PHOENIX MECANO

2015 ANNUAL REPORT

WE ARE PHOENIX MECANO

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MANAGEMENT REPORT

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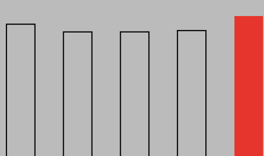

REPORT BY THE BOARD OF DIRECTORS

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FINANCIAL STATEMENTS

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19	12 260	11 034
20	205	270
	2 712	2 554
24	19 894	16 992

KEY FIGURES OF THE PHOENIX MECANO GROUP

KEY FINANCIAL FIGURES	Units	2015	2014	2013	2012	2011
Gross sales	EUR million	559.8	505.6	500.6	500.5	529.8
– Change	%	10.7	1.0	0.0	–5.5	5.6
Operating cash flow (EBITDA)	EUR million	52.3	53.1	56.2	54.5	68.1
– Change	%	–1.4	–5.5	3.1	–20.0	–4.3
– in % of sales	%	9.4	10.5	11.2	10.9	12.9
Result before interest and tax (Operating result)	EUR million	15.0	29.5	35.0	27.9	36.1
– Change	%	–49.2	–15.9	25.5	–22.7	–31.4
– in % of sales	%	2.7	5.8	7.0	5.6	6.8
– in % of net operating asset	%	5.4	10.6	14.2	11.1	13.4
Result of the period	EUR million	6.7	20.0	22.4	18.1	23.6
– Change	%	–66.6	–10.7	23.9	–23.6	–46.1
– in % of sales	%	1.2	4.0	4.5	3.6	4.5
– in % of equity	%	2.5	7.5	8.8	7.2	9.6
Total assets/capital	EUR million	426.7	414.0	395.6	390.0	389.8
Equity	EUR million	262.6	267.5	254.2	250.7	246.5
– in % of total assets	%	61.5	64.6	64.3	64.3	63.2
Net indebtedness/(Net liquidity)	EUR million	24.5	12.5	–1.5	0.7	17.3
– in % of equity	%	9.3	4.7	–	0.3	7.0
Cash flow from operating activities	EUR million	39.0	38.8	42.3	62.1	44.6
Free cash flow	EUR million	13.6	15.4	23.0	37.5	24.4
Purchases of tangible and intangible assets	EUR million	26.7	24.0	20.3	25.4	20.9
SHARE INDICATORS						
Share capital [1] (bearer shares with a par value of CHF 1.00)	CHF	960 500	960 500	978 000	978 000	978 000
Shares entitled to dividend [2]	Number	960 015	959 240	957 936	963 197	973 480
Result before interest and tax (Operating result) per share [4]	EUR	15.6	30.7	36.6	29.0	37.1
Result of the period per share [4]	EUR	7.0	20.8	23.4	18.8	24.3
Equity per share [4]	EUR	273.6	278.8	265.4	260.3	253.2
Free cash flow per share [4]	EUR	14.2	16.1	24.0	38.9	25.1
Dividend	CHF	15.00 [3]	15.00	15.00	13.00	13.00
Share price						
– High	CHF	560	589	565	575	719
– Low	CHF	407	399	436	431	427
– Year-end price	CHF	467	460	545	431	490

1 Pursuant to a decision by the Shareholders' General Meeting of 23 May 2014, the share capital was reduced by CHF 17 500 with effect from 26 August 2014 by cancelling 17 500 shares from the 2013/2014 share buy-back programmes.
2 As at the balance sheet date, the company owned 485 treasury shares, which are not entitled to dividend.
3 Proposal to the Shareholders' General Meeting of 20 May 2016.
4 Based on shares entitled as at 31 December.

PHOENIX MECANO – PROFILE

We are a global technology company with a presence in the international growth markets. With our three divisions – Enclosures, Mechanical Components and ELCOM / EMS – we are leaders in many of our markets. Important areas of application are mechanical engineering, measurement and control technology, electrical engineering, automotive and railway technology, energy technology, medical technology, aerospace technology and home and hospital care.

Contents

PERFORMANCE GROUP

The Phoenix Mecano Group continued its positive sales trend in financial year 2015, with gross sales up by 10.7%. Our solid balance sheet structure and high equity ratio mean that we can look to the future with optimism. This is reflected in the unchanged dividend.

Operating result

15.0 EUR MILLION

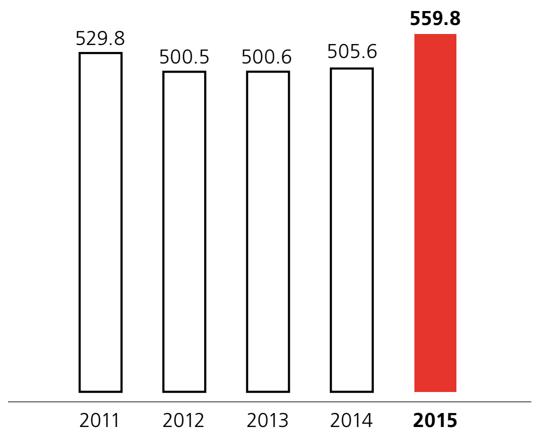
Operating cash flow (EBITDA)

52.3 EUR MILLION

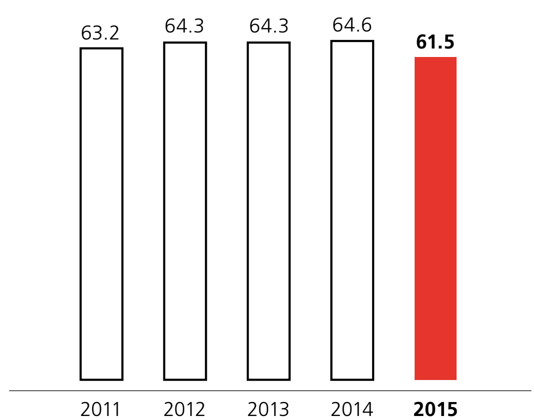
Proposed dividend per share

15.0 CHF

Gross sales 2011–2015
in EUR million



Equity ratio 2011–2015
in %



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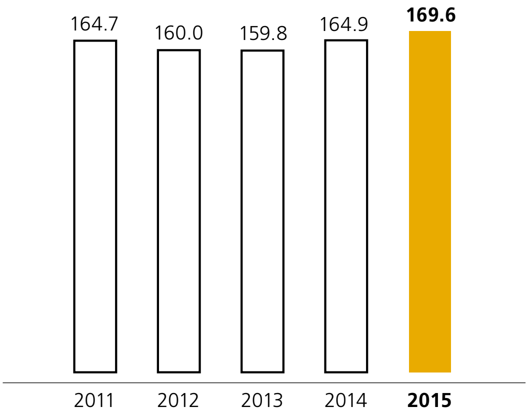
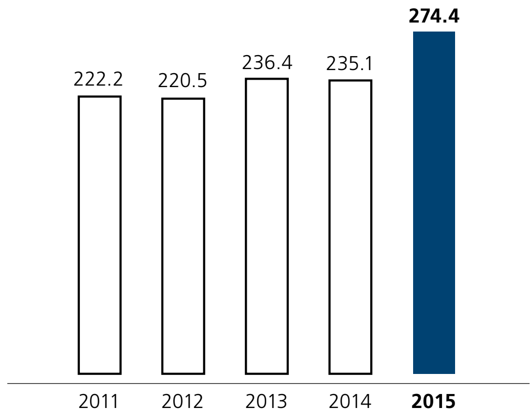
PERFORMANCE DIVISIONS

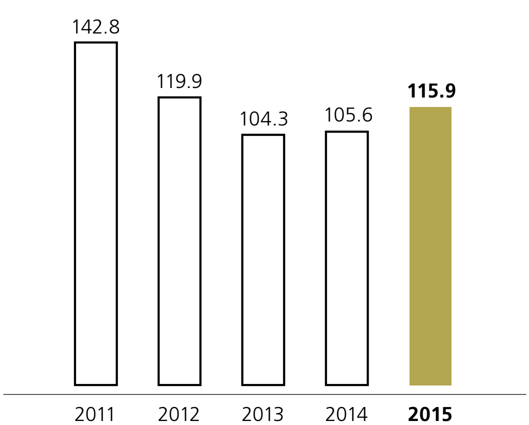
Enclosures
Gross sales 2011 – 2015
in EUR million



Mechanical Components
Gross sales 2011 – 2015
in EUR million



ELCOM / EMS
Gross sales 2011 – 2015
in EUR million



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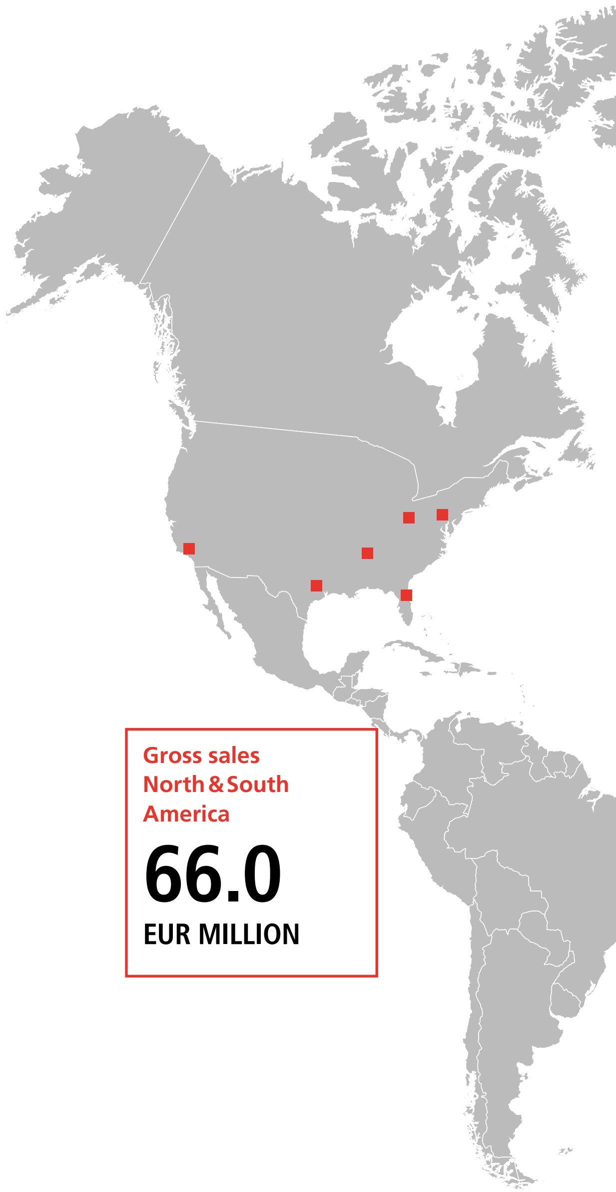
Enclosures
The division's sales rose slightly, in a challenging environment. The closure of a plant and pressure on margins impacted earnings performance.

Mechanical Components
Dynamic growth in comfort beds and armchairs enabled a double-digit increase in sales and a significant improvement in operating margin.

ELCOM / EMS
Intensive restructuring measures affected business performance. These will result in a significant improvement in earnings in 2016.

GLOBAL PRESENCE

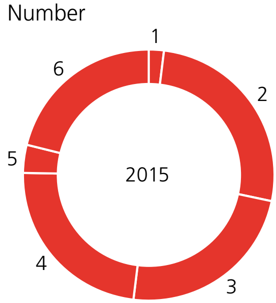
We are present in the growth markets while also focusing dynamically and flexibly on the demands of tomorrow's markets. With 61 locations on all continents and an international workforce, we are close to our customers and can guarantee efficient production, resource-effective logistics and market-oriented solutions.



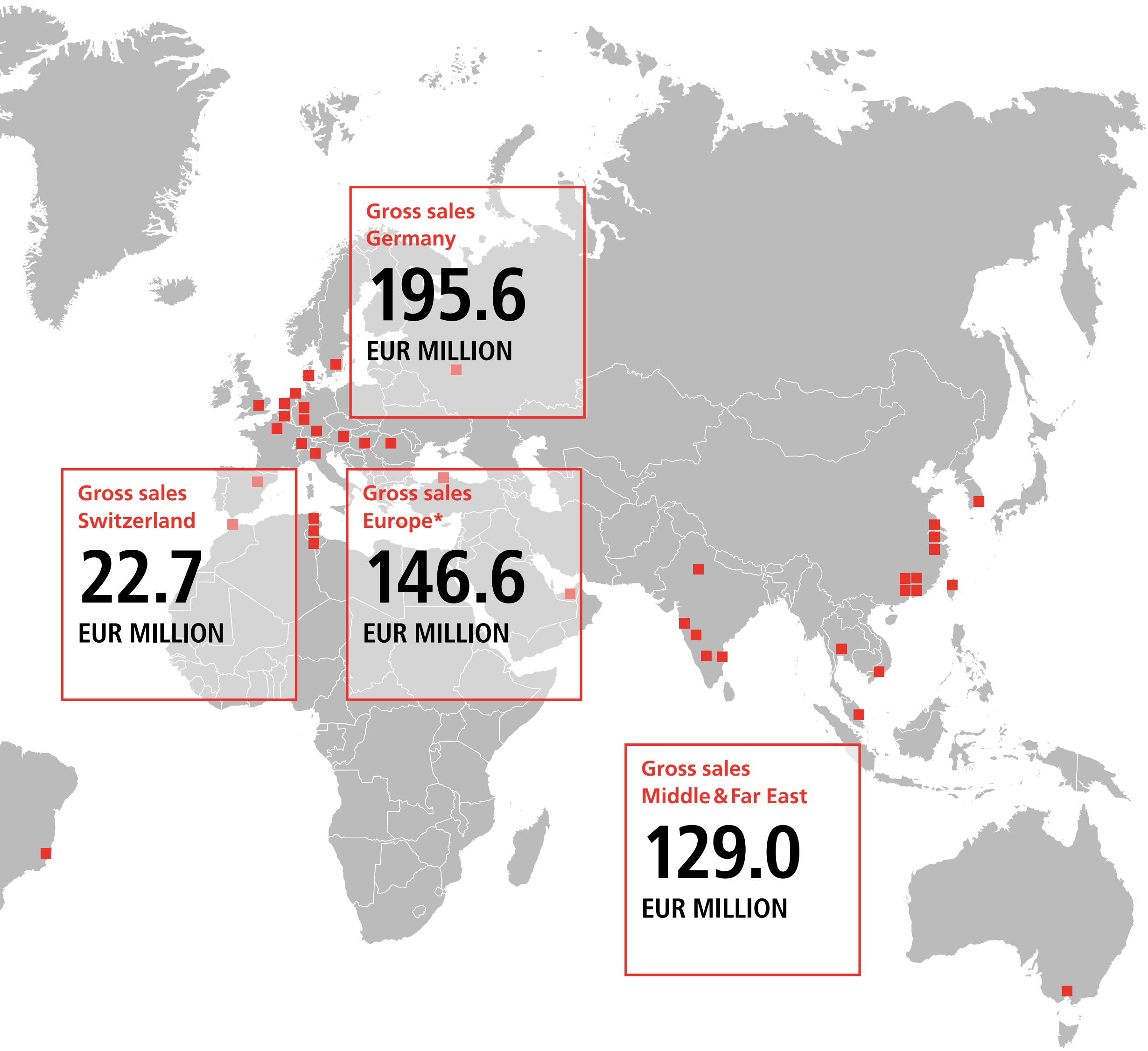
■ Production and sales companies

Employees by region

Number



1 **Switzerland: 137**
2 **Germany: 1630**
3 **Rest of Europe: 1459**
4 **Middle and Far East: 1454**
5 **North and South America: 214**
6 **Rest of World: 1310**



* Excluding Germany and Switzerland

STRATEGY AND BUSINESS MODEL

The Phoenix Mecano Group pursues a long-term growth strategy, which it has been implementing consistently for years. The measures and steps required by the strategy are adapted flexibly to changing underlying conditions.

What we invest in

Intellectual capital
Experience in integrating acquired companies, knowledge of local market conditions, flexible production processes, J2OX, complete customised solutions, patents

Financial capital
Solid capital structure, free cash flow enabling investments to strengthen the Group's innovation and organic growth

Capital goods
State-of-the-art manufacturing facilities, global production and sales locations

Relationships
Key stakeholders
(suppliers, customers, investors)

Employees
Responsible employees: Flat management structures and hierarchies, made-to-measure production line jobs

Natural resources
Global sourcing: Optimisation of global material procurement activities in India, South-East Asia and Eastern Europe, recycling and waste management

Business model: Development and manufacture of industrial components and system solutions

Management, Governance
Flat and decentralised organisational structure

Group-wide and cross-division standards

Flexible allocation of company resources

Culture
Long-term focus

Flat and decentralised organisational structure

Nurturing talent

Sustainability as a guiding principle of process design

FOCUS ON ENHANCING THE VALUE OF THE BUSINESS

Phoenix Mecano's corporate strategy is geared towards the goal of steadily increasing the long-term value of the business. We work continuously to drive the Group's growth and expand the reach of its global sales network using our own resources and through targeted acquisitions. Our transparent and decentralised organisational structure makes us more effective in a highly fragmented market. Together, as a Group, we are stronger. Active management and a clear strategy in the design of our operating segments ensure consistent leadership across the Group and guarantee a high level of transparency. This is supported by a targeted policy of investment and capital expenditure, geared towards clear criteria based on a performance management and value enhancement plan. The divisions are managed in a result-oriented way and are subject to stringent and regular oversight.

	Outcomes of investment
Strategy Harnessing value-creation potential in existing markets	**Intellectual capital** Continuous improvements in LEAN processes, product and process innovations, international expansion, in-depth knowledge of customer and market needs, expertise
Growth through targeted acquisitions	**Financial capital** Reasonable return on capital employed (ROCE) ensuring long-term access to the capital market, operating margins, targeted acquisitions, free cash flow to be used for dividend payments and capital expenditure
Value-oriented allocation of company resources	**Capital goods** Sustainable productivity improvements and cost reductions through relocation of production facilities and logistics
Global sales network	**Relationships** Excellent customer service, local expertise, global network, reliable long-term partnership for system solutions
Performance Standardised Group-wide financial and controlling systems	**Employees** Creation of cross-division and interregional expertise in developing new processes and technologies, high level of employee loyalty
Result-oriented division targets	**Natural resources** Energy-efficient solutions in product developments
Cross-division performance measurement	

REPORT BY THE BOARD OF DIRECTORS

The Group successfully tapped new growth areas in the financial year. Its technology portfolio and global coverage enabled growth, despite challenging conditions, and it has a full pipeline of new products.

Equity

262.6 EUR MILLION

Dividend payout and return of capital to shareholders 2006–2015

167.4 EUR MILLION

Ulrich Hocker (left)
Chairman of the Board of Directors,
Member of the Compensation Committee,
Member of the Audit Comittee
Benedikt A. Goldkamp (right)
Delegate of the Board of Directors, CEO

DEAR SHAREHOLDERS,

The Phoenix Mecano Group achieved double-digit sales growth in 2015. This is all the more remarkable given the deterioration in underlying economic conditions that took place during the year. Russia, Brazil and meanwhile also China – countries on which hopes of global growth once rested – are facing difficult times. Investment activity in the oil and gas sector has declined markedly worldwide due to the massive slump in crude oil prices. In industrialised countries, urgently needed investments in stronger power grids capable of efficiently integrating renewables into the energy mix are proceeding at a sluggish pace.

Despite this, we managed to grow our sales in all three divisions. A very large proportion of this growth was generated by the Mechanical Components division. Thanks to its global leadership position in the booming market for electrically adjustable comfort furniture, it was able to keep up the success story of recent years.

"Double-digit sales growth, with all divisions contributing"

In India and China, Phoenix Mecano continues to invest heavily in production equipment and skilled personnel. This reflects the Group's commitment to develop and manufacture products in and for its markets while harnessing global synergies.

Further systematic implementation of strategy in Group divisions

The Enclosures division supplies customers in the capital goods industry with solutions that protect sensitive electrical engineering and electronics from aggressive environmental influences. At the same time, its enclosures are a key design element in ergonomic man-machine interfaces.

Given its leading market position, the division has naturally been affected by economic challenges. Faltering growth in the BRIC countries has left its mark on the division's performance. However, the growing proportion of vulnerable electronics within capital goods and consumer durables worldwide will provide plenty of opportunities for new applications for years to come. Thanks to its many years of experience, the Enclosures division boasts excellent knowledge of individual customer requirements. New product developments will therefore increasingly be focused on sector-specific applications, shaped by megatrends such as miniaturisation, ergonomics, safety standards and tamperproofing. Despite the current challenges, we are confident that we can continue the long-term success story in the medium term.

The Mechanical Components division can look back on a successful 2015. Its industrial business, which develops, manufactures and sells linear technology and automation components under the RK Rose + Krieger brand, recorded steady growth by focusing on customised solutions, despite challenging economic conditions.

After a year in which it recorded only modest growth due to a series of customer insolvencies, the DewertOkin product area made an impressive return to form in 2015, consolidating its leading position in the fiercely competitive global market for electrically adjustable comfort furniture. Thanks to innovative control components, we are increasingly effective at differentiating our products from those of our rivals, which is reflected in rising margins.

The ELCOM/EMS division, which used to depend heavily on the photovoltaic components market, has made considerable progress in its realignment. In China, production capacity for electromechanical components was made more efficient and adapted to market needs. In inductive components, the product range was modernised and streamlined by a combination of bolt-on acquisitions and in-house developments. At the end of 2015, the Board of Directors also took a number of strategic decisions aimed at restoring the division to profitable structures and growth in 2016 by adjusting cost structures and implementing growth investments.

Stable dividend

Thanks to its strong equity position (equity ratio of 61.5%) and stable generation of cash flow, Phoenix Mecano is able to pay its shareholders consistent dividends across economic cycles. The Board of Directors will therefore propose to the Shareholders' General Meeting that a dividend of CHF 15 be paid out, in line with the previous year.

> "High level of equity – constant dividend"

Thank you to our employees

Phoenix Mecano promotes cooperation between its employees across cultural and linguistic boundaries. Based on trust and individual accountability, highly efficient networks are formed which combine individual strengths in a unique way, in the face of increasingly complex and fast-paced demands. This means we can offer our customers the flexibility of an SME combined with the power and reach of a globally active industrial group. That is no mean feat and demands high levels of dedication, willingness to learn and team spirit from all employees. The fact that this was achieved in impressive style once again in 2015 merits a heartfelt thank you from the Board of Directors and management to all employees and managers.

Outlook

The capital goods markets in the three regions of Europe, Asia and North and South America were in a relatively stable condition at the start of the year. The falling price of commodities, particularly crude oil, and weak economic activity in the BRIC countries – with the exception of India – will pose challenges in 2016. On the other hand, low interest rates, great potential for industrial automation in emerging economies, the integration of renewable energy sources into Europe's power supply and real wage growth in most countries worldwide provide a solid foundation for positive development of the Phoenix Mecano Group in the medium and long term.

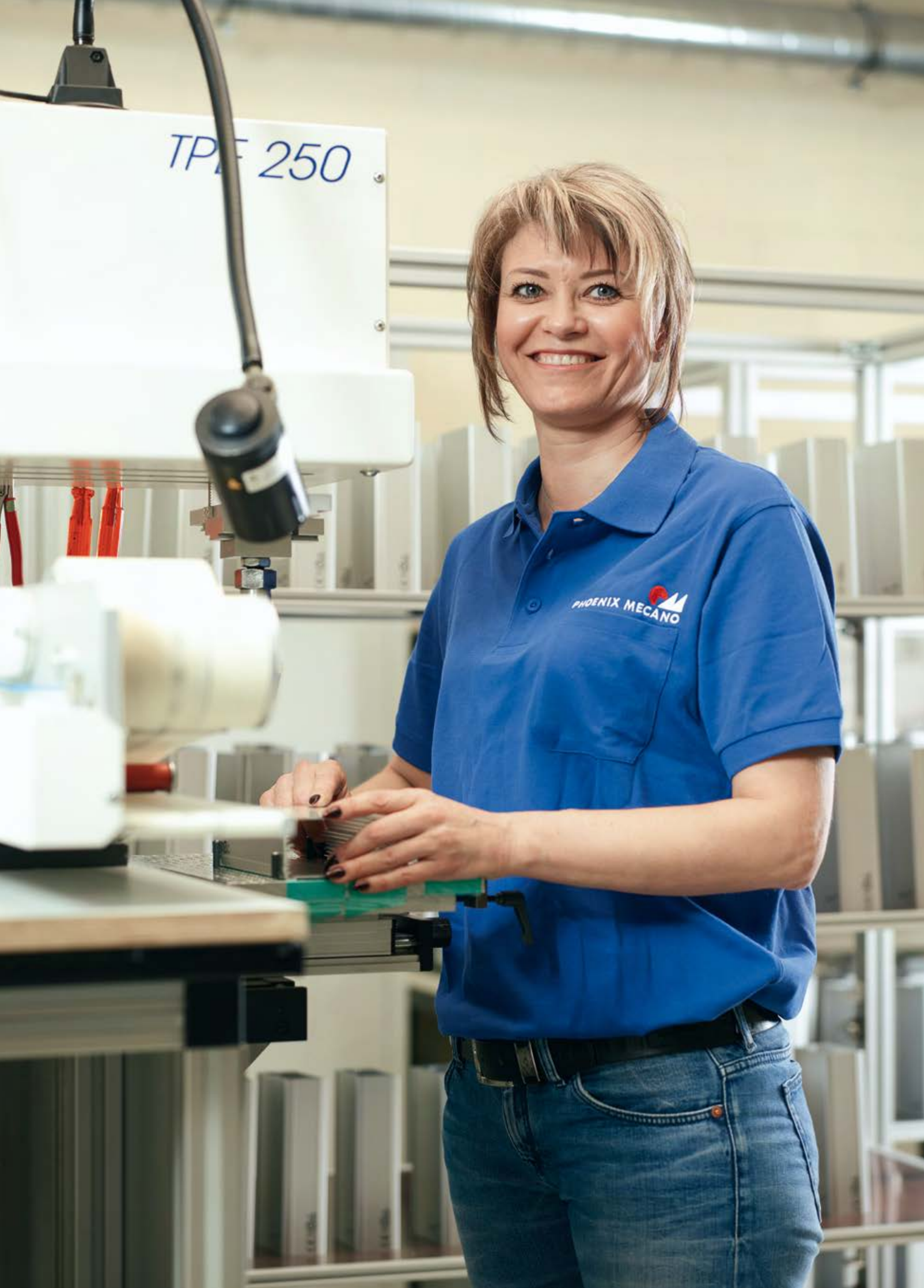
The main focus of the Board of Directors and management in the current year will be on completing the ELCOM/EMS division restructuring and turnaround measures adopted in late 2015, which are in the process of being implemented. Successfully implementing these measures will create the conditions for further positive development over the long term.

Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors

WE ARE PHOENIX MECANO

Our employees are critical to the success of Phoenix Mecano’s business. We therefore offer them an inspiring and motivating work environment, and promote initiative and individual responsibility by involving our employees at all levels in problem-solving processes and process optimisation. In line with our culture of continuous improvement – “Our Journey towards Operational Excellence” – they contribute to the Group’s growth through their dedication and teamwork.


TPE 250
PHOENIX MECANO


PHOENIX MECANO


DEWALT


board
Vorreiter in Innovation, Geschwindigkeit und Wertschöpfung.
Gemeinsam begeistern wir unsere Kunden.
Plan
Do
J2X
JOURNEY TOWARDS OPERATIONAL EXCELLENCE
Die Reise geht weiter...
Check
Act

Number of employees 2015

6204

Personnel expenses 2015

28.5 1000 EUR

Gross sales per employee 2015

90.2 1000 EUR

The Phoenix Mecano Group is made up of many individuals from a variety of cultures. Being willing to collaborate across divisions and regions, understanding the bigger picture, taking personal responsibility for their own area of the business and identifying strongly with the company are what set our employees apart. With a shared vision and a high degree of flexibility to adapt quickly to changing conditions, we work together to increase the company's long-term value.

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MANAGEMENT REPORT

BUSINESS PERFORMANCE GROUP

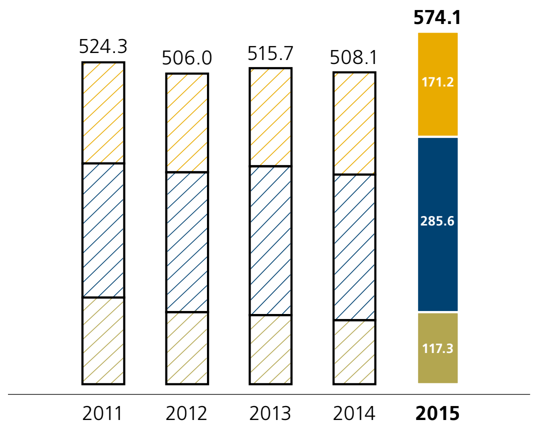
The significant expansion of business volume by 10.7% to around EUR 560 million reflects the systematic implementation of the Group's growth strategy, focusing on DewertOkin (Mechanical Components division) and ELCOM / EMS. Alongside this, restructuring measures have also been adopted in the ELCOM / EMS division, which are being implemented in 2016. This marks the completion of the division's realignment following the collapse of the photovoltaic market.

Divisions of the Phoenix Mecano Group

- Enclosures
- Mechanical Components
- ELCOM / EMS

Incoming orders Group and Divisions

in EUR million



BUSINESS ACTIVITY

Despite challenging economic conditions, affecting both mature industrial markets and the emerging economies, we see excellent opportunities for Phoenix Mecano, which can be actively exploited in tandem with a targeted investment programme.

The franc shock of 15 January 2015 put pressure on sales and margins in our domestic business. However, we were able to contain and minimise the impacts on the Group thanks to our balanced global positioning. Other challenges arose as a result of investment restraint in the oil and gas sector and the slowdown in the Chinese industrial market. Nevertheless, we succeeded in harnessing growth potential in electrically adjustable comfort furniture in the USA and Asia. Similarly, we made the most of new market opportunities in industrial project business and automation technology. Another major focus was the optimisation of cost structures by increasing the added value of surface coating activities in India, enhancing use of production capacity in Hungary, closing a membrane keyboard manufacturing facility in Germany and expanding our high-frequency inductors plant in Morocco. Further growth potential came with the acquisition of Wijdeven Inductive Solutions BV in the Netherlands, which will also enable cost synergies for the ELCOM/EMS division in Germany and North Africa.

We successfully brought to market innovative, compact linear drives for medical technology applications and design-oriented comfort furniture, combined with energy-saving state-of-the-art control electronics, as well as a completely new range of explosion-proof aluminium enclosures manufactured at our own facilities.

The Group-wide programme to enhance operational excellence (J2OX) is developing successfully into a self-sustaining process, which has become an integral part of our development and planning activities. This means we are better placed to meet customer requirements in a faster, more reliable and more cost-effective way, despite rising demands and increased complexity in the global industrial components business.

SALES AND PROFITABILITY

Substantial increase in sales

The Phoenix Mecano Group's consolidated gross sales rose by 10.7% from EUR 505.6 million to EUR 559.8 million. Sales growth in local currencies was 5.5%. Changes in the scope of consolidation increased sales by 1%, and all three divisions contributed to the rise. The main growth driver was the Group's largest division, Mechanical Components, and in particular its DewertOkin product area, which occupies a leading position in the global growth markets of electrically adjustable comfort and healthcare furniture. By contrast, the somewhat difficult economic environment held back sales growth in the Enclosures division. The ELCOM/EMS division, which is currently undergoing a turnaround, achieved a pleasing increase of just under 10% (5% in organic terms).

Sales in Europe grew by 3.2% overall (1.8% in organic terms), focused mainly in the Group's core market, Germany, and the Netherlands (the latter acquisition-related). In Switzerland, sales declined due to the tougher competition conditions following the franc shock at the start of the year. The proportion of total sales generated in Europe fell from 69.9% to 65.2%. In Asia they were up by 31.4% and in North and South America by 22.5%. In both of these markets, growth was driven by sales of drives for electrically adjustable comfort and healthcare furniture, as well as enclosures in Asia. The weakening of the euro also had a positive impact on sales performance.

In the Enclosures division, pressure on the oil and gas sector and sluggish economic activity in Europe held back sales growth, which totalled 2.8% and was mainly generated in Asia. Following a fall of

0.5% the previous year, gross sales in the Mechanical Components division increased by 16.7% in 2015, driven by growth in drive technology. The ELCOM/EMS division achieved sales growth of 9.7% thanks to new product launches, increased business volume in electronics manufacturing and the acquisition of Wijdeven Inductive Solutions BV, a Dutch manufacturer of customised inductive systems, on 1 August 2015.

Consolidated incoming orders for the Phoenix Mecano Group rose by 13.0% to EUR 574.1 million, compared with EUR 508.1 million the previous year. Corrected for differences in foreign-exchange rates, the increase was 7.6%. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 102.6%, up from 100.5% the previous year. It exceeded 100% in all divisions.

Operating result affected by ELCOM/EMS restructuring

The operating result fell by 49.2% from EUR 29.5 million to EUR 15.0 million. This was owing to the restructuring package in the ELCOM/EMS division and the closure of a site in the Membrane Keyboards product area (Enclosures division), costing EUR 15.4 million. Both of these measures were reported in late November 2015. The operating margin also declined accordingly, from 5.8% to 2.7%. Adjusted for these non-recurring expenses, the operating result (before exceptional expenses) stood at EUR 30.4 million.

The Enclosures division saw its result decline from EUR 22.1 million to EUR 16.9 million, with a corresponding fall in operating margin and profitability, partly owing to the aforementioned closure costs. By contrast, the Mechanical Components division posted an operating profit of EUR 22.2 million, up by 44.9%, as well as a 4.4-percentage-point increase in profitability. The ELCOM/EMS division made an operating loss of EUR 21.7 million (previous year EUR 5.3 million), linked to the aforementioned restructuring activities and various growth initiatives.

The increase in sales was offset by a higher material use rate of 46.3% (previous year 44.0%). This rate rose due to changes in the product mix, in particular stronger growth in the Mechanical Components division with a material use rate above the Group average, exacerbated by negative currency effects.

Personnel expenses rose by 9.5%. This was the result of general labour cost increases, severance payments linked to the aforementioned restructuring measures and negative currency effects accounting for 3.5 percentage points. Average staff numbers over the year remained practically unchanged (6 204 employees compared with 6 207 the previous year).

Capital expenditure remained high, resulting in a slight increase in depreciation on tangible assets to EUR 17.8 million (previous year EUR 16.3 million). Amortisation of intangible assets increased by EUR 1.2 million (+17.4%), mainly as the result of acquisitions. There were also impairment losses of EUR 11.2 million in the ELCOM/EMS division in the reporting year.

Other operating expenses rose by 6.9%, which was disproportionately low compared with the increase in sales.

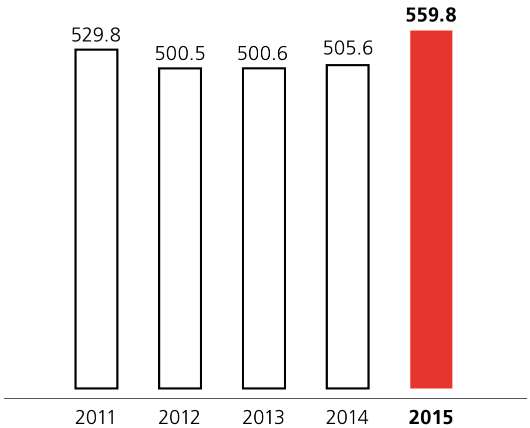
Result of the period: EUR 6.7 million

The financial result was EUR –2.2 million, significantly down on the previous year (EUR –0.5 million). In the reporting year, the financial result was affected by exchange rate losses caused by the impact of the scrapping of the minimum exchange rate of 1.20 Swiss francs per euro on euro reserves and receivables of Group companies that draw up their accounts in CHF. Swiss Group companies incurred exchange rate losses of EUR 1.7 million in 2015.

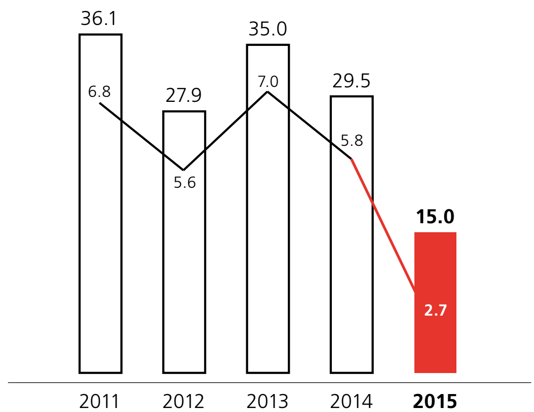
The income tax rates in 2015 and 2014 were above the multi-year average, at 47.8% and 31.1% respectively. The increased tax rate in the reporting year was mainly owing to the write-down of goodwill, which is not subject to tax.

The result of the period was down by 66.6%, from EUR 20.0 million to EUR 6.7 million. The net margin fell to 1.2% (previous year 4.0%).

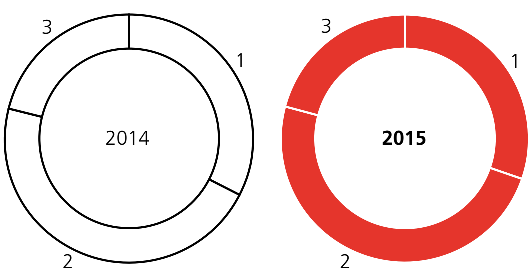
Gross sales 2011–2015
in EUR million



Operating result and margin 2011–2015
in EUR million | in %



Gross sales by division 2014 and 2015
in %



1 **Enclosures:** 32.6 | **30.3**
2 **Mechanical Components:** 46.5 | **49.0**
3 **ELCOM/EMS:** 20.9 | **20.7**

Profitability by division*
in %

	Change to prior year in %	**2015**	2014
Enclosures	–26.7	26.3	35.9
Mechanical Components	35.8	16.7	12.3
ELCOM/EMS	–380.7	–27.4	–5.7
Group	**–48.1**	**5.5**	**10.6**

* Operating result as a percentage of net operating assets at the balance sheet date

ASSET AND CAPITAL STRUCTURE

High capital expenditure

Purchases of tangible assets totalled EUR 23.5 million (previous year EUR 21.6 million). Purchases of intangible assets totalled EUR 3.2 million (previous year EUR 2.4 million). The increase in tangible asset purchases was due to construction projects in India and China (construction in progress).

Comfortable equity ratio

The equity ratio at the balance sheet date of 31 December 2015 was 61.5%, slightly down on the previous year (64.6%) owing to the lower result of the period and the unchanged dividend of CHF 15.

Brisk acquisition activity

Net indebtedness rose by EUR 12.5 million to EUR 24.5 million. Investments were made in an acquisition in the Netherlands, shareholdings in associated companies in the ELCOM/EMS division totalling EUR 8 million, and tangible and intangible assets.

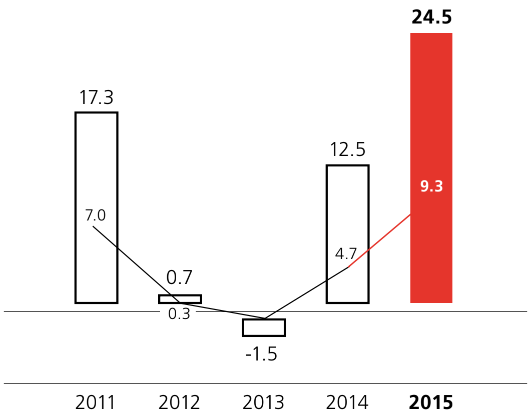
Net indebtedness stood at 9.3% of equity (previous year 4.7%), meaning that the Group still has the necessary financial leeway to exploit organic and acquisition-related growth opportunities.

OUTLOOK

Despite the massive turbulence on world markets in early 2016, Phoenix Mecano's business at the start of the year looks relatively robust. We will therefore be pushing ahead with our investment programme geared towards innovation, productivity and expanding our global presence, while keeping a close eye on economic developments and where necessary reacting swiftly and decisively to changes in underlying conditions. The Group's decentralised structure gives us the flexibility needed to do this, so that – even in the tough business climate of 2016 – we look to the future with cautious optimism.

Net debt and gearing 2011–2015

in EUR million | in % of equity



Purchases of tangible and intangible assets

	2015	2015	2014	2014
	in 1 000 EUR	in %	in 1 000 EUR	in %
BY TYPE OF ASSET				
Intangible assets	3 223	12.1	2 401	10.0
Land and buildings	3 336	12.5	2 944	12.3
Machinery and equipment	9 664	36.2	13 292	55.3
Tools	3 363	12.6	3 257	13.5
Construction in progress	7 088	26.6	2 145	8.9
Total	**26 674**	**100.0**	**24 039**	**100.0**
BY DIVISION				
Enclosures	7 532	28.2	6 174	25.7
Mechanical Components	11 206	42.0	8 957	37.2
ELCOM/EMS	6 869	25.8	7 929	33.0
Total for all divisions (segments)	25 607	96.0	23 060	95.9
Reconciliation*	1 067	4.0	979	4.1
Total	**26 674**	**100.0**	**24 039**	**100.0**

* Included under Reconciliation are individual business areas and central management and financial functions that cannot be allocated to the divisions.

BUSINESS PERFORMANCE ENCLOSURES

The division develops and manufactures high-quality industrial enclosures made of aluminium, stainless steel and plastics as well as system solutions for use in mechanical engineering, electrical engineering, automation, measurement and control technology, railway, automotive and medical technology and for explosive environments in the petrochemical and onshore and offshore industries. Input units such as membrane keyboards, short-stroke keys and touchscreens complement the product range.

The division managed to increase its sales slightly in an environment characterised by various market challenges. Exceptional expenses and margin pressure led to a drop in result.

Operating result

17.0 EUR MILLION

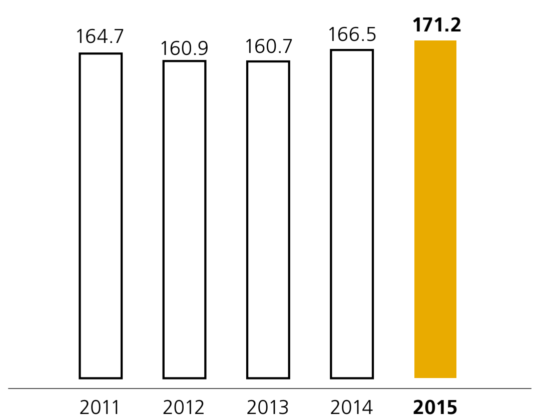
Margin

10.0 %

Investments

7.5 EUR MILLION

Incoming orders 2011 – 2015
in EUR million



BOPLA

KUNDISCH

ROSE

SALES AND PROFITABILITY

Sales

The Enclosures division saw sales increase by 2.8% in 2015, to EUR 169.6 million. Corrected for differences in foreign-exchange rates, they were down slightly by 0.7%. There were no consoliwdation effects. In Europe, sales remained at the previous year's level overall. In the core market of Germany, and in France, they rose slightly. Other European regions saw sales decline, in Switzerland as a result of the franc shock in early 2015 and in Russia due to sanctions. Sales in North and South America fell by 2.7%, following a 20.8% increase the previous year, mainly due to pressure in the oil and gas business. In the Middle and Far East, they were up across the board, rising by 29.9% overall.

Gross sales of industrial enclosures (including control panels and equipment carriers) rose by 3.4% worldwide. In the automotive and railway technology sectors, as well as the traditional markets of measurement and control technology and mechanical engineering, sales were up slightly. This was offset by a decline in sales in electrical engineering. In the oil and gas sector, declining sales in North America were more than offset by corresponding increases in the Middle East and Asia. A number of major product innovations were finalised in 2015: a height adjustment system based on standard components, an upgrade to the equipment carrier system, and a new range of aluminium enclosures specially designed for applications in measurement and control technology and touch integration. In India, the development of Ex d enclosures was taken forward.

Gross sales of input systems fell slightly by 2.2%. While sales were down in the traditional industrial markets for membrane keyboards, in medical technology sales of touch systems increased. The capacitive touch product range was expanded and the material flow for these systems optimised.

Orders

Incoming orders stood at EUR 171.2 million, up 2.8% on the previous year and higher than the sales level in the reporting year. This equates to a book-to-bill ratio (incoming orders as a percentage of gross sales) of 101.0% (unchanged from the previous year).

Result

The division's operating result fell by 23.1% to EUR 17.0 million. The decline is attributable to a variety of causes: one-off costs linked to the closure of a membrane keyboard plant in Germany, loss of income following the unpegging of the Swiss franc in the heavily pressurised Swiss market, start-up costs for a cabinet manufacturing facility in China, and pressure on margins in individual market segments.

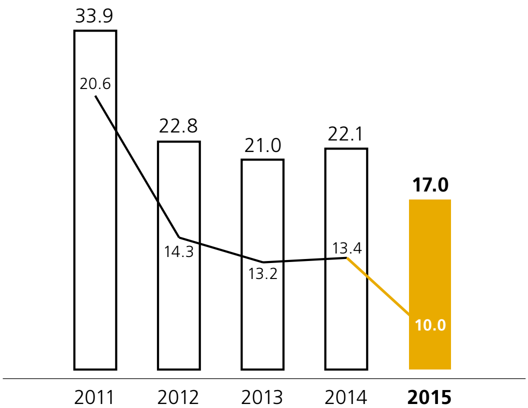
ASSET AND CAPITAL STRUCTURE

Purchases of tangible and intangible assets in 2015 stood at EUR 7.5 million, up on the previous year's figure of EUR 6.2 million due, among other things, to increased capital expenditure on tools. Other core investments included machinery and infrastructure linked to the realignment of production in Germany, equipment for the above-mentioned facility in China and capacity expansions in die-casting in India.

Net operating assets increased by 4.9% from EUR 61.6 million to EUR 64.6 million, driven by the rise in capital expenditure. The return on capital employed (ROCE) fell to 26.3% (previous year 35.9%), due to the lower operating result.

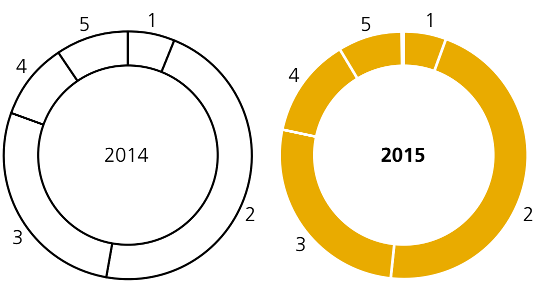
Operating result and margin 2011–2015

in EUR million | in %



Gross sales by region 2014 and 2015

in %



1 **Switzerland:** 6.3 | **5.8**
2 **Germany:** 46.6 | **46.1**
3 **Europe (excluding GER and CH):** 27.8 | **26.7**
4 **Middle and Far East:** 10.1 | **12.8**
5 **North and South America:** 9.2 | **8.6**

Purchases of tangible and intangible assets

	2015 in 1 000 EUR	**2015** in %	2014 in 1 000 EUR	2014 in %
Intangible assets	755	10.0	496	8.0
Land and buildings	728	9.7	874	14.2
Machinery and equipment	3 230	42.9	3 577	57.9
Tools	1 194	15.8	786	12.7
Construction in progress	1 625	21.6	441	7.2
Total	**7 532**	**100.0**	6 174	100.0

BUSINESS PERFORMANCE MECHANICAL COMPONENTS

Profile assembly systems, linear units and drive and pipe connection technology offer a wide range of applications in the construction of machinery and equipment, protective enclosures and ergonomic workstations. High-performance linear actuators, electric cylinders and lifting columns facilitate comfort and lifestyle solutions in the home and hospital care sector and in workstation design.

Dynamic growth, particularly in comfort beds and armchairs in China and the USA, drove a double-digit percentage increase in sales and an improvement in operating margin.

Operating result

22.2 EUR MILLION

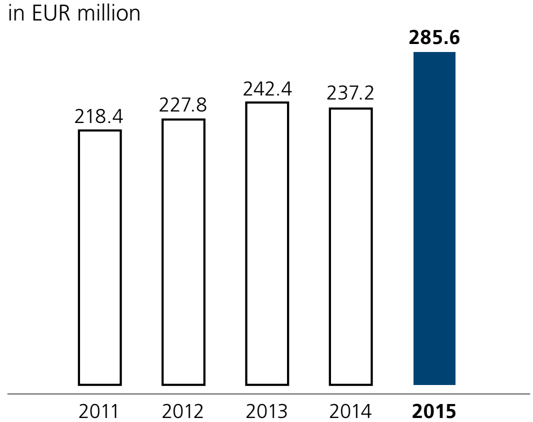
Margin

8.1%

Investments

11.2 EUR MILLION

Incoming orders 2011 – 2015
in EUR million




DEWERT OKIN


DEWERT OKIN


RK ROSE+KRIEGER

SALES AND PROFITABILITY

Sales

Gross sales in the Mechanical Components division increased by 16.7% in 2015, to EUR 274.4 million. Corrected for differences in foreign-exchange rates, they were up by 8.8%. There were no consolidation effects. In Europe, sales rose slightly by 1.9%, driven by industrial business and by sales in the care and furniture markets. Sales were up by 38.7% in North and South America and 37.8% in the Middle and Far East. Both regions posted strong sales growth in drives for electrically adjustable comfort furniture and benefited from favourable currency movements.

While the industrial components business remained highly Europe-centric, with Europe accounting for 83% of sales, North America and Asia saw sales increases of 19.9% and 35.3% respectively. In India, the construction, manufacture and sale of conveyor solutions got under way, while Belgium had success with vehicle sensor measurement gantries. Gross sales of industrial assembly systems rose by 8.4%.

Global sales of linear drives for the furniture and care market increased by 20.9%, with sales in Europe up by 1.7%. Dynamic growth in comfort beds and armchairs led to a rise of 49.5% in North America and 38.0% in Asia.

Gross sales of linear adjustment and positioning systems were up by 18.3%. A number of new drive solutions were brought to market in 2015, together with an innovative fittings technology for riser chairs and recliner sofas.

Orders

Incoming orders were up 20.4% on the previous year at EUR 285.6 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 104.1% (previous year 100.9%).

Result

The division’s operating result increased by 44.9% to EUR 22.2 million, up from EUR 15.3 million the previous year. This growth in earnings was driven primarily by linear drives for the furniture and care market, following dynamic sales growth in Asia and North America. In Europe, the weakening of the euro created a number of challenges, owing to the procurement of components from Asia in USD.
The industrial components business also contributed to the division’s improved result, achieving a slight increase in earnings.

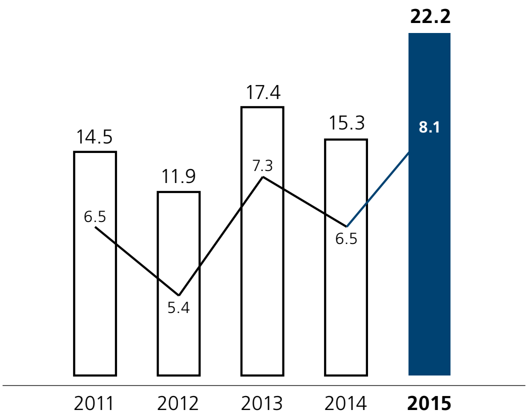
ASSET AND CAPITAL STRUCTURE

Purchases of tangible and intangible assets totalled EUR 11.2 million, compared with EUR 9.0 million the previous year. The biggest single investment related to the construction of a production plant in Jiaxing, China. The plant has a usable floor area of 36 000 m^2 and is due to enter service towards the end of 2016. Capital expenditure on tools remained high, at EUR 1.6 million compared with EUR 1.8 million the previous year. Investments were also made in new manufacturing facilities in Hungary.

Net operating assets increased by 6.4% due to business expansion. On the back of the higher operating result, the return on capital employed (ROCE) stood at 16.7%, up from 12.3% the previous year.

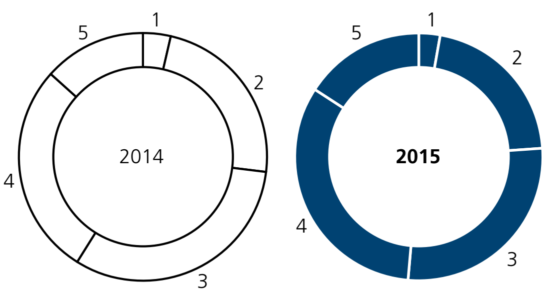
Operating result and margin 2011 – 2015

in EUR million | in %



Gross sales by region 2014 and 2015

in %



1 **Switzerland:** 3.7 | **3.0**
2 **Germany:** 23.4 | **20.9**
3 **Europe (excluding GER and CH):** 31.9 | **27.6**
4 **Middle and Far East:** 27.8 | **32.8**
5 **North and South America:** 13.2 | **15.7**

Purchases of tangible and intangible assets

	2015	**2015**	2014	2014
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	1 498	13.4	1 032	11.5
Land and buildings	2 153	19.2	605	6.8
Machinery and equipment	2 706	24.1	4 808	53.7
Tools	1 636	14.6	1 765	19.7
Construction in progress	3 213	28.7	747	8.3
Total	**11 206**	**100.0**	8 957	100.0

BUSINESS PERFORMANCE ELCOM / EMS

This division comprises three business areas: Electromechanical Components, including terminal blocks, connector systems, test probes, series terminals and code switches for industrial electronics (PTR, Hartmann); Electronic Manufacturing and Packaging, comprising power supply systems, backplanes and electronic assemblies, used in areas such as medical technology, measurement technology, astrophysics and research facilities like CERN (Phoenix Mecano Digital Elektronik GmbH, WIENER, Hartmann Electronic, ATON); and Power Quality, encompassing transformers, instrument transformers and inductors for use in renewable energies, drive technology, switchgear and power distribution networks (REDUR, Wijdeven, Platthaus, HARTU, PM Special Measuring Systems).

The division is engaged in an intensive turnaround process, whose effects will see a gradual but significant improvement in margin in 2016.

Operating result

-21.7 EUR MILLION

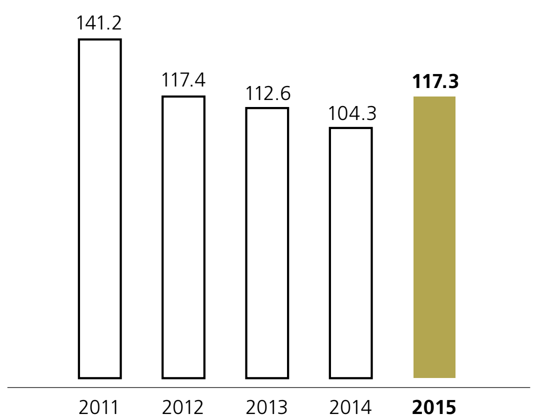
Margin

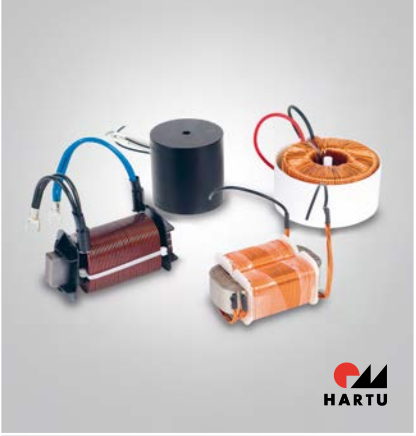
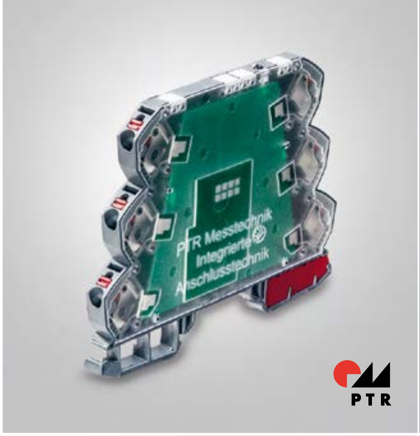
-18.7%

Investments

6.9 EUR MILLION

Incoming orders 2011 – 2015
in EUR million



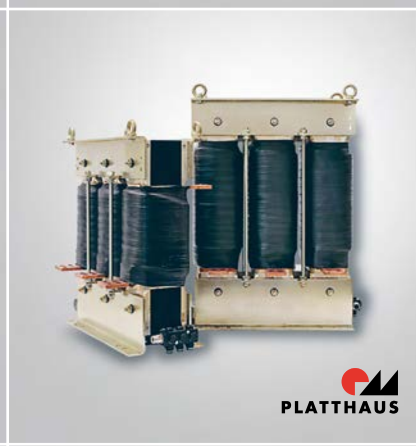

HARTU

PTR Messtechnik
Integrierte
Anschlusstechnik
PTR

ATON

Power
Fan fail
HARTMANN ELECTRONIC

WIENER

PHOENIX MECANO
DIGITAL ELEKTRONIK

HARTMANN

PLATTHAUS

WIJDEVEN

PM SPECIAL MEASURING SYSTEMS

REDUR

SALES AND PROFITABILITY

Sales

The ELCOM/EMS division's gross sales rose by 9.7% in 2015, to EUR 115.9 million. Corrected for differences in foreign-exchange rates, sales growth was 7.7%; adjusted for consolidation effects, sales were up by 5.0%. In Europe, sales increased by 10.5% overall, with growth in the Netherlands and to some extent Germany driven by acquisitions. Organic sales growth in Europe was 4.5%. Sales in North and South America were up by 6.6% and in the Middle and Far East by 7.3%.

Gross sales of electromechanical components remained at the previous year's level of EUR 50.0 million. The end of a large automotive project led to a decline in sales, but this was offset by increased sales of cable test probes for the automotive segment and code switches for use in automation technology. 2015 saw the division enter the market for integrated connection systems.

Gross sales in the Power Quality business area increased by 27.3% to EUR 28.0 million. Organic growth stood at 4.4%. This business area mainly produces and markets instrument transformers, transformers and chokes for a wide range of performance classes. Wijdeven Inductive Solutions B.V., a Nethelands-based company acquired on 1 August 2015 which manufactures customised inductive systems, contributed EUR 3.5 million to the growth in sales.

With sales of EUR 37.9 million, the Electronic Packaging business area generated organic growth of 12.8%. This business area includes the companies Hartmann Electronic, WIENER Plein & Baus, Phoenix Mecano Digital Elektronik and ATON Lichttechnik. The biggest increases in sales were in the following markets: automotive, medical technology, military technology and power supply units for research applications. The development of VPX products was taken forward in the reporting year, while new LED outdoor lighting products were positioned on the market.

Orders

Incoming orders were up by 12.5% on the previous year at EUR 117.3 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 101.2%, compared with 98.8% the previous year.

Result

The ELCOM/EMS division's operating result was impacted by an extensive restructuring package on the one hand and various growth initiatives on the other. This led to an operating loss of EUR 21.7 million (previous year EUR 5.3 million). Of this, EUR 14.1 million comprised non-recurring expenses in the form of impairment losses on tangible and intangible assets and inventories as well as redundancy costs. As reported in November 2015, a number of entities in the Power Quality product area are being brought together in a central production and administration building in the Cologne/Aachen area, in order to make greater use of synergies. In addition, production capacity in North Africa has been adapted as part of the Wijdeven integration. A new investor is being sought for a further two smaller sites in this product area, while the search has also begun for a strategic investor for the Electronic Assembly Manufacturing product area, to facilitate growth and better economies of scale.

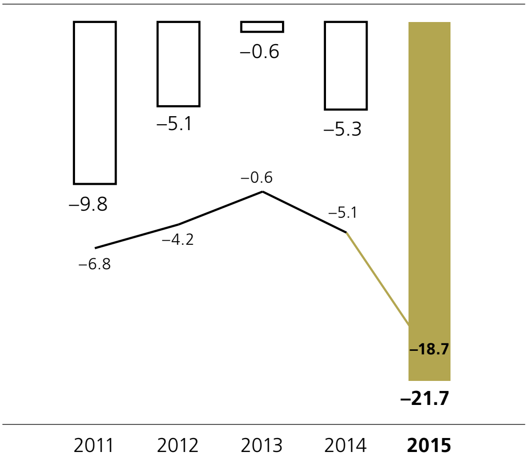
ASSET AND CAPITAL STRUCTURE

Capital expenditure fell from EUR 7.9 million to EUR 6.9 million. It related mainly to electronic assembly manufacturing, investments in machinery and tools in the Electromechanical Components business area and the further expansion of production facilities in Morocco.

Net operating assets decreased from EUR 93.1 million to EUR 79.2 million, mainly owing to the above-mentioned impairment of non-current assets.

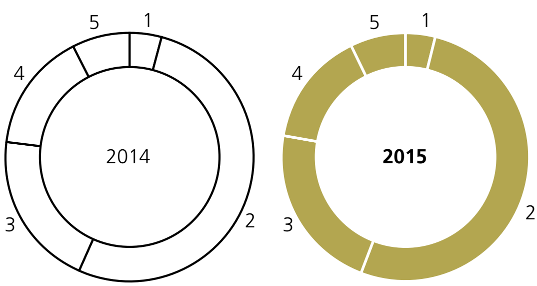
Operating result and margin 2011 – 2015

in EUR million | in %



Gross sales by region 2014 and 2015

in %



1 **Switzerland:** 4.2 | **3.9**
2 **Germany:** 52.7 | **52.0**
3 **Europe (excluding GER and CH):** 20.3 | **22.0**
4 **Middle and Far East:** 15.4 | **15.0**
5 **North and South America:** 7.4 | **7.1**

Purchases of tangible and intangible assets

	2015	**2015**	2014	2014
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	321	4.7	210	2.6
Land and buildings	455	6.6	1 443	18.2
Machinery and equipment	3 310	48.2	4 617	58.3
Tools	533	7.8	706	8.9
Construction in progress	2 250	32.7	953	12.0
Total	**6 869**	**100.0**	7 929	100.0

CORPORATE RESPONSIBILITY

Transparent and open communication creates trust by giving shareholders, employees and all other stakeholders a comprehensive insight into the company. We are therefore committed to informing our stakeholders about all relevant aspects of our business. The Phoenix Mecano Group pursues a strategy of sustainable growth, rather than short-term gain and maximum quarterly profits. The foundation for sustainable business success is provided by the Phoenix Mecano Group's mission statement. This is based on ecological, social and economical aspects.

Creation of value added

in 1 000 EUR	Note	**2015**	2014
1 Net sales		554 462	500 349
2 Own work capitalised and other income		5 905	4 070
3 Cost of materials		−258 933	−222 305
4 Other operating expenses	A	−71 089	−66 544
5 Depreciation/amortisation		−37 356	−23 613
6 Other non-operating result	B	−1 261	584
Value added		**191 728**	**192 541**

A Excluding capital taxes and other non-profit-related taxes
B Financial result excluding net interest expense plus share of result from associated companies.
C Personnel expenses

Distribution of value added

in %	Note	**2015**	2014
1 Employees	C	92.0	83.7
2 Government (Taxes)	D	4.0	5.4
3 Shareholders	E	7.5	6.4
4 Lenders (net interest expense)		0.5	0.5
5 Companies (retained earnings)	F	−4.0	4.0
Value added		**100.0**	**100.0**

D Current income tax, capital taxes and other non-profit-related taxes
E Dividends paid in the financial year and share repurchases under the share buy-back programme
F Result of the period less dividends already paid in the financial year and share repurchases under the share buy-back programme

SHARE

Phoenix Mecano AG's shares are listed on the SIX Swiss Exchange in Zurich. Phoenix Mecano AG's share capital of CHF 960 500 is divided up into 960 500 bearer shares with a par value of CHF 1.00 each. There are no restrictions on ownership or voting rights. Capital that is not required for internal growth is returned to shareholders in the form of dividends, par value repayments and share buy-backs. The share capital has not been increased since the company went public in 1988. Phoenix Mecano AG's corporate policy dictates that growth should be funded out of the company's own capital resources.

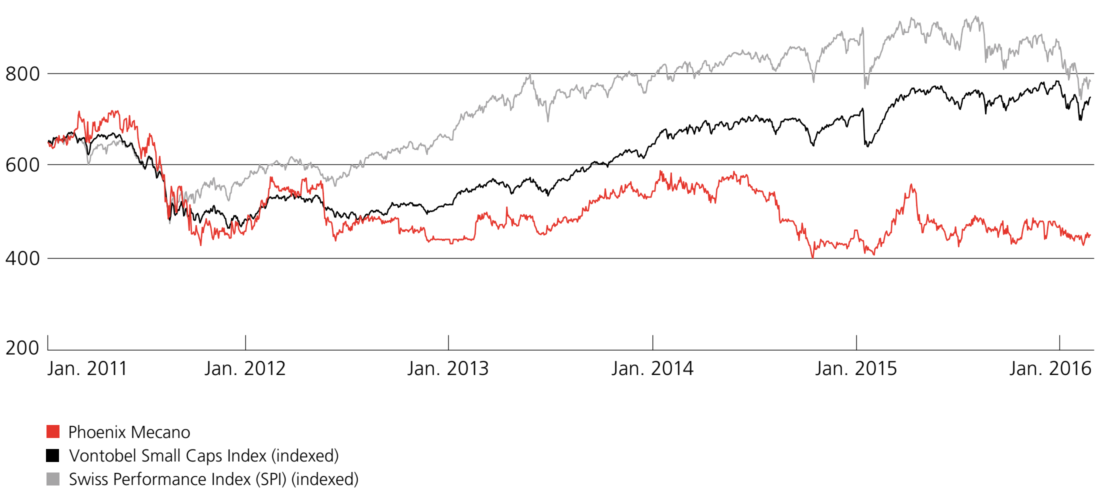
Opting out and opting up

The company has not made any use of the possibility provided for in the Stock Exchange Act of excluding an acquiring company from the obligation to make a public purchase bid. The limit for the obligation to make an offer pursuant to Article 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading is 45% of voting rights.

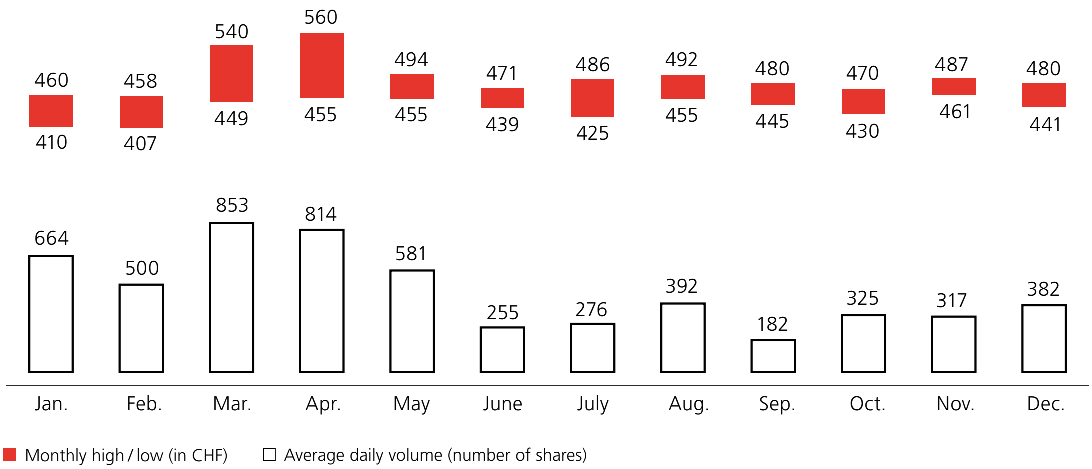
Payout and dividend policy

The target payout ratio for dividend payments is 40 to 50% of result after tax, adjusted for special factors. The strong balance sheet and high free cash flow can sustainably finance organic growth as well as any acquisitions. The Board of Directors will propose to the Shareholders' General Meeting of 20 May 2016 a dividend of CHF 15.

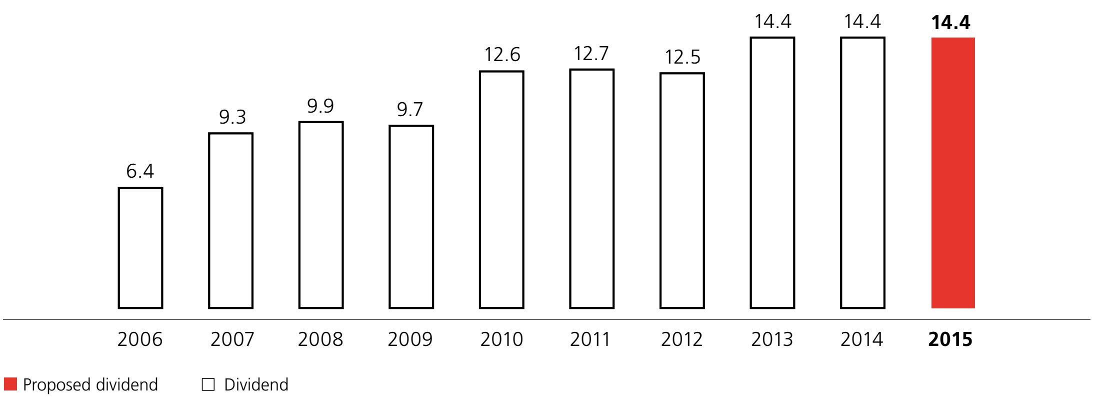
Share price 1 January 2011 – 29 February 2016
in CHF



Monthly highs and lows and average daily volume 2015



Dividend payout 2006–2015
in million CHF



Dividend payout and return of capital to shareholders 2006–2015
in million CHF

in million CHF	2006–2010	2011	2012	2013	2014	**2015**	Total
Proposed dividend	47.9	12.7	12.5	14.4	14.4	14.4	116.3
Share buy-back	42.9	–	4.8	3.4	–	–	51.1
Total	**90.8**	**12.7**	**17.3**	**17.8**	**14.4**	**14.4**	**167.4**

Dialogue with the capital market

To help nurture the ongoing relationship with shareholders and investors, various roadshows and analyst presentations were held in Zurich during the reporting year. A number of one-on-one meetings also took place at the company's headquarters.

Analyst coverage and recommendation

The ongoing development of our company and the performance of the Phoenix Mecano share are regularly covered by various analysts. The share is covered by the following analysts:

– UBS AG (CH): joern.iffert@ubs.com
– Helvea (CH): ramstalden@helvea.com
– Zürcher Kantonalbank (CH): richard.frei@zkb.ch

Share information

Listing	SIX Swiss Exchange/Zurich
Securities No.	Inh. 218781
ISIN	CH0002187810
Reuters	PM.S
Bloomberg	PM SE Equity
Telekurs/Telerate	PM

Share indicators at a glance

	Unit	**2015**	2014	2013	2012	2011
Share capital [1] (bearer shares with a par value of CHF 1.00)	Number	960 500	960 500	978 000	978 000	978 000
Treasury shares	Number	485	1 260	20 064	14 803	4 520
Shares entitled to dividend	Number	960 015	959 240	957 936	963 197	973 480
Operating result per share [2]	EUR	15.6	30.7	36.6	29.0	37.1
Result of the period per share [2]	EUR	7.0	20.8	23.4	18.8	24.3
Equity per share [2]	EUR	273.6	278.8	265.4	260.3	253.2
Free cash flow per share [2]	EUR	14.2	16.1	24.0	38.9	25.1
Dividend	CHF	15.00 [5]	15.00	15.00	13.00	13.00
Share price						
– High	CHF	560	589	565	575	719
– Low	CHF	407	399	436	431	427
– Year-end price	CHF	467	460	545	431	490
Market capitalisation	million CHF	448.6	441.8	533.0	421.5	479.2
Dividend yield [3]	%	3.2 [5]	3.3	2.8	3.0	2.7
Total shareholder return	%	4.8	–12.8	29.9	–9.4	–23.8
Payout ratio [4]	%	202 [5]	59	52	58	43
Price/profit ratio 31 December		62.8	18.2	19.0	19.1	14.6

1 Pursuant to a decision by the Shareholders' General Meeting of 23 May 2014, the share capital was reduced by CHF 17 500 with effect from 26 August 2014 by cancelling 17 500 shares from the 2013/2014 share buy-back programmes.
2 Based on shares entitled to dividend as at 31 December.
3 Dividend in relation to year-end price.
4 Dividend (shares entitled to dividend only) in relation to result of the period.
5 Proposal to the Shareholders' General Meeting of 20 May 2016.

Financial calendar

18 February 2016 7.00 a.m.	**Media release** Financial year 2015, Provisional figures
26 April 2016 7.00 a.m.	**Media release** Financial year 2015 Q1 2016 Publication of 2015 annual report
26 April 2016 9.30 a.m.	**Media conference** Financial year 2015 Q1 2016 Widder Hotel, 8001 Zurich
26 April 2016 11.30 a.m.	**Financial analysts' conference** Financial year 2015 Q1 2016 Widder Hotel, 8001 Zurich
20 May 2016 3.00 p.m.	**Shareholders' General Meeting** Hotel Chlosterhof, 8260 Stein am Rhein
16 August 2016 7.00 a.m.	**Media release** Half-yearly results 2016 Publication of 2016 semi-annual report
26 October 2016 7.00 a.m.	**Media release** Q3 2016

Further information
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www.phoenix-mecano.com

EMPLOYEES

The Phoenix Mecano Group operates as a responsible employer, always acting in accordance with ethical values and principles. Equal opportunities, equal treatment of employees and respect for health and safety are firmly enshrined in the Group's Code of Conduct and embedded in all its divisions and subsidiaries. Cultural characteristics and differences between sites and subsidiaries are naturally respected and used as an opportunity to learn from one another. This is also fostered by our long-term "Journey towards Operational Excellence" (J2OX) initiative, aimed at bringing about continuous improvement in operational performance. J2OX establishes a culture of continual optimisation by, among other things, promoting permanent mutual learning and efficient teamwork. The company is also committed to protecting human rights, equal opportunities and providing a safe working environment with fair and competitive remuneration.

In 2015, the Group employed over 6 200 people on five continents. The high quality and reliability of our products and services set the Phoenix Mecano Group apart. With their great expertise, motivation and commitment, our employees help to continuously enhance our offering. A range of continuing training opportunities support them in their professional and individual development. This helps to improve operational processes, enhance the quality of products and services and promote safety at work, while also strengthening employees' identification with the Phoenix Mecano Group as a whole and boosting motivation.

Key figures at a glance

Annual average / Number unless otherwise indicated	Change 2014 to 2015 / Number / 1 000 EUR	**2015**	2014	2013	2012	2011
Employees	**–3**	**6 204**	**6 207**	**5 839**	**5 722**	**6 152**
BY DIVISION						
Enclosures	69	1 848	1 779	1 715	1 666	1 628
Mechanical Components	9	1 917	1 908	1 914	1 906	1 934
ELCOM/EMS	–87	2 401	2 488	2 182	2 124	2 564
Others	6	38	32	28	26	26
BY REGION						
Switzerland	–2	137	139	137	137	133
Germany	43	1 630	1 587	1 552	1 561	1 591
Rest of Europe	–	1 459	1 459	1 467	1 647	1 913
North and South America	13	214	201	204	194	185
Middle and Far East	13	1 454	1 441	1 251	891	819
Africa	–71	1 296	1 367	1 215	1 280	1 500
Australia	1	14	13	13	12	11
Personnel expenses in 1 000 EUR	2.5	28.5	26.0	25.9	25.4	23.3
Gross sales per employee in 1 000 EUR	8.8	90.2	81.5	85.7	87.5	86.1

SOCIETY AND ENVIRONMENT

Society

Societal commitment is an integral part of sustainable and responsible business. For this reason, the Phoenix Mecano Group is involved in numerous social projects, both regionally and globally, helping to foster development in the regions concerned. The projects we support are identified and implemented in a decentralised way by individual Group companies.

In China, for example, Mecano Components (Shanghai) supported the "I want to go to school" programme in 2015. The programme is run by Chinese national radio's Music Radio Channel in partnership with China Children and Teenagers' Fund. The aim of the project is to support children from deprived areas whose parents are working far from home by improving their school and living environment as well as their physical and mental health. As part of the project, Mecano Components (Shanghai) supported 20 children in need in Yushu, Qinghai province.

Environment

In addition to economic and socio-cultural aspects, corporate social responsibility also encompasses ecological factors. Given the growing urgency of issues such as climate change and resource scarcity, conscientious and respectful interaction with the environment is essential and a fundamental part of responsible business practice.

Fostering a sense of ecological responsibility begins with each and every individual and permeates all aspects of their daily working lives. Accordingly, all of our employees throughout the Group are regularly and comprehensively informed, trained and motivated to ensure that they implement the company's internal principles on environmental protection in their day-to-day work. These principles are also enshrined in our Code of Conduct.

Phoenix Mecano always complies with the standards laid down by relevant environmental legislation and has established the issue of environmental awareness as part of its corporate culture. Where possible, measures are adopted and extended to continuously minimise negative environmental impacts and to enhance environmental protection. As part of this process, where reasonable and feasible the Group has its quality and environmental management systems certified according to recognised standards such as ISO 9001 (since 2000) and ISO 14001 (since 2004), to ensure uniform Group-wide assessment of companies' environmental protection measures. This enables us to manage operations and HR in an environmentally oriented way while satisfying customer and stakeholder requirements.

However, despite our commitment to the environment, we are aware that the high ecological standards of Switzerland and Germany cannot be applied as a benchmark in all countries. Nonetheless, we continually strive to improve environmental and quality awareness at all levels and in all regions. Our environmental commitment and quality management are based heavily on the standards implemented in the EU, and Germany in particular.

RISK REPORT

The Phoenix Mecano Group understands risk management as the entrepreneurial activity of weighing up risks and opportunities. Active and swift risk management is a competitive advantage, the aim being not only to identify potential risks early on and avoid them but also to create long-term scope for action that allows informed entrepreneurial risk-taking. In 2002, the Phoenix Mecano Board of Directors introduced a Group-wide, system-based risk management system, which is continuously enhanced through consultation between the Board of Directors, management, Group Controlling and the Internal Auditing Department.

Group-wide risk and opportunity management

The Board of Directors is responsible for monitoring risk and opportunity management. Regular reporting to the management and Board of Directors ensures that key threats arising from entrepreneurial risks as well as potential opportunities are identified at an early stage and suitable measures are adopted in a timely manner.

The objectives of risk management are to achieve and maintain a consistently high level of risk awareness and to create risk transparency throughout the Phoenix Mecano Group. It also aims to ensure compliance with legal obligations and the requirements pertaining to a listed company.

The risks faced by the Phoenix Mecano Group are divided into five main categories: external, financial, operational, legal and strategic risks. More information about financial risk management can be found in the consolidated financial statements (pages 130 ff.).

Risk management within the Phoenix Mecano Group is undertaken autonomously by individual Group companies and is the decentralised responsibility of each company's managing director(s). It involves identifying, assessing and managing risks and determining and continuously updating measures to address them.

Group companies' risk management processes are regularly reviewed by the Internal Auditing Department at the request of the Board of Directors. The Internal Auditing Department reports on a half-yearly basis to the management and the Board of Directors' Audit Committee concerning significant risks and Group companies' risk management processes. Internal Auditing Department risk reports are discussed in the Audit Committee on a half-yearly basis. The Internal Auditing Department reports to the whole Board of Directors once a year. In between regular reporting dates, Group companies are required to report on an ad-hoc basis if significant new risks arise. This process ensures that risks are recorded and assessed in a timely and comprehensive way and allows the Board of Directors to carry out its own risk assessment.

CONTENTS

CORPORATE GOVERNANCE & REMUNERATION REPORT

CORPORATE GOVERNANCE

Phoenix Mecano's corporate governance promotes transparent and responsible management of the business and sustainable value creation. This corporate governance report generally follows the structure of the Directive on Corporate Governance (DCG) published by SIX Swiss Exchange. The remuneration report follows in a separate section starting on page 62.

Group structure and shareholders

Phoenix Mecano is a global technology enterprise in the enclosures and industrial components sectors and has significant market shares in the international growth markets. It manufactures technical enclosures, electronics components, linear actuators and complete system integrations in three technical divisions. Its important areas of application are mechanical engineering, measurement and control technology, electrical engineering, automotive and railway technology, energy technology, medical technology, aerospace technology and home and hospital care.

The Group is split into three divisions: Enclosures, Mechanical Components and ELCOM/EMS. Within these divisions, parent companies responsible for product management operate with the help of global production sites and sales companies. In Switzerland, Phoenix Mecano is present at two locations: Kloten, from where Phoenix Mecano Management AG runs the Group's operations, and Stein am Rhein, which is home to the headquarters of the Group's holding company as well as to Phoenix Mecano Komponenten AG, which distributes the various products manufactured by Phoenix Mecano subsidiaries in Switzerland, and the purchasing company Phoenix Mecano Trading AG.

The Group's overall structure has always been very lean. Operational responsibility lies with the management, also referred to as the Executive Committee. The Extended Group Leadership Committee, including the operational managers of the Group's divisions, main business units and regions, assists with the coordination of business activities. The Group's operational structure is presented on pages 68 and 69. Detailed information about the scope of consolidation can be found on pages 98–101 of the consolidated financial statements. None of the shareholdings is listed.

Cross-ownership

There is no cross-ownership between the subsidiaries or between the subsidiaries and the parent company.

Shareholders' agreements

There are no shareholders' agreements.

Capital structure

Capital / shares and participation certificates

As at 31 December 2015, Phoenix Mecano AG's share capital was fully paid up and consisted of 960 500 bearer shares (securities No. Inh. 218781; Reuters: PM.S; Telekurs/Telerate: PM) with a par value of CHF 1.00. All shares, apart from those owned by the company, fully entitle the bearer to vote and receive a dividend. As at the balance sheet date, the company owned 485 treasury bearer shares. There are no nominal shares and no participation or dividend-right certificates.

Contingent and authorised capital

At present the Group has no contingent or authorised capital.

Changes in capital

No changes in capital took place in 2015.
The Shareholders' General Meeting of 23 May 2014 approved the cancellation of 17 500 shares from the 2012/2013 buy-back programme. The share capital was reduced from CHF 978 000 to CHF 960 500, with effect from 26 August 2014. No changes in capital took place in 2013, 2012 and 2011.

Limitations on transferability and nominee registrations

Since Phoenix Mecano AG has issued no nominal shares, there are no limits on transferability.

Major shareholders, each holding a share of the voting rights equivalent to over 3% of the share capital as at 31 December 2015

Name in %	Head office	**2015**	2014
Planalto AG	Luxembourg, Luxembourg	34.6*	34.6
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5*	5.5*
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	4.9	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	<3	3.5*

* Shareholding not notified in the year indicated.
This information is based on notifications by the aforementioned shareholders.

Individual notifications can be viewed at the following link of SIX Swiss Exchange:
https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html

Changes in capital

Year of buy-back	Cancelled shares	Average repurchase price	Shares outstanding
	Number	CHF	Number
2007/2008	58 500	510.74	1 011 000
2008/2009	33 000	336.42	978 000
2012/2013	17 500	467.54	960 500

Convertible bonds and options

There are no convertible bonds and no options.

Board of Directors

The Board of Directors is the company's senior management body and comprises at least four members. In 2015, the Board of Directors had five members. They met four times in 2015, each meeting lasting an average of four hours.

Elections and terms of office

The members of the Board of Directors are elected individually by the Shareholders' General Meeting for a term of one year until the end of the next ordinary Shareholders' General Meeting. There are no restrictions on re-election. The Chairman is elected by the Shareholders' General Meeting from among the members of the Board of Directors for a term of office of one year, until the end of the next ordinary Shareholders' General Meeting. This term may also be renewed. The Board of Directors designates someone to take the minutes, who does not necessarily have to be a member of the Board of Directors.

Definition of areas of responsibility

The powers of the Board of Directors are set out in the Swiss Code of Obligations as well as in Phoenix Mecano AG's Articles of Incorporation, which state that the Board of Directors is entitled to transfer the management or individual branches thereof and the representation of the company to one or more of its members or to other natural persons, pursuant to its own rules of procedure governing organisational matters, except where mandatory legal provisions stipulate otherwise. To this end it may set up committees, appoint, monitor or recall delegates or appoint a management comprising one or more of its own members or external persons. The Board of Directors determines the powers and obligations of committees, delegates, management and executives with a power of attorney. The Board of Directors is authorised to take decisions provided that a majority of its members is present. Decisions are taken by a majority of votes cast by those present. In the event of a tie, the Chairman has the casting vote.

By law and pursuant to the company's Articles of Incorporation, the Board of Directors has the following main duties and powers:

- Preparation of the proceedings of the Shareholders' General Meeting, especially the annual report, financial statements and proposals on the appropriation of earnings
- Determination of corporate goals and the principles underlying corporate policy and strategy
- Determination of the company's policy on risks
- Decision-making regarding the establishment or cessation of major divisions of the company and authorisation of the acquisition or disposal of shareholdings, plus authorisation of any changes to the legal structure of the Group
- Decision-making on the budget and medium-term planning (product and market strategy, financial and investment guidelines)
- Allocation of signatory powers to members of the Board of Directors and determination of the principles governing signatures below that level
- Determination of the principles of reporting to the Board of Directors, approval of the principles governing the company's finances and accounts and also internal and external audits
- Preparation of the remuneration report

Other activities and vested interests

Mr Ulrich Hocker,
Chairman of the Board of Directors

Activities in governing and supervisory bodies

- Feri Finance AG, Bad Homburg, Germany (Deputy Chairman of the Supervisory Board)
- DMG Mori Seiki AG, Bielefeld, Germany (Member of the Supervisory Board)

Permanent management and consultancy functions

- Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW), Düsseldorf, Germany

Official functions and political posts

- German Financial Reporting Enforcement Panel (FREP), Member of the Governing Board

Mr Benedikt Goldkamp,
Delegate of the Board of Directors and CEO

Activities in governing and supervisory bodies
- Model Holding AG, Weinfelden, Switzerland (Member of the Board of Directors)

Mr Beat Siegrist,
Member of the Board of Directors

Activities in governing and supervisory bodies
- Schweiter Technologies, Horgen, Switzerland (Chairman of the Board of Directors)
- INFICON Holding AG, Bad Ragaz, Switzerland (Member of the Board of Directors)
- Garaventa Accessibility AG, Goldau, Switzerland (Chairman of the Board of Directors)

No other members of the Board of Directors have any relevant activities or vested interests to declare.

Number of permitted activities pursuant to Article 12(1)(1) ERCO (rules laid down in Article 22 of the Articles of Incorporation)
Members of the Board of Directors, the management and any advisory board may not hold or perform more than the following number of additional positions or activities in senior management or administrative bodies of other legal entities which are required to register themselves in the commercial register or an equivalent foreign register and which do not control or are not controlled by the company:
- 5 mandates with companies whose equity securities are listed on a stock exchange, where multiple mandates with different companies belonging to the same group count as one mandate; and
- 10 paid mandates with other legal entities, where multiple mandates with different companies belonging to the same group count as one mandate; and
- 10 unpaid mandates, where the reimbursement of expenses is not considered as remuneration.

Mandates fulfilled by a member of the Board of Directors or the management at the instruction of the company are not covered by this restriction on additional mandates.

There are no rules in the Articles of Incorporation that differ from the statutory legal provisions with regard to the appointment of the Chairman of the Board of Directors, the members of the Compensation Committee or the independent proxy.

Cross-linkage
There is no cross-linkage. In other words, no member of the Phoenix Mecano Board of Directors serves on the Supervisory Board of a listed company of a fellow member of the Board of Directors.

Internal organisational structure
The Board of Directors is deliberately kept small and usually performs its duties collectively. The Audit Committee, first set up in 2003, is primarily responsible for monitoring external audits.
In that task it is supported by the Internal Auditing Department. The Audit Committee is chaired by Dr Florian Ernst in his capacity as a non-executive member of the Board of Directors. Dr Ernst is a certified auditor and has the necessary knowledge and experience of finance and accounting. Another member of the Audit Committee is the Chairman of the Board of Directors, Ulrich Hocker. The CEO and CFO also attend Audit Committee meetings. The Committee held two meetings in 2015, each lasting an average of four hours.

The Audit Committee works in an advisory capacity and prepares draft resolutions and recommendations for the attention of all members of the Board of Directors. Decisions are taken by the whole Board of Directors.

The Compensation Committee is the remuneration committee required by the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The present members of the Beat Siegrist, Ulrich Hocker, Dr Martin Furrer were proposed to the 2015 Shareholders’ General Meeting for election individually. The Compensation Committee draws up proposed remuneration guidelines for the Board of Directors and management. It also makes recommendations for Board of Directors compensation and the fixed and variable remuneration components for management. It prepares the Board of Directors' decision concerning the remuneration of the Board of Directors and management and submits a proposal to the Board of Directors on this matter. Based on the Compensation Committee's proposal, the whole Board of Directors decides on the remuneration of members of the Board of Directors and management and submits its decision to the Shareholders' General Meeting for approval, in accordance with the Articles of Incorporation. The Delegate of the Board of Directors (CEO) attends meetings of the Compensation Committee in an advisory capacity. He leaves the meeting when his own remuneration is being discussed. To prevent conflicts of interest, the Chairman and Delegate of the Board of Directors abstain from votes relating to their own remuneration.

Information and control instruments vis-à-vis the management

The Board of Directors has a number of instruments to enable it to perform its duties vis-à-vis the management to the fullest extent. For example, the company has a management information system encompassing all Phoenix Mecano Group companies. It includes detailed balance sheet and statement of income figures and enables the company to obtain a quick and reliable picture of the income and assets of the Group, divisions or individual companies at any time. Reporting takes place monthly. Regular meetings with members of the management ensure that Board members are fully informed and have a sound basis for decision-making.

The dedicated, full-time Internal Auditing Department was set up in 2002. It is accountable to the Board of Directors and reports directly to it. Key audit issues in 2015 were accounts receivable and inventory management, the internal control system, the risk management system, transfer pricing documentation, compliance and employee inventions (in Germany). A quality assessment conducted by an external auditor (Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany) in early 2012 confirmed that the Phoenix Mecano Group's Internal Auditing Department complied with international standards. A quality assessment is carried out every five years. The Internal Auditing Department conducted a self-assessment in early 2015. The positive outcome was reported to the Audit Committee.

A Group-wide risk management system was introduced in 2002 and a Group-wide internal control system in 2008. Both systems have proved invaluable and are continuously updated. Integrated software for both areas was rolled out in the fourth quarter of 2012. Based on experiences over the previous two years, an in-depth review of internal control guidelines took place in September 2014, covering control requirements and frequencies as well as documentation requirements.

Members of the Board of Directors and its committees

Board of Directors

Ulrich Hocker
Chairman
Member since 1988

Benedikt A. Goldkamp
Delegate of the Board of Directors
Member since 2000

Dr Florian Ernst
Member since 2003

Dr Martin Furrer
Member since 2003

Beat Siegrist
Member since 2003

Audit Committee

Dr Florian Ernst (Chairman)
Member since 2003

Ulrich Hocker
Member since 2003

Compensation Committee

Beat Siegrist (Chairman)
Member since 2013

Ulrich Hocker
Member since 2013

Dr Martin Furrer
Member since 2013

All members of the Board of Directors are elected for one year until the 2016 Shareholders' General Meeting. As Delegate of the Board of Directors, Mr Benedikt A. Goldkamp has an operational management role. All other Board members are non-executive directors.

BOARD OF DIRECTORS

as at 31 December 2015

Ulrich Hocker (D)
Chairman of the Board of Directors since 2003. Member of the Board of Directors since 1988. Born in 1950. Resident in Düsseldorf (Germany).

Trained as a banker. Law degree, attorney at law. Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW) from 1985 to November 2011 and President since 21 November 2011.

Benedikt A. Goldkamp (D)
Delegate of the Board of Directors. Member of the Board of Directors since 2000. Delegate of the Board of Directors and CEO since 1 July 2001. Born in 1969. Resident in Lufingen (Switzerland).

Gained a degree in financial consultancy, followed by a Master of Business Administration from Duke University. 1996–1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998–2000 Managed the Group's own production company in Hungary and several Group-internal restructuring projects. Has been a member of the management and Board of Directors of Phoenix Mecano AG since 2000.

Dr Florian Ernst (CH)
Member of the Board of Directors since 2003. Born in 1966. Resident in Zollikon (Switzerland).

Graduated as Dr oec. HSG in 1996. Qualified as an auditor in 1999. Worked as an auditor at Deloitte & Touche AG in Zurich until 1999. Then held various positions in the banking sector, including as a mergers & acquisitions consultant and the CFO of an alternative investment company in Pfäffikon, Schwyz. 2008 – 2015 occupied a number of posts at Deutsche Bank (Switzerland) AG, Zurich, including as Global Head Private Equity Distribution and advising clients in the Asset & Wealth Management Division. Since 2015 has performed various independent roles in the field of private equity/corporate finance and family offices.

Dr Martin Furrer (CH)
Member of the Board of Directors since 2003. Born in 1965. Resident in Zumikon (Switzerland).

Gained a doctorate in law (Dr iur.) from Zurich University, then an MBA from INSEAD in Fontainebleau, and passed the bar examination of the Canton of Zurich. Started out as a lawyer for Baker & McKenzie in Sydney, then became a strategy consultant for McKinsey & Co. in Zurich. Has been back working as a lawyer for Baker & McKenzie in Zurich since 1997, specialising in private equity, mergers & acquisitions, capital market law and restructuring. Has been a partner at Baker & McKenzie since 2002.

Beat Siegrist (CH)
Member of the Board of Directors since 2003. Born in 1960. Resident in Herrliberg (Switzerland).

Gained the following qualifications: Dipl. Ing. ETH in 1985, MBA INSEAD, Fontainebleau and McKinsey Fellowship in 1988. Development engineer for data transfer with Contraves, Consultant and Project Manager at McKinsey & Co. responsible for reorganisations and turnaround projects in the machine industry. 1996 – 2008 CEO of Schweiter Technologies, Horgen. Since 2008 member and since 2011 chairman of the Board of Directors of Schweiter Technologies Horgen. Member of the Board of Directors of INFICON Holding AG, Bad Ragaz, since 2010. 2008 – 2012 Managing Director of the Satisloh Group. Since 2013 Chairman of the Board of Directors of Garaventa Accessibility AG, Goldau.

Management

The management comprises the Delegate of the Board of Directors/CEO, the COO and the CFO. It is chaired by the Delegate of the Board of Directors. The COO and CFO are appointed by and report to the Delegate. The management aids the Delegate by coordinating the Group's companies and advises on matters affecting more than one division.

Other activities and vested interests

Mr Benedikt Goldkamp,
Delegate of the Board of Directors and CEO

Activities in governing and supervisory bodies
– Model Holding AG, Weinfelden, Switzerland (Member of the Board of Directors)

No other members of the management have any relevant activities or vested interests to declare.

Number of permitted activities pursuant to Article 12(1)(1) ERCO

The number of permitted activities for members of the management is laid down in Article 22 of the company's Articles of Incorporation.
The relevant rules are cited on page 53 in the Board of Directors section.

Management contracts

Furthermore, there are no management contracts between the Group and companies or persons with management duties.

Compensation, shareholdings and loans

Remuneration report, page 66; Financial statements, page 159.

Shareholders' participation rights

Voting rights and proxy voting

Each share entitles the holder to one vote at the Shareholders' General Meeting. There is no restriction on voting rights. Shareholders may be represented at the Shareholders' General Meeting by their legal representative, another third party with written authorisation or the independent proxy. All of the shares held by a shareholder can only be represented by one person.

Instructions to the independent proxy

The Board of Directors ensures that shareholders can also transmit their proxies and instructions to the independent proxy by electronic means. The Board of Directors determines the requirements applying to proxies and instructions. The independent proxy is elected for one year by shareholders at the ordinary Shareholders' General Meeting.

Quorums required by the Articles of Incorporation

Unless the law or the company's Articles of Incorporation stipulate that decisions be taken by a qualified majority, the Shareholders' General Meeting takes decisions by means of an absolute majority of the votes cast, irrespective of the number of shareholders present or the number of votes. In the event of a tie, the Chairman has the casting vote, except in elections, where the final decision will be taken by lots if need be.

The adoption and amendment of the Articles of Incorporation and any decisions entailing an amendment of the Articles of Incorporation must be approved by three quarters of the votes cast, irrespective of the number of shareholders present or the number of votes.

Convocation of the Shareholders' General Meeting / Inclusion of items on the agenda

The Shareholders' General Meeting (GM) is the company's top body. It is headed by the Chairman. Invitations to the GM are issued at least 20 days in advance of the meeting by means of a single announcement in the company's publications. The invitation must contain the agenda of the meeting and the proposals by the Board of Directors and shareholders who called for the convocation of a Shareholders' General Meeting or the inclusion of an item on the agenda. Shareholders representing shares totalling 10% of the share capital may request the inclusion of an item on the agenda.

Shareholders' rights

All shareholders are entitled to attend the Shareholders' General Meeting. To participate and make use of their rights to vote and submit proposals, they must demonstrate their share ownership.

MANAGEMENT

as at 31 December 2015

Benedikt A. Goldkamp (D) CEO
Delegate of the Board of Directors. Member of the Board of Directors since 2000.Delegate of the Board of Directors and CEO since 1 July 2001. Dipl. Finanzwirt, MBA Duke University. Born in 1969. Resident in Lufingen (Switzerland).

1996 – 1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998 – 2000 Managed the Group's own production company in Hungary and several Group-internal restructuring projects.
He has been a member of the management and Board of Directors of Phoenix Mecano AG since 2000.

Dr Rochus Kobler (CH) COO
Member of the management since 2010. Dr oec. HSG, Dipl. Ing. ETH / MSc. Born in 1969. Resident in Unterägeri (Switzerland).

1997 – 2002 Senior Engagement Manager at McKinsey in Zurich, Johannesburg and Chicago. 2002 – 2010 CEO and Member of the Board of Directors of the international production and trading group Gutta. He has been COO since 1 September 2010, with responsibility for the operational management of the Phoenix Mecano Group.

René Schäffeler (CH) CFO
Member of the management since 2000. Certified accountant / controller. Born in 1966. Resident in Stein am Rhein (Switzerland).

Commercial training and active for several years in the banking sector. At Phoenix Mecano since 1989. After serving as Controller (until 1991), Head of the Group Accounting Department (1992 – 96) and Deputy Director of Finances and Controlling (1997 – 2000), he has been CFO since 2000. In this post he is responsible for finances, group accounting, controlling, taxes and IT.

Share ownership by members of the Board of Directors and management and persons related to them

Name	Position	31.12.2015	31.12.2014
Number			
Ulrich Hocker	Chairman of the Board of Directors	8 898	8 798
Benedikt A. Goldkamp	Delegate of the Board of Directors	1 865	1 865
Dr Florian Ernst	Board member	10	10
Dr Martin Furrer	Board member	100	100
Beat Siegrist	Board member	400	400
Shares held by the Board of Directors		**11 273**	**11 173**
Dr Rochus Kobler	Member of the management	200	200
René Schäffeler	Member of the management	125	80
Shares held by the management		**325**	**280**

Entries in the share register
Since Phoenix Mecano AG has only issued bearer shares, no share register is kept.

Changes of control and defence measures
Duty to make an offer
The limit for the obligation to make an offer pursuant to Article 32 of the Swiss Federal Act on Stock Exchanges and Securities Trading is 45% of the voting rights (opting up). Under the Swiss Stock Exchange Act, a potential acquiring company may be exempted from the obligation to make a public purchase bid (opting out). Phoenix Mecano has not made use of this possibility.

Clauses on changes of control
There are no change-of-control clauses. Nor are there any agreements about extending contracts in the event of a hostile takeover. This applies to serving members of the Board of Directors and management as well as to other executive staff.

Auditors
Duration of the mandate and term of office of the lead auditor
By a decision of the Shareholders' General Meeting of 22 May 2015, KPMG AG, Zurich, were appointed as statutory auditors for the accounting and financial statements of Phoenix Mecano AG and as Group auditors of the consolidated financial statements of the Phoenix Mecano Group for a period of one year. KPMG AG, Zurich, first assumed the mandate as statutory and Group auditors in 2006. The lead auditor, Mr Kurt Stocker, has been in office since the 2012 Shareholders' General Meeting. The lead auditor is replaced every seven years.

Auditing fees
In the reporting year, KPMG received fees totalling EUR 710 000 for auditing the financial statements and consolidated financial statements.

Additional fees
KPMG received additional fees of EUR 649 000 in the reporting year: EUR 579 000 for tax consultancy, EUR 67 000 for legal advice and EUR 3 000 for miscellaneous services including support for the Internal Auditing Department.

Audit supervision and control instruments
Phoenix Mecano has a dedicated full-time Internal Auditing Department and a Board of Directors' Audit Committee. The external auditors attended both Audit Committee meetings in the reporting year. They inform the Audit Committee, both orally and in writing, of the outcome of the Group audit and the audit of the financial statements of Phoenix Mecano AG. Specific observations relating to the audit are presented to the Board of Directors in the form of a comprehensive report.

The Audit Committee assesses the auditors' performance annually based on the documents, reports and presentations they produce and the relevance and objectivity of their observations. In so doing, the Committee also takes into account the opinion of the CFO. The amount of the auditors' fees is regularly reviewed and compared with the auditing fees of other industrial companies. It is negotiated by the CFO and approved by the Audit Committee. All services performed outside the scope of the statutory audit mandate are compatible with the audit duties.

Information policy

Phoenix Mecano informs its stakeholders in an open and comprehensive way to create trust and promote understanding of the company. Its high level of transparency enables all stakeholder groups to make a full and accurate assessment of business development and prospects and the sustainability of management and corporate policy.

Relevant information about the Group's business activities is provided in its annual reports, semi-annual reports and media releases as well as at media and analysts' conferences and the Shareholders' General Meeting.

Company representatives maintain regular contact with the capital market as well as media representatives, financial analysts and investors. This also includes roadshows in Switzerland and abroad and one-on-one meetings at the company's headquarters.

The calendar of events and publications and the contact details of the investor relations manager can be found on page 44. Detailed information is also available online at www.phoenix-mecano.com, from where the Group's annual reports, latest media information and Articles of Incorporation can be downloaded:

- Annual reports/Semi-annual reports: www.phoenix-mecano.com/annualreports.html
- Media information: www.phoenix-mecano.com/current-media-releases.html
- Articles of Incorporation: www.phoenix-mecano.com/articles-of-incorporation.html
- Shareholders' General Meeting (invitation, results of votes): www.phoenix-mecano.com/general-meeting.html

For ad hoc disclosures, the relevant pages are:

- Pull link: www.phoenix-mecano.com/current-media-releases.html
- Push link: www.phoenix-mecano.com/subscribe.html

Print media announcements are published in the Swiss Official Gazette of Commerce (SOGC) as well as a number of major daily newspapers in German-speaking Switzerland.

Auditing fees / Additional fees

in 1 000 EUR	**2015**	2014
Total auditing fees	710	700
Tax consultancy	579	444
Legal advice (mainly support with due diligence)	67	198
Miscellaneous	3	16
Total additional fees	649	658
Total	**1359**	**1358**

REMUNERATION REPORT

This remuneration report contains information about the principles, procedures for determining remuneration and components of remuneration of the Board of Directors and management of Phoenix Mecano AG. It is also based on the Articles of Incorporation, the transparency requirements set out in the Swiss Code of Obligations (CO), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse. The disclosures required under Articles 13–16 of the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) are contained in a separate section at the end of this remuneration report.

Remuneration principles and governance

Remuneration of the management and Board of Directors is based on the following principles:
– Transparency (simplicity, clarity)
– Business success (value creation, shareholder benefit)
– Adherence to market rates of executive pay (benchmarking of similar companies, qualifications and experience)

At the 2015 ordinary Shareholders' General Meeting, the Shareholders' General Meeting voted on Board of Directors and management remuneration. In addition, the following members of the Compensation Committee were re-elected: Beat Siegrist, Ulrich Hocker, Dr Martin Furrer. President of the committee is Beat Siegrist.

The Compensation Committee meets as often as required, but at least once a year. One meeting of the Compensation Committee took place in 2015. The tasks, powers, responsibilities and working methods of the Compensation Committee are described on pages 53 and 54 of the corporate governance report. The Compensation Committee can call in external compensation specialists to offer neutral advice or provide studies or data as a basis for comparison in setting remuneration.

Procedures for determining remuneration

The composition and level of remuneration awarded to the Board of Directors and management are based on sector and labour market comparisons. The Compensation Committee also consults comparative figures and surveys of listed companies operating in the same sector, with similar sales, headcounts and geographical presence and with headquarters in Switzerland.

The variable remuneration of management members is based on business criteria. In this way, Phoenix Mecano ensures that management bonuses are conditional upon the creation of added value for shareholders. The reference indicators for this are the Group's result of the period and equity for the past financial year. Special or one-off items are taken into account, as they also impact on shareholders. In the interests of transparency, leverage effects and complex derivative structures are excluded from the outset.

As the Group's senior supervisory body, the Board of Directors (except for the Delegate, who is a member of the management) receives only a fixed remuneration in cash, so that it can exercise its supervisory and overall guidance function free from conflicts of interest with the management. The Delegate of the Board of Directors also receives a fixed remuneration for his services on the Board as well as a fixed and variable remuneration for his services as CEO and a member of the management.

Structure of remuneration

The Board of Directors is remunerated in cash for all of its duties, including ordinary and any extraordinary meetings, committee activities and other extraordinary activities. Expenses are not reimbursed separately. Only in the case of cross-border travel are the actual costs reimbursed.

The management of Phoenix Mecano consists of three members: the CEO (Delegate of the Board of Directors), COO and CFO. All three hold responsible positions with an overall management role. Remuneration for all members therefore follows the same model, based on a simple but effective formula.

Each member of the management receives a fixed remuneration in cash, taking into account their qualifications, experience and area of responsibility, at prevailing market conditions (see also under Procedures for determining remuneration).

In addition, each member receives a variable remuneration component (bonus). To determine this component, a minimum profit margin of 3% of equity, calculated in relation to the Phoenix Mecano Group's balance-sheet equity, is first set aside. This is not taken into account in determining the bonus. Bonuses can only be paid if the result of the period, as recorded in the Phoenix Mecano Group's consolidated financial statements, exceeds this minimum amount of 3% of equity (for shareholders). No bonus is paid in the event of losses. All management members receive their bonus as a percentage of the result of the period less the aforementioned minimum rate of return. The bonus is limited to a maximum of twice the fixed salary. The percentage received by individual management members is set in advance, taking into account the member's areas of responsibility.

No shares were allocated and no options were organised in the reporting year. There are no shareholding programmes for members of the Board of Directors or management under which shares or options could be issued.

Social security and fringe benefits

The Phoenix Mecano Group operates a pension plan in Switzerland with a BVG-Sammelstiftung (collective foundation providing basic insurance as well as supplementary insurance for senior managers). This is fully reinsured by an insurance company. Members of the management are affiliated to this pension plan. Pension payments are based on retirement savings, to which annual retirement credits and interest are added. When an employee with basic insurance retires, they can choose between a lifetime annuity or a lump-sum payment; the managerial insurance takes the form of a lump-sum payment. The annuity is calculated by multiplying the retirement savings by the current conversion rate. In addition to retirement benefits, pension benefits also include disability and partner's pensions.

The Phoenix Mecano Group has also taken out group accident insurance for death and disability as well as daily sickness benefits insurance for members of the management.

Management members receive lump-sum expenses in accordance with the expense regulations approved by the relevant tax authorities. If they wish, members of the management are given a company car for business and private use.

The compensation awarded to members of the Board of Directors is subject to the usual social security contributions. With the exception of the Delegate of the Board of Directors, members of the Board of Directors do not participate in the Phoenix Mecano pension plan.

Additional fees

In principle, no fees or other allowances for additional services to Phoenix Mecano AG or any of its Group companies are awarded to members of the Board of Directors and management or persons related to them. Exceptions must be approved by the Shareholders' General Meeting.

Contractual terms and conditions

The employment contracts of management members provide for a maximum notice period of 12 months.

Severance pay

There is no contractual provision for severance pay for members of the Board of Directors or management.

Rules laid down in the Articles of Incorporation

The Articles of Incorporation include the following rules concerning the vote on Board of Directors and management remuneration, the determination of performance-related pay and the allocation of equity securities, convertible rights and options, as well as concerning loans, credit facilities and post-employment benefits for members of the Board of Directors and management (extract from the Articles of Incorporation of Phoenix Mecano AG, version dated 23 May 2014):

Article 13

Each year the Shareholders' General Meeting shall, with binding effect, separately approve, based on a proposal by the Board of Directors, the maximum total amounts of the remuneration of the Board of Directors, the management (including any Delegate) and any advisory board, for the next financial year commencing after the ordinary Shareholders' General Meeting (the "approval period"). The maximum total amounts approved by the Shareholders' General Meeting may be paid by the company and/or by one or more Group companies.

If an approved maximum total amount for remuneration of the management is insufficient to compensate any members appointed after the resolution of the Shareholders' General Meeting up to the commencement of the next approval period, the company shall have at its disposal an additional amount per person of up to 50% of the previously approved maximum total remuneration of the management for the approval period in question. The Shareholders' General Meeting shall not vote on the additional amount appropriated.

In addition to the approval pursuant to paragraph 1, the Shareholders' General Meeting may, each year, with binding effect, separately approve, based on a proposal by the Board of Directors, an increase in the approved maximum total amounts for remuneration of the Board of Directors, the management and any advisory board for the approval period ongoing at the time of the relevant Shareholders' General Meeting and/or for the preceding approval period. The Board of Directors shall be entitled to pay all kinds of authorised remuneration using the approved maximum total amounts and/or the additional amounts.

In addition, the Board of Directors may give the Shareholders' General Meeting the opportunity to hold an advisory vote on the remuneration report for the financial year preceding the Shareholders' General Meeting in question.

If the Shareholders' General Meeting refuses to approve a maximum total amount for the members of the Board of Directors, the management or any advisory board, the Board of Directors may submit new proposals at the same Shareholders' General Meeting. If the Board of Directors does not submit new proposals or if the new proposals are also rejected, the Board of Directors may convene another Shareholders' General Meeting at any time, subject to legal requirements and the Articles of Incorporation.

Article 20

The company may pay executive members of the Board of Directors and the members of the management performance-related remuneration. The amount of this remuneration shall be based on the qualitative and quantitative targets and parameters set by the Board of Directors, in particular the overall success of the Group. The performance-related remuneration may be paid in cash or through the allocation of equity securities, conversion or option rights or other rights to equity securities. The Board of Directors shall specify detailed rules for the performance-related remuneration of members of the Board of Directors, the management and any advisory board. Non-executive members of the Board of Directors shall receive a fixed remuneration only.

The company may allocate equity securities, conversion or option rights or other rights to equity securities to members of the Board of Directors, the management and any advisory board as part of their remuneration. If equity securities, conversion or option rights or other rights to equity securities are allocated, the amount of the remuneration shall correspond to the value of the allocated securities and/or rights at the time of the allocation according to generally accepted valuation methods. The Board of Directors may stipulate a lock-up period for retaining the securities and/or rights and determine when and to what extent the beneficiaries acquire permanent entitlement and under what conditions any lock-up periods lapse and the beneficiaries immediately acquire permanent entitlement (e.g. in the event of a change of control, substantial restructuring or certain types of employment contract termination). The Board of Directors shall specify detailed rules.

Article 21
Loans and credit to members of the Board of Directors, the management and any advisory board may not as a rule exceed 100% of the annual remuneration of the individual in question.

Loans to corporate officers
Phoenix Mecano AG and its Group companies have not granted any securities, loans or credits to current or former members of the management and Board of Directors or persons related to them.

Remuneration for financial years 2015 and 2014 pursuant to ERCO

The following remuneration was awarded for financial year 2015:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2015
Ulrich Hocker	Chairman of the Board of Directors	261		20	281
Benedikt A. Goldkamp	Delegate of the Board of Directors	64		5	69
Dr Florian Ernst	Board member	64		5	69
Dr Martin Furrer	Board member	64		5	69
Beat Siegrist	Board member	64		5	69
Remuneration of the Board of Directors		517	0	40	557
Remuneration of the management		1 602	0	315	1 917
Remuneration of the Board of Directors and of the management		**2 119**	**0**	**356**	**2 475**
Highest individual management salary: Benedikt A. Goldkamp	CEO	726	0	142	868

The following remuneration was awarded for financial year 2014:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2014
Ulrich Hocker	Chairman of the Board of Directors	261		20	281
Benedikt A. Goldkamp	Delegate of the Board of Directors	64		11	75
Dr Florian Ernst	Board member	64		5	69
Dr Martin Furrer	Board member	64		5	69
Beat Siegrist	Board member	64		5	69
Remuneration of the Board of Directors		517	0	46	563
Remuneration of the management		1 600	446	328	2 374
Remuneration of the Board of Directors and of the management		**2 117**	**446**	**374**	**2 937**
Highest individual management salary: Benedikt A. Goldkamp	CEO	726	248	145	1 119

The Phoenix Mecano Group's consolidated statement of income for 2015 includes no compensation for former members of the Group's bodies who left in the preceding period or before.

In financial year 2015, legal fees of CHF 8 150 were paid to law firm Baker & McKenzie Zurich, in which Dr Martin Furrer is a partner.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF PHOENIX MECANO AG, STEIN AM RHEIN

We have audited the remuneration report dated 23 March 2016 of Phoenix Mecano AG for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained on page 66 (table) of the Annual Report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration 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 remuneration 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 remuneration report complies with Swiss law and articles 14–16 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 14–16 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 remuneration 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 remuneration report for the year ended 31 December 2015 of Phoenix Mecano AG complies with Swiss law and articles 14–16 of the Ordinance.

Zurich, 23 March 2016

Kurt Stocker Licensed Audit Expert Auditor in Charge	Thomas Lehner Licensed Audit Expert

KPMG AG

GROUP OPERATIONAL STRUCTURE

FINANCE AND SERVICE COMPANIES

SWITZERLAND

Phoenix Mecano Management AG
CH-8302 Kloten
Managing directors:
B. A. Goldkamp, Dr R. Kobler, R. Schäffeler

Phoenix Mecano Trading AG
CH-8260 Stein am Rhein
Managing director:
Dr J. Metzger

BRAZIL

Phoenix Mecano Holding Ltda.
CEP 06460-110 Barueri - SP
Managing director:
D. Weber

GERMANY

IFINA Beteiligungsgesellschaft mbH
D-32457 Porta Westfalica
Managing directors:
B. A. Goldkamp, M. Sochor, M. Kleinle

HUNGARY

Phoenix Mecano Kecskemét Research and Development Kft.
H-6000 Kecskemét
Managing director:
Dr Z. Nagy

THE NETHERLANDS

PM International B.V.
NL-7005 AG Doetinchem
Managing directors:
G. H. B. Hartman, B. A. Goldkamp, R. Schäffeler

UNITED KINGDOM

Integrated Furniture Technologies Ltd.
GB-Cheltenham GL50 1PY
Managing directors:
D. Robertson, M. Kleinle, Dr J. Gross

Phoenix Mecano Finance Ltd.
St. Helier, Jersey
GB-Channel Islands JE2 3NP
Managing director:
H. Durell

ENCLOSURES

Dr H. W. Rixen

GERMANY

Bopla Gehäuse Systeme GmbH
D-32257 Bünde
Managing director:
R. Bokämper

Kundisch GmbH + Co. KG
D-78056 Villingen-Schwenningen
Managing director:
M. Brouwer

Rose Systemtechnik GmbH
D-32457 Porta Westfalica
Managing director:
Dr H. W. Rixen

SeKure Ident GmbH
D-82234 Wessling
Managing director:
J. Hartmann

MECHANICAL COMPONENTS

M. Kleinle

GERMANY

DewertOkin GmbH
D-32278 Kirchlengern
Managing director:
Dr J. Gross

RK Rose+Krieger GmbH
D-32423 Minden
Managing director:
H. Hoffmann

ELCOM / EMS

Dr R. Kobler

GERMANY

ATON Lichttechnik GmbH
D-99848 Wutha-Farnroda
Managing director:
R. Bormet

Hartmann Codier GmbH
D-91083 Baiersdorf
Managing directors:
B. A. Goldkamp, P. Scherer

Hartmann Electronic GmbH
D-70499 Stuttgart (Weilimdorf)
Managing directors:
Dr G. Zahnenbenz, W. Fritz

Phoenix Mecano Digital Elektronik GmbH
D-99848 Wutha-Farnroda
Managing director:
R. Bormet

Phoenix Mecano Power Quality GmbH + Co. KG
D-61279 Grävenwiesbach
Managing directors:
K. H. Goos, F. Kauert, E. Sorg

Platthaus GmbH Elektrotechnische Fabrik
D-52477 Alsdorf
Managing directors:
K. H. Goos, O. Huppertz

Plein & Baus GmbH
D-51399 Burscheid
Managing directors:
A. Köster, Dr G. Zahnenbenz

PTR Messtechnik GmbH + Co. KG
D-59368 Werne
Managing directors:
B. A. Goldkamp, P. Scherer

GROUP HEADQUARTERS, SWITZERLAND – Phoenix Mecano AG,
Hofwisenstrasse 6, CH-8260 Stein am Rhein, www.phoenix-mecano.com

PRODUCTION AND SALES COMPANIES

AUSTRALIA
Phoenix Mecano Australia Pty Ltd.
Tullamarine, VIC 3043
Managing directors:
S. J. Gleeson, T. Thuess

AUSTRIA
AVS Phoenix Mecano GmbH
A-1230 Wien
Managing director:
R. Kleinrath

BELGIUM
PM Komponenten N.V.
B-9800 Deinze
Managing director:
M. Lutin

BRAZIL
Phoenix Mecano Comercial e Técnica Ltda.
06460-110 Barueri – SP
Managing director:
D. Weber

DENMARK
Phoenix Mecano ApS
DK-5220 Odense SØ
Managing director:
R. Davidsen

FRANCE
Phoenix Mecano S.à.r.l.
F-94120 Fontenay-sous-Bois, Cedex
Managing director:
M. Lutin

GERMANY
RK System & Lineartechnik GmbH
D-88682 Salem-Neufrach
Managing director:
M. Pelz

RK Schmidt Systemtechnik GmbH
D-66606 St. Wendel
Managing director:
J. U. Schmidt

HUNGARY
Phoenix Mecano Kecskemét Kft.
H-6000 Kecskemét
Managing directors:
Dr Z. Nagy, Ch. Porde, M. Schade

INDIA
Phoenix Mecano (India) Pvt. Ltd.
Pune 412115
Managing director:
S. Shukla

ITALY
Phoenix Mecano S.r.l.
I-20065 Inzago (Milano)
Managing director:
E. Giorgione

KOREA (SOUTH KOREA)
Phoenix Mecano Korea Co., Ltd.
Busan 614-867
Managing director:
T. J. Ou

MOROCCO
Phoenix Mecano Maroc S.à.r.l.
MA-93000 Tétouan
Managing directors:
K. H. Goos

THE NETHERLANDS
PM Komponenten B.V.
NL-7005 AG Doetinchem
Managing directors:
E.R. de Veen, G. H. B. Hartman

PM Special Measuring Systems B.V.
NL-7532 SN Enschede
Managing director:
R. Lachminarainsingh

Wijdeven Inductive Solutions B.V.
NL-9561 AL Ter Apel
Managing director:
J.W. Renooij

PEOPLE'S REPUBLIC OF CHINA
Bond Tact Hardware (Dongguan) Co., Ltd.
Dongguan, Guangdong
Managing director:
E. Lam

Bond Tact Industrial Ltd.
Hong Kong
Managing director:
E. Lam

Mecano Components (Shanghai) Co., Ltd.
201802 Shanghai
Managing director:
K. W. Phoon

Okin Refined Electric Technology Co., Ltd.
314024 Jiaxing
Managing director:
S. Li

I2 Mechanical and Electrical Co., Ltd.
314024 Jiaxing
Managing director:
J. Tang

Phoenix Mecano Components (Taicang) Co., Ltd.
215413 Taicang, Jiangsu Province
Managing director:
K. W. Phoon

Phoenix Mecano Hong Kong Ltd.
Hong Kong
Managing directors:
M. Kleinle, R. Schäffeler, P. Scherer

Shenzhen ELCOM Co., Ltd.
Shenzhen
Managing director:
P. Scherer

ROMANIA
Phoenix Mecano Plastic S.r.l.
RO-550052 Sibiu
Managing director:
C. Marinescu

SINGAPORE
Phoenix Mecano S.E. Asia Pte Ltd.
Singapore 408863
Managing director:
T. J. Ou

SPAIN
Sistemas Phoenix Mecano España S.A.
E-50011 Zaragoza
Managing director:
S. Hutchinson

SWEDEN
Phoenix Mecano AB
SE-360 44 Ingelstad
Managing director:
P. Nilsson

SWITZERLAND
Phoenix Mecano Komponenten AG
CH-8260 Stein am Rhein
Managing directors:
M. Jahn, W. Schmid

TUNISIA
Phoenix Mecano Digital Tunisie S.à.r.l.
TN-2084 Borj Cedria
Managing director:
R. Bormet

Phoenix Mecano ELCOM S.à.r.l.
TN-1111 Bouhejba-Zaghouan
Managing director:
C. Fitouri

Phoenix Mecano Hartu S.à.r.l.
TN-2013 Ben Arous
Managing directors:
K. H. Goos

TURKEY
Phoenix Mecano Mazaka Endüstriyel Ürünler San ve Tic AŞ
TR-06374 Yenimahalle/Ankara
Managing director:
B. Cihangiroglu

UNITED ARAB EMIRATES
Rose Systemtechnik Middle East (FZE)
Sharjah – U.A.E.
Managing director:
H. Felsmann

UNITED KINGDOM
Phoenix Mecano Ltd.
GB-Aylesbury HP19 8RY
Managing director:
R. Bokämper

USA
Okin America Inc.
Shannon, MS 38868
Managing director:
P. Brown

Phoenix Mecano Inc.
Frederick, MD 21704
Managing director:
P. Brown

Orion Technologies, LLC
Orlando, FL 32826
Managing director:
N. Pandya

WIENER, Plein & Baus Corp.
Springfield, OH 45505
Managing director:
Dr A. Ruben

CONTENTS

PHOENIX MECANO GROUP 2015

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

in 1 000 EUR	Note No.	**2015**	2014
Assets			
NON-CURRENT ASSETS			
Goodwill	3	14 527	20 809
Other intangible assets	4	23 487	28 211
Investment properties	5	268	940
Tangible assets	5	120 509	115 170
Investments in associated companies	6	4 303	1 282
Other financial assets	7	1 924	371
Deferred tax assets	21	5 312	4 565
Total non-current assets		170 330	171 348
CURRENT ASSETS			
Inventories	8	122 838	117 844
Trade receivables	9	70 727	62 208
Derivative financial instruments	18	269	85
Income tax receivables		6 759	3 932
Other receivables	10	8 225	8 269
Current securities	11	4 144	4 711
Cash and cash equivalents	12	41 951	44 185
Deferred charges and prepaid expenses		1 477	1 425
Total current assets		256 390	242 659
Total assets		**426 720**	**414 007**

in 1 000 EUR	Note No.	**2015**	2014
Equity and liabilities			
EQUITY			
Share capital	13	594	594
Treasury shares	14	–201	–582
Retained earnings		250 299	258 725
Profits/losses from IAS 39		50	98
Translation differences		10 072	6 764
Equity attributable to shareholders of the parent company		260 814	265 599
Minority interest	15	1 812	1 871
Total equity		262 626	267 470
LIABILITIES			
Liabilities from financial leasing	16	98	131
Long-term financial liabilities	17	28 732	24 098
Long-term provisions	19	4 831	3 977
Long-term pension obligations	20	13 613	11 798
Deferred tax liabilities	21	4 228	6 844
Long-term liabilities		51 502	46 848
Trade payables	22	32 160	28 704
Short-term financial liabilities	23	41 720	37 155
Derivative financial instruments	18	461	636
Short-term provisions	19	12 260	11 034
Short-term pension obligations	20	205	270
Income tax liabilities		2 712	2 554
Other liabilities	24	19 894	16 992
Deferred income		3 180	2 344
Short-term liabilities		112 592	99 689
Total liabilities		164 094	146 537
Total equity and liabilities		**426 720**	**414 007**

CONSOLIDATED STATEMENT OF INCOME 2015

in 1 000 EUR	Note No.	**2015**	2014
Sales revenue	32	554 462	500 349
Changes in inventories		195	– 1 036
Own work capitalised		1 727	1 597
Other operating income	33	3 983	3 509
Cost of materials	34	– 258 933	– 222 305
Personnel expenses	35	– 176 506	– 161 128
Amortisation of intangible assets	36	– 8 344	– 7 109
Depreciation on tangible assets	37	– 17 801	– 16 326
Impairment and reversal of impairment losses on intangible and tangible assets	38	– 11 211	– 178
Other operating expenses	39	– 72 581	– 67 890
Result before interest and tax (operating result)		14 991	29 483
Result from associated companies	6	– 292	– 74
Financial income	40	4 580	3 832
Financial expenses	41	– 6 461	– 4 210
Financial result		– 2 173	– 452
Result before tax		12 818	29 031
Income tax	42	– 6 133	– 9 043
Result of the period		**6 685**	**19 988**
of which			
– Shareholders in the parent company		6 687	20 181
– Minority shareholders		– 2	– 193
EARNINGS PER SHARE			
Earnings per share – undiluted (in EUR)	43	6.96	21.04
Earnings per share – diluted (in EUR)	43	6.96	21.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2015

in 1 000 EUR	Note No.	**2015**	2014
Result of the period		**6 685**	**19 988**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Fluctuations in fair value of financial assets		– 48	77
Realised results of financial assets		0	17
Translation differences attributable to the parent company		3 308	6 719
Translation differences attributable to minority interest		0	102
Deferred tax	21	0	0
Total		3 260	6 915
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Revaluation of pension obligations	20	– 991	– 3 456
Deferred tax	21	75	724
Total		– 916	– 2 732
Other comprehensive income (after tax)		2 344	4 183
Comprehensive income		**9 029**	**24 171**
of which			
– Shareholders in the parent company		9 031	24 262
– Minority shareholders		– 2	– 91

CONSOLIDATED STATEMENT OF CASH FLOW 2015

in 1 000 EUR	Note No.	**2015**	2014
Result of the period		6 685	19 988
Income tax	42	6 133	9 043
Result before tax		12 818	29 031
Amortisation of intangible assets	4	8 344	7 109
Depreciation on tangible assets	5	17 801	16 326
Losses/(gains) from the disposal of intangible and tangible assets	33, 39	86	–5
Impairment of intangible and tangible assets	3, 4, 5	11 211	178
Losses and value adjustments on inventories	8	3 827	4 682
Result from associated companies	6	292	74
Other non-cash expenses/(income)		1 830	–203
Increase/(decrease) in long-term provisions and pension obligations		974	188
Net interest expense/(income)	40, 41	912	1 036
Interest paid		–1 188	–1 135
Income tax paid		–12 481	–10 646
Operating cash flow before changes in working capital		**44 426**	**46 635**
(Increase)/decrease in inventories		–5 557	–8 464
(Increase)/decrease in trade receivables		–5 351	–1 011
(Increase)/decrease in other receivables, deferred charges and prepaid expenses		38	1 692
(Decrease)/increase in trade payables		1 385	8
(Decrease)/increase in short-term provisions and pension obligations		3 174	–1 000
(Decrease)/increase in other liabilities and deferred income		837	948
Cash flow from operating activities		**38 952**	**38 808**

Table continued on page 77

in 1 000 EUR	Note No.	**2015**	2014
CAPITAL EXPENDITURE			
Intangible assets	4	–3 223	–2 401
Tangible assets	5	–23 451	–21 638
Financial assets		–5 819	–1 046
Current securities		–219	–9
Acquisition of Group companies	46	–3 324	–17 809
DISINVESTMENTS			
Intangible assets		11	1
Tangible assets	5, 33, 39	1 325	667
Financial assets		83	14
Current securities		636	2 690
Interest received		621	617
Dividends received	6	75	100
Cash used in investing activities		**–33 285**	**–38 814**
Dividends paid (including minority interest)		–14 300	–12 289
Change in minority interests		178	819
Purchase of treasury shares		–201	–140
Sale of treasury shares		450	672
Issue of financial liabilities		18 273	14 537
Repayment of financial liabilities		–13 370	–21 235
Cash flow from financing activities		**–8 970**	**–17 636**
Translation differences in cash and cash equivalents		1 069	1 418
Change in cash and cash equivalents		**–2 234**	**–16 224**
Cash and cash equivalents as at 1 January	12	44 185	60 409
Cash and cash equivalents as at 31 December	12	41 951	44 185
Change in cash and cash equivalents		**–2 234**	**–16 224**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014 AND 2015

in 1 000 EUR	Note No.	Share capital	Treasury shares	Retained earnings
Equity as at 31 December 2013		609	−7 795	259 459
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Fluctuations in fair value of financial assets				
Realised results of financial assets				
Translation differences				
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Revaluation of pension obligations				−3 456
Deferred tax				724
Total other comprehensive income (after tax)		0	0	−2 732
Result of the period				20 181
Total comprehensive income		0	0	17 449
Change in minority interest				263
Capital reduction	14	−15	6 733	−6 718
Change in treasury shares	14		480	52
Dividends paid				−11 780
Total equity transactions with owners		−15	7 213	−18 183
Equity as at 31 December 2014		**594**	**−582**	**258 725**

Table continued on pages 80/81

Profits/(losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	**Total equity**
4	45	252322	1915	254237
77		77		77
17		17		17
	6719	6719	102	6821
		–3456		–3456
		724		724
94	6719	4081	102	4183
		20181	–193	19988
94	6719	24262	–91	24171
		263	556	819
		0		0
		532		532
		–11780	–509	–12289
0	0	–10985	47	–10938
98	**6764**	**265599**	**1871**	**267470**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2014 AND 2015

in 1 000 EUR	Note No.	Share capital	Treasury shares	Retained earnings
Equity as at 31 December 2014		594	–582	258725
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Fluctuations in fair value of financial assets				
Translation differences				
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Revaluation of pension obligations				–991
Deferred tax				75
Total other comprehensive income (after tax)		0	0	–916
Result of the period				6687
Total comprehensive income		0	0	5771
Change in minority interest				–124
Change in treasury shares	14		381	–132
Dividends paid				–13941
Total equity transactions with owners		0	381	–14197
Equity as at 31 December 2015		**594**	**–201**	**250299**

Table continued from pages 78/79

Profits/(losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	**Total equity**
98	6 764	265 599	1 871	267 470
–48		–48		–48
	3 308	3 308		3 308
		–991		–991
		75		75
–48	3 308	2 344	0	2 344
		6 687	–2	6 685
–48	3 308	9 031	–2	9 029
		–124	302	178
		249		249
		–13 941	–359	–14 300
0	0	–13 816	–57	–13 873
50	**10 072**	**260 814**	**1 812**	**262 626**

CONSOLIDATED SEGMENT INFORMATION 2015

By division	Enclosures		Mechanical Components	
in 1 000 EUR	**2015**	2014	**2015**	2014
Gross sales to third parties	169 580	164 932	274 365	235 119
Gross sales between divisions	137	155	107	53
Revenue reductions				
Sales revenue				
Impairment of intangible and tangible assets	–55	0	–13	–178
Amortisation of intangible assets and depreciation on tangible assets	–6 120	–5 959	–9 830	–8 891
Result before interest and tax (operating result)	16 994	22 093	22 217	15 336
Financial result				
Result before tax				
Income tax				
Result of the period				
Purchases of intangible and tangible assets	7 532	6 174	11 206	8 957
Segment assets	89 073	82 708	172 532	158 528
Cash and cash equivalents				
Other assets				
Total assets	89 073	82 708	172 532	158 528
Segment liabilities	24 453	21 119	39 799	33 723
Interest-bearing liabilities				
Other liabilities				
Total liabilities	24 453	21 119	39 799	33 723
Net assets	**64 620**	**61 589**	**132 733**	**124 805**

* Included under Reconciliation are individual business areas and central management and financial functions that cannot be allocated to the divisions.

ELCOM/EMS		Total segments		Reconciliation*		Total Group	
2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
115 861	105 570	559 806	505 621	0	0	559 806	505 621
4 269	3 859	4 513	4 067	– 4 513	– 4 067	0	0
						– 5 344	– 5 272
						554 462	500 349
– 11 143	0	– 11 211	– 178	0	0	– 11 211	– 178
– 9 424	– 8 018	– 25 374	– 22 868	– 771	– 567	– 26 145	– 23 435
– 21 665	– 5 340	17 546	32 089	– 2 555	– 2 606	14 991	29 483
						– 2 173	– 452
						12 818	29 031
						– 6 133	– 9 043
						6 685	**19 988**
6 869	7 929	25 607	23 060	1 067	979	26 674	24 039
93 658	107 005	355 263	348 241	4 129	4 547	359 392	352 788
				41 951	44 185	41 951	44 185
				25 377	17 034	25 377	17 034
93 658	107 005	355 263	348 241	71 457	65 766	426 720	414 007
14 505	13 914	78 757	68 756	7 353	6 329	86 110	75 085
				70 550	61 384	70 550	61 384
				7 434	10 068	7 434	10 068
14 505	13 914	78 757	68 756	85 337	77 781	164 094	146 537
79 153	**93 091**	**276 506**	**279 485**	**– 13 880**	**– 12 015**	**262 626**	**267 470**

CONSOLIDATED SEGMENT INFORMATION 2015

Sales revenue in 1 000 EUR	**2015**	2014
BY REGION		
Switzerland	22 664	23 559
Germany	195 578	187 561
UK	15 069	14 217
France	22 069	21 876
Italy	15 171	16 271
The Netherlands	16 079	13 481
Rest of Europe	78 244	76 650
North and South America	65 958	53 846
Middle and Far East	128 974	98 160
Gross sales	559 806	505 621
Revenue reductions	–5 344	–5 272
Sales revenue	**554 462**	**500 349**
BY PRODUCT GROUP		
Industrial enclosures	151 849	146 797
Input systems	17 731	18 135
Enclosures	169 580	164 932
Industrial assembly systems	40 702	37 564
Linear adjustment and positioning systems	233 663	197 555
Mechanical Components	274 365	235 119
Electro-mechanical Components	49 982	49 972
Power Quality	28 003	22 003
Electronic Packaging	37 876	33 595
ELCOM/EMS	115 861	105 570
Gross sales	559 806	505 621
Revenue reductions	–5 344	–5 272
Sales revenue	**554 462**	**500 349**

Long-term assets (tangible assets, intangible assets and investments in associated companies) in 1 000 EUR	**2015**	2014
BY REGION		
Switzerland	7 880	7 127
Germany	47 397	53 490
UK	4 200	4 717
France	368	438
Italy	1 278	1 360
The Netherlands	9 815	15 977
Rest of Europe	39 657	36 163
North and South America	5 652	5 377
Middle and Far East	46 847	41 763
Total	**163 094**	**166 412**

PRINCIPLES OF CONSOLIDATION AND VALUATION

Accounting principles

Phoenix Mecano AG with its subsidiaries (the Phoenix Mecano Group) operates worldwide as a manufacturer and seller of components for industrial customers in the electronics, electrical and mechanical engineering segments as well as of electric drives and control systems for adjustable ergonomic and healthcare furniture and hospital and healthcare beds. It is a leader in many of its markets. The Group's main activities are presented under Segment Information. Phoenix Mecano AG has its head office in Stein am Rhein, Switzerland, and has been listed on SIX Swiss Exchange since 1988. Its address is Hofwisenstrasse 6, CH-8260 Stein am Rhein.

The consolidated financial statements of Phoenix Mecano AG were drawn up in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Where subsidiaries have a financial year that differs from the period under consideration, interim statements are drawn up and audited. Thus the consolidated financial statements are based upon audited annual or interim financial statements as at 31 December 2015, which in turn are based on the standard accounting, valuation and organisation criteria that are applied uniformly throughout the Group.

The consolidated financial statements were drawn up in accordance with the principle of historical acquisition and manufacturing cost. As an exception to this, financial assets held for sale, investments < 20%, receivables and liabilities from derivative financial instruments, liabilities hedged by fair value hedges and contingent purchase price payments from acquisitions (receivables and liabilities) are measured at fair value. In addition, assets held for sale (intangible assets, tangible assets) are measured at fair value less costs to sell, provided that this value is lower than the book value. The consolidated statement of income was drawn up using the total cost method.

Application of new accounting standards

The following amendments to IFRS/IAS standards were applied for the first time from 1 January 2015:
– Amendments to IAS 19
– Annual Improvements to IFRS 2010–2012
– Annual Improvements to IFRS 2011–2013

The application of the revised IFRS/IAS standards had no impact on accounting, measurement and presentation or on the scope of the notes to the financial statements.

The following new and revised standards and interpretations have been approved but will only enter into force at a later date and as such have not been applied in these consolidated financial statements. Their impact on the Phoenix Mecano consolidated financial statements has not yet been systematically analysed; consequently, the expected effects listed at the base of the table are an initial estimate only.

NEW STANDARDS OR INTERPRETATIONS			Entry into force	Planned implementation by Phoenix Mecano
IFRS 15	Revenue from Contracts with Customers: IFRS 15 states that revenue is recognised at the time (or over the time) when control over goods or services is passed from entity to customer, at the amount to which the entity expects to be entitled.	2	1 January 2018	Financial year 2018
IFRS 9	IFRS 9 – Financial Instruments replaces the current provisions of IAS 39 and contains revised guidance on the classification and measurement of financial assets and on hedge accounting. It also contains a new model for calculating the impairment of financial assets. The new standard reduces the number of measurement categories for financial assets. The new hedge accounting rules are intended to ensure that risk management activities are reflected more appropriately in the consolidated financial statements. To this end, IFRS 9 increases the scope of hedged items eligible for hedge accounting and eases the effectiveness tests. Impairment is now recognised on the basis of expected losses rather than incurred losses.	2	1 January 2018	Financial year 2018
REVISIONS AND AMENDMENTS OF STANDARDS AND INTERPRETATIONS				
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1	1 January 2016	Financial year 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1	1 January 2016	Financial year 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	2	To be determined	To be determined
Annual Improvements to IFRS 2012 – 2014 Cycle		1	1 January 2016	Financial year 2016
Amendments to IAS 1	Disclosure Initiative	1	1 January 2016	Financial year 2016

1 No or negligible impact expected on Phoenix Mecano's consolidated financial statements.
2 Impact on Phoenix Mecano's consolidated financial statements is being examined in detail and cannot yet be determined with sufficient certainty.

Scope of consolidation

The consolidated financial statements cover all companies over which Phoenix Mecano AG exercises direct or indirect control. Control over a company exists if Phoenix Mecano AG is exposed or has rights to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. The consolidated Group companies are combined using the full consolidation method. 100% of all assets and liabilities, as well as income and expenditure, are included in the consolidated financial statements, with the exception of items that are eliminated during consolidation. Minority interests in equity are posted separately as a sub-item under equity. The minority share in the income is shown separately in the consolidated statement of income as a part of the result of the period. Newly acquired participating interests are included in the consolidated financial statements from the date on which control was acquired, while companies disposed of during the reporting year are excluded from the date on which control was relinquished.

Associated companies

Investments in associated companies, in which Phoenix Mecano has a voting share of between 20 and 50% or exerts a significant influence in some other way, as with joint ventures (50% interests, which Phoenix Mecano controls jointly with partners), are included in the consolidated financial statements in accordance with the equity method. Under the equity method, the fair value of the proportionate net assets at the acquisition date is calculated and recognised together with any goodwill under Investments in associated companies. In the subsequent reporting periods, this value is adjusted by the share of the Phoenix Mecano Group in the additional equity and result generated as well as by any dividends.

Capital consolidation

Capital consolidation at the acquisition date is based on the acquisition method. The purchase price for a company acquisition is determined based on the total of the fair value of the assets given, the liabilities incurred or assumed and the equity instruments issued by the Phoenix Mecano Group. Transaction costs associated with a company acquisition are recognised as income/expense. The goodwill arising from a company acquisition is recognised as an asset. It corresponds to the surplus of the total of the purchase price, the contribution of minority interests in the company being taken over and the market value of the previously held equity interest above the balance of assets, liabilities and contingent liabilities at fair value. For the measurement of minority interests, there is a choice with each transaction. They can be measured either at the market value or based on the minority share in the fair value of the net assets taken over. In the event of a negative difference, the remaining surplus is reported directly as income/expense following a further measurement of the fair value of the net assets taken over. Subsequent adjustments to the accounting of acquisitions are reported as an adjustment to goodwill if they are based on more accurate information about the fair value at the acquisition date and provided they occur within the measurement period, i.e. a period of 12 months.

If the Phoenix Mecano Group offers a seller a put option on the remaining minority interest at the time of acquisition, resulting in a de facto obligation to buy, this option is recognised as a residual purchase price liability and measured at fair value. Accordingly, no minority interest is reported in the consolidated financial statements. A contingent purchase price payment is measured at fair value at the acquisition date and recorded as a residual purchase price liability. Subsequent adjustments to such residual purchase price liabilities are recognised as income/expense.

Currency conversion

Owing to the great importance of the euro to the Group – a substantial proportion of Phoenix Mecano's sales are made in euro and most of its major subsidiaries are located in the euro area – the consolidated financial statements are presented in euro.

The items contained in a Group company's annual accounts are valued on the basis of the currency of the primary economic environment in which the company operates (functional currency). Foreign currency transactions are converted into the functional currency at the exchange rates prevailing at the time of the transaction. Gains and losses resulting from the transactions themselves and from the conversion of monetary assets and liabilities in foreign currencies at the relevant closing rate are reported in the statement of income.

The results and balance sheet items of all Group companies with a functional currency other than the reporting currency, euro, are converted to euro. The assets and liabilities are converted at the closing rate for each balance sheet date, income and expenses at the average exchange rate for each statement of income. Any resulting translation differences and any translation differences on long-term loans which are considered to be similar in nature to equity are posted in equity as separate item. The statement of cash flow is converted at the average exchange rate.

Intercompany profits

Intercompany profits on inventories and non-current assets arising from trading between companies within the Group are eliminated so as not to affect income. Unrealised losses on transactions within the Group are also eliminated, unless the transaction indicates an impairment of the transferred asset.

Segment information

The segment information is presented in accordance with internal reporting and follows the management approach.

The Phoenix Mecano Group is divided into three divisions (operating segments). An operating segment is a component of a company which engages in business activities from which it may earn revenues and incur expenses. Its operating results are reviewed regularly by the chief operating decision maker (CODM) in order to make decisions about resources to be allocated to the segment and assess its performance. Discrete financial information is available for the segment. The Group's three divisions are:

– **Enclosures** (enclosures made of aluminium, plastic and glass-fibre reinforced polyester, machine control boards and suspension systems for protecting electronics in an array of industrial applications, including explosion-proof enclosures as well as membrane keyboards and touch systems)

– **Mechanical Components** (aluminium profiles, pipe connection systems, conveyor components, linear units, electric cylinders, lifting columns as well as linear drives and drive systems including fittings technology for industry and electrically adjustable furniture for the home and hospital care sector)

– **ELCOM / EMS** (switches, plug connectors, inductive components, transformers, instrument transformers, backplanes, power supply systems, LED lights as well as circuit board equipment and the development of customised electronic applications right down to complete subsystems)

These form the basis for the segment reporting. In addition, central management and financial functions are included under "Reconciliation". Also recorded under Reconciliation are asset and liability items that are not allocated to the divisions (cash and cash equivalents, other assets and financial and other liabilities).

The gross sales of the individual divisions with third parties / associated companies and between the divisions are recognised in accordance with the management approach. Gross sales between individual divisions are invoiced on arms-length terms. They are reconciled to sales revenue (net sales) as recognised in the statement of income.

The result is allocated to the individual divisions to the level of the result before interest and tax. Segment assets include intangible assets, tangible assets, inventories, trade receivables, other receivables (excluding financial and interest receivables) and deferred charges and prepaid expenses of the respective business division. Operating liabilities include provisions, pension obligations, trade payables, other liabilities (excluding interest liabilities) and deferred income per business division. The remaining asset and liability items are recorded under Reconciliation. Measurement in the segment information is based on the same accounting principles as used in the IFRS consolidated financial statements, except for the presentation of sales.

Goodwill

Goodwill (see above under Capital consolidation) is tested for impairment annually and, if there are any indications of a reduction in value, it is also tested during the period. Any resulting impairment losses are recognised in income. No reversal of impairment losses is performed.

Other intangible assets

Capitalised development costs Development costs for new products, which satisfy the criteria for capitalisation specified by IAS 38 (in particular there must be the prospect of a net income), are capitalised at acquisition or manufacturing cost and written off over the respective useful life, which must not exceed five years. Otherwise, research and development costs are debited directly to the statement of income.

Concessions, licences, similar rights and assets These other intangible assets are measured at acquisition cost less accumulated depreciation and, where appropriate, additional impairment losses. The depreciation rates are determined on a straight-line basis over the estimated useful life of the asset, which must not exceed 10 years, in accordance with standard Group practice. Financing costs on eligible assets are capitalised.

Phoenix Mecano possesses no other intangible assets with an indeterminate useful life.

Investment properties

Investment properties are held to earn rentals and for capital appreciation. They are measured at cost less depreciation and impairment. Investment properties are depreciated on a straight-line basis over 35 years (outside facilities and building installations over 10 to 15 years). In accordance with IAS 40, the fair value is shown in the notes for comparison. It is ascertained based on internal calculations of the income value or an estimate of the market value.

Tangible assets

Tangible assets are stated in the balance sheet at the acquisition or manufacturing cost, less accumulated depreciation and where appropriate less additional impairment losses. The straight-line method of depreciation is applied over the depreciation periods specified in the useful life categories used by the whole Group. Where components of larger assets have different useful lives, these are depreciated as separate items. Financing costs on eligible assets are capitalised.

Follow-on investments are only capitalised if the Group is likely to derive future economic benefit as a result and if the costs can be reliably determined.

The useful lives of assets are estimated as follows:

Land (including usage rights)	unlimited useful life or duration of usage rights
Buildings	35 years
Outside facilities and building installations	10–15 years
Machinery and equipment	4–12 years

Leased assets
As a rule, lease contracts are only included in the balance sheet as financial lease contracts if the risks and rewards associated with ownership belong largely to the Group company when the contract is concluded. They are measured at the present value of the minimum lease rates or at the lower market value. The corresponding financial leasing commitments are posted as liabilities. The leasing rates are divided up into interest and repayment sums in accordance with the annuity method. The leased assets are depreciated over the estimated useful life or shorter lease term.

Operating lease payments are expensed directly to the statement of income on a straight-line basis over the lease term.

Impairment losses
Goodwill is checked annually for impairment. Other intangible and tangible assets are consistently checked for impairment if there are indications to suggest that this has taken place. The realisable value (the higher of the fair value less costs to sell and the value in use) of the asset or the cash-generating unit is estimated and a revenue adjustment to the previous book value is made, provided the latter exceeds the realisable value. The value in use corresponds to the present value of the expected future cash flows of the respective asset.

Previously recognised impairment losses are reversed (except on goodwill) if the estimates used to calculate the recoverable amount have altered and the impairment has reduced or disappeared as a result. The increase in book value may not exceed the amount that would have resulted if no impairment loss had been reported for the asset in the preceding years.

The discount rate is determined based on the pre-tax weighted average cost of capital (WACC) of Phoenix Mecano. A differentiation is applied to individual Phoenix Mecano Group cash-generating units if their risk profile is significantly different.

Investments in associated companies
Investments shown under this item are valued in accordance with the criteria set out above under Associated companies.

Other financial assets
Long-term loans to associated companies and third parties contained in Other financial assets are posted at their fair value upon initial recognition and at amortised cost in subsequent periods, taking account of any reductions in value (impairment) through corresponding devaluations which affect net income.

The other investments under 20% shown under Other financial assets are posted at fair value. Resulting changes in value are posted under Equity or under Other comprehensive income in the statement of comprehensive income without affecting operating income and only transferred to the statement of income in the event of sale or an impairment (treated as available-for-sale financial assets in accordance with IAS 39). If the fair value cannot be reliably determined, the valuation is made at acquisition costs. Any reductions in value (impairment) are taken into account through corresponding devaluations (affecting net income) of the amount still likely to be recovered. Such impairment is not reversed.

A key factor in deciding whether to derecognise a financial asset is the transfer of the associated risks and rewards (known as the "risks and rewards" approach).

Inventories

Inventories are reported at acquisition or production cost, which must not exceed the net realisable value (lowest value principle). The value of the costs is determined in the same way throughout the Group by means of the weighted average method. The production costs include all material costs, production wages and pro rata manufacturing overheads. Appropriate value adjustments are made for inventory-related risks wherever necessary, based on corresponding analyses of scope or coverage.

Receivables

Receivables are reported at amortised cost (usually equivalent to their nominal value) less value adjustments for bad debts. The value adjustment consists of individual value adjustments for specifically identified items, for which there is objective evidence to suggest that the outstanding amount will not be received in full, as well as flat-rate value adjustments for groups of receivables with a similar risk profile. The flat-rate value adjustments cover losses that are expected but not yet known and are based on age structure and historical receivables payment statistics. Where there is sufficient evidence to suggest that a receivable is definitely uncollectable, the receivable is derecognised directly. Subsequent incoming payments on amounts that have been derecognised are reported in income. Accounts payable and receivable between Group companies are offset against one another, provided that the companies are consolidated.

Current securities

Securities are measured at fair value, both on initial recognition and subsequently. This corresponds to the market price in effect on the balance sheet date. Fluctuations in the market value of securities are recorded in the consolidated statement of comprehensive income and in equity under Other comprehensive income and only included in the statement of income in the event of sale or an impairment (treated as available-for-sale financial assets in accordance with IAS 39). Any reductions in value (impairment) are taken into account through corresponding devaluations which affect net income. Impairment on equity instruments is not reversed in a way that affects net income. Accumulated interest on bonds is deferred.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, in bank and in postal accounts. It also includes fixed deposits with a term not exceeding three months from the date of acquisition.

Assets held for sale

Long-term assets are classified as held for sale and shown on the balance sheet in a separate item under assets or liabilities if the book value is to be realised by selling, rather than using, the assets. This is conditional upon the sale being very likely to take place and the assets being ready for immediate sale. For a sale to be classified as very likely, it must meet a number of criteria, including being expected to take place within one year.

Assets held for sale are valued at the lower of the book value or the fair value less costs to sell. From the time they are classified as "for sale", depreciable assets are no longer depreciated.

Financial liabilities

Upon initial recognition, financial liabilities are recorded at fair value less transaction costs. In subsequent periods they are measured at amortised costs. Any discrepancy between the disbursement amount (less transaction costs) and the repayable amount is amortised throughout the term using the effective interest method and reported in income. Residual purchase price liabilities from acquisitions are revalued at the balance sheet date and measured at fair value.

Short-term liabilities are those with a remaining term of less than one year.

A financial liability is derecognised when it is cancelled or when it is discharged either judicially or by the creditor.

Provisions

Provisions are formed if a past event has resulted in a present legal or actual obligation and there is likely to be an outflow of funds which can be reliably determined.

Restructuring provisions are recognised if, on the balance sheet date, there exists a corresponding liability with respect to a restructuring measure.

Other long-term employee benefits Corresponding provisions are made for existing obligations based on statutory retirement pay in Italy ("Trattamento Fine Rapporto"), agreements providing for part-time work for older employees in Germany and service anniversaries. The amount is determined in conformity with IAS 19 using the projected unit credit method. Actuarial gains and losses are recognised as income/expense in the period in which they occur.

Employee participation plans There are no employee participation plans.

Pension obligations

The Group does not operate its own pension schemes. Pensions are essentially secured by external, independent pension providers in accordance with the defined contribution principle. The pension solution adopted for the Group's Swiss companies is affiliation to a collective foundation (Sammelstiftung) with its own legal personality, financed through employer and employee contributions. This pension plan is assessed under IAS 19 as defined benefit and is included in the balance sheet accordingly. In several Group companies in Germany, existing pension plans are also treated as defined benefit pension plans. Corresponding pension provisions are posted on the balance sheet for these plans.

Defined benefit obligations are assessed annually for each plan by calculating the present value of the expected claims using the projected unit credit method and then subtracting the market value of the plan assets. The obligation is calculated annually by independent insurance experts.

Pension costs consist of the following three components:
- Service cost, which is recognised in the statement of income under Personnel expenses
- Net interest expense, which is recognised in the statement of income under Financial expenses
- Revaluation components, which are recognised in the statement of comprehensive income.

The service cost includes current service costs, past service costs and gains and losses from plan settlements. Gains and losses from plan curtailments are included in past service costs.

Net interest expense is the amount obtained by multiplying the discount rate by the net pension liability (or asset) at the start of the financial year, taking into account the changes arising in the financial year through contributions and pension payments. Capital flows and changes during the year are factored in proportionally.

Revaluation components include actuarial gains and losses due to changes in the present value of the pension obligations arising from changes in assumptions and experience adjustments, as well as the return minus the contributions contained in net interest expense and changes to unrecognised assets minus the effects contained in net interest expense. Revaluation components are recognised in Other comprehensive income in the statement of comprehensive income and are never subsequently reclassified to the statement of income.

The amount recognised in the consolidated balance sheet corresponds to the overfunding or underfunding of defined benefit pension plans (net pension liability or asset). However, the asset recognised from any overfunding is limited to the present value of the economic benefits arising from future reductions in contributions.

With defined contribution pension plans, the expenses posted in the statement of income correspond to the payments made by the employer.

Trade payables and other liabilities

Trade payables and other liabilities are entered at amortised cost, which generally corresponds to their nominal value.

Equity

Equity is divided up into Phoenix Mecano AG's share capital (consisting of bearer shares), treasury shares, retained earnings, gains or losses on cash flow hedges under IAS 39, as well as financial assets, translation differences and minority interest.

Treasury shares are deducted from equity and posted as a separate item within equity. Gains and losses on treasury shares are posted without affecting operating income.

Dividends are posted in the consolidated financial statements in the period in which they were agreed upon by the Shareholders' General Meeting of Phoenix Mecano AG.

Derivative financial instruments

All derivative financial instruments are measured at fair value in accordance with IAS 39 and are recognised separately in the Group balance sheet. For instruments traded in an active market, the fair value corresponds to the market value on the balance sheet date; for other instruments, it corresponds to the value determined on the basis of mathematical models. As part of its risk policy, the Group hedges interest and currency risks that are not treated as hedge accounting as defined by IAS 39. Changes in the market value of derivative financial instruments used in this way are recognised directly in the financial result as income/expense.

Revenue recognition

Sales are recognised upon service delivery and transfer of the significant risks and rewards to the customer. The timing will depend on the relevant terms and conditions of delivery.

Sales are recognised net of sales tax and value-added tax and after deduction of credit notes and discounts. Appropriate provisions are formed for anticipated warranty claims arising from the service provision.

Interest income is recognised on an accrual basis. Dividend income from securities is recorded at the time of payment.

There are no long-term manufacturing orders which are recorded in accordance with the progress of performance.

Government subsidies

Investment incentives are deferred and systematically reported in income in accordance with the straight-line method over the useful life of the supported asset. Allowances for research and development accordingly reduce the costs incurred in this area.

Income tax

Income tax covers both current and deferred income taxes. It is reflected in the statement of income, with the exception of income taxes on transactions reported directly in equity or under Other comprehensive income. In such cases, the corresponding income taxes are also recognised directly in equity or under Other comprehensive income in the statement of comprehensive income.

Current income taxes include expected tax owed on the taxable result, calculated according to the tax rates prevailing on the balance sheet date and adjustments to tax liabilities or credits from previous years.

Deferred taxes are calculated on temporary differences between the values in the tax accounts and the consolidated financial statements in accordance with the balance sheet liability method. No deferred taxes on the valuation differences upon initial recognition of goodwill or on investments in subsidiary companies and residual purchase price liabilities on acquisitions are taken into consideration, if these differences are unlikely to cancel each other out in the foreseeable future. Calculation of the deferred taxes takes into account when and how the realisation or repayment of the relevant assets and liabilities is likely to take place. This calculation uses the tax rates prevailing or announced on the balance sheet date.

Future tax savings on the basis of tax losses carried forward and temporary differences are only capitalised if their realisation seems certain. For this to be the case, consistently positive results must have been achieved and be expected to continue in the foreseeable future. If there are taxable temporary differences and offsettable tax losses carried forward at the same company, the two amounts are offset against one another.

Non-reclaimable withholding taxes on distributions on the profits of foreign subsidiaries are only recorded as a liability if such distributions are budgeted.

Statement of cash flow

Cash flow from operating activities is calculated using the indirect method. The funds consist of cash and cash equivalents.

Assumptions and estimations

Accounting requires assumptions and estimations to be made which influence the amount of the accounted assets and liabilities, the amount of contingent liabilities and contingent claims as at the balance sheet date and also expenses and income from the reporting periods. The assumptions and estimations are based on historical knowledge and experience and on the information available when the balance sheet is being drawn up. They are considered accurate under the circumstances. If estimations and assumptions made by the management based on the best knowledge available at the time of balance sheet preparation differ from the actual circumstances subsequently observed, the original estimations and assumptions are adapted accordingly in the reporting year in which the circumstances altered.

The most important assumptions and estimations are set out below:

Intangible (including goodwill) and tangible assets These are tested for impairment annually. To ascertain whether impairment applies, the anticipated future cash flow generated by the use or the potential disposal of the assets in question is estimated. The latter is associated with a wide range of uncertainties, especially in the case of company property in unfavourable locations or product-specific manufacturing plants and tools as well as intangible assets such as know-how, customer bases and capitalised development services. Estimates are also necessary when determining the discount rate to be applied. For the book values of intangible and tangible assets, see notes 4 and 5.

Inventories A complex supply chain within the Group (including as a result of production in cost-efficient locations and processing service in the sales companies) and the high priority accorded to short delivery times for customers require an adequate supply inventory and result in comparatively low stock turnaround figures. Some electrotechnical components can only be stored for a limited amount of time (as otherwise they are no longer suitable for soldering, for example). Some inventory items are customised. As a result, there are increased stock risks. On the basis of corresponding stock turnaround and storage period analyses, estimations and assessments on recoverability and devaluation requirements are carried out. For the book values of inventories, see note 8.

Provisions Guarantee provisions are calculated based on estimates of potential future guarantees and on past experience. There is a higher guarantee risk for linear drives used in the hospital and care sector. Individual Group companies are exposed to litigation. On the basis of currently available knowledge, an assessment of the potential consequences of these court cases was conducted and provisions were constituted where necessary. For the book values of provisions, see note 19.

Financial liabilities To determine the residual purchase price liabilities from acquisitions, estimates of the medium-term business development of the company concerned must be performed, with all the uncertainties that these entail.

Pension obligations Pension obligations from defined benefit plans (defined benefit obligations) are determined based on statistical and actuarial calculations made by external assessors, which in turn are based on a wide range of assumptions (about salary trend, pension trend, life expectancy and so on). For the book values of the pension obligations posted on the balance sheet, see note 20.

Income tax Extensive estimations based on existing tax legislation and regulations are required to determine receivables and liabilities from current and deferred income taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2015

1 Currency exchange rates

	Balance sheet		Statements of income and cash flow	
	2015	2014	**2015**	2014
Euro for				
1 CHF	0.923	0.832	0.937	0.823
1 GBP	1.362	1.288	1.378	1.241
1 USD	0.919	0.826	0.901	0.754
100 HUF	0.316	0.316	0.323	0.324
1 RON	0.221	0.223	0.225	0.225
1 SEK	0.109	0.106	0.107	0.110
1 TND	0.453	0.443	0.461	0.445
1 SGD	0.649	0.624	0.656	0.595
1 CNY	0.142	0.133	0.143	0.122
1 BRL	0.232	0.311	0.275	0.321
1 INR	0.014	0.013	0.014	0.012
1 TRY	0.315	0.353	0.333	0.345
1 AUD	0.671	0.675	0.678	0.679

2 Scope of consolidation

In 2015 and 2014 the scope of consolidation changed as follows:

Date	Company	Change	Division
2015			
05.12.2015	Hartu S.à.r.l. in Liquidation	Liquidation	ELCOM/EMS
01.08.2015	Wijdeven Power Holding B.V.	Acquisition	ELCOM/EMS
01.08.2015	Wijdeven Inductive Solutions B.V.	Acquisition	ELCOM/EMS
30.06.2015	OKIN Hungary Gépgyártó Kft	Merger with Phoenix Mecano Kecskemét KFT	Mechanical Components
25.03.2015	Sekure Ident GmbH	Foundation	Enclosures
03.02.2015	Phoenix Mecano America Latina S.A.	Foundation	Mechanical Components
01.01.2015	Redur Messwandler GmbH	Merger with Phoenix Mecano Power Quality GmbH & Co. KG	ELCOM/EMS
2014			
18.07.2014	Phoenix Mecano Beteiligungen AG	Merger with Phoenix Mecano AG	Reconciliation
01.07.2014	Redur Messwandler GmbH	Acquisition	ELCOM/EMS
26.03.2014	I2 Mechanical and Electrical Co. Ltd.	Foundation	Mechanical Components
01.01.2014	PM Special Measuring Systems B.V.	Acquisition	ELCOM/EMS
01.01.2014	Lohse GmbH	Merger with Phoenix Mecano Power Quality GmbH & Co. KG	ELCOM/EMS

The following companies were fully consolidated as at 31 December 2015:

Scope of consolidation

Company	Head office
Phoenix Mecano AG	Stein am Rhein, Switzerland
Phoenix Mecano Management AG	Kloten, Switzerland
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland
Rose Systemtechnik GmbH	Porta Westfalica, Germany
Bopla Gehäuse Systeme GmbH	Bünde, Germany
Kundisch GmbH + Co. KG	Villingen-Schwenningen, Germany
Sekure Ident GmbH	Wessling, Germany
Hartmann Codier GmbH	Baiersdorf, Germany
PTR Messtechnik GmbH + Co. KG	Werne, Germany
Phoenix Mecano Power Quality GmbH + Co. KG	Grävenwiesbach, Germany
Platthaus GmbH Elektrotechnische Fabrik	Alsdorf, Germany
RK Rose + Krieger GmbH	Minden, Germany
RK System- & Lineartechnik GmbH	Salem-Neufrach, Germany
RK Schmidt Systemtechnik GmbH	St. Wendel, Germany
DewertOkin GmbH	Kirchlengern, Germany
Hartmann Electronic GmbH	Stuttgart, Germany
Plein & Baus GmbH	Burscheid, Germany
Phoenix Mecano Digital Elektronik GmbH	Wutha-Farnroda, Germany
ATON Lichttechnik GmbH	Wutha-Farnroda, Germany
IFINA Beteiligungsgesellschaft mbH	Porta Westfalica, Germany
Götz Udo Hartmann GmbH	Grävenwiesbach, Germany
Kundisch Beteiligungs-GmbH	Villingen-Schwenningen, Germany
PTR Messtechnik Verwaltungs-GmbH	Werne, Germany
Phoenix Mecano S.à.r.l.	Fontenay-sous-Bois, Cedex, France
Phoenix Mecano Ltd.	Aylesbury, UK
Integrated Furniture Technologies Ltd.	Cheltenham, UK
Robco Designs Ltd.	London, UK
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands, GB
Phoenix Mecano AB	Ingelstad, Sweden
Phoenix Mecano ApS	Odense, Denmark
Phoenix Mecano S.r.l.	Inzago, Milano, Italy
OMP Officina Meccanica di Precisione S.r.l. in Liquidation	Milano, Italy

Activity	Currency	Registered capital in 1 000	**2015** Stake in %	2014 Stake in %
Finance	CHF	961	n/a	n/a
Finance	CHF	50	100	100
Finance	CHF	250	100	100
Purchasing	CHF	100	100	100
Production/Sales	CHF	2 000	100	100
Production/Sales	EUR	1 053	100	100
Production/Sales	EUR	750	100	100
Production/Sales	EUR	300	100	100
Sales	EUR	75	100	n/a
Production/Sales	EUR	300	100	100
Production/Sales	EUR	300	100	100
Production/Sales	EUR	300	100	100
Production/Sales	EUR	900	100	100
Production/Sales	EUR	496	100	100
Production/Sales	EUR	250	100	90
Production/Sales	EUR	500	100	100
Production/Sales	EUR	1 000	100	100
Production/Sales	EUR	222	100	100
Production/Sales	EUR	51	100	100
Production/Sales	EUR	350	100	100
Production/Sales	EUR	100	100	100
Finance	EUR	4 000	100	100
Finance	EUR	26	100	100
Finance	EUR	26	100	100
Finance	EUR	26	100	100
Sales	EUR	620	100	100
Sales	GBP	300	100	100
Development	GBP	1	85	85
Development	GBP	1	85	85
Finance	USD	1 969	100	100
Sales	SEK	100	100	100
Sales	DKK	125	100	100
Sales	EUR	300	100	100
–	EUR	5 000	100	100

Scope of consolidation

Company	Head office
Sistemas Phoenix Mecano Espana S.A.	Zaragoza, Spain
PM Komponenten B.V.	Doetinchem, The Netherlands
PM Special Measuring Systems B.V.	Enschede, The Netherlands
Wijdeven Inductive Solutions B.V.	Ter Apel, The Netherlands
Wijdeven Power Holding B.V.	Ter Apel, The Netherlands
PM International B.V.	Doetinchem, The Netherlands
PM Komponenten N.V.	Deinze, Belgium
Phoenix Mecano Kecskemét KFT	Kecskemét, Hungary
Phoenix Mecano Kecskemét Research and Development KFT	Kecskemét, Hungary
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania
Phoenix Mecano Inc.	Frederick, USA
WIENER, Plein & Baus Corp.	Springfield, USA
OKIN America Inc.	Shannon, USA
Phoenix Mecano Comercial e Tecnica Ltda.	Barueri, Brazil
Phoenix Mecano Holding Ltda.	Barueri, Brazil
Phoenix Mecano America Latina S.A.	Montevideo, Uruguay
Phoenix Mecano S. E. Asia Pte Ltd.	Singapore
Phoenix Mecano Korea Co. Ltd.	Busan, South Korea
Phoenix Mecano (India) Pvt. Ltd.	Pune, India
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China
Shenzhen Elcom Co., Ltd.	Shenzhen, China
OKIN Refined Electric Technology Co., Ltd.	Jiaxing, China
I2 Mechanical and Electrical Co. Ltd.	Jiaxing, China
Phoenix Mecano Components (Taicang) Co., Ltd.	Taicang, China
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China
Bond Tact Industrial Limited	Hong Kong, China
Bond Tact Hardware (Dongguan) Company Limited	Dongguan, China
Phoenix Mecano Mazaka A.S.	Ankara, Turkey
Rose Systemtechnik Middle East (FZE)	Sharjah, U.A.E.
Phoenix Mecano Australia Pty. Ltd.	Tullamarine Victoria, Australia
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia
Phoenix Mecano ELCOM S.à.r.l.	Bouhejba, Tunisia
Phoenix Mecano Digital Tunisie S.à.r.l.	Borj-Cedria, Tunisia
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Morocco

Activity	Currency	Registered capital in 1 000	**2015** Stake in %	2014 Stake in %
Sales	EUR	60	90	90
Sales	EUR	20	100	100
Production / Sales	EUR	18	100	100
Production / Sales	EUR	16	100	n/a
Finance	EUR	18	100	n/a
Finance	EUR	4 500	100	100
Sales	EUR	100	100	100
Production / Sales	EUR	6 595	100	100
Development	EUR	502	100	100
Production	EUR	750	100	100
Production / Sales	USD	10 000	100	100
Sales	USD	100	100	100
Production / Sales	USD	10	100	100
Sales	BRL	7 601	100	100
Finance	BRL	1 062	100	100
Sales	UYU	200 000	100	n/a
Sales	SGD	1 000	75	75
Sales	KRW	370 000	75	75
Production / Sales	INR	299 452	100	100
Production / Sales	USD	3 925	100	100
Production / Sales	CNY	8 000	100	100
Production / Sales	CNY	77 780	100	100
Production / Sales	USD	5 000	55	55
Production / Sales	USD	8 150	100	100
Finance / Sales	EUR	5 000	100	100
Sales	HKD	500	100	100
Production / Sales	CNY	28 817	100	100
Sales	TRY	430	91	91
Sales	AED	150	100	100
Sales	AUD	204	70	70
Production	TND	5 300	100	100
Production	TND	500	100	100
Production	TND	100	100	100
Production	EUR	943	100	100

3 Goodwill

in 1 000 EUR	Note No.	**2015**	2014
Acquisition costs 1 January		20 809	14 161
Additions of companies included in consolidation	46	0	5 343
Translation differences		903	1 305
Acquisition costs 31 December		21 712	20 809
Accumulated impairment losses 1 January		0	0
Impairment losses		7 185	0
Accumulated impairment losses 31 December		7 185	0
Net values 31 December		**14 527**	**20 809**

The book values for goodwill of EUR 14.5 million (previous year EUR 20.8 million) relate to the following cash-generating units: the Bopla product area in the Enclosures division EUR 0.3 million (previous year EUR 0.3 million) and Okin Refined Electric Technology Co. Ltd. in China, in the Mechanical Components division, EUR 14.2 million (previous year EUR 13.4 million).

The change in goodwill in 2015 is due to currency effects relating to the goodwill of Okin Refined Electric Technology Co. Ltd. and the impairment losses detailed below. All goodwill was tested for impairment based on five-year plans for the relevant cash-generating units (CGUs). A pre-tax discount rate (WACC) of 7.5% (previous year 8.0%), and of 8.4% (previous year 9.0%) to measure the goodwill from the acquisition of Okin Refined in China, was applied to determine the present value (value in use). Growth of 0.5% for Bopla and PM SMS and 2% for Okin Refined was assumed after the projection period. Impairment was also tested using sensitivity analyses.

Impairment tests on Bopla and Okin Refined The impairment tests on the goodwill of Bopla and Okin Refined resulted in values in use that exceeded the book values of the corresponding goodwill by several times.

Impairment test on Platthaus GmbH Elektrotechnische Fabrik Due to the weakness of the market in customised transformers, filters and input chokes for the renewable energy sector, there are indications of impairment affecting the assets of Platthaus GmbH in Germany. The impairment test identified an impairment of the fair value of this ELCOM/EMS division CGU, determined on the basis of a five-year plan and an EBITDA multiple. The resulting impairment loss breaks down as follows:

in 1 000 EUR	**2015**
Goodwill	1 842
Intangible assets	452
Tangible assets	166
Total	**2 460**

It therefore covers the entire goodwill of Platthaus GmbH. The remainder of the impairment loss was allocated pro rata to the customer base, know-how and tangible assets in Germany, taking into account the estimated disposal values of individual assets.

Impairment test on PM Special Measuring Systems B.V. Due to project cancellations and postponements and sluggish investment in research laboratories and the construction of high-voltage direct current (HVDC) transmission equipment, resulting in reduced and heavily fluctuating demand for high-precision measuring systems for electrical current, there are indications of impairment affecting the assets of PM Special Measuring Systems B.V. in the Netherlands, part of the Instrument Transformers product area. The calculation of the value in use is based on a five-year business plan, which, in accordance with the project plan, assumes heavy fluctuations in sales in subsequent years, an average gross profit of 50%, growth of 0.5% after the projection period and a pre-tax discount rate of 7.5%. The value in use calculated for this ELCOM/EMS division CGU is EUR 7.4 million. The impairment test identified an impairment of this value in use, breaking down as follows:

in 1 000 EUR	**2015**
Goodwill	5 343
Intangible assets	889
Total	**6 232**

It therefore covers all of the goodwill. The remainder of the impairment loss was allocated pro rata to the customer base and know-how in the Netherlands.

4 Other intangible assets

in 1 000 EUR	Note No.	Development costs	Concessions, licences, similar rights and assets	Development projects in progress	Total
Acquisition costs 31 December 2013		11 674	45 917	991	58 582
Additions of companies included in consolidation	46		15 428		15 428
Translation differences			1 884	2	1 886
Addition		118	1 097	1 186	2 401
Disposals		–1 945	–2 202		–4 147
Reclassification		217	379	–596	0
Acquisition 31 December 2014		10 064	62 503	1 583	74 150
Accumulated amortisation 31 December 2013		10 470	31 269	0	41 739
Translation differences			1 059		1 059
Amortisation	36	433	6 676		7 109
Impairment losses	38	178			178
Reversal of impairment losses	38				0
Disposals		–1 945	–2 201		–4 146
Reclassification					0
Accumulated amortisation 31 December 2014		9 136	36 803	0	45 939
Net values 1 January 2014		**1 204**	**14 648**	**991**	**16 843**
Net values 31 December 2014		**928**	**25 700**	**1 583**	**28 211**
Acquisition costs 31 December 2014		10 064	62 503	1 583	74 150
Additions of companies included in consolidation	46		1 715		1 715
Translation differences		14	1 459	12	1 485
Additions		315	2 074	834	3 223
Disposals		–691	–5 096		–5 787
Reclassification		1 230	0	–1 230	0
Acquisition costs 31 December 2015		**10 932**	**62 655**	**1 199**	**74 786**
Accumulated amortisation 31 December 2014		9 136	36 803	0	45 939
Translation differences			843		843
Amortisation	36	481	7 863		8 344
Impairment losses	38	0	1 960		1 960
Reversal of impairment losses	38				0
Disposals		–692	–5 095		–5 787
Reclassification		32	–32		0
Accumulated amortisation 31 December 2015		8 957	42 342	0	51 299
Net values 31 December 2015		**1 975**	**20 313**	**1 199**	**23 487**

Concessions, licences, similar rights and assets includes primarily the customer base, patents and other industrial property rights as well as unprotected inventions (know-how) gained from acquisitions, in addition to software licences and distribution rights and patents and other intangible rights and assets paid for.

Other intangible assets worth EUR 0.01 million (previous year EUR 0.02 million) were subject to reservation of title as at the balance sheet date.

Write-downs were performed on customer bases, unprotected inventions (know-how) and capitalised development projects within the framework of the impairment tests on CGUs and assets at the balance sheet date, since these business activities did not develop as originally planned. The bulk of the impairment losses in 2015 related to Platthaus GmbH and PM Special Measuring Systems B.V. (see note 3). The five-year plans for the relevant CGU were used as a basis for calculating the necessary write-downs. A pre-tax discount rate (WACC) of 7.5% (previous year 8.0%) was applied to determine the present value (value in use). Growth of between 0.5 and 2% (previous year between 0 and 1%) was assumed after the projection period.

The breakdown of impairment losses by division is clear from the segment information provided. In the statement of income, impairment losses on intangible assets of EUR 2.0 million (previous year EUR 0.2 million) are included under Impairment of intangible and tangible assets (see note 38).

5 Tangible assets

in 1 000 EUR	Note No.	Investment properties	Land and buildings	Machinery and equipment	Construction in progress	Total
Acquisition costs 31 December 2013		1 770	114 398	197 882	2 396	316 446
Additions of companies included in consolidation	46		288	528		816
Translation differences		5	1 904	2 399	83	4 391
Addition			2 944	16 549	2 145	21 638
Disposals			–517	–5 423	–3	–5 943
Reclassification			402	1 586	–1 988	0
Acquisition costs 31 December 2014		1 775	119 419	213 521	2 633	337 348
Accumulated depreciation 31 December 2013		812	53 805	153 519	0	208 136
Translation differences			660	1 397		2 057
Depreciation	37	23	3 197	13 106		16 326
Impairment losses	38					0
Reversal of impairment losses	38					0
Disposals			–306	–4 975		–5 281
Reclassification						0
Accumulated depreciation 31 December 2014		835	57 356	163 047	0	221 238
Net values 1 January 2014		**958**	**60 593**	**44 363**	**2 396**	**108 310**
Net values 31 December 2014		**940**	**62 063**	**50 474**	**2 633**	**116 110**
Acquisition costs 31 December 2014		1 775	119 419	213 521	2 633	337 348
Additions of companies included in consolidation	46		100	190		290
Translation differences		–135	2 623	2 642	3	5 133
Additions			3 336	13 027	7 088	23 451
Disposals		–1 245	–186	–10 616	–9	–12 056
Reclassification			270	2 319	–2 589	0
Acquisition costs 31 December 2015		395	125 562	221 083	7 126	354 166
Accumulated depreciation 31 December 2014		835	57 356	163 047	0	221 238
Translation differences		–43	1 138	1 823		2 918
Depreciation	37	19	3 442	14 340		17 801
Impairment losses	38		1 463	603		2 066
Reversal of impairment losses	38					0
Disposals		–684	–179	–9 771		–10 634
Reclassification			–6	6		0
Accumulated depreciation 31 December 2015		127	63 214	170 048	0	233 389
Net values 31 December 2015		**268**	**62 348**	**51 035**	**7 126**	**120 777**

Land and buildings is divided into developed and undeveloped land with a book value of EUR 12.9 million (previous year EUR 11.3 million) and factory and administration buildings with a balance sheet value of EUR 49.4 million (previous year EUR 50.8 million).

The balance sheet value of capitalised leased financial assets (machinery) was EUR 0.1 million, compared with EUR 0.2 the previous year. These are the result of acquisitions.

The fire insurance value of the tangible assets amounted to EUR 327.2 million on the balance sheet date, compared with EUR 304.4 million the previous year.

Land and buildings with a book value of EUR 10.7 million (previous year EUR 10.7 million) were mortgaged to cover debts. The amount of the corresponding credit taken up totalled EUR 5.8 million (previous year EUR 6.9 million). Tangible assets with a balance sheet value of EUR 0.05 million (previous year EUR 0.06 million) were subject to reservation of title on the balance sheet date.

Write-downs of buildings in China and Tunisia, machinery and other equipment were performed in the reporting year within the framework of the impairment tests on CGUs and assets at the balance sheet date. The five-year plans for the corresponding CGUs were used as a basis for determining the necessary write-downs. A pre-tax discount rate (WACC) of 7.5% (previous year 8.0%), and 8.4% for China, was applied to determine the present value (value in use) in the reporting year. Growth of between 0.5 and 2% was assumed after the projection period (previous year between 0 and 1%). For a building in China, the fair value was used as a basis for the valuation.

The breakdown by division of impairment losses and reversals of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on tangible assets in the reporting year of EUR 2.1 million are included under Impairment of intangible and tangible assets (see note 38).

The fair value of the investment property in Brazil is EUR 0.9 million (previous year EUR 1.2 million). The reduction is the result of translation differences. The investment property is classified in Level 3 of the fair value hierarchy. The fair value was calculated using an income value method. The rental income of the investment property is EUR 0.1 million and its direct operating expenses are EUR 0.01 million. In the previous year, another rental property in Germany was included under this item, with a book value of EUR 0.6 million. This was sold in the reporting year with a book loss of EUR 0.1 million.

6 Investments in associated companies

in 1 000 EUR	Investment in %	**2015**	2014
UPDATE OF INVESTMENT IN ASSOCIATED COMPANIES			
AVS Phoenix Mecano GmbH, Vienna (A)	50		
Orion Technologies LLC Florida (USA)	34*		
Electroshield C Babynino (RU)	20		
Jiaxing Yinuo Electronic Technology Co. Ltd. Jiaxing (CN)	40		
As at 1 January		1 282	422
Purchases		4 209	961
Result		–292	–74
Dividends paid		–75	–100
Translation differences		–821	73
As at 31 December		**4 303**	**1 282**

* Previous year 20%

Phoenix Mecano products are sold in Austria through the joint venture AVS-Phoenix Mecano GmbH (A). Purchases of goods from Group companies totalled EUR 2.7 million (previous year EUR 2.6 million). The result of the period and the comprehensive income totalled EUR 0.2 million (previous year EUR 0.1 million).

On 31 March 2014, the Phoenix Mecano Group acquired a 20% stake in Orion Technologies LLC, Florida, USA; it increased this investment by a further 13.92% on 30 September 2015 as part of a capital increase. The associated purchase price is variable, in so far as the Phoenix Mecano Group will receive reimbursement in the form of additional shares if the 2016 result falls below a minimum level. The Phoenix Mecano Group has therefore recorded part of the payment, totalling EUR 1.6 million, as a contingent receivable (see note 7). The balance of EUR 0.6 million is shown under this item as an investment in associated companies. In addition, there is a call option to acquire the remaining shares, which can be exercised between 2017 and 2020. Orion Technologies LLC develops and manufactures industrial computer systems for customised applications. The company purchased goods from Group companies totalling EUR 0.06 million (previous year EUR 0.03 million). In the previous year, there was a loan from Group companies to Orion totalling EUR 0.07 million. The result of the period and the comprehensive income totalled EUR –0.9 million (previous year EUR –0.8 million).

On 4 June 2015, the Phoenix Mecano Group acquired a 40% stake in Jiaxing Yinuo Electronic Technology Co. Ltd., Jiaxing, China. The purchase price was EUR 0.6 million. There is a call option to acquire a further 20%, which can be exercised until 2019 subject to certain conditions. The company develops and manufactures electrical components such as handsets and control units for drive technology. It purchased goods from Group companies totalling EUR 0.2 million. The result of the period and the comprehensive income totalled EUR –0.3 million.

On 11 June 2015, the Phoenix Mecano Group acquired a 20% stake in Electroshield C, Babynino, Russia, for a sum of EUR 3.0 million. There is a call option to acquire the remaining shares, which can be exercised in 2018. If this call option is not exercised, the vendors have the right, upon expiry of the option period, to buy back the Phoenix Mecano Group's 20% stake, or the Phoenix Mecano Group has the right to transfer the stake back to the vendors. The company develops, manufactures and sells instrument transformers, current transformers and high-voltage transformers. In 2015, Electroshield C made a payment of EUR 1.0 million to a Phoenix Mecano Group company for a production facility. Its result of the period and comprehensive income totalled EUR 0.1 million.

The aforementioned options are not recognised as having a fair value at 31 December 2015 or 31 December 2014.

7 Other financial assets

in 1 000 EUR	Note No.	**2015**	2014
Contingent variable purchase price payment on acquisitions	6	1 562	0
Loans		262	399
Investments (under 20%)		228	228
Value adjustment on investments		–104	0
Non-current securities		266	270
Current portion of long-term financial assets	10	–290	–288
Value adjustment on other financial assets (excluding investments)		0	–238
Balance sheet value		**1 924**	**371**
BY CURRENCY			
EUR		250	155
USD		1 562	0
Other currencies		112	216
Balance sheet value		**1 924**	**371**
BY MATURITY			
in 2 years		1 787	9
in 3 years		6	134
in 4 years		7	0
in 5 years		0	0
after 5 years		0	0
none		124	228
Balance sheet value		**1 924**	**371**
INTEREST RATES (LOANS)			
EUR		3.1%	3.5%

The loans are fixed rate.

The non-current securities relating to pension obligations are secured with liens in favour of the employee concerned.

Due to indications of an impairment on an investment, an impairment test was performed, which resulted in a write-down of EUR 0.1 million in the reporting year.

The value adjustment on other financial assets was EUR 0.2 million in the previous year. The corresponding receivable was derecognised in the reporting year without affecting net income.

8 Inventories

in 1 000 EUR	**2015**	2014
Raw and ancillary materials	78 571	75 907
Work in progress	6 004	5 709
Finished goods and merchandise for resale	52 048	48 714
Value adjustments	– 13 785	– 12 486
Balance sheet value	**122 838**	**117 844**

The value adjustments were determined based on marketability and range of the stocks. Changes in value adjustments and losses on inventories totalling EUR 3.8 million (previous year EUR 4.7 million) are included in the statement of income under Other operating expenses (see note 39).

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2015 and 2014.

9 Trade receivables

in 1 000 EUR	2015	2014
Trade receivables	73 571	65 018
Receivables due from associated companies	176	102
Value adjustments	–3 020	–2 912
Balance sheet value	**70 727**	**62 208**
BY CURRENCY OF TRADE RECEIVABLES		
CHF	1 125	1 539
EUR	31 020	29 548
USD	8 547	7 409
HUF	63	127
CNY	21 387	16 299
Other currencies	8 585	7 286
Balance sheet value	**70 727**	**62 208**
REGIONAL BREAKDOWN OF TRADE RECEIVABLES		
Switzerland	1 657	2 150
Germany	9 172	9 288
UK	2 131	2 126
France	3 913	3 611
Italy	2 772	4 634
The Netherlands	3 234	1 698
Rest of Europe	9 651	8 841
North and South America	7 401	7 782
Middle and Far East	30 796	22 078
Balance sheet value	**70 727**	**62 208**
UPDATE OF VALUE ADJUSTMENT ON TRADE RECEIVABLES		
Individual value adjustments		
As at 1 January	1 520	1 617
Change	–425	–97
As at 31 December	1 095	1 520
Flat-rate value adjustments		
As at 1 January	1 392	994
Change	533	398
As at 31 December	1 925	1 392
Total	**3 020**	**2 912**

in 1 000 EUR	**2015** Gross	**2015** Value adjustments	2014 Gross	2014 Value adjustments
AGING ANALYSIS OF TRADE RECEIVABLES NOT SUBJECT TO INDIVIDUAL VALUE ADJUSTMENTS				
Gross values	73 747		65 120	
Gross value of receivables subject to individual value adjustments	– 1 214		– 1 644	
Total	**72 533**		**63 476**	
of which:				
Not due	57 800		48 478	
Overdue for 1 – 30 days	8 802		10 962	
Overdue for 31 – 60 days	2 691		1 737	
Overdue for 61 – 90 days	979	139	713	171
Overdue for 91 – 180 days	709	315	660	325
Overdue for more than 180 days	1 552	1 471	926	896
Total	**72 533**	**1 925**	**63 476**	**1 392**

The average payment term was 51 days (previous year 51 days).

The individual value-adjusted receivables relate mainly to debtors who are involved in bankruptcy proceedings or have been directed to a collection agency. The flat-rate value adjustments for overdue receivables were determined on the basis of experience. There are no cluster risks.

Receivables not due and to which individual value adjustments have not been applied are mainly receivables from long-standing customers. The Phoenix Mecano Group considers the value adjustments formed as appropriate based on past experience.

10 Other receivables

in 1 000 EUR	Note No.	**2015**	2014
Tax receivables from VAT and other taxes		4 305	3 737
Current portion of long-term financial assets	7	290	288
Financial receivables		228	583
Advanced payments for inventories		2 027	1 354
Other		1 375	2 307
Balance sheet value		**8 225**	**8 269**

The financial receivables relate mainly to deposits receivable from agreements providing for part-time work for older employees in Germany, which are listed in EUR, yield an interest rate of 0.6% (previous year 1.7%) and are secured by liens in favour of the employees concerned.

11 Current securities

in 1 000 EUR	**2015**	2014
AVAILABLE-FOR-SALE SECURITIES		
Bonds and bond funds	4 144	4 711
Balance sheet value	**4 144**	**4 711**
BY CURRENCY		
EUR	4 127	4 702
Other currencies	17	9
Balance sheet value	**4 144**	**4 711**
BY MATURITY		
in 1 year	740	768
in 2 years	2 111	636
in 3 years	1 086	2 192
in 4 years	0	1 115
in 5 years	207	0
Balance sheet value	**4 144**	**4 711**
EFFECTIVE INTEREST RATE FOR BONDS		
EUR	1.3%	1.5%
Other currencies	8.6%	8.9%

The current securities can be converted into cash and cash equivalents at short notice. They are kept as cash reserves.

12 Cash and cash equivalents

in 1 000 EUR	**2015**	2014
MEANS OF PAYMENT		
Cash at bank and in postal accounts	24 575	20 747
Cash on hand	316	109
Total	**24 891**	**20 856**
OTHER CASH AND CASH EQUIVALENTS		
Fixed-term deposits (up to 3 months)	17 060	23 329
Balance sheet value	**41 951**	**44 185**
BY CURRENCY		
CHF	1 201	1 386
EUR	20 934	23 516
USD	10 577	5 997
HUF	291	287
CNY	4 835	7 467
Other currencies	4 113	5 532
Balance sheet value	**41 951**	**44 185**
INTEREST RATES		
CHF	0.0%	0.1%
EUR	0.3%	0.5%
USD	0.1%	0.0%
HUF	0.2%	0.6%
CNY	0.5%	0.4%

13 Share capital and reserves

The share capital is fully paid up and divided into 960 500 bearer shares (previous year 960 500) with a nominal value of CHF 1.00. The conversion into euro is effected at the historical exchange rate of 0.622. There is no authorised or contingent capital. Each share entitles the holder to attend the Shareholders' General Meeting and cast one vote. The reserve for translation differences contains the accumulated translation differences resulting from translation of the financial statements of Group companies.

The significant shareholders of Phoenix Mecano AG are:

Name in %	Head office	**2015**	2014
Planalto AG	Luxembourg, Luxembourg	34.6*	34.6
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5*	5.5*
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	4.9	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	< 3	3.5*

* Stake not reported in the year indicated.

This information is based on notifications by the aforementioned shareholders.

14 Treasury shares

	Number of shares		Acquisition costs	
Number/in 1 000 EUR	**2015**	2014	**2015**	2014
As at 1 January	1 260	20 064	582	7 795
Share purchases	485	360	201	140
Share sales	–1 260	–1 664	–582	–620
Capital reduction	0	–17 500	0	–6 733
As at 31 December	**485**	**1 260**	**201**	**582**

The share buy-back programme launched on 22 June 2012 was terminated prematurely by a decision of the Board of Directors on 20 September 2013. As part of this 2012/2013 share buy-back programme, 17 500 shares were repurchased and cancelled in 2014.

Detailed information on the purchases and sales effected in 2015 can be found in the notes to the financial statements of Phoenix Mecano AG on page 157 (see note 2.10).

15 Minority interest

The minority interests are: in %	**2015**	2014
I2 Mechanical and Electrical Co. Ltd.	45	45
Phoenix Mecano Australia Pty. Ltd.	30	30
Phoenix Mecano S.E. Asia Pte. Ltd.	25	25
Phoenix Mecano Korea Co. Ltd.	25	25
Integrated Furniture Technologies Ltd.	15	15
Robco Designs Ltd.	15	15
Sistemas Phoenix Mecano Espana S.A.	10	10
Phoenix Mecano Mazaka A.S.	9	9
RK System- and Lineartechnik GmbH	0	10

The remaining 10% of the shares in RK System- und Lineartechnik GmbH were acquired on 14 December 2015. The purchase price was EUR 0.02 million.

A 15% stake in Integrated Furniture Technologies Ltd. and its subsidiary Robco Designs Ltd. was sold on 10 January 2014. The sale price was EUR 0.7 million. I2 Mechanical and Electrical Co. Ltd. was founded on 26 March 2014 with a minority shareholder holding a 45% stake. Its share of the company's equity at the time of founding was EUR 0.3 million. On 3 July 2014, the Phoenix Mecano Group acquired the remaining 20% of the shares in Bond Tact Ltd., Hong Kong, and its subsidiary Bond Tact Hardware (Dongguan) Company Ltd. The purchase price was EUR 0.2 million.

These transactions are recognised in the statement of changes in equity.

All of the Phoenix Mecano Group's minority interests are non-significant.

16 Liabilities from financial leasing

in 1 000 EUR	Note No.	**2015**	2014
MINIMUM LEASING COMMITMENT			
Minimum leasing commitments due within 1 year		36	39
Minimum leasing commitments due within 1–5 years		111	143
Total		147	182
less future interest charge		–17	–19
Present value of leasing commitments		130	163
less current portion	23	–32	–32
Balance sheet value (long-term portion)		**98**	**131**

The average interest rate for liabilities from financial leasing remained unchanged at 4.1%. These resulted from acquisitions.

17 Long-term financial liabilities

in 1 000 EUR	Note No.	**2015**	2014
Liabilities to financial institutions		34 453	30 299
Residual purchase price liabilities from acquisitions		3 864	3 823
Other financial liabilities		0	47
Current portion of long-term financial liabilities	23	–9 585	–10 071
Balance sheet value		**28 732**	**24 098**
BY CURRENCY			
CHF		13 614	10 816
EUR		9 430	9 840
USD		2 298	0
CNY		3 390	3 442
Balance sheet value		**28 732**	**24 098**
BY MATURITY			
in 2 years		7 545	8 080
in 3 years		11 366	6 271
in 4 years		4 390	2 073
in 5 years		2 069	3 164
after 5 years		3 362	4 510
Balance sheet value		**28 732**	**24 098**
INTEREST RATES			
CHF		1.1%	1.6%
EUR		1.4%	2.9%
USD		2.5%	–
CNY		3.5%	4.8%

For Okin Refined Electric Technology Co., Ltd., acquired in 2010, there is a purchase commitment for the remaining shares held by a third party resulting from call and put options totalling EUR 3.9 million (previous year EUR 3.8 million) (see note 25).

The liabilities to financial institutions are all in principle fixed rate.

For the securing of bank liabilities by mortgage, see note 5.

There are no covenants.

18 Derivative financial instruments

in 1 000 EUR	Contract values		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2015	2014	**2015**	2014	**2015**	2014
FORWARD EXCHANGE CONTRACTS BY CURRENCY						
CHF	4 615	0	19	0	0	0
USD	3 668	0	5	0	0	0
HUF	20 500	15 400	222	0	146	427
RON	4 650	5 900	23	85	70	19
Other currencies	36	0	0	0	0	0
Total	33 469	21 300	269	85	216	446
FORWARD EXCHANGE CONTRACTS BY MATURITY						
in 1 year			269	85	216	446
Total			269	85	216	446
INTEREST RATE CHANGE CONTRACTS BY CURRENCY						
EUR	4 000	6 000	0	0	76	142
CHF	6 923	6 240	0	0	169	48
Total	10 923	12 240	0	0	245	190
INTEREST RATE CHANGE CONTRACTS BY MATURITY						
in 1 year			0	0	245	190
Total			0	0	245	190
NET BALANCE SHEET VALUE BY MATURITY						
Total short-term			269	85	461	636
Net balance sheet value			**269**	**85**	**461**	**636**

The forward exchange purchases of HUF and RON for EUR were used for partial hedging of the planned operating expenses in local currency in Hungary and Romania. The forward exchange purchase of CHF for EUR in the reporting year was used to hedge the dividend payment, while the USD / EUR transaction was concluded in connection with short-term liquidity management. All forward exchange contracts in the consolidated financial statements at 31 December 2015 and 31 December 2014 were held for trading purposes.

The interest rate change contracts relate to payer swaps in EUR and CHF. They were held for trading purposes in the consolidated financial statements at 31 December 2015 and 31 December 2014.

The balance sheet values of the derivative financial instruments correspond to the fair values.

19 Provisions

in 1 000 EUR	Provisions for long-term employee benefits	Guarantee provisions	Restructuring provisions	Other provisions	**Total 2015**	Total 2014
Provisions as at 1 January	3 767	2 594	420	8 230	15 011	15 548
Change in scope of consolidation	76				76	6
Translation differences	36	14		14	64	229
Usage	–650	–989	–32	–6 163	–7 834	–7 777
Releases	–73	–467		–1 274	–1 814	–1 811
Allocation	702	1 751	2 185	6 950	11 588	8 816
Provisions as at 31 December	**3 858**	**2 903**	**2 573**	**7 757**	**17 091**	**15 011**
Due within 1 year	614	2 813	2 225	6 608	12 260	11 034
Due after 1 year	3 244	90	348	1 149	4 831	3 977

The provisions for long-term employee benefits relate to agreements providing for part-time work for older employees in Germany, statutory retirement pay in Italy ("Trattamento Fine Rapporto") and provisions for length-of-service awards under IAS 19.

The restructuring costs mainly comprise costs for the adjustment of production capacity in North Africa as well as the costs of closing down the Obergünzburg site in Germany with the aim of streamlining membrane keyboard production processes and making optimal use of capacity at the production facility in Hungary. Also included are the costs of redundancies resulting from the merging of functions in the Power Quality product area.

Other provisions include provisions for short-term payments to employees (e.g. indemnities not related to restructuring, and salary bonuses) totalling EUR 5.6 million (previous year EUR 5.5 million), a provision of EUR 0.4 million to cover the remaining term of a lease following the closure of the Obergünzburg site, as well as provisions for litigation risks, impending losses and other conceivable risks from contractual or constructive obligations. In the previous year, this includes a provision of EUR 0.8 million for legal costs in connection with patent disputes.

20 Pension obligations

The Phoenix Mecano Group operates a number of pension plans for employees in Switzerland and elsewhere, which meet the relevant criteria for inclusion. These include both defined benefit and defined contribution plans, which cover the Group employees in question against death, disability and retirement risks.

Defined contribution pension plans In some countries, the Phoenix Mecano Group operates pension plans which qualify as defined contribution pension plans under the terms of IAS 19. Some of these plans also include employee contributions. These contributions are normally deducted from the monthly salary and transferred to the pension plan. Apart from paying the contributions and transferring the employee and employer contributions, there are not currently any further obligations on the part of the employer.

Defined benefit pension plans The main plans relate to Switzerland and Germany.

Swiss pension plan The Group operates a pension plan for employees in Switzerland with a BVG-Sammelstiftung (collective foundation providing basic insurance as well as supplementary insurance for senior managers). This is fully reinsured by an insurance company.

The senior management body of this collective foundation is the Foundation Board, which comprises an equal number of employee and employer representatives from the member companies. The Foundation Board is required by law and the pension plan regulations to act solely in the interests of the foundation and its beneficiaries (active insured persons and pension recipients). The employer cannot therefore determine the benefits and financing unilaterally. Decisions are taken jointly by the employee and employer representatives. The Foundation Board is responsible for changes to the pension plan regulations and in particular for determining the financing of pension benefits. The foundation is regulated by the Foundation Supervisory Authority of the Canton of Zurich.

Pension payments are based on retirement savings, to which annual retirement credits and interest are added (negative interest is not possible). When an employee with basic insurance retires, they can choose between a lifetime annuity or a lump-sum payment; the managerial insurance takes the form of a lump-sum payment. The annuity is calculated by multiplying the retirement savings by the current conversion rate. In addition to retirement benefits, pension benefits also include disability and partner's pensions. These are calculated as a percentage of the insured annual salary or old-age pension. The insured can also make additional payments to improve their pension up to the maximum set by the regulations or withdraw money early to buy a residential property for their own use. If the employee leaves the company, the retirement savings are transferred to the pension fund of their new employer or to a vested benefits foundation. Benefits are financed through savings and risk contributions paid by the employer and employee. The savings contributions are determined by the Administrative Board consisting of employer and employee representatives. The risk contributions may be adjusted periodically by the insurance company. The employer makes at least 50% of the necessary contributions.

In setting benefits, the minimum requirements of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and its implementing provisions must be observed. The OPA stipulates the minimum wage to be insured and the minimum retirement credits. The minimum interest rate to be applied to these minimum retirement savings is determined by the Swiss Federal Council at least every two years. In 2015 it was 1.75% (2014: 1.75%).

The terms and conditions of the pension plan and the statutory provisions of the OPA give rise to actuarial risks such as investment risk, interest rate risk, disability risk and longevity risk, which are reinsured by a life insurance company. As long as affiliation to the foundation continues, there is no possibility of underfunding. However, the collective foundation could terminate the affiliation contract, in which case the Phoenix Mecano Group would have to join another occupational pension fund.

The pension assets are not invested by the collective foundation itself but by the insurance company. The pension plan assets therefore consist solely of a receivable due from the insurance company.

German pension plan There are personal defined benefit pension plans for individual pensioners, departed and still active employees (mainly executives). No new commitments are being entered into (except in the case of pension plans taken over through acquisitions). In principle, entitlement to pension benefits arises on the grounds of old age, disability or death. Payments take the form of lifetime annuities or in some cases lump-sum payments, depending on the relevant pension regulations. Survivors are entitled to a percentage of the annuity at the time of the beneficiary's death. In principle, as regards the amount of the annuity payment, pension plans are fixed or dependent on the statutory contribution assessment ceiling at the time the insured event occurs. In one case, benefits are dependent on the development of salaries for civil servants. The plans do not have separate plan assets, which means there are no minimum funding requirements. The pension benefits are financed by the employer. In the event that an employee leaves the company before a pension benefit becomes payable, they retain their entitlements to pension payments in accordance with legal requirements. Of the 12 persons entitled to pension benefits, 10 had vested benefits as at the balance sheet date.

The terms and conditions of the pension plans and the statutory provisions expose the employer to actuarial risks. The main risks are longevity risk, interest rate risk and the risk of inflation compensation for individual pensions as well as risks associated with the development of civil servant salaries or the contribution assessment ceiling for statutory pension insurance in Germany.

Financial position of defined benefit pension plans as at 31 December 2015 and 2014 in 1 000 EUR	**Switzer-land**	**Germany**	**31.12.2015 Total**	Switzerland	Germany	31.12.2014 Total
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS						
As at 1 January	21 767	6 193	27 960	17 139	5 215	22 354
Service costs	1 138	55	1 193	779	45	824
Employee contributions	750	0	750	658	0	658
Interest expense	305	117	422	342	153	495
Capital	958	0	958	1 026	0	1 026
Pension payments	–2 144	–236	–2 380	–1 004	–243	–1 247
Actuarial (gains)/losses	2 125	–708	1 417	2 468	1 023	3 491
Plan amendments	–141	0	–141	0	0	0
Translation differences	2 319	0	2 319	359	0	359
As at 31 December	27 077	5 421	32 498	21 767	6 193	27 960
FAIR VALUE OF PLAN ASSETS (SWITZERLAND)						
As at 1 January			15 892			13 860
Interest income			224			280
Employer contributions			851			746
Employee contributions			750			658
Capital			958			1 026
Pension payments			–2 144			–1 004
Income from plan assets excluding interest income			426			35
Translation differences			1 723			291
As at 31 December			18 680			15 892
NET BALANCE SHEET VALUE OF PENSION OBLIGATIONS (SWITZERLAND AND GERMANY)						
Present value of defined benefit obligations			–32 498			–27 960
Fair value of plan assets			18 680			15 892
Balance sheet value			**–13 818**			**–12 068**

Table continued on page 123

Financial position of defined benefit pension plans as at 31 December 2015 and 2014 in 1 000 EUR	**31.12.2015** **Total**	31.12.2014 Total
THE NET PENSION OBLIGATION HAS DEVELOPED AS FOLLOWS (SWITZERLAND AND GERMANY)		
As at 1 January	– 12 068	– 8 494
Total expenses recognised in the statement of income	– 1 250	– 1 039
Total expenses recognised in other comprehensive income	– 991	– 3 456
Pension payments	236	243
Employer contributions	851	746
Translation differences	– 596	– 68
As at 31 December	**– 13 818**	**– 12 068**
Weighted average duration of pension obligations (in years)	16,8	16,4
PENSION EXPENSE (SWITZERLAND AND GERMANY)		
Service costs	1 193	824
Net interest expenses	198	215
Plan amendments	– 141	0
Pension expense for defined benefit plans	1 250	1 039
Pension expense for defined contribution plans	719	658
Pension expense	1 969	1 697
THE EXPENSES RECOGNISED IN OTHER COMPREHENSIVE INCOME BROKE DOWN AS FOLLOWS (SWITZERLAND AND GERMANY)		
(Gains)/losses from changed financial assumptions	1 973	3 088
(Gains)/losses from changed demographic assumptions	0	0
Experience (gains)/losses	– 556	403
Income from plan assets excluding amounts contained in interest income	– 426	– 35
(Income)/expenses in other comprehensive income	991	3 456

Actuarial assumptions in %	**31.12.2015** **Total**	31.12.2014 Total
Discount rate Switzerland	0.60	1.25
Discount rate Germany	2.10	1.75
Interest rate payable on retirement savings in Switzerland	1.40	1.75
Expected rate of salary increase Switzerland	1.5	1.5
Expected rate of salary increase Germany	2.5	2.5
Expected rate of pension increase Germany	1.5	1.5
Life expectancy Switzerland	OPA 2010 generation table	OPA 2010 generation table

The expected outflow of funds for employer contributions from defined benefit plans in 2016 is EUR 0.8 million.

The increase in actuarial losses is mainly due to the reduction in the discount rate in Switzerland.

Sensitivities The discount rate, the assumption concerning future wage increases and the interest rate applied to retirement savings are the main factors involved in calculating the present value of the pension obligation. A change in the assumptions of +0.25% or –0.25% would have the following impact on the present value of the defined benefit obligations:

Sensitivities as at 31 December 2015 in %	**31.12.2015** +0.25% Effect on DBO	**31.12.2015** –0.25% Effect on DBO
Discount rate Switzerland	–4.1	4.6
Discount rate Germany	–3.4	3.6
Interest rate payable on retirement savings in Switzerland	4.1	–4.6
Future salary increases Switzerland	0.2	–0.2
Future pension increase Germany	3.1	–1.8
Increase in life expectancy Switzerland (+/– 1 year)	1.7	–1.6

Sensitivities as at 31 December 2014 in %	31.12.2014 +0.25% Effect on DBO	31.12.2014 –0.25% Effect on DBO
Discount rate Switzerland	–3.9	+4.5
Discount rate Germany	–3.3	+3.4
Interest rate payable on retirement savings in Switzerland	+3.9	–4.5
Future salary increases Switzerland	+0.2	–0.2
Future pension increase Germany	+2.9	–2.8
Increase in life expectancy Switzerland (+/– 1 year)	+1.5	–1.3

The above sensitivity calculations are based on one assumption changing while the other assumptions remain the same. In practice, however, there are certain correlations between the individual assumptions. The method used to calculate the sensitivities is the same as that used to calculate the pension obligations recognised on the balance sheet date.

21 Deferred Tax

in 1 000 EUR	**2015**	2014
DEFERRED TAX ASSETS		
– Non-current assets	753	400
– Inventories	2 126	2 017
– Receivables	332	293
– Provisions	2 857	2 382
– Other	680	587
Deferred tax assets	6 748	5 679
Deferred tax on losses carried forward	1 286	1 324
Total deferred tax assets	8 034	7 003
Netting with deferred tax liabilities	–2 722	–2 438
Balance sheet value	5 312	4 565
DEFERRED TAX LIABILITIES		
– Non-current assets	–6 147	–7 861
– Inventories	–583	–1 113
– Receivables	–57	–95
– Provisions	–81	–158
– Other	–82	–55
Total deferred tax liabilities	–6 950	–9 282
Netting with deferred tax assets	2 722	2 438
Balance sheet value	–4 228	–6 844
Net position deferred tax	**1 084**	**–2 279**
TREND OF DEFERRED TAX		
As at 1 January	–2 279	–1 149
Changes of tax rate recognised in the statement of income	–184	93
Translation differences	101	119
Change in scope of consolidation	–359	–4 111
Reduction / (increase) in value adjustments on actuarial gains and losses from IAS 19, not affecting income	75	724
Change in temporary differences recognised in the statement of income	3 730	2 045
As at 31 December	**1 084**	**–2 279**

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in 1 000 EUR	**2015**	2014
NON-CAPITALISED TAX LOSSES CARRIED FORWARD		
1–2 years	370	0
2–3 years	843	370
3–4 years	1 681	857
4–5 years	597	893
Over 5 years	50 777	47 553
Total	**54 268**	**49 673**
VALUATION DIFFERENCES ON WHICH NO DEFERRED TAXES WERE CAPITALISED		
Non-current assets	932	820
Inventories	1 350	1 675
Receivables	57	69
Provisions	448	1 511
Other	128	208
Total	**2 915**	**4 283**

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 54.3 million (previous year EUR 49.7 million), no deferred tax assets were recorded on this amount. Of the tax losses carried forward which expire after five years, EUR 17.3 million (previous year EUR 26.1 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period.

No deferred tax liabilities were recorded on temporary differences on investments in fully consolidated companies totalling EUR 61,7 million (previous year EUR 76.2 million).

22 Trade payables

in 1 000 EUR	**2015**	2014
Trade payables	32 160	28 704
Balance sheet value	**32 160**	**28 704**
BY CURRENCY		
CHF	1 108	1 110
EUR	8 505	9 560
USD	4 326	3 658
HUF	316	247
CNY	14 870	11 526
Other currencies	3 035	2 603
Balance sheet value	**32 160**	**28 704**

23 Short-term financial liabilities

in 1 000 EUR	Note No.	2015	2014
Liabilities to financial institutions		31 971	27 007
Other		132	45
Current portion of:			
– Liabilities from financial leasing	16	32	32
– Long-term financial liabilities	17	9 585	10 071
Balance sheet value		**41 720**	**37 155**
BY CURRENCY			
CHF		12 554	13 729
EUR		17 853	15 583
USD		10 022	7 437
CNY		865	381
Other currencies		426	25
Balance sheet value		**41 720**	**37 155**
BY MATURITY			
in < 3 months		32 649	27 520
in 3 – 6 months		5 716	4 650
in 6 – 12 months		3 355	4 985
Balance sheet value		**41 720**	**37 155**
INTEREST RATES			
CHF		1.2%	1.2 %
EUR		1.0%	1.4 %
USD		1.9%	1.7 %
CNY		4.9%	4.8 %
Other currencies		11.5%	6.0 %

24 Other liabilities

in 1 000 EUR	2015	2014
Social security liabilities	1 733	1 853
Liabilities to employees	6 689	6 328
Liabilities arising from VAT and other taxes	4 864	4 383
Advance payments on orders	4 654	2 871
Other	1 954	1 557
Balance sheet value	**19 894**	**16 992**

25 Categories of financial instruments

As at 31 December 2015 and 31 December 2014, the book values of financial assets and liabilities (including long-term fixed-interest financial liabilities), as shown below, correspond approximately to the IFRS fair value. The fair value of long-term financial liabilities is EUR 0.7 million (previous year EUR 1.1 million) higher than the book value. It corresponds to the present value of the estimated future cash flows based on the terms and maturities of each individual contract, discounted at a market interest rate as at the measurement date (this corresponds to Level 2 of the hierarchy classification explained below).

in 1 000 EUR	Note No.	**2015**	2014
Other financial assets (excluding investments)	7	238	143
Trade receivables	9	70 727	62 208
Other receivables (excluding VAT and other taxes and advance payments for inventories)	10	1 893	3 178
Cash and cash equivalents (excluding cash on hand)	12	41 635	44 076
Loans and receivables		**114 493**	**109 605**
Current securities	11	4 144	4 711
Available-for-sale financial assets		**4 144**	**4 711**
Contingent variable purchase price payment on acquisitions	7	1 562	0
Derivative financial instruments (not used for hedging)	18	269	85
Financial assets at fair value through profit or loss		**1 831**	**85**
Liabilities from financial leasing	16	–98	–131
Financial liabilities (excluding residual purchase price liabilities)	17, 23	–66 588	–57 430
Trade payables	22	–32 160	–28 704
Other liabilities (excluding social security, employees, VAT and other taxes and advance payments on orders)	24	–1 954	–1 557
Liabilities at amortised cost		**–100 800**	**–87 822**
Derivative financial instruments (not used for hedging)	18	–461	–636
Residual purchase price liabilities from acquisitions	17	–3 864	–3 823
Financial liabilities at fair value through profit or loss		**–4 325**	**–4 459**

The following table classifies the financial assets and liabilities measured at market value according to the three levels of the fair value hierarchy:

in 1 000 EUR	Note No.	**2015**	2014	Hierarchy
FINANCIAL ASSETS MEASURED AT MARKET VALUE				
Current securities	11	4 144	4 711	Level 1
Derivative financial instruments	18	269	85	Level 2
Contingent variable purchase price payment on acquisitions	7	1 562	0	Level 3
Total		**5 975**	**4 796**	
FINANCIAL LIABILITIES MEASURED AT MARKET VALUE				
Derivative financial instruments	18	–461	–636	Level 2
Residual purchase price liabilities from acquisitions	17	–3 864	–3 823	Level 3
Total		**–4 325**	**–4 459**	

The levels of the fair value hierarchy and their application with respect to the relevant assets and liabilities are described as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Directly or indirectly observable information other than quoted market prices
Level 3: Information re assets and liabilities which is not based on observable market data.

Level 2 financial instruments consist solely of interest rate swaps and forward exchange transactions. The fair value corresponds to the present value of the estimated future cash flows based on the terms and maturities of each individual contract, discounted at a market interest rate as at the measurement date.

The following table provides an update on Level 3 financial liabilities:

in 1 000 EUR	Note No.	**2015**	2014
As at 1 January		**3 823**	**17 804**
Currency differences		260	252
Usage		– 415	–14 211
Releases (Other financial income)	40	–16	–419
Interest expense	41	212	397
Balance as at 31 December		**3 864**	**3 823**

The fair value of the residual purchase price liabilities is dependent on results (i.e. earnings) benchmarks, which are based partly on target figures. The residual purchase price liabilities may alter owing to a change in exchange rates (see note 27), a change in the interest rate, the addition of accrued interest or a change in the parameters for determining the residual purchase price. If the relevant future results were 10% greater, the residual purchase price liability would increase by EUR 0.2 million, assuming all other variables remained constant.

The usage of EUR 0.4 million (previous year EUR 14.2 million) relates to a payment as part of the existing residual purchase price liability (call and put agreement on existing minority interest) from the 2010 acquisition of Okin Refined Electric Technology Co., Ltd.

The following table provides an update on Level 3 financial assets:

in 1 000 EUR	Note No.	**2015**	2014
As at 1 January		**0**	**0**
Addition	6,7	1 500	0
Currency differences		62	0
As at 31 December		**1 562**	**0**

The fair value of the contingent variable purchase price payment is dependent on future results (i.e. earnings) benchmarks. This contingent variable purchase price payment may alter owing to a change in exchange rates or a change in operating cash flow. If the relevant future results were 10% greater, the fair value would decrease by EUR 0.1 million, assuming the exchange rate remained unchanged.

26 Risk management

The Board of Directors of Phoenix Mecano AG has ultimate responsibility for risk management. To this end it set up the Internal Auditing Department, which is responsible for developing and monitoring compliance with risk management principles. The Internal Auditing Department reports regularly to the Audit Committee of the Phoenix Mecano AG Board of Directors.

The risk management principles that have been established are geared towards identifying and analysing the risks to which the Group is exposed, developing checks and balances and monitoring risks. The risk management principles and the processes associated with them are regularly reviewed to take account of changes in market conditions and the Group's activities.

27 Financial risk management

General The Phoenix Mecano Group is exposed to various financial risks through its business activities, namely credit risk, market risk (i.e. currency and interest rate risks) and liquidity risk. Currency and interest rate risks are managed centrally at Group level. Derivative financial instruments, of which only limited use is made – almost exclusively for hedging purposes – are also controlled centrally. In view of this centralised currency management, exchange rate differences are shown in the financial result.

The management of non-essential cash and cash equivalents and the Group's financing is also centrally controlled.

The Phoenix Mecano Group invests in securities. The investment instruments it uses are bonds, bond funds, shares and equity funds. These investments are diversified and internal limits are applied to individual investment categories. The investments are conducted principally in EUR.

The following sections give an overview of specific financial risks, their magnitude, the aims, principles and processes involved in measuring, monitoring and hedging them, and the Group's capital management.

Credit risk Credit risk is the risk of incurring financial loss when a counterparty to a financial instrument fails to meet its contractual obligations. Credit risks are most likely to be associated with long-term loans, trade receivables and investments in debt securities (e.g. bonds) and cash or cash equivalents. The Group minimises the credit risk associated with cash and cash equivalents by only doing business with reputable financial institutions and by dealing with a range of such institutions rather than just one. Investments in debt securities must be investment grade (this usually means a rating of at least BBB). They are suitably diversified in order to minimise risk.

To reduce the risk associated with trade receivables, customers are subject to internal credit limits. Because the customer structure varies from one division to the next, there are no general credit limits applying throughout the Phoenix Mecano Group. Creditworthiness is reviewed regularly according to internal guidelines. Credit limits are set based on financial situation, previous experience and other factors. The Group's extensive customer base, which covers a variety of regions and sectors, means that the credit risk on receivables is limited. There are no cluster risks (i.e. no single receivable accounts for more than 10% of the total).

The maximum credit risk on financial instruments corresponds to the book values of the individual financial assets. There are no guarantees or similar obligations that could cause the risk to exceed book values. The maximum credit risk on the balance sheet date was as follows:

in 1 000 EUR	Note No.	**2015**	2014
Other financial assets (excluding investments)	7	1 800	143
Derivative financial instruments	18	269	85
Trade receivables	9	70 727	62 208
Other receivables (excluding VAT and other taxes and advance payments for inventories)	10	1 893	3 178
Current securities	11	4 144	4 711
Cash and cash equivalents (excluding cash on hand)	12	41 635	44 076
Total		**120 468**	**114 401**

Liquidity risk Liquidity risk is the risk that the Phoenix Mecano Group will be unable to meet its financial obligations when these become due.

The Phoenix Mecano Group monitors its liquidity risk by means of careful liquidity management. In so doing, its guiding principle is to make available a cash reserve exceeding daily and monthly operational funding requirements. Given the dynamic business environment in which it operates, the Group's aim is to preserve the necessary flexibility of financing by ensuring that it has sufficient unused credit lines with financial institutions and retains its ability to procure funds on the capital market. The credit lines are divided up among several financial institutions. As at 31 December 2015, unused credit lines with major banks totalled EUR 67.6 million (previous year EUR 77.4 million).

Maturity analysis as at 31 December 2015 and 2014

Maturity analysis as at 31 December 2015 in 1 000 EUR	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
NON-DERIVATIVE FINANCIAL INSTRUMENTS							
Trade payables	32 160	–32 160	–32 058	–99	–3		
Other liabilities (excluding social security, employees, VAT and other taxes and advance payments on orders)	1 954	–1 954	–1 954				
Financial liabilities (excluding financial leasing)	70 420	–72 050	–32 794	–5 875	–3 537	–26 392	–3 452
Liabilities from financial leasing (long- and short-term)	130	–147	–9	–9	–18	–111	
Total	**104 664**	**–106 311**	**–66 815**	**–5 983**	**–3 558**	**–26 503**	**–3 452**
DERIVATIVE FINANCIAL INSTRUMENTS							
Interest rate swap classified as trading	245	–245	–245				
Forward exchange transaction classified as trading	–53						
– Outflow of funds		–33 469	–33 469				
– Inflow of funds		33 522	33 522				
Total	**104 856**	**–106 503**	**–67 007**	**–5 983**	**–3 558**	**–26 503**	**–3 452**

Maturity analysis as at 31 December 2014	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
in 1 000 EUR							
NON-DERIVATIVE FINANCIAL INSTRUMENTS							
Trade payables	28 704	–28 704	– 28 337	– 359	– 8		
Other liabilities (excluding social security, employees, VAT and other taxes and advance payments on orders)	1 557	–1 557	–1 557				
Financial liabilities (excluding financial leasing)	61 221	– 63 202	– 27 643	–4 856	– 5 166	– 20 857	– 4 680
Liabilities from financial leasing (long- and short-term)	163	– 182	– 10	– 10	– 19	– 143	
Total	**91 645**	**– 93 645**	**– 57 547**	**– 5 225**	**– 5 193**	**– 21 000**	**– 4 680**
DERIVATIVE FINANCIAL INSTRUMENTS							
Interest rate swap classified as trading	190	–190	– 190				
Forward exchange transaction classified as trading	361						
– Outflow of funds		– 21 300	– 21 300				
– Inflow of funds		20 939	20 939				
Total	**92 196**	**– 94 196**	**– 58 098**	**– 5 225**	**– 5 193**	**– 21 000**	**– 4 680**

Contingent liabilities (see note 29) represent a potential outflow of funds.

Market risk Market risk is the risk that changes in market prices such as exchange rates, interest rates and share prices will have an effect on the earnings and fair value of the financial instruments held by Phoenix Mecano. The aim of market risk management is to monitor and control such risks, thereby ensuring that they do not exceed a certain level.

Currency risk Although it generates 49% of its sales in the euro area (previous year 52%) and a significant portion of its expenditure is in EUR, the Phoenix Mecano Group operates internationally and is therefore exposed to a foreign currency risk. Aside from EUR, transactions are conducted principally in CHF, USD, HUF and CNY. Foreign currency risks arise from expected future transactions and from assets and liabilities recorded in the balance sheet, where these are not in the functional currency of the respective Group company. To hedge such risks from expected future transactions, the Phoenix Mecano Group enters into forward exchange contracts with reputable counterparties as and when necessary, or uses foreign currency options. This hedging relates mainly to planned expenditure in local currency at production locations in Hungary and Romania and occasionally in USD, CHF, GBP, CNY, INR and AUD, with hedges declining as a proportion of the planned currency exposure the further ahead the transaction is due to take place. The extent of the items to be hedged is reviewed regularly. Such hedges cover a maximum period of three years. The Group realises both income and expenditure in USD and aims to minimise the resulting currency exposure primarily by means of operational measures (alignment of income and expenditure flows).

Financing from financial institutions is mainly in EUR, CHF and USD and is recorded by Group companies in the relevant functional currency. An exception to this are USD financing arrangements relating to Phoenix Mecano AG and Phoenix Mecano Hong Kong Ltd. There are also residual purchase price liabilities from an acquisition in CNY of a subsidiary that draws up its balance sheet in EUR.

The following tables set out currency risks associated with financial instruments, where the currency differs from the functional currency of the Group company holding the instruments. The tables only include risks from positions in the consolidated financial statements (i.e. excluding positions between Group companies):

Currency risk as at 31 December 2015 in 1 000 EUR	EUR	CHF	USD	HUF	CNY
NON-DERIVATIVE FINANCIAL INSTRUMENTS					
Trade receivables	2 355	0	2 886	63	0
Cash and cash equivalents	803	15	9 588	291	2
Trade payables	–234	–15	–1 985	–316	0
Financial liabilities			–5 055		–2 280
Net risk	**2 924**	**0**	**5 435**	**38**	**–2 278**

Currency risk as at 31 December 2014 in 1 000 EUR	EUR	CHF	USD	HUF	CNY
NON-DERIVATIVE FINANCIAL INSTRUMENTS					
Trade receivables	2 028	0	1 736	127	0
Cash and cash equivalents	482	16	4 030	282	4
Trade payables	–258	–24	–1 546	–244	0
Financial liabilities			–4 543		–2 044
Net risk	**2 252**	**–8**	**–323**	**165**	**–2 040**

In relation to the above-mentioned currency risks and taking into account the forward exchange contracts open on the balance sheet date (see note 18), the following sensitivity analysis for the main currency pairs shows how the result of the period would be affected if the exchange rates were to alter by 10%. All other variables, in particular interest rates, are assumed to remain unchanged.

Sensitivity analysis as at 31 December 2015	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY	USD/CNY	EUR/RON
in 1 000 EUR							
Change in result of the period (+/–)	517	228	623	2 054	229	512	440

Sensitivity analysis as at 31 December 2014	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY	USD/CNY	EUR/RON
in 1 000 EUR							
Change in result of the period (+/–)	35	245	32	1557	205	199	545

The increase in impact for the CHF/EUR and EUR/USD currency pairs is owing to forward exchange contracts open on the balance sheet date in these currencies. The increased impact on the result of the period for the USD/CNY currency pair is owing to increased cash and cash equivalents in USD at companies with CNY as their functional currency.

The above sensitivity analysis is a consolidated view as at the balance sheet date. Significantly greater effects on the statement of income may arise from price movements relating to ongoing foreign currency transactions during the financial year. Currency risks also arise from intercompany receivables and liabilities, which are not taken into account in the above sensitivity assessment.

Interest rate risk Interest rate risk is divided up into an interest cash flow risk, i.e. the risk that future interest payments will change due to fluctuations in the market interest rate, and an interest-related risk of a change in the market value, i.e. the risk that the market value of a financial instrument will change due to fluctuations in the market interest rate. The Group's interest-bearing financial assets and liabilities are primarily cash and cash equivalents and current securities, as well as liabilities to financial institutions. The Group uses interest rate options and swaps to hedge and/or structure external debts.

Sensitivity analyses as at 31 December 2015 and 2014 The Phoenix Mecano Group is exposed to an interest cash flow risk with respect to variable-rate liquid funds and variable-rate liabilities to financial institutions. If the interest rates on variable-rate liabilities excluding fixed-term deposits had been 50 basis points higher or lower, the result of the period for 2015 would have been EUR 0.1 million (previous year EUR 0.1 million) lower or higher, assuming all other variables had remained constant.

The impact on equity of a 50-basis-point change in interest rates, given the bonds classified as financial assets held for sale at 31 December 2015 or 31 December 2014, would have been less than EUR 0.1 million, assuming all other variables had remained constant.

28 Capital management

The aims of capital management are to safeguard the Phoenix Mecano Group as a going concern, thereby ensuring continued income for shareholders and providing other stakeholders with the benefits to which they are entitled. In addition, the Group seeks to preserve scope for future growth and acquisitions by means of conservative financing.

To this end, the Group aims to maintain a long-term equity ratio of at least 40%. The dividend policy of the Phoenix Mecano Group specifies a payout ratio of 40–50% of sustainable net profit. Capital increases should be avoided as far as possible in order to prevent profit dilution. Where appropriate, the Group uses share buy-backs as a means of adjusting its capital structure and reducing capital costs.

The Phoenix Mecano Group monitors its capital management based on its gearing, i.e. the ratio of net indebtedness to equity. Net indebtedness consists of total interest-bearing liabilities (including residual purchase price liabilities from acquisitions) less current securities and cash and cash equivalents.

Net indebtedness as at 31 December 2015 and 31 December 2014 was as follows:

in 1 000 EUR	Note No.	**2015**	2014
Liabilities from financial leasing	16	98	131
Long-term financial liabilities	17	28 732	24 098
Short-term financial liabilities	23	41 720	37 155
Interest-bearing liabilities		70 550	61 384
less current securities	11	4 144	4 711
less cash and cash equivalents	12	41 951	44 185
Net indebtedness		**24 455**	**12 488**
Equity		262 626	267 470
Gearing		9.3%	4.7%

29 Contingent liabilities

in 1 000 EUR	**2015**	2014
Sureties and guarantees	1088	1 098
Commitments from bills of exchange	43	51
Total	**1 131**	**1 149**

30 Commitments to purchase tangible assets

The purchase commitment for tangible assets as at 31 December 2015 was EUR 5.6 million (previous year EUR 2.7 million).

31 Operating leases, rent and leasehold rent

in 1 000 EUR	**2015**	2014
Minimum commitments due within 1 year	3 949	3 526
Minimum commitments due within 1 – 5 years	6 197	6 572
Minimum commitments due after 5 years	5 105	4 934
Minimum operating leasing, rent and leasehold rent commitments	**15 251**	**15 032**
Minimum claims due within 1 year	146	90
Minimum claims due within 1 – 5 years	0	0
Minimum claims from rent / leasehold rent	**146**	**90**

The operating leasing, rent and leasehold rent commitments consist almost exclusively of commitments for leased premises and floor space (long-term lease). The claims consist mainly of the leased investment property in Brazil.

32 Sales revenue

in 1 000 EUR	**2015**	2014
Gross sales	559 806	505 621
Revenue reductions	– 5 344	– 5 272
Sales revenue (Net Sales)	**554 462**	**500 349**

Gross sales rose by 10.7% compared with the previous year (previous year 1.0%). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by +5.2% and +1.0% respectively (previous year – 0.3% and +1.0% respectively).

33 Other operating income

in 1 000 EUR	2015	2014
Reimbursement from insurance	155	114
Gains on the disposal of intangible and tangible assets	213	352
Goverment subsidies	803	597
Other	2 812	2 446
Total	**3 983**	**3 509**

34 Cost of materials

in 1 000 EUR	2015	2014
Cost of raw and ancillary materials, merchandise for resale and external services	250 275	214 297
Incidental acquisition costs	8 658	8 008
Total	**258 933**	**222 305**

Value adjustments and losses on inventories are posted under Other operating expenses (see note 39).

35 Personnel expenses

in 1 000 EUR	2015	2014
Wages and salaries	141 221	129 311
Social costs	27 380	25 396
Supplementary staff costs	7 905	6 421
Total	**176 506**	**161 128**

36 Amortisation of intangible assets

in 1 000 EUR	2015	2014
Concessions, licences, similar rights and assets	7 863	6 676
Development services	481	433
Total	**8 344**	**7 109**

37 Depreciation on tangible assets

in 1 000 EUR	2015	2014
Investment properties	19	23
Land and buildings	3 442	3 197
Machinery and equipment	14 340	13 106
Total	**17 801**	**16 326**

38 Impairment of intangible and tangible assets

in 1 000 EUR	Note No.	2015	2014
Impairment losses on goodwill	3	7 185	0
Impairment losses on other intangible assets	4	1 960	178
Impairment losses on tangible assets	5	2 066	0
Total		**11 211**	**178**

39 Other operating expenses

in 1 000 EUR	Note No.	2015	2014
External development costs		1 100	1 125
Establishment expenses		22 802	22 351
Rent, leasehold rent, leases		5 006	4 111
Administration expenses		9 222	9 686
Advertising expenses		4 613	4 030
Sales expenses		17 963	16 513
Losses from the disposal of intangible and tangible assets		299	347
Losses and value adjustments on inventories	8	3 827	4 682
Capital and other taxes		1 492	1 346
Other		6 257	3 699
Total		**72 581**	**67 890**

Total research and development costs, including internal costs, amounted to EUR 10.4 million (previous year EUR 8.1 million).

40 Financial income

in 1 000 EUR	Note No.	**2015**	2014
Interest income from third parties		489	489
Gain from financial instruments at fair value through profit or loss (trading derivative)	18	551	190
Exchange rate gains		3 469	2 704
Other financial income		71	449
Total		**4 580**	**3 832**

In the previous year, other financial income includes the adjustment (recognised in the statement of income) of residual purchase price liabilities from acquisitions totalling EUR 0.4 million.

41 Financial expenses

in 1 000 EUR	Note No.	**2015**	2014
Interest expense		1 189	1 128
Interest expense for accrued interest on residual purchase price liability	25	212	397
Loss from financial instruments at fair value through profit or loss (trading derivative)	18	192	1 379
Exchange rate losses		4 425	1 132
Other financial expense		443	174
Total		**6 461**	**4 210**

Exchange rate losses include the impact of the scrapping of the minimum exchange rate of 1.20 Swiss francs per euro on euro reserves and receivables of Group companies that draw up their accounts in CHF. The exchange rate losses of Swiss companies totalled EUR 1.7 million in 2015.

42 Income tax

in 1 000 EUR	**2015**	2014
Current income tax	9 679	11 181
Deferred tax	– 3 546	– 2 138
Income tax	6 133	9 043
RECONCILIATION FROM THEORETICAL TO EFFECTIVE INCOME TAX		
Result before tax	12 818	29 031
Theoretical income tax	2 804	6 788
Weighted income tax rate	21,9	23,4
Changes of tax rate deferred tax	184	– 93
Tax-free income	– 912	– 848
Non-deductible expenses	3 660	1 641
Tax effect on losses in the reporting year	2 466	1 731
Tax effect of losses carried forward from previous years	– 1 171	– 14
Income tax relating to other periods	– 1 036	– 298
Other	138	136
Effective income tax	**6 133**	**9 043**
Effective income tax rate	47.8%	31.1%

The theoretical income taxes are derived from the weighted current local tax rates in the countries where the Phoenix Mecano Group does business.

The increase in non-deductible expenses in 2015 was mainly owing to the write-down of goodwill (see note 3), which is not subject to tax.

The income from income tax relating to other periods in 2015 was largely attributable to the retroactive granting of a tax concession for 2014.

43 Earnings per share

in 1 000 EUR	**2015**	2014
Result of the period attributable to shareholders of the parent company	6 687	20 181

Number	**2015**	2014
NUMBER OF SHARES		
Shares issued on 1 January	960 500	978 000
Capital reduction	0	– 17 500
Treasury shares (annual average)	– 295	– 1 461
Shares outstanding	**960 205**	**959 039**
Basis for diluted earnings per share	960 205	959 039
Basis for undiluted earnings per share	960 205	959 039

44 Operating cash flow

in 1 000 EUR	Note No.	**2015**	2014
Operating result		14 991	29 483
Amortisation of intangible assets	36	8 344	7 109
Depreciation on tangible assets	37	17 801	16 326
Impairment and reversal of impairment losses on intangible and tangible assets	38	11 211	178
Operating cash flow		**52 347**	**53 096**

45 Free cash flow

in 1 000 EUR	Note No.	**2015**	2014
Cash flow from operating activities		38 952	38 808
Purchases of intangible assets	4	– 3 223	– 2 401
Purchases of tangible assets	5	– 23 451	– 21 638
Disinvestments in intangible assets		11	1
Disinvestments in tangible assets		1 325	667
Free cash flow (before financial investments)		**13 614**	**15 437**

46 Acquisitions of Group companies

The acquired assets and assumed liabilities break down as follows (provisional for 2015):

in 1 000 EUR	**2015**	2014
Other intangible assets	1 715	15 428
Tangible assets	290	816
Inventories	1 345	1 574
Trade receivables	1 439	683
Other current assets	58	374
Cash and cash equivalents	0	1 105
Deferred tax	–359	–4 111
Other liabilities	–1 164	–2 298
Identifiable net assets	3 324	13 571
Goodwill from acquisitions	0	5 343
Purchase price paid in cash and cash equivalents	–3 324	–18 914
Cash and cash equivalents acquired	0	1 105
Change in funds	**–3 324**	**–17 809**

On 1 August 2015, the Phoenix Mecano Group acquired all of the shares in Wijdeven Inductive Solutions BV and its parent company Wijdeven Power Holding BV, both based in the Netherlands. Wijdeven Inductive Solutions BV develops and manufactures customised inductive systems such as 50Hz and high-frequency transformers, coils and power supplies. Sales in 2014 totalled around EUR 7 million. Important applications and end users for its products are found in the medical technology and aerospace industries as well as HVAC (Heating, Ventilation & Air Conditioning). As expected, the acquired receivables of EUR 1.4 million were paid in full at the time of acquisition. There is also an agreement on contingent payments totalling EUR 1 million, which are not part of the purchase price. These payments fall due in the period up to 2019 and will be recognised as expense over this period. The acquired company generated sales revenue with third parties of EUR 3.5 million in 2015 (post-acquisition). Its contribution to the Phoenix Mecano Group's result of the period was EUR –0.4 million. Had the company been consolidated since 1 January 2015, sales revenue would have totalled EUR 563.8 million and consolidated result of the period EUR 6.4 million.

In the previous year, on 1 January 2014 the Phoenix Mecano Group acquired 100% of the shares in Hitec Special Measuring Systems B.V., based in Almelo, the Netherlands, which was subsequently renamed PM Special Measuring Systems B.V. and relocated to Enschede. The company is a niche player in the field of high-precision measuring systems for electrical current.

On 1 July 2014, the Phoenix Mecano Group acquired all shares in REDUR Messwandler GmbH, Merzenich (Germany). REDUR is a manufacturer of instrument transformers for low-voltage applications and measurement transducers.

The acquired companies generated sales revenue with third parties of EUR 4.3 million in 2014 (post-acquisition). Their contribution to the Phoenix Mecano Group's result of the period was EUR – 1.5 million. Had the companies been consolidated since 1 January 2014, sales revenue in 2014 would have totalled EUR 507.2 million and consolidated result of the period EUR 19.8 million.

47 Transactions with related parties

in 1 000 EUR	**2015**	2014
Chairman of the Board of Directors	244	215
Delegate of the Board of Directors	60	53
Other members of the Board of Directors	180	158
Remuneration of the Board of Directors	484	426
Remuneration of the management	1 500	1 684
Remuneration of the Board of Directors and management	1 984	2 110
Social security contributions	167	165
Pension obligations	166	143
Total remuneration of the Board of Directors and management	**2 317**	**2 418**

Transactions with associated companies are presented in notes 6, 9 and 22.

Detailed information on transactions with related parties is provided in the notes to the financial statements of Phoenix Mecano AG on page 159 (see note 3.4).

No significant transactions with other related parties outside the scope of consolidation took place in 2015 or 2014.

48 Events after the balance sheet date

No other events occurred between 31 December 2015 and 23 March 2016 that would alter the book values of assets and liabilities or should be disclosed under this heading.

49 Approval of the consolidated financial statements

At its meeting on 23 March 2016, the Board of Directors of Phoenix Mecano AG released the 2015 consolidated financial statements for publication. They will be submitted to the Shareholders' General Meeting on 20 May 2016 with a recommendation for their approval.

50 Dividend

The Board of Directors recommends to the Shareholders' General Meeting of 20 May 2016 that a dividend of CHF 15.00 per share (CHF is the statutory currency of Phoenix Mecano AG) be paid out (see Proposal for the appropriation of retained earnings on page 162). The total outflow of funds is expected to be CHF 14.4 million. The dividend paid out in 2015 was CHF 15.00 per share (previous year CHF 15.00). The outflow of funds in 2015 was CHF 14.4 million (previous year CHF 14.4 million).

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF PHOENIX MECANO AG, STEIN AM RHEIN

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Phoenix Mecano AG, presented on pages 72 to 145, which comprise the comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flow, consolidated statement of changes in equity, and notes for the year ended 31 December 2015.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation 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 as well as International Standards on Auditing. 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 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) 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.

Zurich, 23 March 2016

Kurt Stocker	Thomas Lehner
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

KPMG AG

Five-year overview

in 1 000 EUR	**2015**	2014	2013	2012	2011
CONSOLIDATED BALANCE SHEET					
Total assets	426 720	414 007	395 558	389 961	389 796
Non-current assets	170 330	171 348	143 408	143 802	139 993
– in % of total assets	39.9	41.4	36.3	36.9	35.9
– Tangible assets	120 777	116 110	108 310	104 593	100 717
Current assets	256 390	242 659	252 150	246 159	249 803
– in % of total assets	60.1	58.6	63.7	63.1	64.1
– Inventories	122 838	117 844	109 908	110 271	131 989
– Cash and cash equivalents	41 951	44 185	60 409	62 824	43 500
Equity	262 626	267 470	254 237	250 694	246 472
– in % of total assets	61.5	64.6	64.3	64.3	63.2
Liabilities	164 094	146 537	141 321	139 267	143 324
– in % of total assets	38.5	35.4	35.7	35.7	36.8
Net indebtedness / (Net liquidity)	24 455	12 488	– 1 548	715	17 326
– in % of equity	9.3	4.7	–	0.3	7.0
CONSOLIDATED STATEMENT OF INCOME					
Gross sales	559 806	505 621	500 550	500 461	529 755
Sales revenue (net sales)	554 462	500 349	495 352	495 581	524 419
Total operating performance	560 367	504 419	500 114	501 429	524 938
Personnel expenses	176 506	161 128	151 332	145 491	143 285
Amortisation of intangible assets	8 344	7 109	5 296	6 063	5 679
Depreciation on tangible assets	17 801	16 326	15 680	15 557	14 404
Result before interest and tax (operating result)	14 991	29 483	35 042	27 914	36 101
Financial result	– 2 173	– 452	– 3 264	– 1 252	– 4 297
Result before tax	12 818	29 031	31 778	26 662	31 804
Income tax	6 133	9 043	9 386	8 589	8 159
Result of the period	6 685	19 988	22 392	18 073	23 645
– in % of total assets	1.2	4.0	4.5	3.6	4.5
– in % of equity	2.5	7.5	8.8	7.2	9.6
CONSOLIDATED STATEMENT OF CASH FLOW					
Cash flow from operating activities	38 952	38 808	42 349	62 148	44 617
Cash used in investing activities	– 33 285	– 38 814	– 19 369	– 28 109	– 23 815
– Purchases of tangible and intangible assets	26 674	24 039	20 347	25 436	20 873
Cash flow from financing activities	– 8 970	– 17 636	– 24 584	– 14 550	– 9 117
Free cash flow	13 614	15 437	23 038	37 515	24 427

PHOENIX MECANO AG 2015

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2015

in CHF	Note No.	**2015**	2014
Assets			
CURRENT ASSETS			
Cash and cash equivalents		695 506	471 420
Other short-term receivables			
– due from investments	2.1	3 817 304	7 818 614
– due from third parties		10	29
Total current assets		4 512 820	8 290 063
NON-CURRENT ASSETS			
Financial assets			
– Loans to investments	2.2	9 174 300	15 277 270
Investments			
– Investments	2.3	178 417 261	170 581 862
– Value adjustment on investments		– 3 500 000	– 3 500 000*
Total non-current assets		184 091 561	182 359 132
Total assets		**188 604 381**	**190 649 195**

* See note No. 4, p. 161

BALANCE SHEET AS AT 31 DECEMBER 2015

in CHF	Note No.	**2015**	2014
Equity and liabilities			
SHORT-TERM LIABILITIES			
Other short-term liabilities			
– Bank liabilities	2.4	17 082 500	17 485 000
– to investments	2.5	853	2 612 187
– to third parties		30 954	96 589
– to shareholders		1 329	1 280
Short-term provisions	2.6	1 157 650	2 376 100*
Deferred income		362 206	466 842
Total short-term liabilities		18 635 492	23 037 998
LONG-TERM LIABILITIES			
Long-term interest-bearing liabilities	2.4	10 250 000	8 500 000
Total long-term liabilities		10 250 000	8 500 000
Total liabilities		28 885 492	31 537 998
EQUITY			
Share capital	2.7	960 500	960 500
Statutory retained earnings			
– General statutory retained earnings		2 500 000	2 500 000
Voluntary retained earnings			
– Special reserves	2.8	90 559 724	91 234 916*
– Retained earnings	2.9		
Amount brought forward		51 235 467	52 419 799
Net profit for the year		14 677 633	12 547 976
Treasury shares	2.10	– 214 435	– 551 994*
Total equity		159 718 889	159 111 197
Total equity and liabilities		**188 604 381**	**190 649 195**

* See note No. 4, p. 161

STATEMENT OF INCOME 2015

in CHF	Note No.	**2015**	2014
Dividend income	2.11	17 385 952	14 179 014
Other financial income	2.12	1 028 006	1 225 785
Other operating income	2.13	2 155	442 005
Total income		18 416 113	15 846 804
Financial expenses	2.14	–1 046 158	–1 328 547
Administration expenses		–1 254 546	–1 393 368
Other operating expenses	2.15	–363 280	–15 000*
Losses on investments	2.16	–987 187	–500 000*
Direct taxes		–87 309	–61 913
Total expenses		–3 738 480	–3 298 828
Net profit for the year		**14 677 633**	**12 547 976**

* See note No. 4, p. 161

NOTES TO THE FINANCIAL STATEMENTS 2015

1 Details of the principles applied in the financial statements

First application of new financial reporting law

These financial statements have been drawn up in accordance with the provisions of Swiss financial reporting law (Title 32 of the Swiss Code of Obligations). The key valuation principles applied, where not specified by law, are described below.

2 Information, breakdowns and explanations relating to items on the balance sheet and in the statement of income

2.1 Other short-term receivables from investments

This item comprises short-term financial receivables (including balances on clearing accounts) in CHF and EUR from subsidiaries in Switzerland and abroad.

2.2 Loans to investments

This item includes long-term loans in CHF, EUR and USD to subsidiaries in Switzerland and abroad.

2.3 Investments and the share of the capital and votes held

The following list shows all investments directly held by Phoenix Mecano AG:

Company	Head office	Activity
Phoenix Mecano Management AG	Kloten, Switzerland	Finance
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production/Sales
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands, GB	Finance
PM International B.V.	Doetinchem, The Netherlands	Finance
AVS Phoenix Mecano GmbH	Vienna, Austria	Sales
Phoenix Mecano Inc.	Frederick, USA	Production/Sales
WIENER, Plein & Baus Corp.	Springfield, USA	Sales
Phoenix Mecano S. E. Asia Pte Ltd.	Singapore	Sales
Phoenix Mecano (India) Pvt. Ltd.	Pune, India	Production/Sales
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China	Production/Sales
Shenzhen Elcom Co., Ltd.	Shenzhen, China	Production/Sales
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance/Sales
Phoenix Mecano Mazaka A.S.	Ankara, Turkey	Sales
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance
PM America Latina S.A.	Montevideo, Uruguay	Sales
Integrated Furniture Technologies Ltd.	Cheltenham, UK	Development
Phoenix Mecano Components (Taicang) Co. Ltd.	Taicang City, China	Production/Sales
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Morocco	Production
Electroshield-C	Babynino, Russia	Production
Phoenix Mecano Elcom S.à.r.l.	Zaghouane, Tunisia	Production
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia	Production
Phoenix Mecano Digital Tunisie S.à.r.l.	Bori-Cedria, Tunisia	Production

Currency	Registered capital in 1 000	**2015** Investment in %	2014 Investment in %
CHF	50	100	100
CHF	250	100	100
CHF	100	100	100
CHF	2 000	100	100
USD	1 969	100	100
EUR	4 500	100	100
EUR	40	1	1
USD	10 000	100	100
USD	100	100	100
SGD	1 000	75	75
INR	299 452	100	100
USD	3 925	100	100
CNY	8 000	100	100
EUR	5 000	100	100
TRY	430	2	2
BRL	7 601	100	100
BRL	1 062	1	1
UYU	200	100	0
GBP	1	85	85
USD	8 150	100	100
MAD	10 000	100	100
RUB	777	20	0
TND	500	25	25
TND	5 300	20	20
TND	100	20	20

The CHF 6.3 million change in the balance sheet value compared with the previous year is owing to various capital increases totalling CHF 5.7 million, the acquisition of a 20% stake in Electroshield-C, the establishment of a company in Uruguay and the liquidation of a company in Tunisia.

An overview of all directly and indirectly held investments is given on pages 98–101.

2.4 Bank loans/Bank liabilities

Loans from financial institutions exist in the following currencies and with the following maturities:

in 1 000 CHF	**2015**	2014
BY CURRENCY		
CHF	23 850	23 500
USD	3 483	2 485
Balance sheet value	**27 333**	**25 985**
BY MATURITY		
in 1 year	17 083	17 485
in 2 years	3 750	4 750
in 3 years	6 500	3 750
Balance sheet value	**27 333**	**25 985**

2.5 Financial liabilities to investments

In the previous year, this item includes short-term financial liabilities (including liabilities on clearing accounts) in CHF and EUR to subsidiaries in Switzerland and abroad.

2.6 Short-term provisions

This item comprises provisions to cover exchange rate risks totalling CHF 0.9 million (previous year CHF 2.1 million), a provision of CHF 0.05 million for a legal dispute in Brazil (previous year CHF 0.1 million) and a provision for derivative financial instrument risks totalling CHF 0.3 million (previous year CHF 0.2 million), used for structuring of external debts.

2.7 Share capital

The share is divided into 960 500 bearer shares with a par value of CHF 1.00 each. In the previous year, pursuant to the decision of the Shareholders' General Meeting of 23 May 2014, the share capital was reduced from CHF 978 000 to CHF 960 500 through the cancellation of 17 500 shares with a par value of CHF 1.00 each from the 2012/2013 share buy-back programme, with effect from 26 August 2014.

2.8 Special reserves

The change in special reserve is attributable to the merger with Phoenix Mecano Beteiligungen AG.

2.9 Retained earnings

Financial year 2015 closed with a net profit for the year of CHF 14 677 633. The retained earnings brought forward from the previous year totalled CHF 50 560 276. Taking into account the release of the reserve for treasury shares of CHF 675 192, the ordinary Shareholders' General Meeting of 20 May 2016 has at its disposal retained earnings totalling CHF 65 913 100. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 162.

2.10 Treasury shares

The following is an overview of the purchases and sales of treasury shares made during the reporting year at the respective market value:

	Share purchases Number	Average price in CHF	Share sales Number	Average price in CHF
January			362	426.44
February			282	446.94
March			616	471.64
June	94	448.35		
July	140	439.53		
October	140	439.91		
December	111	442.96		
Total year	**485**	**442.13**	**1 260**	**453.13**

No purchases or sales were made in the other months.

At the balance sheet date, the company owned a total of 485 treasury shares (previous year 1 260), which are booked according to the strict lower-of-cost-or-market principle. These shares represent 0.05% of the overall share portfolio.

2.11 Dividend income

Dividend income comprises dividends paid by subsidiaries in Switzerland and abroad.

2.12 Other financial income

Other financial income includes earnings from interest and commissions and a release of the value adjustment on treasury shares due to the sale of said shares.

2.13 Other operating income

Other operating income in the previous year mainly includes revenue from the sale of 15% of the shares in Integrated Furniture Technologies Ltd.

2.14 Financial expense

This item comprises interest and securities expenses as well as a provision in the reporting year for derivative financial instrument risks totalling CHF 0.05 million (previous year CHF 0.1 million) and net exchange rate losses totalling CHF 0.3 million (exchange rate losses of CHF 4.1 million minus exchange rate gains of CHF 3.8 million, previous year CHF 0.6 million).

2.15 Other operating expenses

Other operating expenses include a waiver of receivables due from a subsidiary.

2.16 Loss on investments

The loss on investments in the reporting year arose from the liquidation of Hartu S.à.r.l. in Tunisia in the amount of CHF 1.0 million. In the previous year, this investment was already subject to a value adjustment of CHF 0.5 million.

2.17 Net release of hidden reserves

In the reporting year, the statement of income contains a net release of hidden reserves totalling CHF 2.8 million. In the previous year, no hidden reserves were released.

3 Other information required by law

3.1 Full-time positions

Phoenix Mecano AG has no employees.

3.2 Contingent liabilities

in 1 000 CHF	**2015**	2014
Guarantees and letters of comfort	**140 941**	**133 680**

Contingent liabilities are given for subsidiaries, predominantly in favour of financial institutions. The actual book value of Group company liabilities was CHF 39.9 million (previous year CHF 38.9 million).

In addition, Phoenix Mecano AG has entered into a joint guarantee with its Swiss subsidiaries for the purposes of registration for Group VAT taxation.

3.3 Significant shareholders

As at the balance sheet date, significant shareholders held the following stakes in the share capital of Phoenix Mecano AG:

Name in %	Head office	**2015**	2014
Planalto AG	Luxembourg, Luxembourg	34.6*	34.6
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5*	5.5*
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	4.9	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	<3	3.5*

* Stake not reported in the year indicated.

This information is based on notifications by the aforementioned shareholders.

3.4 Compensation and shareholdings

Compensation paid to members of the Board of Directors and management:

The following compensation was paid by the Phoenix Mecano Group to serving corporate officers in 2015:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration **2015**
Ulrich Hocker	Chairman of the Board of Directors	261		20	281
Benedikt A. Goldkamp	Delegate of the Board of Directors	64		5	69
Dr Florian Ernst	Board Member	64		5	69
Dr Martin Furrer	Board Member	64		5	69
Beat Siegrist	Board Member	64		5	69
Remuneration of the Board of Directors		517	0	40	557
Remuneration of the management		1 602	0	315	1 917
Remuneration of the Board of Directors and management		**2 119**	**0**	**356**	**2 475**
Highest individual management salary: Benedikt A. Goldkamp	CEO	726	0	142	868

The following compensation was paid by the Phoenix Mecano Group to serving corporate officers in 2014:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2014
Ulrich Hocker	Chairman of the Board of Directors	261		20	281
Benedikt A. Goldkamp	Delegate of the Board of Directors	64		11	75
Dr Florian Ernst	Board Member	64		5	69
Dr Martin Furrer	Board Member	64		5	69
Beat Siegrist	Board Member	64		5	69
Remuneration of the Board of Directors		517	0	46	563
Remuneration of the management		1 600	446	328	2 374
Remuneration of the Board of Directors and management		**2 117**	**446**	**374**	**2 937**
Highest individual management salary: Benedikt A. Goldkamp	CEO	726	248	145	1119

The variable remuneration is based on individual employment contracts and annual bonus agreements. The amount depends on the attainment of return-on-capital targets. It includes the variable compensation for the financial year accounted for under (accrued) expenses in the relevant financial statements. For the most part, payments are made subsequent to the balance sheet preparation; the variable remuneration actually paid may vary from the amounts set aside.

Social security and pension comprises employer contributions to social security and staff pension funds as well as allocations to pension provisions.

No compensation was paid in the reporting year or the previous year to former corporate officers who left the company in previous years.

The members of the Board of Directors and of the management received no other compensation or fees for additional services to the Phoenix Mecano Group.

No loans/credit or securities were granted to members of the Board of Directors or the management or persons related to them.

3.5 Auditors' fees

The amount agreed for auditing the 2015 annual accounts was CHF 12 639 for the individual financial statements and CHF 129 000 for the consolidated financial statements plus cash expenses of CHF 5 300.

3.6 Share ownership by members of the Board of Directors and management and persons related to them

Name	Position	**31.12.2015**	31.12.2014
Ulrich Hocker	Chairman	8 898	8 798
Benedikt A. Goldkamp	Delegate	1 865	1 865
Dr Florian Ernst	Board Member	10	10
Dr Martin Furrer	Board Member	100	100
Beat Siegrist	Board Member	400	400
Shares held by the Board of Directors		**11 273**	**11 173**
Rochus Kobler	Member	200	200
René Schäffeler	Member	125	80
Shares held by the management		**325**	**280**

In addition, Planalto AG, Luxembourg, which is owned by the Goldkamp family, holds a 34.6% stake (previous year 34.6%).

Related persons and companies are considered to be family members as well as any individuals or companies capable of being significantly influenced.

Aside from the compensation paid to the Board of Directors and the management and the standard contributions to pension funds, no significant transactions with related persons or companies took place.

3.7 Events after the balance sheet date

No other events occurred between 31 December 2015 and 23 March 2016 that would alter the book values of Phoenix Mecano AG's assets and liabilities or should be disclosed under this heading.

There are no further matters requiring disclosure under Article 959c of the Swiss Code of Obligations.

4 First application of new financial reporting law

For the first time, the 2015 financial statements have been drawn up in accordance with the provisions of Swiss financial reporting law (Title 32 of the Swiss Code of Obligations). To ensure comparability, prior-year disclosures on the balance sheet and statement of income have been adapted to the new classification rules. The balance sheet and statement of income items concerned are marked with an asterisk (*).

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

in CHF	
Net income for the year 2015	14 677 633
Retained earnings brought forward 2014	50 560 275
Release of reserve for treasury shares	675 192
Retained earnings	**65 913 100**

The Board of Directors proposes to the Shareholders' General Meeting that retained earnings should be distributed as follows:

in CHF	
Dividend of CHF 15.00 per share*	14 407 500
Carried forward to new account	51 505 600
Total	**65 913 100**

* Total dividends are calculated based on the 960 500 bearer shares. Dividends will not be paid on treasury shares held by the company at the time of the payout.

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF SHAREHOLDERS OF PHOENIX MECANO AG, STEIN AM RHEIN

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Phoenix Mecano AG, presented on pages 150 to 161, which comprise the balance sheet, income statement and notes for the year ended 31 December 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 31 December 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.

Zurich, 23 March 2016

Kurt Stocker	Thomas Lehner
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

KPMG AG

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This annual report is also
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