee Supreme Quality

With engineering and production facilities in the states of California, Georgia and Pennsylvania, Elma Americas is excellently positioned to serve its customers in North and Latin America. Each and every customer has unique requirements and needs. The strength of the engineering teams at Elma Americas lies in their ability to implement complex and sophisticated system solutions that meet customers' individual wishes. Key customers include major corporations and institutions in the Aerospace, Defense and Telecommunication sectors.



The Engineering Team of Elma Electronic Inc.
in Fremont, California





Elma Europe

Innovative Customized Solutions

In Europe, Elma has been a leading developer of innovative products for over 50 years. Customer applications are perfected with the latest development software and tools. Elma also offers the reliability of an experienced team of developers and engineers at various locations across the globe. The results are solutions with premium structural designs.



The Engineering Team of Elma Electronic GmbH
in Pforzheim, Germany





Elma Asia

The highest standards of electronics design

The latest technologies and modern infrastructure at our Design Center in India create ideal conditions for our engineering teams who implement challenging electronic design projects and software solutions: Small Form Factor solutions are the main specialty here. This competence center provides the Elma Group's customers across the globe with individual solutions tailored to their requirements.



The Engineering Team of Elma Electronic Private Ltd.
in Bangalore, India



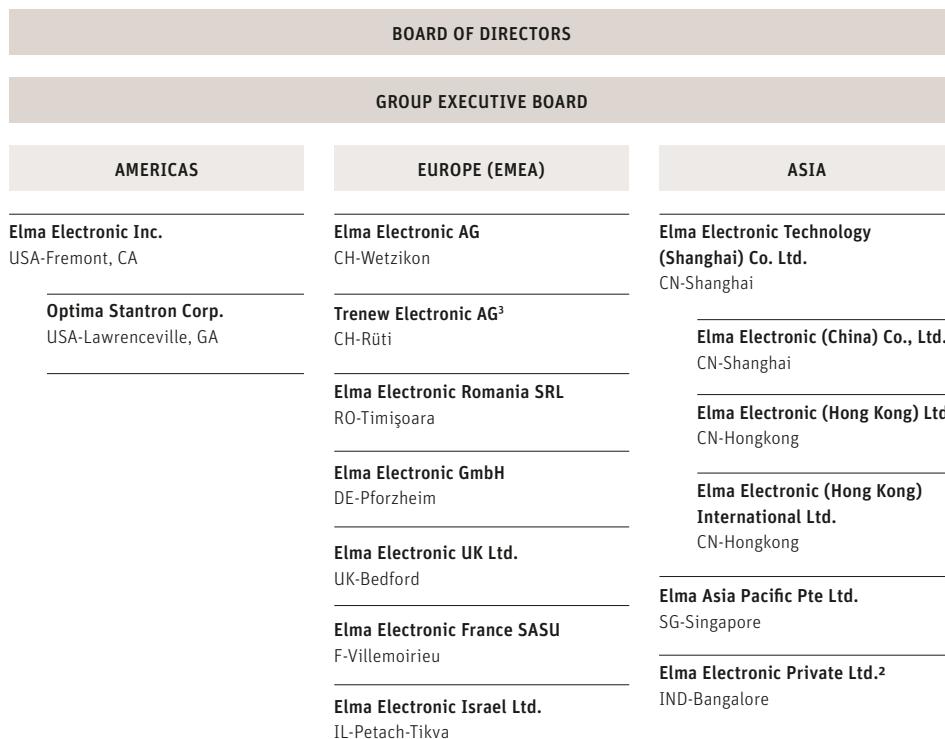
Corporate Governance

The section “Corporate Governance” describes the principles of management and control as they apply to the top decision-making bodies of the Elma Group. The information has been prepared in conformity with the Directive on Information Relating to Corporate Governance issued by SIX Swiss Exchange. The principles of management and control correspond substantially to the “Swiss Code of Best Practice for Corporate Governance” published by economiesuisse. Unless otherwise specified, all the information contained in the report is based on data as at December 31, 2015. The Elma Group follows the Corporate Governance Directives of SIX Swiss Exchange, which has been in effect since July 1, 2002, and supplemented on October 1, 2014. The principles and rules of corporate governance practiced by the Elma Group are set out in the Company’s Articles of Incorporation¹, the Company bylaws¹ and the additional regulations of the Board of Directors. The Chairman of the Board of Directors reviews the content and current relevance of these regularly, and proposes any required additions or amendments to the Board of Directors.

1 Group structure and shareholders

1.1 Group structure

The Elma Group is organized by region. The following organization chart shows the detailed operational Group structure as at December 31, 2015.



1 The Company's Articles of Incorporation (in German) as at April 24, 2014, and the Company's bylaws (in German) as at April 25, 2014, are published at www.elma.com. Direct link: <http://www.elma.com/en-eu/investors/corporate-governance/>

2 On December 30, 2014, Elma Group founded Elma Electronic Private Ltd. The share capital of the newly founded company amounts to INR 100,000. The share capital has been paid up at the beginning of 2015.

3 The Elma Group acquired the Swiss company Trenew Electronic AG in Ruti ZH, operating in the system integration business, retroactively from January 1, 2015. The purchase contract was signed on November 9, 2015.

Elma Electronic AG (parent company of the Elma Group, hereinafter also “the Company”) is the only listed company included in the consolidation. The Company is headquartered in Wetzikon, Switzerland. The Elma share (ticker symbol ELMN, security number 531916) is listed on the Swiss Reporting Standard of SIX Swiss Exchange. The market capitalization at December 31, 2015, amounted to CHF 84.43 million. None of the Group companies own Elma shares.

Information about the Group companies is available on page 66. For further information about the Elma share please refer to page 52.

1.2 Significant shareholders/shareholders' agreements

According to the information available to Elma Group, the shareholders mentioned in Note 10 on page 90 of this Annual Report hold 3% or more of the share capital of Elma Electronic AG.

In the financial year 2015, Elma Electronic AG was informed by shareholders of the following disclosure of shareholdings in accordance with article 20 SESTA:

- Erwin Studer, CH-Zollikerberg/Joraem de Chavonay SA, CH-Zug, going below the 3% threshold limit as of July 1, 2015 as a result of a sale transaction. Joraem de Chavonay SA is majority-owned by Erwin Studer.
- Brita Meier-Birkel, CH-Uitikon, exceeding the threshold limit of 15% as of July 1, 2015 as a result of purchase transactions (newly disclosed participation 18.97%).
- J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds, CH-Basel) going below the 3% threshold limit as of February 2, 2015 as a result of a sale transaction.
- GEKLA AG, CH-Hergiswil, exceeding the threshold limit of 15% as of February 2, 2015 as a result of purchase transactions (newly disclosed participation 15.36%). Indirect holder of GEKLA AG is Rudolf B. Müller, CH-Hergiswil.

Details about disclosure of shareholdings may be downloaded from the disclosure platform of the SIX Swiss Exchange at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html>

As far as Elma Electronic AG knows, there are no shareholders' agreements.

1.3 Cross shareholdings

There were no cross shareholdings with other companies.

2 Capital structure

Information about the capital structure is included in the Articles of Incorporation of Elma Electronic AG and in the Financial Statements on pages 57, 78 and 89. The Articles of Incorporation (in German) are available at <http://www.elma.com/en-eu/investors/corporate-governance/>

2.1 Ordinary capital

The ordinary capital of Elma Electronic AG is unchanged and amounts to CHF 2,513,412 at December 31, 2015.

2.2 Conditional and authorized capital in particular

The Company has no conditional capital or authorized share capital as at December 31, 2015.

2.3 Changes in capital in the last three years

The share capital of Elma Electronic AG remained unchanged since financial year 2010 at CHF 2,513,412. Further information on changes over the last two years is shown in the consolidated statement of changes in equity on page 57. For the financial year 2013, please refer to the related Annual Report (<http://www.elma.com/en-eu/investors/reports>).

2.4 Shares

The share capital as at December 31, 2015, is divided into 228,492 registered shares with a nominal value of CHF 11.00 each. All the registered shares are fully paid-in and entitled to dividends. Each share is entitled to one vote, provided that the shareholder is registered in the share register. Detailed information about voting rights is set out in the Articles of Incorporation and in section 6 of this chapter "Corporate Governance".

2.5 Participation and bonus certificates

Elma Electronic AG has neither issued participation nor bonus certificates.

2.6 Restrictions on transferability and nominee registrations

According to article 5 of the Articles of Incorporation, only a person entered as such in the share register is recognized as a shareholder or beneficiary of the Company. The shares are indivisible, and the Company recognizes only one shareholder or beneficiary for each share. There are no registration limits. A registration in the share register presupposes evidence of the formally correct transfer. Moreover, the Company can refuse registration as a shareholder with voting rights, if, on request, the purchaser does not expressly confirm that he has acquired and will hold the shares in his own name and for his own account. The Board of Directors is authorized to cancel registrations in the share register, retrospectively to the date of registration, if such registrations were based on false statements. It may seek an explanation from the shareholder or beneficiary concerned in advance. In any case, the concerned shareholder or beneficiary must be immediately informed of the cancellation. Shares which are held by a nominee will be registered in the share register without voting rights. Up to now, no entries have been refused.

2.7 Convertible bonds and options

Elma Electronic AG and its Group companies have no convertible bonds or options outstanding as at December 31, 2015.

3 The Board of Directors

The Board of Directors of Elma Electronic AG consisted of four independent members at December 31, 2015.

3.1 Members of the Board of Directors

None of the members of the Board of Directors had business relationships with Elma Electronic AG or one of the Group companies over the past three years. None of them has held executive positions with Elma Electronic AG or one of its Group companies at any time. Information about personal details and other activities and functions of the individual members of the Board of Directors is as follows:

Martin Wipfli Chairman of the Board of Directors (since April 23, 2008), Swiss, 1963

Current activity	Since 1998	Managing Partner Baryon AG, Zurich
Education		Study of law at University of Berne (lic. iur.) Admitted as attorney-at-law in the Canton of Uri
Career	1990–1995	Tax consultant ATAG Ernst & Young AG, Zurich
	1995–1997	Head of tax department Bank Leu AG, Zurich
	1997–1998	Partner Tax Partner AG, Zurich

David Schnell Vice Chairman, Swiss, 1947

Current activity	Since 2002	Self-employed management consultant
Education		Business administration graduate
Career	1985–1997	CFO and member of the executive management ELCO Looser Holding AG, Zurich
	1995–1997	Chief Operating Officer and member of the Board of Directors ELCO Looser Holding AG, Zurich
	1997–2002	CFO and member of the executive management Swisscom AG, Berne

Walter Häusermann Member, Swiss, 1965

Current activity	Since 2010	President and Delegate FJD Feine Juwelen Distributions AG, Schaffhausen
Education		Studies at London School of Economics (MSc Finance and Accounting) and at University of Berne (lic. phil. hist.)
Career	1991–1994	Activities in investment banking Credit Suisse
	From 1994	Corporate Treasury/Head of Financial Controlling, The Swatch Group Ltd, Biel
	From 1997	Finance and Operations Manager Calvin Klein watch brand
	2000–2002	Finance Director Expo.02
	2003–2010	Self-employed management consultant

Rudolf W. Weber Member, Swiss, 1950

Current activity	Since 2011	Self-employed management consultant
Education		Studies at ETH Zurich (dipl. Ing. ETH), studies at University St. Gallen (lic. oec. HSG)
Career		Activities for Hayek Engineering AG and Geberit AG
	1986–1996	Member of the executive management ELCO Looser Holding AG, Zurich
	1996–2001	General Manager Hoval Heiztechnik AG, Feldmeilen/Vaduz
	2002–2006	CEO Sauter AG, Basel
	2006–2011	CEO Kaba Group, Rümlang

3.2 Other activities and interests

Martin Wipfli

- Chairman of the Board of Directors nebag ag, Zurich
- Member of the Board of Directors Metall Zug AG, Zug
- Member of the Board of Directors Zug Estates Holding AG, Zug
- Several mandates as a member of the Board of Directors of unlisted companies

David Schnell

- Member of the Board of Directors Kuoni Reisen Holding AG, Zurich
- Member of the Board of Trustees Kuoni and Hugentobler-Stiftung, Zurich
- Several mandates as a member of the Board of Directors of unlisted companies

Walter Häusermann

- Member of the Board of Directors nebag ag, Zurich
- Member of the Board of Directors Clientis AG, Berne
- Several mandates as a member of the Board of Directors of unlisted companies

Rudolf W. Weber

- Several mandates as a member of the Board of Directors of unlisted companies

In accordance with article 19d of the Articles of Incorporation, the members of the Board of Directors may exercise no more than 30 additional pecuniary mandates, including a maximum of five mandates at stock exchange listed companies. In addition, they may neither hold nor exercise more than ten gratuitous mandates.

As a mandate shall be considered every activity in the highest management or governing bodies of other legal entities, which are obligated to register themselves with the commercial register or another comparable foreign register and neither control the Company nor are controlled by the Company. Mandates for different companies, which are part of the same company group, are considered as one mandate. The restriction of additional mandates according to article 19d of the Articles of Incorporation does not apply to mandates that are exercised by a member of the Board of Directors by order of a Group company.

Proposal to the Annual General Meeting 2016 to elect an additional member of the Board of Directors:

The Board of Directors will propose to the Annual General Meeting 2016 to elect Peter Hotz as an additional member to the Board of Directors of Elma Electronic AG.

Peter Hotz, Swiss, 1954

Current activity	1988–2016	CEO Trenew Electronic AG, Ruti ZH
	As of 1.9.2016	Self-employed management consultant
Education		Apprenticeship as electronic engineer Diploma Business Management SIU
Career	1981–1984	Production Manager Melcher AG, Uster (Power-One)
	1984–1988	Sales Manager/Authorized Officer Litton Industries CH
	1988–2016	Founder and CEO Trenew Electronic AG, Ruti ZH
Other activities		Member of the Board of Directors Trenew Electronic AG Several mandates as a member of the Board of Directors of unlisted companies

3.3 Election and term of office

In accordance with article 14 of the Articles of Incorporation, the Board of Directors consists of a minimum of three and a maximum of seven members, each of them is elected individually by the Annual General Meeting. The Annual General Meeting also elects the Chairman among the members of the Board of Directors.

The term of office of the members of the Board and the Chairman expires with the conclusion of the next Annual General Meeting. Re-election is permitted without restriction.

The members of the Board of Directors automatically retire from the Board at the Annual General Meeting following their 70th birthday.

If the office of the Chairman is vacant, the Board of Directors will appoint a new Chairman for the remaining term of office.

The voting procedures concerning the members of the Compensation Committee and of the independent proxy advisor are described in section 3.4 “Internal Organization” (role and function of the Compensation Committee), respectively in section 6.1 “Restrictions and representation of voting rights” (independent proxy).

First election as member of the Board of Directors:

Name	Function	Date of the first election as member of the Board of Directors
Martin Wipfli	Chairman	nonexecutive April 25, 2007
David Schnell	Vice Chairman	nonexecutive May 3, 2001
Walter Häusermann	Member	nonexecutive April 30, 2004
Rudolf W. Weber	Member	nonexecutive April 30, 2004

At the Annual General Meeting held on April 22, 2015, Martin Wipfli, David Schnell, Walter Häusermann and Rudolf W. Weber were re-elected individually as members of the Board of Directors for another term of office of one year until the conclusion of the next Annual General Meeting. In addition, Martin Wipfli was re-elected separately and individually as Chairman of the Board of Directors for a term of office until the conclusion of the next Annual General Meeting; he has been in office as Chairman of the Board of Directors since 2008.

Rudolf W. Weber and Martin Wipfli were re-elected individually as members of the Compensation Committee for a term of office until the conclusion of the next Annual General Meeting.

3.4 Internal organization

The Board of Directors is authorized to pass resolutions for all matters which are not reserved to the Annual General Meeting by law or which are assigned through law or the Articles of Incorporation to other executive bodies. The Board of Directors has following inalienable and nontransferable duties:

- Overall direction of the Company and issuance of necessary instructions
- Determination of the organization
- Organization of the accounting system, of the financial control and of the financial planning
- Appointment and dismissal of the persons entrusted with management and representation and definition of their signatory powers
- Overall supervision of the persons entrusted with the Group Executive Board, especially in respect of compliance with the law, the Articles of Incorporation, regulations and policies
- Preparation of the Annual Report and the Compensation Report according to article 13 et seq. OaEC and preparation of the General Meeting as well as the implementation of its resolutions
- Notification of the judge in the event of over-indebtedness
- Resolution on the realization of capital increase and resulting amendments of the Articles of Incorporation

The composition of the Board of Directors was unchanged between 2007 and 2015. The Board of Directors pays particular attention to a balanced professional expertise and diversity of its members when proposing them for election to the Annual General Meeting. The selection process for recruitment is irrespective of origin, social background, religion or gender.

The Board of Directors constitutes itself subject to the power of the General Annual Meeting according to article 7 of the Articles of Incorporation and designates among its members a Vice Chairman whose term of office expires with the conclusion of the following Annual General Meeting. He also appoints a secretary who neither needs to be a member of the Board nor a shareholder. The members of the Board of Directors represent the Company through joint signature with a minimum of two signatures.

According to the law and the Articles of Incorporation the Board of Directors may delegate the management of the Company completely or partly to one or several members or to other persons. The Board of Directors enacts a company bylaw for the internal organization, which outlines the competences and responsibilities of the Group Executive Board.

Decisions are taken by the Board of Directors as a whole. Board Committees do not have resolution authority except by means of explicit delegation by the Board of Directors. The Chairman, supported by two standing Committees (Audit Committee and Compensation Committee) as well as the CEO, provides information about the course of business, important transactions and about organizational changes. The majority of the members of the Board of Directors must be present to ensure a quorum. Resolutions and elections are passed by a majority of the votes cast. In the event of a tie, the Chairman shall have a casting vote. Discussions and resolutions of the Board of Directors are recorded in minutes which are signed by the Chairman and the secretary. Written resolutions by way of circulation are possible, unless a member demands oral consultation. Meetings of the Board of Directors may also be held via telephone or video conference.

Role and function of the Chairman

The Chairman of the Board of Directors arranges to be informed on an ongoing basis by the Group Executive Board about the course of business, all important transactions and organizational changes. The main responsibilities of the Chairman are the following:

- Determining, calling, preparing of and presiding over the Company's Annual General Meetings
- Determining, calling, preparing of and presiding over Board meetings of the Company
- Timely information of members of the Board of Directors and its committees
- Monitoring compliance and implementation of resolutions of the Board of Directors
- Reporting to the entire Board of Directors

The Chairman of the Board of Directors has the right to call in third parties as consultants to the Board meetings. The Vice Chairman shall represent the Chairman and takes over his duties in his absence. He has the right to obtain the necessary information.

Role and function of the Audit Committee

The Audit Committee undertakes preparatory tasks, which are then submitted to the entire Board of Directors for decision. The main responsibilities of the Audit Committee are the following:

- Monitoring and supervision of the suitability and effectiveness of the Group's accounting and financial management mechanisms
- Reviewing the interim financial statements and the Annual Report
- Monitoring financing and liquidity
- Assessing and selecting the external auditors for nomination to be elected by the General Meeting
- Reviewing the engagement terms and determining the scope of the external auditors
- Assessing the external auditors' reports

Role and function of the Compensation Committee

The Compensation Committee has the task of preparing resolutions relating to the compensation of the members of the Board of Directors, the Group Executive Board and the Managing Directors of the Group companies, and of submitting a respective proposal to the Board of Directors as a whole. In addition, the committee prepares the business of the Board of Directors and advises and assists in carrying out its tasks in the area of personnel planning and the compensation in the Elma Group.

The Annual General Meeting elects the members of the Compensation Committee consisting of one or more members. The members of the Compensation Committee are elected individually by the Annual General Meeting. Eligible are only members of the Board of Directors. The Chairman of the Compensation Committee shall be appointed by the Board of Directors; the elected Compensation Committee constitutes itself. The term of office of the members of the Compensation Committee expires with the conclusion of the next Annual General Meeting. Re-election is possible. If the Compensation Committee is not complete, the Board of Directors may appoint the lacking members for the remaining term of office.

Based on the proposal prepared by the Compensation Committee, the Board of Directors resolves upon the compensation of the Board of Directors and the Group Executive Board and submits it to the Annual General Meeting for approval in accordance with article 19e of the Articles of Incorporation.

The main responsibilities of the Compensation Committee are the following:

- Preparation and elaboration of the principles of the compensation for the members of the Board of Directors, the committees, the Group Executive Board and the managing directors of the Group companies for submission to the Board of Directors
- Consulting, design and submission of proposals to the Board of Directors regarding the specific compensation of the members of the Board, the Committees, the Group Executive Board and the Managing Directors of the Group companies in accordance with the principles adopted by the Board of Directors
- Setting of targets and issuance of the performance assessment for the members of the Group Executive Board
- Approval of the pension fund regulations of the Company
- Preparation of the compensation report for submission to the Board of Directors as a whole
- Approval of any further mandates of the Group Executive Board outside the Elma Group in accordance with article 19d para. 1 of the Articles of Incorporation of the Company.

In addition, the Board of Directors assigns the Compensation Committee the following functions particularly in relation to the appointment of the members of the Group Executive Board, the election of members of the Board by the Annual General Meeting and succession planning in general:

- Definition of the selection criteria and evaluation for the CEO and the members of the Group Executive Board
- Succession planning with regard to changes in the Board of Directors and recommendations in this respect to the Board of Directors for submission to the Annual General Meeting
- Acknowledgement and evaluation of succession planning for the members of the Group Executive Board, the Managing Directors of the Group companies and the “high potentials”, including strategic personnel planning regarding the furtherance of talents or replacement of low achieving employees, including the organization of the latter

Frequency and calling of meetings

The Board of Directors as well as the Audit Committee and the Compensation Committee meet as often as the Company's business requires.

The Board of Directors meets at least four times each financial year (respectively at least once per quarter) as well as at the request of one of its members. In the reporting year, there were eight meetings held with a participation rate of 100% (see also table on page 35). Meetings of the entire Board of Directors are called by the Chairman, in his absence by the Vice Chairman or another member. Meetings of the Audit Committee and the Compensation Committee are called by the Committee's Chairman, in his absence by the Chairman of the Board of Directors or another member. In principle, the meetings of the entire Board of Directors last half a day; the CEO, the CFO and a secretary who takes the minutes attend these meetings.

The Audit Committee (David Schnell, Chairman, and Walter Häusermann) meets at least twice each financial year (half-yearly). In the reporting year, the Audit Committee had three meetings with a participation rate of 100% (see also table on page 35). In principle, the meetings of the Audit Committee last half a day. In addition to the external auditors, who attend each meeting of the Audit Committee, the CEO, the CFO and a secretary who takes the minutes attend these meetings.

The Compensation Committee (Rudolf W. Weber, Chairman and Martin Wipfli) meets at least twice a year (half-yearly). In the reporting year, the Compensation Committee had two meetings with a participation rate of 100% (see also table on page 35). The meetings last two to three hours each. As a rule, the CEO also attends these meetings. The Chairman of the Compensation Committee reports orally on its activities at the meetings of the Board of Directors. Any Board member may request information from the Chairman of the Compensation Committee at any time about the business and access to the Committee's documents. In urgent cases, the reporting must be provided immediately.

If necessary, other persons as well as external consultants can be brought in for special topics by the Board of Directors, the Audit Committee and the Compensation Committee. In 2015, no external consultants were brought in.

The Board of Directors and its committees are composed as follows:

Entire Board of Directors ¹		Audit Committee ¹		Compensation Committee ²	
Name	Function	Participation at meetings	Function	Participation at meetings	Function
Martin Wipfli	Chairman	8		3	Member
David Schnell	Vice Chairman	8	Chairman	3	-
Walter Häusermann	Member	8	Member	3	-
Rudolf W. Weber	Member	8		-	Chairman
Total Meetings		8		3	2

¹ The CEO and the CFO attended all 8 meetings of the entire Board of Directors as well as all 3 meetings of the Audit Committee. The Chairman of the Board of Directors attended all meetings of the Audit Committee; he is not a Committee member and he attended as a guest.

² The CEO attended all meetings of the Compensation Committee. He stepped outside when his compensation was reviewed.

3.5 Assignment of authority and responsibility

The assignment of authority and responsibility between the Board of Directors and the Group Executive Board is defined in Elma Group's bylaws. The Company's bylaws (in German) are available at <http://www.elma.com/en-eu/investors/corporate-governance/>

The Board of Directors has in principle delegated the operational management of the Group to the CEO. The Board of Directors has reserved for itself for approval in addition to the decisions which it is responsible for based on the duties defined by Swiss Code of Obligation article 716a as inalienable and nontransferable also important business issues related to strategy implementation and important organizational, financial and personnel matters from operations.

These include in particular:

- Agreements on lawsuits and settlement proxies with an amount in dispute of above CHF 100,000
- Investments above CHF 100,000
- Credit borrowings or bond issues
- Conclusion of rental and lease contracts from a term ≥ 3 years
- Investment of free cash flows, cash/foreign exchange management above CHF 0.5 million
- Agreements to guarantees, suretyships, letters of comfort, collaterals
- Personnel and salary policy of the Group
- Appointment, dismissal and setting employment conditions for members of the Group Executive Board, Managing Directors of Group companies and of the product line managers
- Dismissals of more than five people

3.6 Information and control instruments for supervising the Group Executive Board

The entire Board of Directors is integrated in the Elma Group's Management Information System at the appropriate level. Each month, it receives a reporting package consisting of the income statement, balance sheet and important key figures, as well as a comparison to the previous year and to the budget of the Elma Group and the individual Group companies. A rolling three-months forecast is prepared on a monthly basis. In the first quarter, the Group's strategic alignment is reviewed. On a yearly basis, activities in the areas of internal and external control, risk management and compliance are reported. Such documentation is made available to the Board of Directors at least one week prior to the meetings.

The CEO reports quarterly and without any request to the Board of Directors on the progress of business and the execution of his duties. Reporting is submitted in writing to all members of the Board of Directors or verbally during a Board meeting. Where appropriate, the reporting has to be complemented by written documents.

Each member of the Board of Directors may demand information on all issues relating to all activities of the Group. Any member of the Board of Directors desiring information or access to business documents at times other than during the Board meetings shall submit a written application to this end to the Chairman of the Board. Each member of the Board of Directors can apply to the Chairman that he be given access to business documents and records that are necessary for the Board member to perform a particular task. In case, the Chairman denies such a request for information, hearing or access to documents, the Board of Directors will decide upon the matter.

Irrespective of the regular reporting, the CEO immediately notifies in writing all members of the Board of Directors about events which have a significant impact on business operations, in particular about changes intended within the Group Executive Board, events which could be detrimental to the financial position of the Company and discoveries of irregularities within the Group.

The CEO and the CFO attend the meetings of the Board of Directors and of the Audit Committee. The CFO provides an update on the Group's Internal Control System (ICS) at the Audit Committee meetings.

The Board of Directors approved a comprehensive ICS, which entered into force on November 4, 2008. It is regularly reviewed and adjusted if necessary; the last amendment was made on August 14, 2014. The ICS aims to review systematically the existence, compliance and documentation of the most important controls of the most significant internal business processes.

The ICS will be extended depending on the size and risk of each company, however all Group companies are integrated in the scope of examination. ICS documentations/examination programs currently exist for the cycles:

- Preparation of the financial statements and consolidation process
- Purchasing/payables
- Revenue/receivables
- Inventories
- Wages and salaries
- Tangible and intangible assets
- Treasury
- General IT controls
- Entity level controls

These cycles will be verified annually through an internal audit on site and rotative every third year through an external auditor. Due to its corporate and organizational structure as well as the design of the internal control system, the Group Executive Board of Elma Electronic AG has refrained from establishing a separate internal audit department. The internal audits are carried out by Group Controlling, which reports directly to the CFO. On a yearly basis, it reviews the progress made on the ICS for each Group company and submits the findings to the Group Executive Board. A report on the findings as well as a detailed reporting on the risks of the Company is submitted to the Board of Directors by the CFO once a year. The external auditor also examines the existence and documentation of the ICS within the annual audit and prepares a comprehensive report for the Board of Directors. The results of the risk assessment were discussed during two meetings of the Board of Directors in the financial year 2015. Details on risk management are available on page 66 of the Financial Statements.

4 Group Executive Board

The Chairman of the Group Executive Board (CEO) manages the Group operationally together with the other members of the Group Executive Board. He is responsible for setting, implementing and achieving the Group's entrepreneurial goals. The Group Executive Board supports the CEO in managing the Group and deals with all business that is of major importance:

- Setting and implementing the Group strategy
- Drawing up and implementing the management structures and systems
- Optimal use of resources
- Promoting cooperation and communication
- Preparing requests that lie within the competence of the Board of Directors

4.1 Members of the Group Executive Board (GEB)

Fred Ruegg Chief Executive Officer, Regional Manager Americas, Swiss, 1954

Education		Business Economist HWV, Zurich
Career	1981–1985	Head of Controlling and of the IT Department Sulzer Inc., New York (USA)
	1986–12/2013	Establishment and President Elma Americas
	Since 9/2013	CEO Elma Group

Edwin Wild Chief Financial Officer, Regional Manager Asia, Swiss, 1958

Education		Swiss Certified Expert for Accounting & Controlling
Career	1980–1986	External Auditor Curator Revision AG, Zurich
	1986–1987	Internal Auditor F. Hoffmann-La Roche Co., Ltd., Basel
	1987–1992	Kuhne & Nagel Management AG, Schindellegi SZ 1987 to 1989 Head Corporate Controlling 1989 to 1992 Head Internal Audit
	1993–2008	Director Finance and Administration ETA (Thailand) Co., Ltd., Samut Prakan, Thailand – Director Swatch Group Trading (Thailand) Co., Ltd., Bangkok – Director Wachirapani Co., Ltd., Bangkok
	Since 8/2008	CFO Elma Group

Tedy Kratenstein Regional Manager Europe, Israeli, 1960

Education	B. Sc. Eng. and MBA from Tel Aviv University, Israel Multi-national marketing program at Wharton Business School, USA
Career	
1985–1990	Several managing positions Scitex Corp.
1990–1993	Head of Production planning & control Electronics Division Scitex Corp.
1993	Vice President Operations Noron Tech Ltd.
1994–1995	Strategic Account Manager Orlite Industries Ltd.
1996–2000	Head of global Sales & Marketing Orlite Industries Ltd.
2000–2004	Managing Director Amirim Engineering & Marketing Ltd.
2004–2012	CEO Kontron Israel
2012–2014	Vice President of Sales Europe, Middle East & Africa Kontron
11/2014–05/2016	President Europe Elma Group

4.2 Other activities and vested interests

The members of the Group Executive Board have no other activities or vested interests. They do not hold mandates in other listed companies nor do they hold paid or gratuitous mandates in unlisted legal entities.

4.3 Statutory rules regarding the number of permitted activities

With regard to the number of other permissible activities, article 19d of the Articles of Incorporation also applies to the members of the Group Executive Board (see also section 3.2, Board of Directors).

4.4 Management contracts

The Group and its subsidiaries have not concluded any management contracts with third parties.

5 Compensations, shareholdings and loans

Elma discloses the information, which is required in this section, in a separate compensation report on pages 45 to 50 in this Annual Report.

6 Shareholders' participation rights

Shareholders in Swiss incorporated companies enjoy extensive rights of participation and protection, which in principle are laid down in the Swiss Code of Obligations (CO), the Ordinance against Excessive Compensation with respect to Stock Exchange Listed Companies “OaEC”, and are supplemented by the Company’s Articles of Incorporation. The shareholders’ participation rights are described in detail in the Articles of Incorporation of Elma Electronic AG. They are available at www.elma.com The direct link to the Company’s Articles of Incorporation is <http://www.elma.com/en-eu/investors/corporate-governance/>

6.1 Restrictions and representation of voting rights

At the General Meeting, each share entitles to one vote, provided that the shareholder is registered in the share register. The Company maintains a share register in which the owners and beneficiaries of the registered shares are entered. Concerning limitation of the transferability and nominee entry, reference is made to the comments in section 2.6 of "Corporate Governance". Shareholders are entitled to be represented by written proxy, by a third person at the General Meeting or by the independent proxy. All shares held by a shareholder can only be represented by one person.

Independent proxy holder

In accordance with article 10 of the Articles of Incorporation, the shareholders' meeting elects an independent proxy holder. Natural persons, legal entities and partnerships are eligible. Independence must not be affected, neither in fact nor in appearance. The term of office of the independent proxy holder expires with the conclusion of the next Annual General Meeting. Re-election is permitted.

On April 22, 2015, the Annual General Meeting re-elected the law firm Froriep, Zurich, as the independent proxy holder for a term of office of one year. The law firm Froriep is independent and has no further mandates within the Elma Group.

In case the Company does not have an independent proxy holder, the Board of Directors will appoint one for the next General Meeting. The shareholders may recall the independent proxy holder as of the end of the General Meeting. The independent proxy holder shall exercise his duties in accordance with the relevant legislation. The Board of Directors ensures that shareholders have the possibility to issue concrete instructions to the independent proxy holder for every motion in the convocation, as well as general instructions for new motions within the matters under discussion and motions on items for which no notice has been given in accordance with article 700 para. 3 CO.

The Company also ensures that shareholders have the possibility to issue instructions electronically to the independent proxy holder not later than 4.00 p.m. on the third business day prior to the date of the General Meeting. Decisive for complying with the deadline is the time when the independent proxy has received proxies and instructions. The Board determines the method of issuance of the proxies and instructions electronically.

For the Annual General Meeting held on April 22, 2015, shareholders had the possibility to register on the online platform ShareCommService AG (share register) and were able to give voting instructions to the independent proxy holder electronically or to order admission cards for the Annual General Meeting. Proxies and voting instructions could be issued electronically until April 17, 2015, 4.00 p.m.

Details of the procedure to issue instructions electronically to the independent proxy holder for the Annual General Meeting 2016 will be explained in the invitation to the respective Shareholders' Meeting.

The independent proxy holder must exercise the transferred voting rights as instructed. He refrains from voting, if he has not received any instructions. In case the independent proxy is unable to exercise the duties of his office or the Company has no independent proxy according to article 10 of the company's Articles of Incorporation. The transferred voting rights and instructions are considered as given to the independent proxy holder appointed by the Board of Directors.

6.2 Statutory quorums

There are no quorums differing from the law.

The General Meeting passes its resolutions and makes its elections, unless the law or the Articles of Incorporation provide otherwise, by an absolute majority of the share votes represented. The Chairman has a casting vote in the event of a tie. The Board of Directors is authorized to arrange an electronic voting for the General Meeting or for individual voting. The following resolutions of the General Meeting require at least two thirds of the votes represented and the absolute majority of the nominal value of shares represented to be passed:

1. Changing the Company's purpose
2. Creating voting shares
3. Changing limitations on transferability of registered shares
4. An authorized or conditional capital increase
5. A capital increase out of equity, against asset contribution or for the purpose of asset take-over and the granting of special benefits
6. Limiting or revoking of subscription rights
7. Relocation of the Company's registered office
8. Dissolution of the Company

6.3 Convening of the General Meeting of shareholders

The Annual General Meeting is held annually within six months of the end of the financial year at the headquarters of the Company or at another place as appointed by the Board of Directors.

Extraordinary General Meetings can be convened by the Board of Directors or by request of the external auditors. Moreover, such meetings have to be arranged by the Board of Directors within eight weeks, if it is demanded in written form by one or several shareholders, who together represent at least 10% of the share capital, including the subjects of discussion and the proposals.

The invitation to ordinary and extraordinary General Meetings must be issued at least 20 days before the Meeting by publication in the Swiss Official Gazette of Commerce. Registered shareholders receive the invitation in writing to the addresses recorded in the share register. The invitation includes the agenda items as well as the motions of the Board of Directors and, if applicable, of the shareholders, who have demanded a General Meeting to be held or that agenda items be placed on the agenda. In the invitation, the Board of Directors further arranges the issuance of admission cards to the General Meeting.

6.4 Agenda

Shareholders representing shares with a nominal value of at least one million Swiss Francs may demand that an agenda item be included in the agenda by giving notice of the agenda items and of the motions. Respective requests must be addressed to the Board of Directors not later than 40 days prior to the meeting. No resolutions shall be passed on motions relating to items which have not been announced in the requisite manner, with the exception of those motions relating to the convocation of an Extraordinary General Meeting or the execution of a special audit.

Votes and elections at the General Meeting are conducted by open votes. Votes and elections by secret ballot are held, if the Chairman decrees so or shareholders who together represent at least 2% of voting rights demand for such a ballot. The Board of Directors can arrange an electronic voting for the General Meeting or particular voting.

6.5 Entry in the share register

The Company maintains a share register for registered shares in which the name, addresses, and nationalities (in case of juristic persons the head office) of the owners and beneficiaries are entered. Within the period starting from the date of the invitation and ending on the day after the General Meeting, there will be no entries in the share register. Shareholders, who sell their shares prior to the General Meeting, are no longer entitled to vote or to receive dividends. In the event of a partial sale or purchase of shares after the closing date of the share register, the delivered admission and voting cards must be exchanged at the admission control to the General Meeting.

7 Change of control and defense measures

The Company has neither opted up the stock exchange threshold (article 32 SESTA: 33 $\frac{1}{3}$ % of the voting rights) nor has it opted out from such a duty to make an offer. There are no clauses on change of control (golden parachutes) in favor of members of the Company's Board of Directors, its Group Executive Board or other key members of the Company's management.

8 Auditors

8.1 Duration of the mandate and term of office of the external auditors in charge

PricewaterhouseCoopers (PwC) initially accepted the auditing mandate for Elma in 1993. The responsible auditor in charge, Patrick Balkanyi, has been in office since 2014. The auditors are elected by the Annual General Meeting for one financial year; re-election is permitted. PwC was re-elected at the Annual General Meeting held on April 22, 2015 for the financial year 2015.

8.2 Audit fees

PwC's audit fees for services in connection with auditing the compensation report, the statutory annual financial statements of Elma Electronic AG as well as the consolidated financial statements of the Elma Group amounted to kCHF 179 for the financial year 2015.

8.3 Additional fees

The external auditors' additional fees amounted to kCHF 11 for the financial year 2015.

Overview of the fees paid to the external auditors:

in CHF 1,000	2015	2014
Audit services	181	200
Additional fees	9	16
Tax consulting (Compliance)	6	10
Miscellaneous	0	3
Review half-year report	3	3
Total	190	216

8.4 Supervisory and controlling instruments with regard to the external auditors

The external auditors present their audit findings to the Audit Committee at a closing meeting that takes place at least once a year. The external auditor issues a detailed report to the Board of Directors that includes a business analysis, a comment on the audit, accounting and book-keeping, both for the consolidated financial statements and for the statutory financial statements. In the year under review, the external auditors wrote two reports and participated in all meetings of the Audit Committee. The Audit Committee annually assesses the external auditors' performance, independence and service fees and proposes to the entire Board of Directors the external auditors to be put forward for election at the General Meeting. For the financial year 2015, the entire Board of Directors and the Audit Committee concluded that the independence of the external auditors is fully ensured.

In this evaluation, the Audit Committee attaches importance to the following criteria: overall independence of the external auditors as well as the personal independence of the auditor in charge; understanding of the Company's business and specific business risks; cooperation between the external auditor and the Audit Committee as well as the Group Executive Board; practical recommendations of the implementation of legal requirements and regulations in accordance with Swiss GAAP FER. Concerning the rotation of the auditor in charge, the Board of Directors in principle conforms to article 730a OC (i.e. the lead auditor has to be rotated at least every seven years). The lead auditor has been responsible for the Elma Electronic AG audit mandate since 2014 (see also section 8.1 "Duration of the mandate and term of office of the external auditors in charge" of this chapter "Corporate Governance"). The Audit Committee determines the scope of the external audit, the audit plans and the relevant processes on an annual basis. It discusses the results of the audit with the external auditors.

The Audit Committee also examines the annual audit fee in relation to the external auditors' additional fees for nonaudit services. In addition to the audit fees, the annual budget comprises an amount for nonaudit services. If nonaudit services will exceed the budgeted amount, approval by the Audit Committee is needed in advance.

9 Information policy

Elma Electronic AG provides information regularly and comprehensively about the course of business. The Company publishes its results in an annual report and a half-year report, as well as through detailed press releases. When the annual results are released, the Company hosts an analyst and media conference. Shareholders who are registered in the share register receive the Annual Report directly. The financial reports (annual reports, half-year reports) are available on the Company's website or can be ordered from the Company in print form at the following link: <http://www.elma.com/en-eu/investors/subscription-service/>

Official notices are published in the Swiss Official Gazette of Commerce. Publications in conjunction with the listing of the registered shares at the SIX Swiss Exchange are made in accordance with the listing rules of SIX Swiss Exchange. Detailed information regarding disclosure notices and transactions of Elma shares by members of the Board of Directors or members of the Group Executive Board can be viewed at <https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html> and at <https://www.six-exchange-regulation.com/en/home/publications/management-transactions.html> respectively.

Potentially price-sensitive information is published according to the ad hoc publicity rules of the SIX Swiss Exchange. The press releases of the Company are available at www.elma.com (direct link: <http://www.elma.com/en-eu/investors/corporate-news/>). Financial reports of the Company, a calendar with important dates for investors and the media, the possibility to subscribe for press releases or Company brochures, presentations and other information are also available at the same link.

The direct link to register for ad hoc press releases is: <http://www.elma.com/en-eu/investors/subscription-service/>

The direct link to access to the Articles of Incorporation and the Company's bylaws (both in German) is: <http://www.elma.com/en-eu/investors/corporate-governance/>

For information regarding investor and media contacts as well as for an overview of important dates, please refer to page 52 of this Annual Report.

Compensation Report

Introduction

This compensation report outlines the compensation principles as well as the compensation for the Board of Directors and the Group Executive Board of Elma Electronic AG. The compensation principles are governed by the Articles of Incorporation¹ as at April 24, 2014. The content of this report, unless otherwise indicated, relates to the financial year 2015 and is in accordance with the Corporate Governance Directives of the SIX Swiss Exchange and the provisions of the "Ordinance against Excessive Compensation in listed corporations" (OaEC) adopted by the Swiss Federal Council, which entered into force on January 1, 2014.

Principles governing compensation

Elma is committed to a modern and competitive compensation policy in order to recruit skilled manpower, to motivate its employees and to offer long-term prospects. Compensation of the Board of Director consists only of a fixed remuneration, while total compensation of the Group Executive Board comprises a fixed and a performance-related component. As a global company, Elma's compensation policy complies with the relevant legislation.

Governance

The Board of Directors of Elma Electronic AG is responsible for defining the compensation policy for the entire Group. It approves the individual compensation of each member of the Board of Directors as well as of each member of the Group Executive Board. It makes its decisions on the basis of the proposals submitted by the Compensation Committee.

In the financial years 2015 and 2014, Rudolf W. Weber (Chairman) and Martin Wipfli (member) were members of the Compensation Committee. The tasks and competences are described in detail in section 3.4 of the "Corporate Governance" report on page 34 in this Annual Report.

Since the Annual General Meeting in 2015, the Board of Directors submits a proposal to the shareholders concerning the approval of the maximum aggregate amount of compensation of the Board of Directors for the period until the next Annual General Meeting ("compensation period"). In addition, the Board of Directors shall propose separately for approval the maximum amount of compensation of the Group Executive Board for the financial year following the Annual General Meeting ("period of approval"). The respective total amounts include all contributions of the members of the Board of Directors, the Group Executive Board and the Company to the social insurance and occupational pension schemes. The voting at the Annual General Meeting in relation to the maximum aggregate amounts of compensation is binding.

The Annual General Meeting held on April 24, 2014 approved comprehensive amendments and additions of the Articles of Incorporation of Elma Electronic AG in connection with the provisions of OaEC. Details of the compensation principles, loans and credits as well as property and benefits in relation to the members of the governing bodies are specified in article 19b et seq. of the Articles of Incorporation¹.

¹ Link to the Articles of Incorporation (in German only) <http://www.elma.com/de-eu/investors/corporate-governance/>

Decision-making levels of compensation

Type of compensation	Compensation Committee	Entire Board of Directors	Annual General Meeting
Compensation Board of Directors			
Maximum compensation for the Board of Directors for the period until the next Annual General Meeting ("compensation period")	Recommendation	Proposal to Annual General Meeting	Approval
Individual compensation for the members of the Board of Directors for the previous compensation period	Proposal	Approval	
Compensation Group Executive Board (GEB)			
Maximum compensation for the members of the GEB for the financial year following the General Annual Meeting ("period of approval")	Recommendation	Proposal to Annual General Meeting	Approval
Individual compensation for the members of the GEB (base compensation, performance-related compensation, pension fund contributions and other compensation) for the previous financial year	Review, recommendation	Approval	

Compensation of the members of the Board of Directors

The members of the Board of Directors receive a fixed base compensation for their work. The compensation is set for one year, whereby the period corresponds to the length of time from one Annual General Meeting to the next one. The Board of Directors may additionally agree to pay appropriate compensation to individual members for special services rendered. The compensation is proposed once a year by the Compensation Committee and determined by the entire Board of Directors at its own discretion. All members of the Board of Directors attend the respective meeting and all members of the Board of Directors are entitled to vote on the respective individual compensation. In any case of potential conflict of interest, the respective member of the Board of Directors shall abstain from voting. The compensation shall be paid out once a year for the respective calendar year.

In the compensation period 2015, the fixed compensation for the members of the Board of Directors was paid out in cash. The amount of compensation was last amended in the year 2000 and remained unchanged since. The Chairman of the Board receives a fixed base compensation of CHF 80,000, the Vice Chairman receives CHF 70,000, and the Board Members receive CHF 50,000 each. For the active participation as a member of the Audit Committee or as a member of the Compensation Committee, no additional compensation will be paid.

In the compensation period, no special services have been awarded to individual members. In 2015, total compensation comprised the fixed compensation and an expense allowance, including employer's contributions to social benefits thereon, if applicable.

**Compensation for the members of the Board of Directors for the compensation periods
2015 and 2014 (audited)**

Name	Function	Base	Other	Total	2015	Base	Other	Total
		compensation in CHF	compensation in CHF ¹	compensation in CHF	2014	compensation in CHF	compensation in CHF ¹	compensation in CHF
Martin Wipfli	Chairman	80,000	5,200	85,200	80,000	5,200	85,200	85,200
David Schnell	Vice Chairman	70,000	4,550	74,550	70,000	4,550	74,550	74,550
Walter Häusermann	Member	50,000	3,250	53,250	50,000	3,250	53,250	53,250
Rudolf W. Weber	Member	50,000	3,050	53,050	50,000	3,050	53,050	53,050
Total Board of Directors		250,000	16,050	266,050	250,000	16,050	266,050	

1 Expense allowance and any employer's contributions to social benefits on fixed base compensation.

At the Annual General Meeting on April 22, 2015, the shareholders approved a maximum compensation for all members of the Board of Directors in the amount of CHF 300,000 for the period until the next Annual General Meeting 2016.

Reconciliation of the reported compensation of the Board members during the financial year 2015, which was approved by shareholders for the period from the 2015 AGM to the 2016 AGM (audited)

In CHF	Board compensation earned during FY 2015	Less compensation paid for the period from 1.1.2015 to the 2015 AGM (4 months)	Plus compensation paid for the period from 1.1.2016 to the 2016 AGM (4 months)	Total Board compensation paid for the period from the 2015 AGM to the 2016 AGM (4 months)	Maximum amount approved by shareholders at the 2015 AGM	Amount within the endorsed amount approved by shareholders at the 2015 AGM
Total Board members (4 members)	266,050	88,683	88,683	266,050	300,000	Yes

At the Annual General Meeting on April 21, 2016, the Board of Directors will propose a total compensation for the entire Board of Directors for the period from the 2016 AGM to the 2017 AGM in an amount of CHF 550,000. The higher amount compared to the previous year is mainly due to the fact that the Board of Directors will propose to the 2016 AGM to elect Peter Hotz as an additional member of the Board, and thus the Board of Directors shall consist of five members.

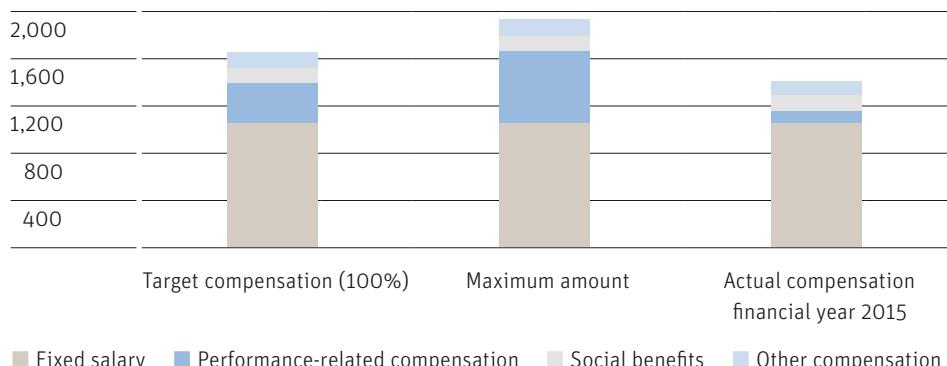
Compensation of the members of the Group Executive Board

The assessment of the compensation for the members of the Group Executive Board is reviewed once a year by the Compensation Committee for submission to the Board of Directors. The members of the Group Executive Board receive an annual performance-related compensation in cash in addition to a fixed salary in cash. The fixed salary is set according to the qualification and experience as well as the responsibility as CEO, CFO and Regional Manager, respectively. The effective amount of the fixed salary of each member of the Group Executive Board is market-oriented and based at the discretion of the Board of Directors. The Compensation Committee compiles the amount of the performance-related compensation on an annual basis and submits it to the Board of Directors for approval. The members of the Group Executive Board step outside the meeting of the Board of Directors when their compensation is reviewed. At December 31, 2015, the Group Executive Board consisted of three members as at the end of last year.

The performance-related compensation depends on the achievement of predefined targets. The target agreement for the members of the Group Executive Board consists of two parts: the operating result (EBIT) at Group level (70%) and personal goals agreed upon with the Board of Directors (30%). The determination of objectives and their weighting takes place individually and personally, on an annual basis at the beginning of the new business year. Upon achievement of 100% of the objectives, the performance-related compensation can amount between 26% and 44% of the fixed salary. If the objectives are partially achieved, the compensation is lower in line with the agreed objectives; if they are exceeded, the performance-related compensation can reach a maximum of between 53% and 75% of the fixed salary. The compensation thereby has an upper limit. In 2015, the compensation model for the members of the Group Executive Board was unchanged compared to the previous year.

Compensation model for members of the GEB

In CHF 1,000



In addition to social benefits (old age insurance [AHV], unemployment insurance [ALV], invalidity insurance [IV], pension funds, etc.), the members of the Group Executive Board are entitled to a company car.

Compensation for the Group Executive Board for financial year 2015 (audited)

Name	Base salary in CHF	Performance- related compensation in CHF ¹	Pension fund contribution in CHF	Other compensation in CHF ²	Total compensation in CHF
Fred Ruegg, CEO	451,000	38,133	15,900	29,517	534,550
Edwin Wild, CFO	290,000	38,806	73,047	48,203	450,056
Tedy Kratenstein ³	276,978	32,499	48,515	45,473	403,465
Total Group Executive Board	1,017,978	109,438	137,462	123,193	1,388,071

1 Performance-related compensation in cash.

2 Amounts essentially comprise social security costs (insurances for old age, unemployment, etc. [AHV, ALV, IV]) and the grant of a company car.

3 The employment contract will end on May 31, 2016. Compensation for the financial year 2016 will be disclosed in the Annual Report 2016.

The performance-related compensation shown in the table above refers to the financial year 2015 and will be presented to the Board of Directors for approval of payment on March 10, 2016.

Compensation for the Group Executive Board for financial year 2014 (audited)

Name	Base salary in CHF	Performance- related compensation in CHF ¹	Pension fund contribution in CHF	Other compensation in CHF ²	Total compensation in CHF
Fred Ruegg, CEO	451,000	120,000	14,040	23,542	608,582
Edwin Wild, CFO	290,000	105,600	69,869	48,701	514,170
Tedy Kratenstein ³	52,113	23,050	8,119	8,280	91,562
Total Group Executive Board	793,113	248,650	92,028	80,523	1,214,314

1 Performance-related compensation in cash.

2 Amounts essentially comprise social security costs (insurances for old age, unemployment, etc. [AHV, ALV, IV]) and the grant of a company car.

3 Tedy Kratenstein has been member of the Group Executive Board since November 1, 2014.

The performance-related compensation shown in the table above refers to the financial year 2014. On March 13, 2015, the amount for the financial year 2014 has been proposed to the Board of Directors and the payment has been approved.

In the financial year 2015, the relation between performance-related compensation and fixed salary was 8.5% for the acting CEO (previous year: 26.6%). The performance-related compensation of the other members of the Group Executive Board was between 11.7 and 13.4% of the base compensation (previous year: between 36.4 and 44.2%). The change of the performance-related bonus and of the total compensation compared to the previous year is on the one hand due to the fact that in 2014 one member of the Group Executive Board joined the Company only in November 2014 and on the other hand due to a considerably lower EBIT achieved in the financial year 2015. For the determination of compensation, no branch-specific benchmarks, external studies or advisors have been consulted – neither in the reporting year 2015, nor in the previous year.

On April 22, 2015, the shareholders approved a total compensation for the Group Executive Board for financial year 2016 in the maximum amount of CHF 2,000,000. The corresponding reporting of the compensation 2016 will be disclosed in the compensation report 2016.

At the Annual General Meeting on April 21, 2016, the Board of Directors will propose a maximum compensation for the Group Executive Board in the amount of CHF 1,500,000 for the financial year 2017.

Benefits and contractual agreements in case of withdrawal from the Company

The employment contracts with all members of the Group Executive Board include a term of notice of six months. Upon termination or early termination of a permanent employment contract with a member of the Group Executive Board, the Company may pay the salary up to the expiry of the term of notice, even if the employee is released from duty.

Loans, credits granted and additional remunerations

According to the Company's Articles of Incorporation, neither loans nor credits are granted to members of the Board of Directors and to members of the Group Executive Board. Therefore, neither loans nor credits were granted to the members of the Board of Directors, the members of the Group Executive Board and related persons, in the reporting year or in the previous year. In 2015, no compensation payments were made to members of the Board of Directors for interim or other consultancy activities (previous year: CHF 0). No goods or services were sold to governing bodies. Compensation to former members of the Board of Directors and related parties: No such compensation payments were made during financial year 2015 (previous year: CHF 0).

Shareholdings by the Board of Directors and the Group Executive Board

At December 31, 2015, the individual members of the Board of Directors and related parties held 50,497 registered shares (previous year: 50,184 shares), corresponding to a quota of 22.1% (previous year: 22.0%) of the share capital of Elma Electronic AG. At December 31, 2015, the Group Executive Board as well as related parties held 2,640 registered shares (previous year: 2,640 shares), corresponding to a quota of 1.2% (previous year: 1.2%).

Shareholdings (audited)

Number of shares	2015	2014
Board of Directors		
Martin Wipfli (Chairman)	50,497	50,184
David Schnell (Vice Chairman)	-	-
Walter Häusermann	-	-
Rudolf W. Weber	-	-
Total Board of Directors	50,497	50,184
Group Executive Board		
Fred Ruegg	2,640	2,640
Edwin Wild	-	-
Tedy Kratenstein ¹	-	-
Total Group Executive Board	2,640	2,640

¹ Member of the Group Executive Board since November 1, 2014

Report of the statutory auditor to the General Meeting

We have audited the accompanying compensation report of Elma Electronic AG for the year ended December 31, 2015. The audit was restricted to the disclosure in accordance with articles 14 to 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) in the with "audited" marked tables on pages 45 to 50 of the compensation report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the compensation report of Elma Electronic AG for the year ended December 31, 2015, complies with Swiss law and articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit expert, auditor in charge



Christoph Schmidt
Audit expert

Winterthur, March 10, 2016

Information for Investors

The registered shares of Elma Electronic AG with a nominal value of CHF 11 per share are listed on SIX Swiss Exchange and have been traded there since December 4, 1996.

Security number 531916
ISIN CH0005319162
SIX ticker symbol ELMN
Reuters ELMN.S
Bloomberg ELMN:SW

Elma registered shares	Swiss GAAP FER				
	2015	2014	2013	2012	2011
Share capital					
Number of registered shares issued	228,492	228,492	228,492	228,492	228,492
Average number of registered shares	228,492	228,492	228,492	228,492	228,492
Nominal value	in CHF	11.00	11.00	11.00	11.00
Nominal share capital	in CHF 1,000	2,513	2,513	2,513	2,513
Number of treasury shares	-	-	-	-	-
Conditional capital					
Number of registered shares	-	-	-	-	-
Key figures					
Equity per share	in CHF	111.69	119.09	98.80	96.26
Profit (loss) per share	in CHF	10.24	10.05	3.67	3.45
Dividend (pay-out) per share	in CHF	-	-	-	-
Pay-out ratio	in %	-	-	-	-
Stock market prices					
Highest	in CHF	398.00	403.00	418.75	435.00
Lowest	in CHF	335.00	367.75	379.75	390.00
Closing price	in CHF	369.50	384.50	397.25	406.00
Stock market capitalization¹					
Year-end value	in CHF million	84	88	91	93
					98

¹ The stock-exchange-listed capitalization is equivalent to the share closing price, multiplied by the number of shares at the year end.

Contact

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Shareholders' Register

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Fax +41 44 933 43 81
jasmine.loetscher@elma.ch

Financial Calendar

April 21, 2016
Annual General Meeting
August 16, 2016
Half-Year Report at June 30

Financial Statements 2015 Elma Group

Consolidated Balance Sheet

at December 31

Assets

in CHF 1,000	Notes ¹	2015	2014
Current assets			
Cash		7,575	7,069
Trade accounts receivable	6	18,660	17,357
Other short-term accounts receivable	7	614	864
Derivative financial instruments	8	38	-
Inventories	9	25,298	22,469
Prepaid expenses	10	1,329	699
Total current assets		53,514	48,458
Non-current assets			
Tangible assets	11	14,771	14,265
Deferred income tax assets	12	3,365	3,767
Other financial assets	13	201	205
Intangible assets	14	669	881
Total non-current assets		19,006	19,118
Total assets		72,520	67,576

1 The accompanying Notes on page 59 ff. are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

at December 31

Liabilities and equity

in CHF 1,000	Notes ¹	2015	2014
Liabilities			
Current liabilities			
Short-term bank loans	15	1,800	-
Trade accounts payable		8,367	7,301
Other current liabilities	16	5,244	2,910
Derivative financial instruments	8	-	73
Short-term provisions	17	2,434	2,730
Accruals	18	4,868	4,339
Total current liabilities		22,713	17,353
Non-current liabilities			
Long-term bank loans	15	13,880	11,380
Subordinated loan	15	10,000	10,000
Other liabilities		45	53
Deferred income tax provisions	12	10	1,315
Long-term provisions	17	351	265
Total non-current liabilities		24,286	23,013
Total liabilities		46,999	40,366
Equity			
Share capital		2,513	2,513
Capital reserves		8,388	8,388
Retained earnings		14,620	16,309
Total equity	19	25,521	27,210
Total liabilities and equity		72,520	67,576

1 The accompanying Notes on page 59 ff. are an integral part of the consolidated financial statements.

Consolidated Income Statement

in CHF 1,000	Notes ¹	2015	2014
Net sales from goods and services	31	119,109	118,079
Cost of goods sold	20	-84,152	-82,984
Gross profit		34,957	35,095
Sales and marketing expenses	20	-16,942	-16,820
Administrative expenses	20	-11,970	-11,611
Research and development expenses	20	-2,549	-2,282
Other operating income	23	918	815
Other operating expenses	24	-1,509	-1,104
Operating income (EBIT)	31	2,905	4,093
Financial result	25	-491	-672
Ordinary result		2,414	3,421
Non-operating result	26	398	338
Profit before taxes (EBT)		2,812	3,759
Income taxes	12	-472	-1,463
Net profit		2,340	2,296
Earnings per share in CHF ²	29	10.24	10.05

1 The accompanying Notes on page 59 ff. are an integral part of the consolidated financial statements.

2 No dilution effects

Consolidated Statement of Changes in Equity

in CHF 1,000	Share capital		Capital reserves			Retained earnings			Total
	Additional paid-in capital	Other legal reserves	Total	Currency translation adjustments	Cash flow hedge	Accumulated profits	Total		
Equity at January 1, 2014	2,513	7,311	1,077	8,388	-10,309	-96	22,080	11,675	22,576
Net profit	-	-	-	-	-	-	2,296	2,296	2,296
Currency translation differences	-	-	-	-	2,242	-	-	2,242	2,242
Cash flow hedge, net of tax	-	-	-	-	-	96	-	96	96
Equity at December 31, 2014	2,513	7,311	1,077	8,388	-8,067	-	24,376	16,309	27,210
Equity at January 1, 2015	2,513	7,311	1,077	8,388	-8,067	-	24,376	16,309	27,210
Net profit	-	-	-	-	-	-	2,340	2,340	2,340
Currency translation differences	-	-	-	-	-446	-	-	-446	-446
Offset goodwill from acquisitions	-	-	-	-	-	-	-3,583	-3,583	-3,583
Equity at December 31, 2015	2,513	7,311	1,077	8,388	-8,513	-	23,133	14,620	25,521

The accompanying Notes on page 59 ff. are an integral part of the consolidated financial statements.

Consolidated Cash Flow Statement

January 1 to December 31

in CHF 1,000	Notes ¹	2015	2014
Cash flow from operating activities			
Net profit		2,340	2,296
Income taxes	12	472	1,463
Financial result	25	491	672
Adjustments for			
Depreciation of tangible assets	11	2,245	2,148
Amortization of intangible assets	14	346	355
Change in provisions	17	-240	191
Other non-cash-effective income and expenses		22	114
Changes in net working capital			
Inventories	9	9	-1,605
Trade accounts receivable	6	802	2,107
Other short-term accounts receivable and prepaid expenses	7/10	-282	567
Trade accounts payable		-18	-2,015
Other short-term payables and accruals	16/18	1,265	643
Income taxes paid		-1,450	-918
Interest paid	25	-513	-676
Total cash flow from operating activities		5,489	5,342
Cash flow from investing activities			
Acquisition of subsidiaries net of cash	4	-6,347	-
Purchase of tangible assets	11	-2,872	-2,088
Disposal of tangible assets	11	33	28
Purchase of intangible assets	14	-145	-60
Disposal of intangible assets	14	1	7
Changes in other financial assets		-3	-26
Total cash flow from investing activities		-9,333	-2,139
Cash flow from financing activities			
Increase of short-term borrowings	15	1,800	-
Increase of long-term borrowings	15	5,400	-
Repayment of long-term borrowings	15	-2,900	-2,970
Total cash flow from financing activities		4,300	-2,970
Effects of exchange rates on cash		50	292
Increase in cash		506	525
Cash at January 1		7,069	6,544
Cash at December 31		7,575	7,069

1 The accompanying Notes on page 59 ff. are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

1 Basic information

The Elma Group is a global manufacturer of electronic packaging products for the embedded systems market – from components, storage boards, backplanes and chassis platforms to fully integrated systems. Elma also provides enclosure solutions to electronics companies, from cases to vertical cabinets, as well as precision components such as rotary switches/encoders, front panels, and LEDs. The parent company, Elma Electronic AG, is a Swiss company, registered in Wetzikon. The consolidated financial statements 2015 were approved for publication on March 10, 2016 by the Board of Directors, and are subject to approval by the Annual General Meeting on April 21, 2016.

2 Summary of significant accounting principles

The significant accounting principles applied in drawing up these consolidated financial statements are described below.

2.1 Basis of preparation

The consolidated financial statements (hereinafter also called "Group Accounts") for the Elma Group are based on the individual annual accounts of the Group companies drawn up to December 31, 2015 in accordance with standard guidelines. The Group Accounts have been prepared in accordance with Swiss GAAP FER and comply with the Swiss law as well as with the Listing Rules of SIX Swiss Exchange. They are based on the historical cost convention, except for the valuation of derivative financial instruments which are reported at fair values.

The preparation of Group Accounts in accordance with Swiss GAAP FER calls for estimates to be made. Furthermore, the application of Group-wide accounting policies requires the use of estimates and judgment by management.

Swiss GAAP FER 31 (Complementary recommendation for listed companies) was applied for the first time in the business year 2015. The implementation only led to marginal changes in the disclosures. There was no material impact on the financial statements.

2.2 Consolidation

The Group Accounts include the annual accounts of Elma Electronic AG, Wetzikon (parent company), and the shareholdings in which Elma Electronic AG directly or indirectly holds more than 50% of the voting rights, or in some other way holds a controlling interest in the company, in accordance with the full consolidation method. Changes to the scope of consolidation are reflected at the date of acquisition or disposal, respectively. The capital consolidation is based on the purchase method. All significant intercompany receivables and payables, income and expenses are eliminated. Unrealized profits on inventories and fixed assets produced within the Group are also eliminated. Group companies and associated companies are listed in Note 4, Scope of consolidation.

2.3 Segment reporting

On the basis of the matrix organization, both geographic and product-specific information is taken into account. The main focus of the segments is the location of the Elma Group's key regional companies (geography). The managing directors of the Group subsidiaries are responsible for market development, sales and the results of the regional companies, and they manage the local staff. As the second level of the matrix organization, the product line managers are responsible for the product line strategy as well as for the development and supply of products.

The three product lines are:

- System Solutions (SYS)
- Enclosures & Components and Cabinets (E&C)
- Rotary Switches (RS)

and essentially comprise the following:

- The **System Solutions** product line offers a wide selection of basic systems for all commonly used architectures. As provider of fully integrated system solutions, Elma is specialized in customized solutions – from enclosure cases, backplanes, storage and chassis platforms to fully integrated systems with power supply, single board computers, storage and networking boards, the product line covers the complete range of products and services.
- The **Enclosures & Components** product line, **including Cabinets**, comprises standard products as well as customized solutions to protect electronic modules against external influences (temperature, moisture, dust, radiation, etc.). These are desktop and small enclosures, module chassis and enclosure components as well as front panels, handles and accessories for computer casings.
- The **Rotary Switches** product line comprises high-quality rotary switches and encoders used in electronic devices. The rotary switches form the human-machine interface and provide a simple way of operating technical devices. Elma develops and modifies efficient and reliable switch solutions which are tailor-made to the customers' requirements.

In accordance with the regional management structure, the Group companies have been assigned to the three regions Americas, Europe and Asia. The Group companies are allocated as follows:

Americas:

- Elma Electronic Inc., Fremont, CA, USA
- Optima Stantron Corp., Lawrenceville, GA, USA

Europe:

- Elma Electronic AG, Wetzikon, Switzerland
- Trenew Electronic AG, Rüti, Switzerland
- Elma Electronic Romania SRL, Timișoara, Romania
- Elma Electronic GmbH, Pforzheim, Germany
- Elma Electronic UK Ltd., Bedford, England
- Elma Electronic France SASU, Villemoirieu, France
- Elma Electronic Israel Ltd., Petach-Tikva, Israel

Asia:

- Elma Electronic Technology (Shanghai) Co. Ltd., Shanghai, China
- Elma Electronic (China) Co. Ltd., Shanghai, China
- Elma Electronic (Hongkong) Limited, Hongkong, China
- Elma Electronic (Hongkong) International Limited, Hongkong, China
- Elma Asia Pacific Pte. Ltd., Singapore
- Elma Electronic Private Ltd., Bangalore, India

2.4 Foreign currency translation

The Group Accounts are presented in Swiss francs. The individual accounts of the subsidiaries are reported in their local currency. In the individual accounts of each Group company, income and expenditures in foreign currencies are translated at exchange rates prevailing at the dates of the transactions (spot rates). Assets and liabilities are translated at year-end exchange rates. The resulting exchange rate gains and losses are recognized in the income statement of the Group companies and are included in the Group result.

For consolidation purposes, balance sheet items in the accounts of foreign Group companies are translated at the year-end closing rates at December 31. The items on the income statement are translated at the prevailing average annual exchange rates. The resulting translation differences are recognized directly in equity under "Currency translation adjustments".

2.5 Tangible assets

Tangible assets are carried at historical acquisition cost or production cost. Costs with a value-added component are capitalized and are then written down over the remaining useful life of the asset. Repair, maintenance and replacement costs are not capitalized. Instead, these are charged against the income statement.

Depreciation is charged on a straight-line basis in accordance with estimated useful lives as follows:

Land	none
Buildings	25–50 years
Technical plant and machinery	5–10 years
Equipment	5–7 years
Hardware	3–5 years
Software	3–5 years
Vehicles	5 years

Residual book values and economic useful lives are reviewed at every balance sheet date and are adjusted if necessary. Assets kept for investment purposes are stated at acquisition or production cost less accumulated depreciation.

2.6 Intangible assets

2.6.1 Goodwill

Upon acquisitions of subsidiaries, the difference between the purchase price and the fair value of the net assets acquired is directly offset against equity at the acquisition date in accordance with Swiss GAAP FER 30. The impact of a theoretical capitalization and amortization over the useful life of 5 years is disclosed in Note 14.2.1, intangible assets.

2.6.2 Software

Purchased computer software licenses are capitalized at acquisition cost plus the cost of putting the software into a state of operational readiness. These costs are depreciated over their estimated useful life of 3 to 5 years (ERP systems).

2.6.3 Other intangible assets

Other acquired intangible assets, e.g. licenses, patents, etc., are recorded at acquisition cost and depreciated on a straight-line basis generally over 5, in justified cases over a maximum of 10 years. Internally generated intangible assets are not capitalized but charged directly to the income statement.

2.7 Impairment of assets

For purposes of the impairment test, assets are aggregated at the lowest level for which cash flows can be separately identified (cash generating units). Assets are reviewed for the need for an impairment adjustment if relevant events, changes or developments indicate that the carrying amount is no longer recoverable. If the carrying amount of an asset exceeds the recoverable amount, an impairment loss is to be recognized against income (impairment). The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is calculated on the basis of estimated future cash flows and their projections for subsequent years. They are discounted using an appropriate long-term interest rate.

2.8 Other financial assets (long-term)

In this category, loans and other long-term receivables are reported. Long-term financial assets are carried at cost less impairments (if any).

2.9 Derivative financial instruments and hedging

Derivative financial instruments are recorded at fair value (replacement value). Changes in the fair value are reported in the income statement. If the derivative is used to hedge future cash flows (cash flow hedge), the hedging instrument and its valuation changes are recognized directly in equity. Positive replacement values are reported as "Derivative financial instruments" in current assets. Negative replacement values are reported as "Derivative financial instruments" under short-term or long-term liabilities, respectively.

2.10 Determination of fair value

The fair value of derivatives which are traded in an active market is based on the quoted market price at the balance sheet date. The relevant quoted market price for financial assets is their current bid price. The fair value of financial instruments which are not traded in an active market is determined by application of valuation models. Elma Group uses different valuation models and makes assumptions which are based on market conditions prevailing at the balance sheet

date. The fair value of interest rate swaps is calculated from the present value of the estimated future cash flows. The fair value of foreign currency forward transactions is determined on the basis of the forward exchange rates at the balance sheet date.

2.11 Inventories

Raw materials and supplies are stated at the lower of acquisition cost or market value. Finished goods and work in progress are stated at the lower of manufacturing cost or net realizable value. Allowances are made for slow-moving inventories. Manufacturing costs include cost of materials, direct and indirect production costs and order-related design/construction costs. Rebates such as cash discounts or customer credit notes are treated as reduction of acquisition cost. According to type and use, inventories are reported at weighted average prices. Provisions are made for slow-moving and non-moving as well as for excess inventories.

2.12 Receivables

Trade accounts receivable and other receivables are initially recorded at face value and subsequently carried at amortized cost after deducting required allowances. These allowances are calculated on the basis of an ageing structure, on individual consideration of overdue receivables, and conform with economic criteria.

2.13 Cash

Cash includes liquid funds held in credit and current accounts with banks and post offices with a maturity of less than three months. They are stated at nominal value.

2.14 Treasury shares

Where any Group company purchases shares of Elma Electronic AG (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from consolidated equity until the shares are cancelled, reissued or disposed. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognized in equity of the Elma Group.

2.15 Borrowings

Borrowings include credits and loan obligations. They are stated at nominal value.

2.16 Current and deferred income taxes

Current income taxes are calculated at the balance sheet date on the basis of the prevailing tax legislation in force in the country where a Group company is located. Where necessary, a liability is recognized to cover the anticipated charge. Deferred income taxes are calculated using the comprehensive liability method. Deferred income tax provisions account for the income tax implications between Group valuation principles and the prevailing tax valuation principles for assets and liabilities. The deferred taxes on these variances are then calculated at locally applicable tax rates. If the tax rate changes, the deferred taxes are adjusted accordingly. Deferred taxes on distributable profits of individual Group companies are taken into account upon consolidation. The change of the deferred income tax provision is recognized directly in the tax expense. A potential reduction of future tax expense arising from available loss carry forwards and valuation differences is recognized only if realization out of forecasted profits is probable. Deferred tax assets and liabilities are offset by the taxable entities only to the extent that the income taxes are payable to the same taxation authority and there is a legal right of offset.

2.17 Employee benefits

Elma Group operates various pension plans and benefit schemes for retirement, death or disability, which are established in accordance with legislations prevailing in each country. The pension plan of the Swiss entity is maintained in a collective foundation with an insurance company. This pension plan is funded by contributions from employer and employees. The foreign pension plans are also generally funded by contributions to independent pension institutions. The accumulated assets are managed independently from the Group.

A benefit resulting from employer contribution reserves is recognized as an asset. The capitalization of an additional economic benefit (due to a surplus in the pension fund) is neither intended, nor are the prerequisites given. An economic obligation is recognized as a liability if the conditions for setting up a provision are met.

2.18 Provisions

Provisions are established for legal or constructive obligations arising from a past event, if it is probable that an outflow of resources will be required to settle the obligation and if the amounts can be estimated reliably.

2.19 Liabilities

Liabilities of the Group against third parties are recorded at nominal value. Other liabilities include liabilities for insurance, taxes and other creditors that do not involve delivery of goods.

2.20 Accruals

Accruals are established for income and expenses incurred and are recorded to ensure a correct cut-off at year-end. These are among others accruals for vacation and overtime, social security contributions as well as performance-related bonuses and premiums payable to employees.

2.21 Net sales recognition

Sales of products and services are recorded at the current value for the sale of goods and services in the course of the ordinary business activities of the Group, excluding sales or value added tax and net of rebates, discounts and allowances. Sales within the Group are eliminated. Recognition principles for sales are as follows:

2.21.1 Sales of products

Revenue from sales of products is recognized for sales transactions in the course of the ordinary business activities, i.e. if they are part of the official range of products of the Elma Group. Revenue from product sales is recognized when all the following criteria are met:

- the significant risks and rights of ownership were transferred to the buyer, and Elma retains neither significant managerial involvement nor effective control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sales of goods will flow to the company;
- the costs can be measured reliably.

2.21.2 Other income

Other income is recorded if an Elma Group company has supplied or rendered services, work or other benefits for a customer and the collection of the receivable is reasonably assured.

Income from such transactions is recognized in the financial year the service was rendered. Provisions are set up for all foreseeable losses relating to orders which fail to break even.

2.22 Leases

Assets held under long-term lease contracts where all substantial risks and rewards remain with the Elma Group (Financial Leasing) are capitalized on the balance sheet under Tangible Assets and are written down over their useful life. The associated lease obligations are posted to liabilities as short-term or as long-term borrowings. The interest charge for financial leases is posted to the income statement as financial expense.

Leasing arrangements in which a substantial proportion of the risks and rewards remain with the lessor are classified as Operating Leases. Payments made under Operating Leases are charged to the income statement in equal installments over the term of the contract. Obligations from operating lease contracts are disclosed in Note 30, commitments under Operating Leases and rental agreements, classified by maturity.

2.23 Research and development costs

Research and development costs are charged directly to expense in the income statement as incurred. Research and development costs include personnel costs, materials and other costs, as well as depreciation.

2.24 Non-operating result

The non-operating result includes income and expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Group.

2.25 Dividends

Elma will commit to a flexible distribution policy which takes into account the capital needs to implement the Group strategy. The shareholders' entitlements to dividend distributions are recognized as a liability in the period the corresponding resolution is passed by the General Meeting.

3 Risk Management

The risk management of the Elma Group supports the Board of Directors, the Group Executive Board (GEB) and the managements of the Group companies in their strategic decisions. The main objective of the risk management is to recognize potential risks early and to take appropriate measures to mitigate or avoid such risks and ensuring that local legal requirements are complied with.

The risk management of the Elma Group is an integral part of the group-wide planning, management and control system, is closely linked to the Internal Control System (ICS) and is regularly reviewed by the GEB. The Board of Directors and the GEB reassess the situation twice a year, focussing on strategic and operational risks.

The risk assessment in the financial year 2015 was conducted through interviews with the local management of the subsidiaries. The assessment of the risks covered was conducted in a continuous refinement of the Group's risk catalog.

For each identified risk, an individual action plan is put in place. Its implementation is monitored by the Group Controlling regularly. The results were presented at the meetings of the Board of Directors on June 4 and December 10, 2015.

4 Scope of consolidation

4.1 Group companies

The scope of consolidation at December 31, 2015 includes the following companies:

Company and location	Business activity	Local currency in 1,000	Share capital	31.12.2015 Ownership in %	31.12.2014 Ownership in %
Elma Electronic AG, Wetzikon, Switzerland	▲●■▼◆	CHF	2,513	Parent company	Parent company
Trenew Electronic AG, Rüti, Switzerland	▲●■▼◆	CHF	250	100	-
Elma Electronic Inc., Fremont, CA, USA	▲●■▼◆	USD	1	100	100
Optima Stantron Corp., Lawrenceville, GA, USA	▲●■▼	USD	1	100	100
Elma Electronic Romania SRL, Timișoara, Romania	●▼	RON	1,509	100	100
Elma Electronic GmbH, Pforzheim, Germany	▲●■▼◆	EUR	128	100	100
Elma Electronic UK Ltd., Bedford, UK	▲■▼◆	GBP	37	100	100
Elma Electronic France SASU, Villemoirieu, France	▲▼◆	EUR	38	100	100
Elma Electronic Israel Ltd., Petach-Tikva, Israel	▲▼◆	ILS	1	100	100
Elma Electronic Technology (Shanghai) Co. Ltd., Shanghai, China	▲●▼◆	RMB	2,459	100	100
Elma Electronic (China) Co., Ltd., Shanghai, China	▲	RMB	7,688	100	100
Elma Electronic (Hongkong) Limited, Hongkong, China	▲	HKD	10	100	100
Elma Electronic (Hongkong) International Limited, Hongkong, China	▲	HKD	10	100	100
Elma Asia Pacific Pte. Ltd., Singapore	▲	SGD	100	100	100
Elma Electronic Private Ltd., Bangalore, India	■▼	INR	100	100	-

▲ Sales ● Production ■ Development ▼ Engineering Support ◆ System Assembly

On November 9, 2015, the Elma Group acquired 100% of the shares of Trenew Electronic AG, Rüti, Switzerland. All listed companies were 100% owned directly or indirectly by Elma Electronic AG.

4.2 Business combination 2015

On November 9, 2015, the Elma Group acquired 100% of the shares of Trenew Electronic AG, Rüti, Switzerland. The acquired net assets are presented as follows:

Goodwill	Fair values
in CHF 1,000	<u>2015</u>
Purchase price	7,200
Transaction costs	101
Fair value of net assets	-3,718
Goodwill	3,583

Balance sheet at November 9, 2015	Final Fair values
in CHF 1,000	<u>2015</u>
Cash	954
Trade accounts receivable	2,460
Inventories	3,247
Fixed assets	50
Liabilities	-2,993
Acquired net assets	3,718

Cash outflow for acquisition

in CHF 1,000	<u>2015</u>
Purchase price	7,200
Transaction costs	101
Cash in acquired company	-954
Cash outflow for acquisition	6,347

5 Exchange rates

	Average rates ¹⁾		Year-end rates ²⁾	
	2015	2014	31 December 2015	31 December 2014
1 USD/CHF	0.97	0.92	1.00	0.99
1 EUR/CHF	1.07	1.21	1.09	1.20
1 GBP/CHF	1.47	1.51	1.48	1.55
1 ILS/CHF	0.25	0.26	0.26	0.26
1 RON/CHF	0.24	0.27	0.24	0.27
1 RMB/CHF	0.15	0.15	0.15	0.16
1 HKD/CHF	0.12	0.12	0.13	0.13
1 INR/CHF	0.02	0.02	0.02	0.02

1) Average rates for the income statement and statement of cash flows

2) Year-end rates for the balance sheet at December 31

6 Trade accounts receivable

Trade accounts receivable

in CHF 1,000	2015	2014
Trade accounts receivable, gross	18,890	17,503
Provisions	-230	-146
Trade accounts receivable, net	18,660	17,357

The provisions for doubtful receivables are based on the ageing structure of the receivables as well as individual value adjustments. The effective losses on accounts receivable in the amount of kCHF 32 (previous year: kCHF 76) were below 0.3 % of the annual revenue (previous year: below 0.6 %). The creditworthiness of the non-overdue and non-value-adjusted receivables is deemed to be good.

Trade accounts receivable are divided into non-overdue and overdue receivables taking account of customer-specific agreements. The ageing structure is as follows:

Ageing structure of trade accounts receivable

in CHF 1,000	2015	2014
Not due	15,947	13,825
1 to 30 days overdue	2,453	2,661
31 to 90 days overdue	364	893
91 to 120 days overdue	28	30
More than 120 days overdue	98	94
Total trade accounts receivable	18,890	17,503

No trade accounts receivable were pledged, neither in the reporting year nor in the previous year.

7 Other short-term accounts receivable

Other short-term accounts receivable

in CHF 1,000	2015	2014
Value-added tax and withholding tax receivable	413	413
Prepayments for social security	72	348
Sundry short-term receivable	129	103
Total other short-term accounts receivable	614	864

8 Derivative financial instruments

Derivative financial instruments are used for the purpose of hedging interest rate and foreign currency fluctuations of the Elma Group.

Derivative financial instruments

in CHF 1,000	2015		2014	
	Asset	Liability	Asset	Liability
Foreign exchange forward contracts	38	-	-	73
Total derivative financial instruments	38	-	-	73
thereof short-term	38	-	-	73

The fair value corresponds to the book value. Realized gains or losses on the hedging instrument and on the hedged position are recorded in the income statement. Unrealized gains or losses are recorded directly in equity, net of deferred income taxes.

As of December 31, 2015, there were 21 (previous year: 2) open foreign exchange forward transactions, each for a nominal amount of USD 0.25 million, totaling USD 5.25 million (previous year: USD 1.0 million), expiring at the end of consecutive months, starting end of January 2016 and end of December 2016. At the balance sheet date, an unrealized profit of kCHF 38 (previous year: unrealized loss kCHF 73) resulted which was credited to the other operating income.

9 Inventories

Inventories

in CHF 1,000	2015	2014
Raw materials and supplies	7,686	8,553
Work in progress and semi-finished goods	6,374	6,034
Finished goods	18,264	14,600
Inventories, gross	32,324	29,187
Provisions	-7,026	-6,718
Inventories, net	25,298	22,469

No inventories were pledged, neither in the reporting year nor in the previous year.

10 Prepaid expenses

Prepaid expenses

in CHF 1,000	2015	2014
Prepaid taxes	311	7
Prepaid rental payments	127	118
Prepaid insurance premiums	92	68
Prepayments to suppliers	61	194
IT maintenance and license costs	58	59
Other prepaid expenses	680	253
Total prepaid expenses	1,329	699

11 Tangible assets

Year 2015

in CHF 1,000	Developed real estate	Buildings	Machinery, equipment and fixtures	Tangible assets under construction	Other tangible assets	Tangible assets kept for investment purposes	Total 2015
Acquisition cost							
Balance at January 1	2,115	12,054	24,031	130	6,816	9,555	54,701
Change in scope of consolidation	-	-	-	-	76	-	76
Additions	-	47	2,143	246	436	-	2,872
Disposals	-	-20	-1,252	-14	-223	-	-1,509
Reclassifications	-	-	85	-85	-	-	-
Currency translation differences	4	-64	-917	-2	-197	-	-1,176
Balance at December 31	2,119	12,017	24,090	275	6,908	9,555	54,964
Accumulated depreciation							
Balance at January 1	39	9,648	20,171	-	5,843	4,735	40,436
Change in scope of consolidation	-	-	-	-	26	-	26
Depreciation	-	252	1,391	-	382	220	2,245
Disposals	-	-20	-1,236	-	-220	-	-1,476
Reclassifications	-	-	-	-	-	-	-
Currency translation differences	-	-62	-811	-	-165	-	-1,038
Balance at December 31	39	9,818	19,515	-	5,866	4,955	40,193
Net book values							
at January 1	2,076	2,406	3,860	130	973	4,820	14,265
at December 31	2,080	2,199	4,575	275	1,042	4,600	14,771

Year 2014

in CHF 1,000	Developed real estate	Buildings	Machinery, equipment and fixtures	Tangible assets under construction	Other tangible assets	Tangible assets kept for investment purposes	Total 2014
Acquisition cost							
Balance at January 1	2,050	11,785	22,044	310	6,258	9,555	52,002
Additions	-	48	1,551	101	388	-	2,088
Disposals	-	-38	-70	-	-203	-	-311
Reclassifications	-	-	71	-281	210	-	-
Currency translation differences	65	259	435	-	163	-	922
Balance at December 31	2,115	12,054	24,031	130	6,816	9,555	54,701
Accumulated depreciation							
Balance at January 1	39	9,201	18,562	-	5,557	4,518	37,877
Depreciation	-	252	1,326	-	353	217	2,148
Disposals	-	-38	-67	-	-169	-	-274
Reclassifications	-	-	37	-	-37	-	-
Currency translation differences	-	233	313	-	139	-	685
Balance at December 31	39	9,648	20,171	-	5,843	4,735	40,436
Net book values							
at January 1	2,011	2,584	3,482	310	701	5,037	14,125
at December 31	2,076	2,406	3,860	130	973	4,820	14,265

12 Income taxes

Income taxes

in CHF 1,000	2015	2014
Current income taxes	-1,388	-1,131
Deferred income taxes	916	-332
Total income taxes	-472	-1,463

Current income taxes comprise taxes which have been or are still being paid on the applicable profits of the individual Group companies, calculated on the basis of the laws and regulations in force in the individual countries.

Deferred taxes

in CHF 1,000	2015	2014
Balance at January 1	2,452	2,530
Currency translation differences	-13	-410
Deferred taxes recorded in income statement	916	332
Deferred taxes recorded in equity	-	-
Balance at December 31	3,355	2,452
thereof deferred tax assets	3,365	3,767
thereof deferred tax provisions	-10	-1,315
Balance after offset	3,355	2,452

Deferred taxes were calculated by applying an average tax rate of 34.6% (previous year: 31.4%).

Tax loss carry forwards

in CHF 1,000	2015	2014
Expiring in 1 to 2 years	177	177
Expiring in 2 to 5 years	12	76
Expiring after 5 years	10,306	-
Available without limitation	3,867	4,502
Total tax loss carry forwards	14,362	4,755
Calculated potential tax assets thereof	3,152	1,124
Valuation allowance	-2,027	-894
Net tax assets from tax loss carry forwards	1,125	230

The capitalized tax assets from loss carry forwards as of December 31, 2015 amounted to CHF 1.1 million (previous year: CHF 0.2 million). Included is the tax loss carry forwards in Switzerland of CHF 10.5 million due to the revaluation of investments in subsidiaries pursuant to the new Swiss financial reporting law, which lead to the capitalization of tax assets in the amount of CHF 1.1 million. Potential tax assets of CHF 2.0 million (previous year: CHF 0.9 million) resulting from applicable loss carry forwards in the amount of CHF 3.2 million (previous year: CHF 1.1 million) were not capitalized due to substantial uncertainties over the future prospects for the business of some of the Group companies.

13 Other financial assets

Other financial assets

in CHF 1,000	2015	2014
Deposits for rent and leases	201	205
Total other financial assets	201	205

14 Intangible assets

Year 2015

in CHF 1,000	Patents, rights, customer relationships		Licenses/ Software	Others	Total
	Acquisition ACT	Others			
Acquisition cost					
Balance at January 1	1,670	878	2,987	830	6,365
Additions	-	-	140	5	145
Disposals	-	-	-9	-	-9
Currency translation differences	11	-39	-42	-6	-76
Balance at December 31	1,681	839	3,076	829	6,425
Accumulated amortization					
Balance at January 1	1,307	775	2,621	781	5,484
Amortizations	119	98	119	10	346
Disposals	-	-	-8	-	-8
Currency translation differences	12	-34	-39	-5	-66
Balance at December 31	1,438	839	2,693	786	5,756
Net book values					
at January 1	363	103	366	49	881
at December 31	243	-	383	43	669

Year 2014

in CHF 1,000	Patents, rights, customer relationships		Licenses/ Software	Others	Total
	Acquisition ACT	Others			
Acquisition cost					
Balance at January 1	1,498	811	3,049	835	6,193
Additions	-	-	60	-	60
Disposals	-	-	-131	-5	-136
Currency translation differences	172	67	9	-	248
Balance at December 31	1,670	878	2,987	830	6,365
Accumulated amortization					
Balance at January 1	1,063	636	2,608	775	5,082
Amortizations	114	99	131	11	355
Disposals	-	-	-124	-5	-129
Currency translation differences	130	40	6	-	176
Balance at December 31	1,307	775	2,621	781	5,484
Net book values					
at January 1	435	175	441	60	1,111
at December 31	363	103	366	49	881

14.1 Patents, rights, licenses and customer relationships

The amount reported comprises mainly software licenses und capitalized customer relationships which have been taken over in the course of the acquisitions of business activities of Mayville Products Corporation in the year 2012, ACT/Technico in the year 2009 and Mektron Systems Ltd. in the year 2005.

14.2 Goodwill

Goodwill resulting from acquisitions will be directly offset against equity. The impact of a theoretical capitalization and straight-line amortization over 5 years since the date of transition to Swiss GAAP FER in 2010 and the subsequent years are shown below.

14.2.1 Impact of a theoretical capitalization of goodwill on the balance sheet

Goodwill items which are older than 5 years and thus already fully amortized are not reported anymore. So far, goodwill in the amount of CHF 9.7 million was offset against equity.

Goodwill

in CHF 1,000	Notes ¹	2015	2014
Acquisition costs			
Balance at January 1		-	-
Additions	4	3,583	-
Balance at December 31		3,583	-
Accumulated amortizations			
Balance at January 1		-	-
Amortization for the year		119	-
Balance at December 31		119	-
Balance sheet values			
Theoretical net book value of goodwill at January 1		-	-
Theoretical net book value of goodwill at December 31		3,464	-
Equity as reported		25,521	27,210
Balance sheet total as reported		72,520	67,576
Equity ratio as reported		35.2%	40.3%
Theoretical equity incl. net book value of goodwill		28,985	27,210
Theoretical balance sheet total incl. net book value of goodwill		75,984	67,576
Theoretical equity ratio		38.1%	40.3%

14.2.2 Impact of a theoretical capitalization of goodwill on the income statement

in CHF 1,000	2015	2014
Net profit as reported	2,340	2,296
Amortization of goodwill for the year	-119	-
Theoretical net profit incl. amortization of goodwill	2,221	2,296

The theoretical, linear amortization period is based on 5 years. For the months November and December 2015, the pro-rata amortization is kCHF 119.

15 Borrowings

	2015	2014
in CHF 1,000		
Short-term bank loans	1,800	-
Short-term borrowings	1,800	-
Long-term bank loans	13,880	11,380
Subordinated loan	10,000	10,000
Long-term borrowings	23,880	21,380
Total borrowings	25,680	21,380
Due in less than 1 year	1,800	-
Due between 1 and 2 years	3,600	-
Due between 2 and 5 years	10,280	21,380
Due after 5 years	10,000	-
Maturity of financial debts	25,680	21,380
CHF	2.0%	2.5%
EUR	2.3%	0.0%
Average interest rate	2.0%	2.5%

In July 2012, Elma closed a private placement as a subordinated loan in the amount of CHF 10 million from a group of private investors. The funds raised were primarily used to repay existing bank loans. The subordinated loan has a maturity of five years and a fixed interest rate of 3% p.a. In November 2015, the private placement was prematurely extended for another period of 5 years. The new terms and conditions of the subordinated loan stipulate a maturity until 2022 and an interest rate of 2.5% as from July 2017. The other conditions remained unchanged. The private placement was granted to Elma Electronic AG from shareholders and third parties. In November 2015, Commerzbank granted a new investment loan in the amount of CHF 7.2 million which has to be repaid over 4 years. The investment loan is fixed for 48 months with an interest rate of 1.9% p.a.

16 Other current liabilities

Other current liabilities

in CHF 1,000	2015	2014
Advance payments from customers	2,943	1,466
Social security	902	785
Income tax liabilities	403	294
Payables to employees	461	-
Value-added tax and withholding tax liabilities	372	229
Sundry liabilities	163	136
Total other current liabilities	5,244	2,910

The increase of advance payments from customers is mainly due to the increase in the subsidiaries in USA, France and Germany for the processing of large projects.

17 Provisions

17.1 Short-term provisions

2015	Guarantees, liability risks	Personnel	Other	Total
in CHF 1,000				
Balance at January 1	399	2,065	266	2,730
Change in scope of consolidation	-	100	-	100
Additions	11	1,639	300	1,950
Unused amounts released	-10	-116	-12	-138
Utilization	-30	-1,922	-182	-2,134
Currency translation differences	-9	-44	-21	-74
Balance at December 31	361	1,722	351	2,434

2014	Guarantees, liability risks	Personnel	Other	Total
in CHF 1,000				
Balance at January 1	409	1,890	217	2,516
Additions	4	1,994	232	2,230
Unused amounts released	-8	-151	-4	-163
Utilization	-19	-1,759	-175	-1,953
Currency translation differences	13	91	-4	100
Balance at December 31	399	2,065	266	2,730

The highest provision amount derives from the category personnel. For bonus and other performance-related compensation payments CHF 1.9 million (previous year: CHF 1.8 million) were paid in the reporting year. A new provision of CHF 1.7 million (previous year: CHF 2.0 million) has been set up to cover performance-related remunerations, to be paid in 2016.

17.2 Long-term provisions

2015

in CHF 1,000	Guarantees, liability risks	Personnel	Other	Total
Balance at January 1	142	123	–	265
Additions	136	9	–	145
Unused amounts released	-24	-29	–	-53
Currency translation differences	1	-7	–	-6
Balance at December 31	255	96	–	351

2014

in CHF 1,000	Guarantees, liability risks	Personnel	Other	Total
Balance at January 1	113	121	–	234
Additions	29	6	–	35
Unused amounts released	-14	-3	–	-17
Currency translation differences	14	-1	–	13
Balance at December 31	142	123	–	265

The category guarantees and liability risks includes provisions for expected potential liability claims from customers as well as provisions for legal and litigation risks. In all cases of long-term and short-term provisions, a cash outflow is very likely.

18 Accruals

Accruals

in CHF 1,000	2015	2014
Vacation, overtime and flexi-time accruals	3,260	2,642
Other accruals	1,083	1,471
Salaries and wages, bonus and social security	368	53
Rent	132	127
Maintenance	24	28
Interest	1	18
Total accruals	4,868	4,339

Other accruals include services, deliveries of goods and transportation costs which were not yet charged at year-end.

19 Shareholders' equity

The analysis of shareholders' equity into its separate components and related movements during the year is set out in the consolidated statement of changes in equity on page 57.

Share capital

Capital in CHF	2015 Number of shares	Share capital	2014 Number of shares	Share capital
Balance at December 31	228,492	2,513,412	228,492	2,513,412

The number of shares of total 228,492 remains unchanged from the previous year. In the reporting year, there was no increase of share capital (previous year: CHF 0). The share capital is fully paid. According to the information available to Elma Group, the shareholders listed on page 90, have a holding of 3% or more in the capital stock of Elma Electronic AG.

Capital reserves and retained earnings

The consolidated reserves include legal reserves of Elma Electronic AG in the amount of kCHF 1,257 (previous year: kCHF 1,257) which are restricted for distribution to shareholders.

20 Expenses by nature

Expenses by nature

in CHF 1,000	2015	2014
Material costs	46,781	46,660
Personnel expenses	48,780	47,080
Depreciation of operational equipment	2,245	2,148
Amortization of intangible assets	346	355
Other operating costs	18,052	17,743
Total operating costs	116,204	113,986

21 Personnel expenses

Personnel expenses

in CHF 1,000	2015	2014
Salaries and wages	38,875	37,601
Other social costs	6,884	6,752
Pension benefit plans	2,451	2,186
Other personnel expenses	570	541
Total personnel expenses	48,780	47,080

The previous year's figures were adjusted by a pension plan which was reported under other personnel expenses (kCHF 329).

22 Pension benefits

Elma Group maintains a range of different pension schemes for its workforce, each tailored to suit relevant national legislation. Elma Electronic AG, Switzerland, is affiliated to two legally independent collective foundations of an insurance company. There is a base plan for occupational pension (BVG) and a supplementary plan. The assets of these collective foundations are managed collectively and are not allocated to the individual affiliated companies. To cover the benefit commitments in the events of death, disability and longevity, Elma maintains reinsurance in the frame of a collective insurance contract (full insurance). The coverage of the collective foundations is therefore at least 100%.

Coverage is not determined at the level of individual affiliated companies. Some foreign subsidiaries are also affiliated to pension funds of insurance companies.

Economic benefit/economic obligation and pension benefit expenses

in CHF 1,000	Surplus/deficit according to Swiss GAAP FER 26	Economic share of the company		Pension benefit expenses in personnel expenses	
		31.12.15	31.12.14	2015	2014
Patronage funds/pension institutions	-	-	-	-	-
Pension institutions without surplus/deficit Switzerland	-	-	-	220	222
Pension institutions with surplus Switzerland	297	-	-	790	790
Pension institutions according to Swiss GAAP FER 26	297	-	-	1,010	1,012
Pension institutions without surplus/deficit abroad	-	-	-	1,441	1,174
Total pension institutions	297	-	-	2,451	2,186

A separated asset account which relates to a previous pension plan persists with an insurance company in the amount of kCHF 297 (previous year: kCHF 292). This balance, however, is of no benefit to the company as it is being used to fund employee contributions. Currently, the intended purpose is not defined. The increase is due to the return on capital.

23 Other operating income

Other operating income

in CHF 1,000	2015	2014
Foreign exchange gains	865	785
Gain on fixed assets disposed	14	4
Sundry income	39	26
Total other operating income	918	815

24 Other operating expenses

Other operating expenses

in CHF 1,000	2015	2014
Foreign exchange losses	954	706
Amortization of acquired intangible assets	230	237
Losses from disposals of tangible assets	15	13
Capital taxes	104	80
Sundry expenses	206	68
Total other operating expenses	1,509	1,104

25 Financial result

Financial result

in CHF 1,000	2015	2014
Bank interest	2	2
Other financial income	20	2
Financial income	22	4
Bank interest	-180	-262
Interest subordinated loan	-300	-300
Interest rate swap	-	-84
Other financial expenses	-33	-30
Financial expenses	-513	-676
Total financial result	-491	-672

26 Non-operating result

Non-operating result

in CHF 1,000	2015	2014
Rental income	613	557
Rental expenses	-215	-219
Total non-operating result	398	338

The non-operating result includes rental income from assets kept for investment purposes and from operational areas no longer required in the amount of kCHF 613 (previous year: kCHF 557).

27 Contingent liabilities and contingent assets

There are no contingent liabilities or contingent assets.

28 Pledged assets

The following table displays the composition of assets pledged to secure own liabilities:

Book value of pledged assets

in CHF 1,000	2015	2014
Real estate and buildings	8,078	8,447

29 Earnings per share

Earnings per share

in CHF 1,000	2015	2014
Net profit	2,340	2,296
Average number of registered shares in issue (see Note 19)	228,492	228,492
Earnings per share in CHF	10.24	10.05

30 Commitments under operating leases and rental agreements

30.1 Operating leases

in CHF 1,000	2015	2014
Due within 1 year	409	254
Due between 2 and 5 years	298	428
Total operating leases	707	682

Off-balance sheet commitments under operating leases are mainly commitments relating to company cars held under leases.

30.2 Rental agreements

in CHF 1,000	2015	2014
Due within 1 year	2,197	1,738
Due between 2 and 5 years	5,170	3,725
Due longer than 5 years	31	1,500
Total rental agreements	7,398	6,963

The increase of the short-term rental obligations is primarily due to first-time recording of the lease agreement from Trenew Electronic AG in Rüti ZH which has a maturity period until August 2016. The increase of the long-term rental obligations stems primarily from the renewal of contracts in USA and Romania respectively. In the UK, the long-term lease agreement was reallocated from over 5 years to the liabilities due between 2 and 5 years.

31 Segment information

31.1 Net sales and EBIT by business regions of Elma Group companies

in CHF 1,000	Elma Group		Americas		Europe		Asia		Eliminations	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales third parties	119,109	118,079	57,775	58,361	51,927	49,814	9,407	9,904	-	-
Net sales between segments	-	-	6,946	6,534	18,398	19,304	241	211	-25,585	-26,049
Total net sales	119,109	118,079	64,721	64,895	70,325	69,118	9,648	10,115	-25,585	-26,049
Operating income (EBIT)										
EBIT	2,905	4,093	3,934	2,827	-1,476	978	447	288	-	-
EBIT margin	2.4%	3.5%	6.1%	4.4%	-2.1%	1.4%	4.6%	2.8%	-	-

31.2 Net sales by product lines

in CHF 1,000	Net sales third parties		
	2015	2014 adjusted ¹⁾	2014
System Solutions	79,002	71,029	80,775
Enclosures & Components	27,485	29,546	19,800
Rotary Switches	12,622	17,504	17,504
Total net sales	119,109	118,079	118,079

1) Since January 1, 2015, net sales of cabinet products were allocated to the product line Enclosures & Components and no longer to the product line System Solutions. To ensure comparability with the previous year, the values have been adjusted accordingly.

32 Related party transactions

Regarding the disclosure of total compensation to the Board of Directors and the Group Executive Board under Articles 14 to 16 OaEC (VegüV), we refer to the Compensation Report. There were no further transactions with related parties which needed to be disclosed, neither in 2015 nor in the previous year.

33 Events after the balance sheet date

No further events have occurred after the balance sheet date which have a significant impact on these financial statements. The consolidated financial statements have been approved by the Board of Directors for publication on March 10, 2016.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Elma Electronic AG which comprise the balance sheet, income statement, statement of changes in equity, cash flow statement and notes (pages 54 to 82) for the year ended December 31, 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP FER and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit expert, auditor in charge



Christoph Schmidt
Audit expert

Winterthur, March 10, 2016

Financial Statements 2015 Elma Electronic AG

Balance Sheet at December 31

Assets

in CHF 1,000	Notes ¹	2015	2014
Current assets			
Cash		1,413	2,160
Trade accounts receivable			
– Group companies		1,396	2,029
– Third parties		2,142	2,902
Other accounts receivable			
– Group companies		672	325
– Third parties		326	605
Inventories		6,238	6,266
Prepaid expenses		62	123
Total current assets		12,249	14,410
Non-current assets			
Financial assets			
– Investments	2	23,644	27,514
– Loans to Group companies		928	1,313
– Other financial assets		24	41
Tangible assets	5	9,884	9,865
Intangible assets		93	154
Total non-current assets		34,573	38,887
Total assets		46,822	53,297

1 The accompanying Notes on page 88 ff. are an integral part of the financial statements.

Balance Sheet at December 31

Liabilities and equity

in CHF 1,000	Notes ¹	2015	2014
Liabilities			
Current liabilities			
Bank debts		1,800	-
Trade accounts payable			
- Group companies		525	531
- Third parties		1,668	1,960
Other current liabilities			
- Group companies		19	25
- Third parties		104	99
Derivative financial instruments		-	73
Accruals		1,722	1,761
Total current liabilities		5,838	4,449
Non-current liabilities			
Bank loans		13,880	11,380
Subordinated loan	11	10,000	10,000
Provisions		44	53
Total non-current liabilities		23,924	21,433
Total liabilities		29,762	25,882
Equity			
Share capital	3	2,513	2,513
Legal reserves			
- Reserves from capital contributions		7,311	7,311
- Retained earnings		1,077	1,077
Free reserves		5,899	5,899
Retained earnings		260	10,615
Total equity		17,060	27,415
Total liabilities and equity		46,822	53,297

1 The accompanying Notes on page 88 ff. are an integral part of the financial statements.

Income Statement

in CHF 1,000	Notes ¹	2015	2014
Net sales			
Net sales from goods and services		25,581	29,945
Income from services		2,497	2,089
Total income		28,078	32,034
Material expenses		-14,307	-16,000
Personnel expenses		-11,520	-11,785
Other operating expenses	6	-3,830	-3,738
Depreciation		-950	-983
Other operating income	6	625	503
Gain on disposal of fixed assets		44	5
Reversal of depreciation on buildings		-	1,743
Operating result (EBIT)		-1,860	1,779
Financial income		2,831	2,301
Financial expenses		-503	-549
Impairment on investments	2	-11,172	-
Ordinary result		-10,704	3,531
Non-operating result	8	398	338
(Loss)/profit before taxes (EBT)		-10,306	3,869
Taxes		-49	-49
Net (loss)/profit		-10,355	3,820

1 The accompanying Notes on page 88 ff. are an integral part of the financial statements.

Notes to the Financial Statements 2015

1 General/valuation principles

These Financial Statements were prepared in accordance with the provisions of the Swiss Code of Obligations concerning commercial accounting and financial reporting standards (SCO 957 ff.). The Company applied the new financial reporting legislation, in force from January 1, 2013, for the first time in the year under review. The previous year's presentation was adjusted accordingly for comparison purposes.

The significant accounting and valuation principles are described below:

Trade accounts receivable

Trade accounts receivable and other current receivables are recognized at nominal value. Provision for specific doubtful debts are applied at these values.

Inventories

Inventories are valued using the weighted-average method, less allowances. Provisions are made for obsolete or slow-moving inventories. In addition, an appropriate allowance is applied for inventories which achieve a lower selling price than stock value.

Net sales recognition

Net sales include all revenues from goods and services. Sales are recognized when the amount can be reliably measured and when it is probable that the economic benefit associated with the sales of goods will flow to Elma Electronic AG, Wetzikon.

Tangible assets and leasing

Tangible assets are carried at historical cost or production cost, less necessary allowances. Payments made for operating leases are charged to the income statement at the date of payment.

Investments

Investments are carried at historical cost, applying individual values, less appropriate allowances.

2 Investments

The information about the non-listed group companies is disclosed in Note 4 of the consolidated financial statements of the Group on page 66 of this report. In the reporting year, dividends from Elma USA in the amount of CHF 1.85 million (previous year: CHF 1.5 million), from Elma UK in the amount of kCHF 300 (previous year: kCHF 600), from Elma Germany in the amount of kCHF 315 (previous year: kCHF 121) as well as from Elma China in the amount of kCHF 308 (previous year: kCHF 0) were distributed and recognized in financial income.

The new Swiss financial reporting law – effective as of January 1, 2015 – applicable for the presentation of the statutory balance sheet of Elma Electronic AG, Wetzikon, stipulates that investments must be evaluated individually. Group valuation is no longer permitted. This led to an impairment in investments of CHF 11.2 million.

3 Shareholders' equity

According to the information available to Elma Group, the shareholders listed on page 90, Note 10, have a holding of 3% or more in the capital stock of Elma Electronic AG.

For further information on share capital, we refer to Note 19 on page 78 of the consolidated financial statements.

4 Pledged assets

in CHF 1,000	2015	2014
Book value of pledged buildings and real estate	8,010	8,447

5 Net release of hidden reserves

In the reporting year, no hidden reserves were released (previous year: kCHF 1,612).

6 Other operating income/expenses

Other operating income included in 2015 mainly realized and unrealized foreign exchange gains of kCHF 613 (previous year: kCHF 500); realized and unrealized foreign exchange losses of kCHF 622 (previous year: kCHF 316) were included in other operating expenses. This resulted in a net exchange loss of kCHF 9 (previous year: exchange gain of kCHF 184).

7 Exchange rates

	Average rates ¹		Year-end rates ²	
	2015	2014	31 December 2015	31 December 2014
1 USD/CHF	0.97	0.92	1.00	0.99
1 EUR/CHF	1.07	1.21	1.09	1.20
1 GBP/CHF	1.47	1.51	1.48	1.55
1 ILS/CHF	0.25	0.26	0.26	0.26
1 RON/CHF	0.24	0.27	0.24	0.27
1 RMB/CHF	0.15	0.15	0.15	0.16
1 HKD/CHF	0.12	0.12	0.13	0.13
1 INR/CHF	0.02	0.02	0.02	0.02

1 Average rates for the income statement and statement of cash flows

2 Year-end rates for the balance sheet at December 31

8 Non-operating result

The non-operating result includes rental income from assets kept for investment purposes totaling kCHF 613 (previous year: kCHF 557). The related rental expenses amounted to kCHF 215 (previous year: kCHF 219), resulting in a net profit of kCHF 398 (previous year: kCHF 338) was reported.

9 Liabilities from operating leases

Operating leases		2015	2014
in CHF 1,000			
Due within 1 year	78	100	
Due between 2 and 5 years	142	96	
Total operating leases	220	196	

10 Significant shareholders

According to the information available to the Elma Group as of December 31, 2015, the individual shareholders listed in the table below each own an interest of 3% or more in the share capital of Elma Electronic AG.

	Number of shares	2015		2014	
		in %	Number of shares	in %	Number of shares
Baryon AG, Zurich	50,497	22.1	50,184	22.0	
Brita Meier, Uitikon-Waldegg	44,087	19.3	30,379	13.3	
Gekla AG, Hergiswil NW	35,104	15.4	16,000	7.0	
Civen Ltd., owned by Pixi Foundation, Vaduz	21,712	9.5	21,712	9.5	
Suzy Gubelmann-Kull, Wetzikon ¹	21,410	9.4	21,410	9.4	
Werner O. Weber, Zollikon	12,650	5.5	12,650	5.5	
André Gubelmann, Wetzikon ¹	12,120	5.3	12,120	5.3	
Sarasin Investmentfonds, Basel	-	0.0	19,102	8.4	
Joraem de Chavonay SA, Zug	-	0.0	12,000	5.3	

¹ Suzy Gubelmann-Kull and André Gubelmann are known to the SIX Swiss Exchange as one shareholders group. Together they hold 33,530 registered shares (14.7%).

11 Borrowings

In July 2012, Elma closed a private placement as a subordinated loan in the amount of CHF 10 million from a group of private investors. The funds raised were primarily used to repay existing bank loans. The subordinated loan has a maturity of five years and a fixed interest rate of 3% p.a. In November 2015, the private placement was prematurely extended for another period of 5 years. The new terms and conditions of the subordinated loan stipulate a maturity until 2022 and an interest rate of 2.5% as from July 2017. The other conditions remained unchanged. The private placement was granted from shareholders and third parties to Elma Electronic AG.

In November 2015, Commerzbank granted a new investment loan in the amount of CHF 7.2 million which has to be repaid over 4 years. The investment loan is fixed for 48 months with an interest rate of 1.9% p.a.

12 Full-time equivalent

The number of full-time equivalent (FTE) is on yearly average over 50, but not over 250 employees.

13 Cash flow statement and additional disclosures

As Elma Electronic AG provides consolidated financial statements in accordance with a recognized accounting standard (Swiss GAAP FER) and in compliance with the statutory regulations, the Notes of these annual financial statements do not include disclosures on interest-bearing liabilities, audit fees, management report or a cash flow statement.

Appropriation of retained earnings

Retained earnings

Retained earnings are presented to the Annual General Meeting on April 21, 2016 as follows:	2015 in CHF	2014 in CHF
Retained earnings carried forward from previous year	10,614,489	6,794,694
Net (loss)/profit	-10,354,888	3,819,795
Retained earnings	259,601	10,614,489

Proposal of the Board of Directors

For appropriation of retained earnings	2015 Proposal of the Board of Directors in CHF	2014 Resolution of the Annual General Meeting in CHF
To be carried forward	259,601	10,614,489
Retained earnings	259,601	10,614,489

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Elma Electronic AG, which comprise the balance sheet, income statement and notes (pages 85 to 92), for the year ended December 31, 2015.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG



Patrick Balkanyi
Audit expert, auditor in charge



Christoph Schmidt
Audit expert

Winterthur, March 10, 2016

Multi-year overview Elma Group

in CHF 1,000	Swiss GAAP FER				
	2015	2014	2013	2012	2011
Net sales	119,109	118,079	113,010	111,111	117,718
EBITDA	5,496	6,596	5,383	5,021	6,853
EBITA	2,905	4,093	2,799	2,512	4,498
EBIT	2,905	4,093	2,799	2,512	4,498
Net profit	2,340	2,296	838	788	1,826
in % of average equity (ROE)	8.9	9.2	3.8	3.6	9.0
Depreciation of tangible assets	2,245	2,148	1,967	1,867	1,695
Amortization of intangible assets	346	355	617	642	660
Investments in tangible assets	2,872	2,088	1,794	2,303	1,709
Investments in intangible assets	145	60	223	157	88
Cash flow from operating activities	5,489	5,342	2,391	2,596	2,318
Cash flow from investment activities	-9,333	-2,139	-2,015	-2,944	-1,592
Free cash flow	-3,844	3,203	376	-348	726
Cash flow from financing activities	4,300	-2,970	-2,250	1,800	-200
Non-current assets	19,006	19,118	18,795	19,283	19,316
thereof tangible assets	14,771	14,265	14,125	14,371	14,045
Current assets	53,514	48,458	46,784	45,306	46,742
thereof cash and cash equivalents	7,575	7,069	6,544	8,454	7,063
Balance sheet total	72,520	67,576	65,579	64,589	66,058
Shareholders' equity	25,521	27,210	22,576	21,995	21,198
in % of balance sheet total	35.2	40.3	34.4	34.1	32.1
Non-current liabilities	24,286	23,013	25,463	27,884	26,142
Current liabilities	22,713	17,353	17,540	14,710	18,718
Total financial liabilities	25,680	21,380	24,350	26,600	24,800
Net financial debts (financial liabilities less cash balances)	18,105	14,311	17,806	18,146	17,737
ROCE (EBITA)/(equity plus net interest-bearing liabilities) in %	6.7	9.9	6.9	6.3	11.6
Indebtedness factor (net interest-bearing liabilities/EBITDA)	3.3	2.2	3.3	3.6	2.6
Headcount (FTE) end year	722	683	682	682	706
Net sales per employee (average)	174	172	167	164	167

Glossary

19" (19 inch)

System size with 19 inch.

ATCA (Advanced Telecommunications Computing Architecture)

Largest specification effort in the history of the PCI Industrial Computer Manufacturers Group. Targeted to requirements for the next generation of carrier grade communications equipment.

AXIe (Advanced TCA Extension)

AXIe is an open modular instrumentation standard based on AdvancedTCA (ATCA) which delivers high performance instrumentation for various industries such as test and measurement and semiconductor test. It can be integrated in future hard and software development. With the AXIe, the modular concept of the telecom platform ATCA will be adapted in the test and measurement engineering.

Backplane

Connects the daughter cards and enables the data exchange and the electric power supply inside the system.

Cabinets

Electronic cabinets.

COM Express

Form factor released by PICMG for x86 based computer-on-module (COM). It is a highly integrated and compact PC that can be used in a design application much like an integrated circuit component. Each COM Express Module COM integrates core CPU and memory functionality, the common I/O of a PC/AT, USB, audio, graphics (PEG), and Ethernet.

cPCI (Compact Peripheral Component Interconnect)

High-capacity bus standard. The solid adaptation of the well-known PCI bus for high system availability, in particular for telecommunication applications. To be applied in industrial applications nowadays.

COTS (commercial off-the-shelf)

A term used to describe the purchase of products that are standard manufactured products rather than custom, or bespoke, products.

Electronic Packaging

Assembly of a system around an electronic circuit board. It shelters the system mechanic which integrates the circuit board and protects it against environmental impacts such as dust and electromagnetic waves, the backplanes which transfers the data exchange within the circuit boards as well as the power supply and the cooling of the electronic circuit boards. The system mechanic is based on 19" standard.

Embedded Systems

Electronic data processor or computer which is embedded in a technical environment. The computer controls, regulates or monitors the system in which it is embedded.

EMV (Electromagnetic Comptability)

Electromagnetic comptability is the ability of a system to operate in the intended environment without causing or suffering unacceptable degradation of performance due to unintentional electromagnetic radiation or response.

Encoder

Converter for digital or analog signals.

Enclosures & Components

One of Elma's three product lines.

IEEE

The Institute of Electrical and Electronics Engineers (IEEE) is a non-profit professional association dedicated to advancing technological innovation related to electricity. It forms committees for the standardization of technologies, hardware and software. IEEE is based in New York City.

IP-Schutz (Ingress Protection)

International standard. It classifies the degrees of protection provided against the intrusion of solid objects in electrical enclosures.

HMI (Human Machine Interface)

The human-machine interface includes the necessary elements over which the operator controls and handles a technical device.

Level 4

Value chain defined by the industry of electronic packaging products. The scale ranges from Level 0 (components) to 5 (system with logistics and support). Level 4 describes the system integration.

MTCA (Micro Telecommunications Computing Architecture)

Specification based on ATCA for smaller modules.

Rotary Switches

One of Elma's three product lines.

PICMG (PCI Industrial Computer Manufacturers Group)

A consortium of over 220 companies which focuses on developing and implementing specifications and guidelines for use in high-performance telecommunications, military, and industrial computing applications.

PC 104

PC 104 is a family of embedded computer standards which define both form factors and computer buses. The standard is modular and allows consumers to stack together boards on top of each other like building blocks without a backplane. The name is derived from "personal computer" and the number of connection pins (104) of the modular plug.

SFF (Small Form Factor)

SFF is the term for enclosures and packaging which are usually smaller than the standardized 19" enclosures and have customized dimensions.

System Solutions

One of Elma's three product lines. Systems solutions based on components such as bodies, backplanes and cabinets.

VPX/VXS

VMEbus Serial Fabric Extensions.

3U (Unit)

Rack unit or rack mount space. 1U corresponds to 1¾ inch or 44.45 mm.

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Imprint

Explanation of statements about the future

This Annual Report contains statements about what the future might hold for Elma, and these are of course subject to uncertainties and risks. The reader must therefore bear in mind that statements of this kind may ultimately be at variance to actual events occurring at a future date. These statements about future prospects take the form of projections of potential developments. All statements about the future are based on data available to Elma at the time this Annual Report was being produced. Elma does not accept any obligation for updating the statements about future prospects contained in this Annual Report to reflect new information, future events or similar developments.

This Annual Report is also available in the German language. The original document, written in German, is binding.

A full copy of the Annual Report for Elma Electronic AG can be obtained from our website at:
www.elma.com/en.eu/investors/reports

Publisher

Elma Electronic AG, Wetzikon, www.elma.com

Concept and implementation

Linkgroup AG, Zürich, www.linkgroup.ch
Tolxdorff & Eicher Consulting, Horgen,
www.tolxdorff-eicher.ch

Illustration

Bernd Schifferdecker, www.berndschifferdecker.com

Editorial

Elma Electronic AG, Wetzikon, www.elma.com

Translation

Translingua AG, Zürich, www.translingua.ch

Printing

Linkgroup AG, Zürich, www.linkgroup.ch

Paper

DNS® Premium
FSC-certified (Forest Stewardship Council/
Waldwirtschaftsrat)

© Elma Electronic AG 2016



Druck | ID: 11665-1601-1002

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