PHOENIX MECANO

Interim accounts as at 30 June 2011

Company report

Interim accounts as at 30 June 2011

Report by the Board of Directors on the Mid-year report as at June 30, 2011

Dear Ladies and Gentlemen

Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, generated record sales and income once again in the first half of 2011. While industrial business in the Enclosures division, and partly also in the Mechanical Components and ELCOM/EMS divisions, developed very strongly, market conditions in the photovoltaic sector and in the drive technology business for comfort and healthcare furniture proved challenging. The Group's well-diversified, global structure provided it with effective protection against markedly volatile exchange rates. Phoenix Mecano is well equipped for a possible economic slowdown, but is also rigorously pursuing growth initiatives even in the current environment.

During H1 2011, consolidated gross sales rose by 8.5% from €254.2 million to €275.8 million. Adjusted for changes to the scope of consolidation, the increase was 5.0%. Corrected for differences in foreign-exchange rates, the growth was 8.2%. Had it not been for the declining photovoltaic business, growth would have been 14.2%. Incoming orders rose by 3.9% from €270.8 million to €281.4 million, resulting in a book-to-bill ratio of 102%.

The company's operating result (EBIT) rose by 11.7% compared with the previous year, from €27.5 million to €30.8 million The operating margin was 11.2%, compared with 10.8% during the same period in 2010. The Enclosures division managed to further increase its margin thanks to positive business development. However, in the ELCOM/EMS division, dynamic general industrial activity only partially offset the market-related operating loss in photovoltaic components. The Mechanical Components division also saw another rise in its operating margin. In geographical terms, all three world regions (Europe, the Middle and Far East and North and South America) experienced organic sales growth.

The Group's operating cash flow (EBITDA) rose over-proportionally to sales by 11.5%, from €36.2 million to €40.3 million.

The result of the period after taxes was €22.8 million, up 5.5% on the previous year's total of €21.6 million. A decline of around €1.9 million in the financial result, largely owing to currency effects, accounted for the under-proportional increase compared with the operating result.

Net indebtedness rose by 248% from €9.8 million at 30 June 2010 to €34.1 million. The resulting ratio of indebtedness to equity was low, at 13.8%. The increased capital requirement was used to finance acquisitions, in particular the joint venture Okin Refined Electric Technology in China at the end of financial year 2010 and the acquisition of transformer specialist Platthaus in Germany in the first half of 2011. Other capital was used to finance the organic growth and the increased dividend. Phoenix Mecano expects to see a reduction in net debt in H2 2011 (excluding possible acquisitions).

Development of the Group's divisions

The Enclosures division developed robustly in H1 2011. Sales rose by 22.2% from €71.5 million to €87.3 million, driven primarily by Germany. In the Far East and the USA, the division also achieved double-digit growth rates. Increased demand was generated in particular by the general mechanical engineering segment and by project business associated with explosion-proof enclosures. The Group was well able to meet this demand thanks to its well-structured supply chain, although the supply situation for some specific components was challenging. Innovative handheld enclosure solutions and customised enclosure systems with membrane keyboards were also very well received by the market.

The ELCOM/EMS division also developed positively in terms of general industrial business. The challenges associated with the political changes in Tunisia were successfully dealt with on the whole, although it was not possible to avoid some cost increases due partly to the temporary need for increased capacity in the German parent companies. In contrast to general industry, the photovoltaic components market, which last year saw extremely dynamic growth, declined markedly during the reporting period. The need to reduce capacity combined with increased inventory costs resulting from the postponements of customer orders resulted in an operating loss in this segment. However, at the end of H1 2011 there were signs of a pick-up in demand, which should lead to a better result in the second half. Likewise, the positive medium-term outlook for the renewable energies markets suggests the possibility of positive development in subsequent years. Overall, the division's sales fell by 8.5% to €73.2 million, compared with €80 million the previous year.

The Mechanical Components division increased its sales by 13.5% from €101.6 million to €115.3 million. As well as the first-time consolidation of Chinese joint venture Okin Refined Electric Technology, the main contributor to this growth was the industrial business of Rose+Krieger. The market in electrical drives for comfort furniture (beds, armchairs) declined in Europe owing to the general slowdown in consumer spending, although encouraging growth was recorded in the USA. In the medical technology sector (hospital beds, nursing beds, patient lifts), the division recorded stable sales in a stagnating market.

Outlook

The industrial components market remains in good shape. However, the indirect effects of recent developments on the financial markets are difficult to assess at present. A general reining-in of capital expenditure owing to increased uncertainty would have a negative impact on Phoenix Mecano's market growth. However, there is as yet no firm evidence for such a development. The expansion of industrial infrastructure in the emerging economies, the growing global demand for renewable energies and the increasing need for nursing and hospital beds associated with population ageing in industrialised nations are medium- and long-term growth drivers for our Group. Our global presence, the technological and operational expertise of our companies and the Group's strong, largely debt-free balance sheet enable us to capitalise on these growth trends. Economic fluctuations are part of business life and give us the opportunity to build up our strategic position anti-cyclically through organic growth initiatives and targeted acquisitions. In view of this, the Board of Directors and Management of the Phoenix Mecano Group look to the future with cautious optimism. Even taking into account the increased risks, as things stand we hold firm to our forecast of an increase in sales and operating result compared with the previous year.

Kind regards

Ulrich Hocker	Benedikt Goldkamp
Chairman of the Board of Directors	Delegate of the Board of Directors / CEO

Information for shareholders

Phoenix Mecano AG bearer shares are traded on main stock exchange in Zurich.

Ticker-Symbols

Valoren-No.	Inh. 218781
Reuters	PM.S
Bloomberg	PM SW Equity
Telekurs/Telerate	PM
ISIN	CH0002187810

Share indicators

		30.06.2011	**30.06.2010**
Share capital (bearer shares at nominal CHF 1.00)	Number	978‘000	988'000
Entitled to dividend (as of 30 June)	Number	973‘640	968‘650
Entitled to dividend (on average)	Number	973‘362	968‘604
Earning before interest and tax per share	EUR	31.6	28.4
Net result per share	EUR	23.2	22.2
Shareholders’ equity per share	EUR	241.2	217.5

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Consolidated balance sheet (unaudited)

Assets

(million EUR)	30.06.2011	31.12.2010
Fixed assets		
Goodwill	19.9	18.7
Other intangible assets	22.2	22.1
Tangible assets	102.6	98.6
Investment in associated companies	0.6	0.5
Other financial assets	0.1	0.0
Derivative financial instruments	1.3	0.1
Deferred tax assets	3.6	2.8
Total fixed assets	**150.3**	**142.8**
Current assets		
Inventories	137.7	132.3
Trade receivables	69.6	52.3
Derivative financial instruments	0.5	1.6
Claims on income tax	3.4	4.8
Other receivables	10.4	8.5
Current asset securities	6.1	6.3
Cash and cash equivalents	36.6	31.8
Deferred charges and prepaid expenses	1.5	1.0
Total current assets	**265.8**	**238.6**
Total assets	**416.1**	**381.4**

Consolidated balance sheet (unaudited)

Equity and liabilities (million EUR)	**30.06.2011**	**31.12.2010**
Equity		
Share capital	0.6	0.6
Own shares	-1.4	-1.8
Revenue reserves	245.0	232.6
Profit/Loss from IAS 39	1.2	0.9
Translation differences	0.1	2.4
Equity attributable to shareholders of the parent company	**245.5**	**234.7**
Minority interests	1.4	1.5
Total equity	**246.9**	**236.2**
Liabilities		
Liabilities from financial leasing	0.1	0.0
Other long-term financial liabilities	36.8	33.7
Derivative financial instruments	0.0	0.0
Long-term provisions	11.1	10.4
Deferred tax liabilities	6.9	5.7
Long-term liabilities	**54.9**	**49.8**
Trade liabilities	25.2	20.4
Short-term financial liabilities	39.9	29.3
Derivative financial instruments	0.3	0.1
Short-term provisions	11.8	12.5
Income tax liabilities	13.5	14.2
Other liabilities	22.8	18.1
Deferred income	0.8	0.8
Short-term liabilities	**114.3**	**95.4**
Total liabilities	**169.2**	**145.2**
Total equity and liabilities	**416.1**	**381.4**

Consolidated statement of income (unaudited)

(million EUR)	1st half 2011	1st half 2010
Gross sales	275.8	254.2
Revenue reductions	-2.6	-2.6
Net sales	**273.2**	**251.6**
Changes in inventories	-2.4	3.3
Own work capitalised	0.4	0.1
Other operating income	1.0	1.9
Total operating performance	**272.2**	**256.9**
Cost of materials	-126.0	-127.3
Personnel expenses	-72.8	-65.9
Amortisation of intangible assets	-2.7	-1.8
Depreciation on tangible assets	-6.8	-6.8
Other operating expenses	-33.1	-27.6
Operating expenses	**-241.4**	**-229.4**
Results before interest and tax (operating result)	**30.8**	**27.5**
Result from associated companies	0.1	0.0
Financial income	3.1	3.3
Financial expenses	-4.6	-2.8
Financial result	-1.4	0.5
Result before tax	**29.4**	**28.0**
Income tax	-6.6	-6.4
Result of the period	**22.8**	**21.6**
of which		
Shareholders in the parent company	22.6	21.5
Minority interests	0.2	0.1
Earnings per share		
Earnings per share - undiluted (in EUR)	23.2	22.2
Earnings per share - diluted (in EUR)	23.2	22.2

Consolidated statement of comprehensive income (unaudited)

(million EUR)	1st half 2011	1st half 2010
Result of the period	**22.8**	**21.6**
Other comprehensive income		
Fluctuations in fair value of financial assets	0.0	0.1
Realised results of financial assets	0.0	0.0
Fluctuations in fair value of cash flow hedges	-0.4	-0.1
Realised results of cash flow hedges	0.7	0.2
Translation differences	-2.3	3.7
Deferred taxes	0.0	0.0
Other comprehensive income (after taxes)	**-2.0**	**3.9**
Total comprehensive income	**20.8**	**25.5**
of which		
Shareholders in the parent company	20.6	25.3
Minority interests	0.2	0.2

Consolidated statement of cash flow (unaudited)

(million EUR)	1st half 2011	1st half 2010
Result of the period	22.8	21.6
Income tax	6.6	6.4
Result before tax	**29.4**	**28.0**
Amortisation of intangible assets	2.7	1.8
Depreciation on tangible assets	6.8	6.8
Losses/(gains) from the disposal of intangible and tangible assets	-0.1	0.0
Impairment losses/(reversal of impairment losses) on intangible and tangible assets	0.0	0.3
Losses and value adjustments on inventories	2.5	0.7
Result from associated companies	-0.1	0.0
Other non-cash expenses/(income)	1.8	-1.1
Increase/(decrease) in long-term provisions	0.5	-0.2
Net interest expenses/(income)	0.8	0.1
Interest paid	-0.6	-0.6
Income tax paid	-6.5	-3.4
Operating cash flow before changing in working capital	**37.2**	**32.4**
(Increase)/decrease in inventories	-8.1	-16.4
(Increase)/decrease in trade receivables	-18.1	-18.1
(Increase)/decrease in other receivables, deferred charges and prepaid expenses	-1.8	-3.4
(Increase)/decrease in assets held for sale	0.0	1.2
Decrease/(increase) in trade payables	4.5	8.6
Decrease/(increase) in short-term provisions	-0.8	1.2
Decrease/(increase) in other liabilities and deferred income	4.6	9.1
Cash flow from operating activites	**17.5**	**14.6**
Capital expenditure		
Intangible assets	-0.6	-0.6
Tangible assets	-11.5	-6.6
Current securities	-0.8	0.0
Acquisition of Group companies	-4.4	-12.7
Disinvestments		
Intangible assets	0.0	0.0
Tangible assets	0.5	0.2
Financial assets	0.1	0.1
Current securities	1.0	0.4
Interest received	0.2	0.3
Cash used in investing activities	**-15.5**	**-18.9**
Dividends paid (including minority interest)	-10.4	-6.8
Purchase of minority shareholders shares	-0.3	0.0
Purchase of own shares	-0.3	-0.4
Sale of own shares	0.9	0.4
Issue of financial liabilities	21.2	18.0
Repayment of financial liabilities	-8.0	-10.3
Cash flow from financing activities	**3.1**	**0.9**
Translation differences in cash and cash equivalents	-0.3	1.2
Change in cash and cash equivalents	**4.8**	**-2.2**
Cash and cash equivalents as at 1 January	31.8	42.6
Cash and cash equivalents as at 30 June	36.6	40.4
Change in cash and cash equivalents	**4.8**	**-2.2**

Consolidated statement of changes in equity (unaudited)

(million EUR)	Share capital	Own shares	Retained earnings	Profits / (losses) cash flow hedges from IAS 39	Profits / (losses) financial assets from IAS 39	Translation differences	Equity attri-butable to shareholders in the parent company	Minority interests	Total equity
Equity as at 31 December 2009	**0.6**	**-4.0**	**196.4**	**0.8**	**-0.1**	**-1.5**	**192.2**	**1.2**	**193.4**
Fluctuations in fair value of financial assets					0.1		0.1		0.1
Realised results of financial assets							0.0		0.0
Fluctuations in fair value of cash flow hedges				-0.1			-0.1		-0.1
Realised results of cash flow hedges				0.2			0.2		0.2
Translation differences						3.6	3.6	0.1	3.7
Deferred taxes not affecting net income				0.0			0.0		0.0
Total other comprehensive income (after taxes)	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**3.6**	**3.8**	**0.1**	**3.9**
Result of the period			**21.5**				**21.5**	**0.1**	**21.6**
Total comprehensive income	**0.0**	**0.0**	**21.5**	**0.1**	**0.1**	**3.6**	**25.3**	**0.2**	**25.5**
Change in own shares		0.0	0.0				0.0		0.0
Dividends paid			-6.8				-6.8		-6.8
Total equity-transactions with owners	**0.0**	**0.0**	**-6.8**	**0.0**	**0.0**	**0.0**	**-6.8**	**0.0**	**-6.8**
Equity as at 30 June 2010	**0.6**	**-4.0**	**211.1**	**0.9**	**0.0**	**2.1**	**210.7**	**1.4**	**212.1**
Equity as at 31 December 2010	**0.6**	**-1.8**	**232.6**	**1.0**	**-0.1**	**2.4**	**234.7**	**1.5**	**236.2**
Fluctuations in fair value of financial assets					0.0		0.0		0.0
Realised results of financial assets							0.0		0.0
Fluctuations in fair value of cash flow hedges				-0.4			-0.4		-0.4
Realised results of cash flow hedges				0.7			0.7		0.7
Translation differences						-2.3	-2.3	0.0	-2.3
Deferred taxes not affecting net income				0.0			0.0		0.0
Total other comprehensive income (after taxes)	**0.0**	**0.0**	**0.0**	**0.3**	**0.0**	**-2.3**	**-2.0**	**0.0**	**-2.0**
Result of the period			**22.6**				**22.6**	**0.2**	**22.8**
Total comprehensive income	**0.0**	**0.0**	**22.6**	**0.3**	**0.0**	**-2.3**	**20.6**	**0.2**	**20.8**
Purchase of minority shareholders shares			0.0				0.0	-0.3	-0.3
Change in own shares		0.4	0.2				0.6		0.6
Dividends paid			-10.4				-10.4	0.0	-10.4
Total equity-transactions with owners	**0.0**	**0.4**	**-10.2**	**0.0**	**0.0**	**0.0**	**-9.8**	**-0.3**	**-10.1**
Equity as at 30 June 2011	**0.6**	**-1.4**	**245.0**	**1.3**	**-0.1**	**0.1**	**245.5**	**1.4**	**246.9**

Consolidated segment information (unaudited)

by division
(million EUR)

	Enclosures		ELCOM/EMS		Mechanical Components		Total Segment		Transition		Total Group	
	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010	1st half 2011	1st half 2010
Gross sales to third parties	**87.3**	**71.5**	**73.2**	**80.0**	**115.3**	**101.6**	**275.8**	**253.1**	**0.0**	**1.1**	**275.8**	**254.2**
Gross sales between divisions	0.4	0.2	2.7	1.9	0.0	0.0	3.1	2.1	-3.1	-2.1	0.0	0.0
Result before interest and tax (operating result)	**20.0**	**13.5**	**3.3**	**9.3**	**10.0**	**6.9**	**33.3**	**29.7**	**-2.5**	**-2.2**	**30.8**	**27.5**
Financial result											-1.4	0.5
Result before tax											**29.4**	**28.0**
Income tax											-6.6	-6.4
Result of the period											**22.8**	**21.6**
Segment assets	84.8	79.2	116.5	99.9	156.7	121.6	358.0	300.7			358.0	300.7
Cash and cash equivalents									36.6	40.4	36.6	40.4
Other assets									21.5	17.3	21.5	17.3
Total assets	**84.8**	**79.2**	**116.5**	**99.9**	**156.7**	**121.6**	**358.0**	**300.7**	**58.1**	**57.7**	**416.1**	**358.4**
Segment liabilities	20.8	19.4	16.4	17.8	27.5	26.9	64.7	64.1			64.7	64.1
Financial other liabilities									104.5	82.2	104.5	82.2
Total liabilities	**20.8**	**19.4**	**16.4**	**17.8**	**27.5**	**26.9**	**64.7**	**64.1**	**104.5**	**82.2**	**169.2**	**146.3**
Net assets	**64.0**	**59.8**	**100.1**	**82.1**	**129.2**	**94.7**	**293.3**	**236.6**	**-46.4**	**-24.5**	**246.9**	**212.1**

Annex to the interim financial statements as at 30 June 2011

Consolidation and valuation principles

Principles underlying the interim financial statements

These unaudited interim financial statements for the Phoenix Mecano Group were drawn up in accordance with International Accounting Standard 34 (IAS 34) on “Interim Financial Reporting”. The consolidated half-yearly accounts do not cover all the information set out in the consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2010.

The accounting and valuation principles used for the half-yearly accounts correspond to those applied for the consolidated financial statements as at 31 December 2010, with the exception of the new or revised IFRS/IAS standards and interpretations (IFRIC 19, IAS 24, IAS 32, IFRIC 14 and the improvement project dated May 2010) applied for the first time as at 1 January 2011. Applying these new and revised standards and interpretations had no impact on the consolidated interim financial statements as at 30 June 2011.

Scope of consolidation

In H1 2011, the Group acquired Platthaus GmbH, Alsdorf (D) on 1 June 2011 and liquidated Leonhardy-MCT s.r.o., Jindřích̊uv Hradec (CZ) on 12 April 2011. That liquidation did not affect net income in the 2011 interim accounts. In addition, the purchase on 24 May 2011 of shares in Phoenix Mecano Mazaka AS, previously held by a minority shareholder, increased the Group’s ownership interest from 70% to 91%.

During H1 2010 the Group had previously acquired Lohse GmbH, Muggensturm (D) on 1 May 2010.

Assumptions and estimations

The preparation of the half-yearly accounts necessitates various assumptions and estimations. These are based on the management’s assessments, which are regularly verified and amended as and when fresh information or findings necessitate changes.

Notes on the interim financial statements

Seasonality

The sectors in which the Phoenix Mecano Group is active are subject to seasonal fluctuations. Typically, the latter half of the year generates lower sales and is disproportionately weaker in terms of results.

Acquisitions

As at 1 June 2011 the Phoenix Mecano Group acquired full ownership of Platthaus GmbH, Alsdorf (D), which is active in the production of power quality products such as air-core transformers, filters und input chokes, used in particular in markets for renewable energy and innovative drive and control technologies. This strategic acquisition by Phoenix Mecano fills a gap in the Group's technology portfolio in the domain of chokes and transformers for solar inverters and opens up access to the market for central inverters, which are deployed in large photovoltaic systems. Part of the purchase price hinges on the future development of business in 2011 and will only be paid in 2012 if the corresponding clause is triggered.

Since the acquisition, in H1 2011 Platthaus GmbH achieved gross sales of EUR 0.6 million with third parties. The contribution towards the Phoenix Mecano Group's result over the period in question was EUR 0.0 million. Had the company been included in the scope of consolidation from 1 January 2011, consolidated gross sales would have been EUR 279.4 million and the consolidated result for the period EUR 22.6 million.

The acquired assets and assumed liabilities can provisionally be summed up as follows:

	Fair value (million EUR)
Non-current assets	3.0
Current assets	1.7
Liabilities	-1.8
Acquired net assets	**2.9**
Investment acquisition costs	**4.7**
Provisional goodwill	**1.8**

The investment acquisition costs of EUR 4.7 million consist of the already paid purchase price of EUR 4.4 million and a financial liability towards the acquired company of EUR 0.3 million. At present, no residual purchase price liability is anticipated.

The outflow of funds spent on acquisitions totalled EUR 4.4 million (the purchase price of EUR 4.7 million minus acquired cash and cash equivalents totalling EUR 0.0 million, plus the liability of EUR 0.3 million).

Goodwill

The EUR 1.2 million increase in the Group's goodwill is due to the capitalisation of goodwill from the aforementioned acquisition of Platthaus GmbH in 2011 (in the ELCOM/EMS division) and to currency differences of EUR 0.6 million that did not affect net income.

Financial result

The EUR 1.9 million decrease in the Group’s financial result can primarily be attributed to a decline of approximately EUR 1.0 million in the currency result.

Dividend payment

Pursuant to the decision taken by the Shareholders’ General Meeting held on 27 May 2011, in June 2011 shareholders were paid a dividend of CHF 13.00 per share.

Contingent liabilities

The Group’s contingent liabilities have not altered significantly compared with the situation as at 31 December 2010.

Events after the balance sheet date

Between 30 June 2011 and 17 August 2011, no events occurred that would alter the book values of the Group’s assets and liabilities as at 30 June 2011 or that should be disclosed here.

Adoption of the condensed interim financial statements

The Board of Directors of Phoenix Mecano AG released this half-yearly report for publication on 17 August 2011.