PHOENIX MECANO

TECHNOLOGIES CONCEIVED WITH PASSION, DELIVERING SOLUTIONS FOR LIFE.

Annual Report 2007

Phoenix Mecano | Annual Report 2007

Key figures of the Phoenix Mecano Group

		2007	2006	2005	2004	2003
Key financial figures						
Gross sales[1]	EUR million	389.4	346.5	315.0	310.2	326.1
Change	%	12.4	10.0	1.5	– 4.9	0.7
Operating cash flow[1, 2]	EUR million	55.1	51.7	44.7	46.7	44.3
Change	%	6.6	15.8	– 4.2	5.4	16.1
in % of sales	%	14.1	14.9	14.2	15.0	13.6
Operating result[1, 2]	EUR million	38.8	35.8	27.5	27.9	22.5
Change	%	8.4	30.1	– 1.5	24.2	77.5
in % of sales	%	10.0	10.3	8.7	9.0	6.9
Result before interest and tax[1]	EUR million	38.8	35.8	23.8	27.9	22.7
Change	%	8.4	50.7	– 15.0	22.9	181.5
Result of the period	EUR million	30.0	27.8	–8.8	14.9	14.8
Change	%	7.9	415.1	– 159.4	0.6	138.7
in % of sales	%	7.7	8.0	– 2.8	4.8	4.5
in % of equity	%	16.4	16.7	–6.3	9.3	10.1
Total assets	EUR million	287.6	263.7	285.0	311.1	301.7
Equity	EUR million	182.5	166.9	140.9	160.0	146.0
in % of total assets	%	63.5	63.3	49.4	51.4	48.4
Net indebtedness	EUR million	4.3	13.0	22.0	41.8	59.7
in % of equity	%	2.4	7.8	15.6	26.1	40.9
Cash flow from operating activities	EUR million	38.8	25.5	38.1	35.1	35.1
Free cash flow	EUR million	21.7	12.2	25.1	19.1	22.2
Investments in tangible assets	EUR million	16.3	19.4	13.3	15.3	13.0
Number of employees						
Number of employees[1]						
Annual average	Personnel	4 891	4 194	3 753	3 915	3 879
Gross sales per employee[1]	EUR 1 000	79.6	82.6	83.9	79.2	84.1
Personnel expenses per employee[1]	EUR 1 000	22.9	24.8	25.7	24.5	26.6
Share indicators						
Share capital (bearer shares at nominal CHF 1.00)[3]	Number	1 069 500	1 069 500	1 100 000	1 100 000	1 100 000
Entitled to dividend[4]	Number	1 038 068	1 067 545	1 074 051	1 084 442	1 098 657
Operating result per share[1]	EUR	37.4	33.5	25.6	25.8	20.5
Result of the period per share	EUR	28.1	26.0	–8.2	13.7	13.5
Equity per share	EUR	175.8	156.4	131.2	147.5	132.7
Dividend/par value repayment	CHF	9.00[5]	6.00	4.00	4.00	4.00

[1] The figures for 2004–2007 refer to the continued operations, i.e. without the discontinued OMP product area.
[2] Before restructuring expenses and other exceptional charges.
[3] In line with a decision taken by the Shareholders' General Meeting of 26 June 2006, the share capital was reduced by CHF 30,500 from 15 September 2006 by eliminating 30,500 shares from the 2005–2006 share buyback programme.
[4] As at the balance sheet date, the company owns 31,432 own shares which are not entitled to dividend.
[5] Proposal to the Shareholders' General Meeting of 6 June 2008.

Structure of the Phoenix Mecano Group

PROFILE

PHOENIX MECANO GROUP

Phoenix Mecano is a global player in the components segment, has a streamlined operating structure and is a leader in many markets. Geared towards the professional and cost-effective manufacture of niche products, it helps to ensure the smooth operation of processes and connections in the machine industry and industrial electronics. Its products are used in the mechanical engineering, measuring and control technology and home and healthcare sectors, amongst others.

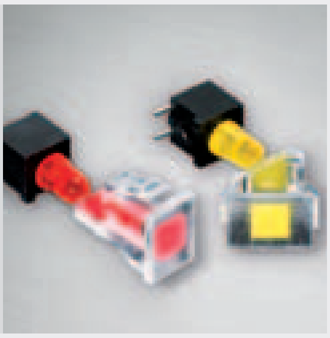
ENCLOSURES

Companies
Rose Systemtechnik
Bopla Gehäuse Systeme,
Kundisch

Standard and customised enclosures made of aluminium, plastic and glass-fibre reinforced polyester and stainless steel, machine control panels and suspension systems protect sensitive electrical equipment and electronics in mechanical engineering, measuring and control technology applications. High-quality sandwich keyboards offer a reliable human/machine interface, even under extreme conditions.

ELCOM/EMS

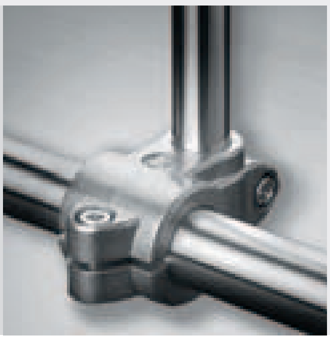
Companies
Hartmann Codier
PTR Messtechnik
Götz-Udo Hartmann
Hartmann Elektronik
Phoenix Mecano
Digital Elektronik
MCT



Intelligent concepts provide solutions for increasingly complex tasks associated with coding switches, inductive components and plug connectors, circuit coin validation systems equipment, backplanes, electronic coin testing systems and the development of customised electronic applications right down to complete subsystems.

MECHANICAL COMPONENTS

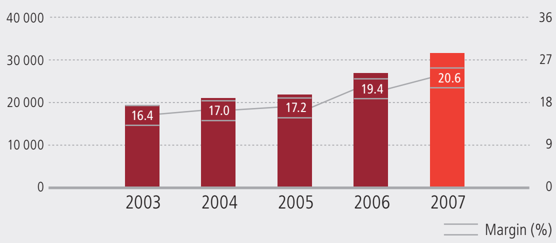
Companies
RK Rose + Krieger
Dewert Antriebs- und Systemtechnik
Elodrive



Aluminium profiles, pipe connection systems, linear drives and conveyor components enable sophisticated systems for use in machine design and construction. Reliable, high-performance linear actuators and drive units used in air conditioning technology and the home and hospital care sector help to provide a high level of comfort.

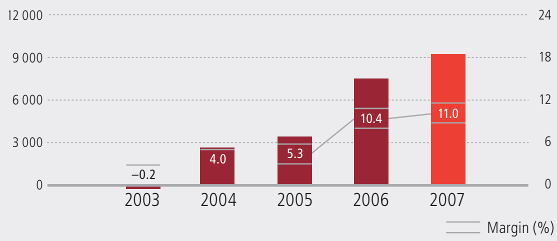
Enclosures	2007	2006	2005	2004	2003
TEUR					
Gross sales	155 619	139 597	127 596	123 956	118 304
Purchases of tangible assets	7 142	6 144	4 400	6 410	3 302
Operating result	31 986	27 038	21 901	21 127	19 377
Margin in %	20.6	19.4	17.2	17.0	16.4

Operating result (in TEUR) **and margin**



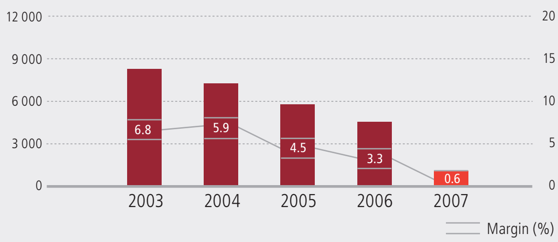
ELCOM/EMS	2007	2006	2005	2004	2003
TEUR					
Gross sales	82 357	70 403	59 756	62 683	56 491
Purchases of tangible assets	3 632	4 172	3 468	3 170	3 567
Operating result	9 073	7 300	3 173	2 538	–130
Margin in %	11.0	10.4	5.3	4.0	–0.2

Operating result (in TEUR) **and margin**



Mechanical Components	2007	2006	2005	2004	2003
TEUR					
Gross sales	150 406	135 593	126 214	122 234	120 820
Purchases of tangible assets	5 525	8 874	4 379	3 668	3 090
Operating result	958	4 407	5 632	7 259	8 269
Margin in %	0.6	3.3	4.5	5.9	6.8

Operating result (in TEUR) **and margin**



Phoenix Mecano is a leading technology company operating in the enclosures and industrial component sectors.

Annual Report 2007

When it comes to people, their needs and their lives, innovation has to meet specific demands. It must find tailored solutions for use in sensitive environments, seek unconventional approaches that make the complex simple and the seemingly impossible possible and develop new ways of tackling urgent problems. It must bring passion to technology.

To create solutions for life.

INFORMATION ON THE REPORT'S THEME

COMPANY INFORMATION

INFORMATION ON THE FINANCIAL STATEMENTS

FURTHER INFORMATION

FLEXIBLE IN USE, RELIABLE IN FUNCTION.
OPERATING IN TOUGH CONDITIONS, MEASUREMENT AND CONTROL TECHNOLOGY REQUIRES SPECIAL PROTECTION. OUR ENCLOSURES OFFER THIS PROTECTION AND CAN MEET THE TOUGHEST DEMANDS, EVEN IN THE SENSITIVE ENVIRONMENTS ASSOCIATED WITH WATER TREATMENT AND SWIMMING POOL TECHNOLOGY.

TECHNOLOGIES CONCEIVED WITH PASSION, DELIVERING SOLUTIONS FOR LIFE.

Modular enclosure system for use in measurement and control technology

MAXIMUM PERFORMANCE, MINIMUM EMISSIONS.
POWERFUL DIESEL DRIVES ARE COMBINED WITH EFFICIENT
PARTICULATE FILTERS TO HELP KEEP THE AIR CLEAN.
TO ENSURE SMOOTH OPERATION UNDER THE DEMANDS OF CONSTANT USE,
OUR DATA LOGGERS CLOSELY MONITOR THE PERFORMANCE OF THESE FILTERS.
HIGH PERFORMANCE AND ENVIRONMENTAL COMPATIBILITY IN ONE PACKAGE.

TECHNOLOGIES CONCEIVED WITH PASSION, DELIVERING SOLUTIONS FOR LIFE.

Datalogger for monitoring a particulate filter

USER-FRIENDLY DRIVES WITH THE REQUISITE POWER: THE HEALTH AND WELL-BEING OF INDIVIDUALS CALL FOR THE VERY HIGHEST QUALITY AND SAFETY LEVELS IN INNOVATIVE VARIABLE-SPEED DRIVES. CUSTOMISED TECHNICAL SOLUTIONS FOR THE HOSPITAL AND CARE SECTOR PROVIDE OPTIMUM COMFORT COMBINED WITH MAXIMUM PERFORMANCE, PLEASANT ERGONOMICS AND ATTRACTIVE DESIGN.

TECHNOLOGIES CONCEIVED WITH PASSION, DELIVERING SOLUTIONS FOR LIFE.

High-performance drive for moving adjustable loads in the care and hospital sector

Company Information

COMPANY INFORMATION

Dear shareholders,

Your company, the Phoenix Mecano Group, developed strongly in 2007. The business environment was largely favourable, with global expenditure on machinery and equipment growing dynamically, driven particularly by infrastructure development in Asia. Among those that benefited were European firms, whose high-tech products allowed them to export successfully in spite of the strong Euro.

The success of such firms underpins our own expansion, since they are our target customers: companies that are innovative, geared towards strong-growth niches and highly demanding, including when it comes to suppliers. We try to work closely with our customers to establish ourselves as a flexible, competitive and reliable partner offering high-tech, high-quality components. With our global production and sales platform, we are able not only to achieve organic growth but also to acquire medium- and small-sized businesses and establish their products on the world market. In this way, we seek to generate growth and added value for our staff, customers and shareholders over the long term.

Cutting-edge technology and superior service in growth markets

In the past year, we have achieved over-proportional growth among customers operating in the oil production and processing markets. We could do this partly thanks to the sales and distribution network we have built up over a number of years consisting of experienced specialists in individual sectors who operate globally in locations ranging from Dubai, Singapore and London to Moscow, Houston/Texas and Korea. These specialists work closely with design engineers and planners from large-scale projects, allowing our products and services to be positioned, approved and incorporated into projects at an early stage.

ULRICH HOCKER, CHAIRMAN
OF THE BOARD OF THE DIRECTORS

BENEDIKT A. GOLDKAMP, DELEGATE
OF THE BOARD OF THE DIRECTORS

Naturally such projects also benefit from our global structure, which allows us to manufacture an initial product in a low-cost location like India while meeting global quality and manufacturing standards. Different versions of the product, tailored to customers' individual requirements and sometimes only specified a few days prior to dispatch, can then be delivered to the building site – in Russia, for example – exactly at the time agreed.

Another area in which the Group achieved over-proportional growth was renewable energies. The success of our customers in the wind-energy sector means that they are currently expanding globally: whether they head to China, India or elsewhere, we are ready to follow them there in order to supply them with the components they need coupled with the quality they have come to expect.

With solar power generation set to gain in importance in the years to come, the acquisition of Datatel GmbH at the start of 2008 has expanded our existing expertise in the field of transformer design and the manufacture of high-frequency chokes and also enabled us to break into the photovoltaic market. Datatel is a fast-growth company that manufactures special toroidal transformers for use in solar power inverters. With our existing manufacturing infrastructure in Hungary, we can quickly satisfy customers' requirements for additional capacity.

Vehicle electronic applications are another fast-growth market. In reporting year 2007, we achieved notable successes with components for electronic stability programmes (ESPs), which are increasingly being fitted as standard in new vehicles. In the commercial vehicle segment, we see great potential for a particulate filter we co-designed, which will be of particular use in the construction machinery sector as a result of new EU rules.

Global production capacity expanded

Global production capacity expanded again in the reporting year. The new plants in Tunisia and the expanded factory facilities in India are already up and running and operating at full capacity. Another factory enlargement has begun in China, and there are also plans for a capacity expansion in Hungary in 2008.

Shareholder-friendly dividend policy

The Phoenix Mecano Group is a growth-oriented, high-income company. To ensure that shareholders reap the rewards of the Group's good cash flows, we decided in 2007 to raise the divided by 50 % from CHF 4 to CHF 6 per share. We will be proposing a further 50 % increase, i.e. from CHF 6 to CHF 9, to the Shareholders' General Meeting. In addition, we have launched the second share buyback programme in three years, which will further consolidate the profit per share. In spite of this, the Group is able at all times to finance new acquisitions and organic growth from its own resources.

Thank you to our employees

Once again, the successes of 2007 were only possible thanks to the great flexibility, motivation and creativity shown by our dedicated staff. Driven by globalisation and IT development, the increasing demands to which our sectors are subject in terms of reactivity and processing speed challenge each and every one of us to push back our boundaries time and again. We are particularly proud of our long-standing employees, who in addition to their day-to-day workload have succeeded in training up new colleagues, thereby making a decisive contribution to our successful growth.

Well positioned for 2008

2008 will test us to the limits once again. Although the global economy is still going strong, there are already signs of a slowdown, particularly in the US market. We will continue to concentrate on our core competencies while focusing even more on strong-growth segments and, if necessary, reacting quickly to economic conditions. Our solid foothold in lucrative markets combined with our geographical diversity mean that we can look to the future with confidence, despite mounting uncertainties over the development of the global economy.

Ulrich Hocker Chairman of the Board of Directors	Benedikt A. Goldkamp Delegate of the Board of Directors

Phoenix Mecano Group: Solid growth trend and record sales

Gross sales
+12.4 %
Record sales of EUR 389.4 million

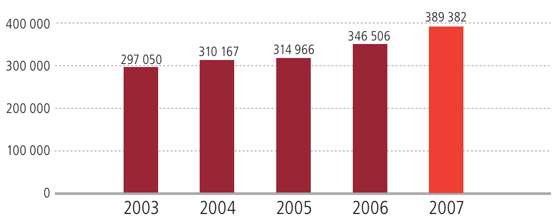
Operating result
+8.4 %
Despite the over-proportional cost of materials

Margin
10.0 %
Double-digit once again

Overview of the financial year

Sales by the Phoenix Mecano Group climbed by 12.4 % to EUR 389.4 million; the operating result rose to EUR 38.8 million (previous year EUR 35.8 million). The opening-up and expansion of major business areas and the broad support base across all divisions promises sustained growth potential even in the event of an economic slowdown.

Gross sales (in TEUR)[1]



Operating result (in TEUR) **and margin**[1, 2]

[1] The 2004–2007 figures relate to continued operations.
[2] Before restructuring expenses and other exceptional charges.

Business activities

Phoenix Mecano Group enjoyed a generally favourable business environment in 2007. As a manufacturer of standard components and customised solutions for the mechanical engineering, industrial electronics, medical technology, communications engineering, furniture, oil and gas production, processing and transportation and renewable energies markets, the Group enjoyed organic growth worldwide and strengthened its market positions.

The Phoenix Mecano Group has an integrated business model, which is implemented in all three of its divisions. In addition, we exploit synergy potential between divisions wherever this will generate significant added value for the Group as a whole.

Strategy and goals

Phoenix Mecano combines two strategies to create sustainable competitive advantages:

Firstly, the Group has systematically expanded its manufacturing expertise at low-cost production sites over the past 15 years. Thanks to this prolonged expansion, we have now built up a great wealth of experience and are in a position to manage more complex production processes and high-level construction projects at very reasonable cost.

Secondly, the Group has a global network of sales companies with their own engineering expertise and processing capacities, which allows us to adapt our standard products to local, customer-specific requirements. This sets us apart from our competitors in two respects: those who only offer customised components lack our range of low-cost standard products and need to develop every product from scratch, with all the costs that this entails, while manufacturers of standard parts lack the potential to create added value for their customers by offering them tailored solutions, which makes them vulnerable to their competitors.

Thanks to the broad and solid support base offered by all three divisions, we have the critical mass needed to offset the fixed costs associated with global direct marketing. Most of Phoenix Mecano's rivals are SMEs who cannot afford to sell directly to customers worldwide.

Through a combination of low-cost, high-quality production at our own sites in Germany, Switzerland, Hungary, Romania, Tunisia, India and China and a global, Group-owned direct marketing structure with local consultancy and development capacity right where customers need it, we have been able to further expand and consolidate our position as a major supplier to ambitious, strong-growth technology companies. We have been assisted in this by a positive economic climate for capital goods in Europe, Asia and – partially at least – in the markets of North and South America.

The Phoenix Mecano Group is solidly established in its markets worldwide.
In 2007, major steps were taken to open up and expand areas of business demonstrating lucrative growth potential, even at a time of economic slowdown. This will enhance our stability in times of economic uncertainty. Notable successes were achieved in the following markets: oil and gas production, processing and transportation (Enclosures), wind energy and photovoltaic (Enclosures and ELCOM/EMS), geriatric care (Mechanical Components) and vehicle safety technology (ELCOM/EMS).

As a dedicated component supplier and technology partner of strong-growth companies in future-oriented sectors, we can successfully manage and diversify the risks associated with our business whilst at the same time tapping into the growth potential of many emerging markets. In this regard, return on capital is the most important long-term factor governing our activities, and is also used to measure and incentivise management performance. Our outlook is a long-term one, although we attach great value to assessing and achieving our short-term goals, as these offer regular opportunities to asses one's position and rectify errors.

We see the increasing globalisation within our markets as both an opportunity and a challenge. The burgeoning economies of Asia offer us potential new supply and sales markets, whilst also spawning new rivals that challenge us to constantly review and improve the competitiveness of our business model. In the coming years, these markets will offer us – as they do already – scope for growth rates and will form a focus for investment.

Recent years have witnessed a surge in the cost of raw materials – copper, aluminium, steel and petroleum-based plastic resins –, which our strong market position has enabled us to pass on, in part, to our customers. However, some cost increases have to be offset each year through productivity improvements. Through constant upgrades to our machinery and equipment and ongoing improvements in staff skills and qualifications, we are able to pull this off time and time again.

We use integrated currency management to offset currency fluctuations, taking care that inflows of particular currencies, such as sales in the dollar area, are if possible balanced out by corresponding outflows, such as the purchase of initial products from Asia on a dollar basis.

Sales and profitability

Record sales

Consolidated gross sales for continued operations climbed by 12.4 % from EUR 346.5 million to a record high of EUR 389.4 million. Corrected for differences in foreign-exchange rates, the increase in sales totalled 13.4 %. The MCT Group (formerly known as the Leonhardy Group), which is active in the connection technology sector and was consolidated for the first time in 2007, contributed EUR 10.5 million to this sales growth, equivalent to 3 %.

In Europe, sales rose by 13.2 % (9.7% excluding the MCT Group). The strongest sales market, Germany, saw a double-digit rise in sales, even excluding the impact of acquisitions. An over-proportional increase in sales was also recorded in Austria, the Benelux countries and Eastern Europe. With the exception of Spain, all other European markets contributed to the growth in sales. The proportion of overall sales realised in Europe was 83.9 % (previous year 83.3 %). Overall, the overseas growth rate fell slightly short of European sales growth. While sales in China, India and Australia once again showed dynamic development, with increases of 45.5 %, 17.2 % and 25.8 % respectively, in Japan investment delays in the care sector led to a further decline in sales of 21.0 %. Taking into account foreign-exchange rate differences, North America saw double-digit sales growth, although the weakening of the USD against the EUR meant that the increase in EUR was under-proportional.

Consolidated incoming orders for the Phoenix Mecano Group went up by 9.7 % in 2007, from EUR 358.2 million to EUR 392.8 million, slightly exceeding consolidated gross sales.

All divisions of the Phoenix Mecano Group achieved double-digit growth rates. Enclosures saw its sales climb by 11.5 %, Mechanical Components by 10.9 %. Growth at ELCOM/EMS, the smallest division, was 17.0% (2.1 % excluding the MCT Group).

Double-digit operating margin

Following heavily over-proportional growth of 30% in 2006, the operating result rose again in 2007, from EUR 35.8 million to EUR 38.8 million (up 8.4 %), taking the operating margin into double digits once again (10.0 % compared with 10.3 % the previous year).

The Enclosures division, with sales growth of 18.3 %, and the ELCOM/EMS division, with a 24.3 % rise in operating result, performed particularly strongly. However, the Mechanical Components division saw a decline in its margin due to the difficult business climate. This division also suffered from increased quality costs and value adjustments on inventories, its operating result falling to EUR 1.0 million (previous year EUR 4.4 million). The Group has reacted to the division's unsatisfactory performance with an innovation offensive and a series of profitability-enhancing measures. The division's industrial segment is to receive a new, more market-oriented management structure and a partnership with an established technology and sales company is being sought for what remains a relatively minor segment, namely high-quality ventilation damper and valve control drives. The sale of this business is among the plans being considered. In another segment – drives for the hospital, care and furniture industry – new product development has been accelerated and measures have been taken to optimise procurement and logistics processes.

The increase in operating margin in 2007 was achieved despite an over-proportional increase of 17.8 % in the cost of materials. Use of materials as a percentage of gross sales rose from 41.0 % to 43.0 %. Increased raw material costs for aluminium, copper, steel and petroleum-based plastic resins had a negative impact, especially in the Enclosures and Mechanical Components divisions.

Personnel expenses rose by 7.8 % in the reporting year. This was under-proportional compared with sales growth, despite the temporary increase in staff numbers owing to construction of a new terminal-block production plant in Tunisia. Staff numbers also rose sharply at the aluminium die-cast enclosure facilities opened in India in 2006.

Depreciation on tangible assets rose by 5.9 % as a result of capital expenditure in 2006 and 2007, which was again slightly up on previous years. Depreciation on intangible assets fell slightly, due to a cautious policy on the capitalisation of development services.

The remaining items paint an uneven picture. While administration and sales expenses developed under-proportionally, external development costs, energy costs and value adjustments on inventories rose over-proportionally.

Gross sales by region[1]	2007	2006	
	TEUR	TEUR	Change in %
Switzerland	22 875	21 319	7.3
Germany	181 591	156 687	15.9
United Kingdom	15 538	14 681	5.8
France	18 440	16 991	8.5
Italy	15 371	15 066	2.0
Benelex	23 685	21 420	10.6
Rest of Europe	49 256	42 493	15.9
North and South America	34 080	31 844	7.0
Middle and Far East	28 546	26 005	9.8
Total	**389 382**	**346 506**	**12.4**

Gross sales by division[1]	2007	2006	
	TEUR	TEUR	Change in %
Enclosures	155 619	139 597	11.5
ELCOM/EMS	82 357	70 403	17.0
Mechanical Components	150 406	135 593	10.9
Other	1 000	913	9.5
Total	**389 382**	**346 506**	**12.4**

Operating result by division[1]	2007	2006	
	TEUR	TEUR	Change in %
Enclosures	31 986	27 038	18.3
ELCOM/EMS	9 073	7 300	24.3
Mechanical Components	958	4 407	–78.3
Other	–3 217	–2 935	–9.6
Total	**38 800**	**35 810**	**8.4**

Net operating assets by division[1]	2007	2006	
	TEUR	TEUR	Change in %
Enclosures	63 703	59 090	7.8
ELCOM/EMS	47 777	43 578	9.6
Mechanical Components	84 259	80 249	5.0
Other	–2 659	–745	–256.9
Total	**193 080**	**182 172**	**6.0**

Profitability by division[1]	2007	2006	
	in %	in %	Change in % points
Enclosures	50.2	45.8	4.4
ELCOM/EMS	19.0	16.8	2.2
Mechanical Components	1.1	5.5	–4.4

[1] The figures relate to continued operations.

Number of employees by division[1]	2007	2006	
(Average over the year, including trainees)			Change
Enclosures	1 539	1 373	166
ELCOM/EMS	2 025	1 538	487
Mechanical Components	1 271	1 229	42
Other	56	54	2
Total	**4 891**	**4 194**	**697**

Investments in tangible assets[1]	2007	2007	2006	2006
	TEUR	%	TEUR	%
By type of investment				
Land and buildings	1 946	11.9	5 205	26.9
Machinery and equipment	8 213	50.2	7 983	41.2
Tools	4 029	24.7	3 567	18.4
Advance payments and constructruction in progress	2 150	13.2	2 616	13.5
Total	**16 338**	**100.0**	**19 371**	**100.0**
By division				
Enclosures	7 142	43.7	6 144	31.7
ELCOM/EMS	3 632	22.2	4 172	21.5
Mechanical Components	5 525	33.8	8 874	45.9
Other	39	0.3	181	0.9
Total	**16 338**	**100.0**	**19 371**	**100.0**

[1] The figures relate to continued operations.

Profit for the period: EUR 30 million

The financial result improved on the previous year, up from EUR –4.6 million to EUR –1.8 million. This was owing to two major factors. Firstly, the previous year's financial result was forced down by a one-off exchange-rate book loss totalling EUR 2.9 million, resulting from a capital decrease at a subsidiary. Secondly, there was an improvement in the net interest result – accompanied by a further drop in net indebtedness – from EUR –1.6 million to EUR –0.9 million.

On the other hand, tax costs rose from EUR 4.3 million to EUR 7.1 million. Here too, a couple of one-off factors came into play. Income tax in 2006 was lower than it might have been due to EUR 5.3 million of tax income relating to other periods. In the reporting year, the corporate tax cut in Germany meant that deferred tax liabilities totalling EUR 1.4 million could be released, with a corresponding effect on the statement of income.

The result of the period from continued operations rose by 11.1 % in 2007, from EUR 26.9 million to EUR 29.9 million.

Following a EUR 0.9 million profit from discontinued operations in 2006 (relating to the OMP product area), the reporting year saw only a minimal further profit. There remained one significant asset still to be sold from this discontinued product area, namely an administration and manufacturing building in northern Italy. This is due to be sold in 2008.

The result of the period from continued and discontinued operations therefore totalled EUR 30.0 million, compared with EUR 27.8 million the previous year.

Asset and capital structure

The equity ratio remained practically unchanged at 63.5 % (previous year 63.3 %).

Equity financing of acquisitions

Despite a sales-related expansion of current assets, the Group's net indebtedness fell again in the reporting year, totalling EUR 4.3 million at the balance sheet date, compared with EUR 13.0 million the previous year. This gives the Group sufficient financial scope for further growth and for financing the investments in the system house SL System & Lineartechnik GmbH, which was acquired at the start of 2008 as a sales partner for the industrial segment of the Mechanical Components division in southern Germany, and the transformer manufacturer Datatel Elektronik GmbH, Langenhagen (D).

Capital expenditure

Purchases of tangible assets totalled EUR 16.3 million in the reporting year, compared with EUR 19.4 million the previous year. Capital expenditure on buildings declined, with the main costs in 2007 relating to completion of construction projects in Tunisia and India. On the other hand, capital expenditure on tools – primarily new products for use in the Mechanical Components division – and machinery and equipment rose slightly compared with 2006.

Outlook

The subprime crisis may have triggered a recession in the US but the effects on the European and Asian markets are minor. Internally, the economic situation in the Far East, particularly China, has strengthened substantially compared with the 1990s. Nonetheless, it would be rash to assume that complete autonomy from the US economy can be achieved. Europe too must adjust itself to a more difficult economic climate for capital goods. That said, the Phoenix Mecano Group is now in very strong shape. Optimisation measures in the Mechanical Components division will significantly enhance profitability into 2009. The virtually debt-free balance sheet, the very high level of equity financing and the high growth rates in emerging sectors, cited by experts as having great potential even in an economic downturn, mean that we can face the future with confidence. The Group remains on the path of growth.

Enclosures: Expansion in emerging markets

Gross sales
+11.5 %

Over-proportional growth in stainless-steel and explosion-proof enclosures

Operating result
+18.3 %

Over-proportional to sales growth

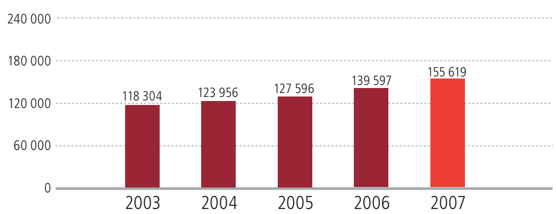
Margin
20.6 %

Over 20 % for the first time since 2000

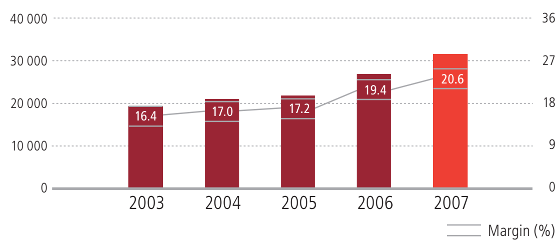
Overview of the financial year: Enclosures

All sales markets contributed to the double-digit sales growth, with Asian and Eastern European markets enjoying particularly success. The only exception was North America, which suffered from the increasingly weak dollar. The renewable energy and oil and gas markets contributed over-proportional growth. All these positive factors combined to deliver an operating margin of over 20 %.

Gross sales (in TEUR)



Operating result (in TEUR) **and margin**



Sales development

Sales in the Enclosures division rose by 11.5 % in the reporting period (12.7 % when corrected for differences in foreign-exchange rates). A major boost was provided by the favourable export climate for capital goods in Germany and over-proportional growth in renewable energy markets such as the oil and gas industry, which we supply with stainless-steel and explosion-proof enclosures. With the exception of North America, all the division's sales markets contributed to the pleasing double-digit growth. The weakening of the USD against the EUR led to a stagnation in sales in the US, where revenues increased by 7.2 % in local currency. The various markets of Asia and Eastern Europe displayed extremely dynamic sales growth.

The sales increase in stainless-steel enclosures totalled 50 % in the reporting year. Aside from the wind-power technology sector, these products were mainly supplied to the chemical and petrochemical industry and the food and packaging industry. In 2007 we forged ahead with our vigorous expansion of the sales network for explosion-proof enclosures for the oil and gas sector, taking on appropriate specialists in the UK, France, Italy, US, Australia, Singapore and China. A sales company was launched in the United Arab Emirates and a representation agency opened in Moscow. 2007 saw us land our first major project order for a refinery in Russia, worth a total of almost EUR 1 million, the sales from which will be realised in 2008. The systems technology business recorded a high level of incoming orders in the reporting year, while traditional segments – mechanical and electrical engineering – also achieved pleasing growth.

The sandwich keyboard business once again witnessed strong growth of 22.6 %, primarily in the automation technology field. In addition, it secured some major new customers for touch-screen solutions as well as projects in the medical and measuring instruments industry.

The division's incoming orders slightly exceeded sales in the reporting year, coming in at EUR 157.4 million, up 9.7 % on the previous year. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 101.1 %.

Operating result

Once again, the division's operating result rose over-proportionally to the rise in sales, up 18.3 %. As a result, the operating margin exceeded the 20 % mark for the first time since 2000. This rise in the EBIT margin was achieved despite a slight decrease in the gross margin, thanks to under-proportional increases in staff and other operating costs and depreciation. One of the reasons for the slight dip in gross margin was the delayed impact of increased raw material prices. The production facilities for aluminium die-cast enclosures in India, which were commissioned in the previous year and are now fully on stream, made a major contribution to the margin result. From 2008, explosion-proof polyester enclosures will also be sourced from India. Mechanical processing capacity has been developed at the plastic enclosure production site in Romania, thereby considerably enhancing flexibility and helping to reign in manufacturing costs.

Asset and capital structure

The division's operating current assets increased in line with the marked growth in business. However, the division succeeded in achieving an under-proportional rise in net operating assets (up 7.8 %), thereby driving up the return on capital expenditure (ROCE) still further to 50.2 %).

Increased capital expenditure on plant and machinery, most of which went on implementing a new enclosure processing concept in the US, meant that expenditure volumes were higher than the previous year. Much of the capital expenditure on buildings was used to further expand production capacity in India.

Employees

The annual average number of staff employed by the division rose by 166 to 1,539. This was mainly due to staff increases in India connected with aluminium enclosure production facilities. Sales structures were also expanded worldwide. Per capita sales remained unchanged from the previous year at EUR 101,000.

Gross sales by region		2007	2007	2006	2006
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	8.6	11 086	7.1	10 208	7.3
Germany	12.7	79 785	51.3	70 784	50.7
UK	5.9	6 346	4.1	5 991	4.3
France	2.0	4 953	3.2	4 854	3.5
Italy	7.9	5 998	3.9	5 557	4.0
Benelux	11.7	12 054	7.7	10 794	7.7
Rest of Europe	18.4	17 535	11.3	14 812	10.6
North and South America	−0.8	12 216	7.8	12 312	8.8
Middle and Far East	31.8	5 646	3.6	4 285	3.1
Total	**11.5**	**155 619**	**100.0**	**139 597**	**100.0**

Purchases of tangible assets	2007	2007	2006	2006
	TEUR	%	TEUR	%
Land and buildings	1 055	14.8	1 283	20.9
Machinery and equipment	3 710	51.9	2 782	45.3
Tools	1 396	19.6	1 335	21.7
Advance payments and construction in progress	981	13.7	744	12.1
Total	**7 142**	**100.0**	**6 144**	**100.0**

ELCOM/EMS:
Successful integration

Gross sales
+17.0 %
Consistent focus
on growth markets

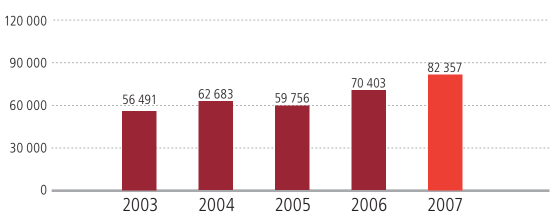
Operating result
+24.3 %
Successful integration
of the MCT Group

Margin
11.0 %
Additional optimisation
potential tapped

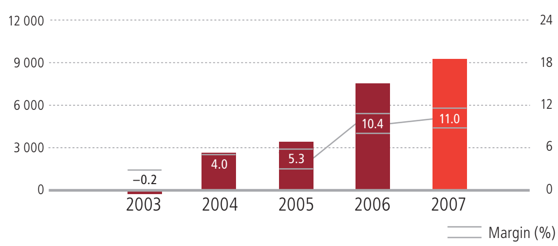
Overview of the financial year: ELCOM/EMS

In the ELCOM/EMS division, the main features of 2007 were the targeted positioning in growth markets, product and sales channel development and the successful integration of the MCT Group. Major new customers were acquired in the solar technology, security technology and industrial automation sectors.

Gross sales (in TEUR)



Operating result (in TEUR) **and margin**



Sales development

Sales in the ELCOM/EMS climbed by 17.0 % to EUR 82.4 million, with a negative currency impact of 0.2 %. Excluding the MCT Group (acquired on 1 January 2007 as the Leonhardy Group), sales growth totalled 2.1 %. However, this figure must be viewed in the light of the high base effect from the previous year, when a 17.8 % increase was recorded. Above-average sales growth was generated in France, Scandinavia, Eastern Europe and Germany. Because the MCT Group, though a global supplier, realises the bulk of its sales in Germany, the proportion of sales accounted for by Germany rose from 57.9 % to 60.7 %.

Since the start of 2007, the division has been bolstered by the addition of the MCT Group, which is active in the connection technology and plug connector business and has sites in Germany and the Czech Republic. In the reporting year, it was successfully integrated and made a EUR 10.5 million contribution to overall sales. There is further scope for optimisation in the current financial year which needs to be exploited.

Efforts to reposition the division in growth markets over recent years bore further fruit in 2007, when the high sales level of the previous year was consolidated and further enhanced. This strategy was pursued consistently in the reporting year, leading to new solar-technology customers in the rotary coding and micro switch segment, industrial automation projects in Eastern Europe and further positive development in security technology. Prices in the terminal block market continue to fall, despite the massive increase in labour costs among Chinese competitors. Sales rose slightly thanks to an improvement in customised development resources. As regards spring clips, a new product range for use in test fixtures (ICT) enabled the division to up its market share. New sales units were established in China and Hong Kong and the sales structure in Mexico underwent restructuring, providing automotive and ICT customers with a more comprehensive service. Withdrawal from the unprofitable mass market for white goods in the inductive components segment is largely complete. To offset this, there were project successes relating to wind turbine throttles and medical and condensing boiler technology. Backplane sales remained at the high level of the previous year. Major foundations for future success were laid with a greater presence in Korea and Scandinavia through new trading partners and the appointment of an internal sales engineer in India and a Russian-speaking sales engineer at Hartmann Elektronik. Electronic manufacturing services company Phoenix Mecano Digital GmbH, although it saw a slight drop in sales over the past year, also landed new projects in the automotive sector (development projects relating to diesel particulate filter controls and the production of lighting technology components for the new VW Golf platform).

Gross sales by region		2007	2007	2006	2006
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	19.0	3 763	4.6	3 161	4.5
Germany	22.5	49 956	60.7	40 781	57.9
UK	– 13.6	1 181	1.4	1 367	1.9
France	38.4	2 120	2.6	1 532	2.2
Italy	– 4.6	2 626	3,2	2 753	3.9
Benelux	– 14.4	1 183	1.4	1 382	2.0
Rest of Europe	27.8	9 978	12.1	7 810	11.1
North and South America	– 4.0	4 470	5.4	4 658	6.6
Middle and Far East	1.7	7 080	8.6	6 959	9.9
Total	**17.0**	**82 357**	**100.0**	**70 403**	**100.0**

Purchases of tangible assets	2007	2007	2006	2006
	TEUR	%	TEUR	%
Land and buildings	422	11.6	858	20.5
Machinery and equipment	2 071	57.0	1 889	45.3
Tools	332	9.2	387	9.3
Advance payments and construction in progress	807	22.2	1 038	24.9
Total	**3 632**	**100.0**	**4 172**	**100.0**

Sales from coin validation systems shot up by almost 50 %, thanks to the unique technical features of the Optical Coin Validator. The machinery and equipment systems business grew as expected, with sales topping a million for the first time. However, these projects were affected by extensive adjustments and a restructuring of production in Tunisia, which gained ISO 9001–2000 certification last September.

Operating result

The operating result rose by 24.3 %, an over-proportional increase due partly to the EUR 2.2 million contribution of the MCT Group. Although part of the MCT result was attributable to positive one-off effects, this nonetheless highlights how successfully the new group has been integrated. Excluding MCT, the operating result dipped slightly owing to the price collapse in individual market segments, start-up costs for the new production facilities in Tunisia and costs associated with improving and expanding sales structures.

Asset and capital structure

The increase in the net operating assets is due to the acquisition of the MCT Group. The measures taken in previous years to optimise the use of capital in existing businesses showed sustained impact.

The division purchased tangible assets totalling EUR 3.6 million, of which EUR 0.3 million related to the MCT Group. The 12.9 % drop in capital expenditure can be explained by reference to the construction of new factory space in Tunisia the previous year. Capital expenditure on machinery and equipment was primarily aimed at ensuring high product quality, the cornerstone of the customised project business. This includes modernisation and automation of SMT production lines, AOI (automated optical inspection) systems and high-precision equipment for use in plastics injection moulding.

Employees

The annual average number of staff employed was 2,025, an increase of 487. Of these, 118 were MCT Group employees, with the remainder of the increase limited to various production sites in Tunisia, China and Romania. The division's per capita sales fell to almost EUR 41,000, a drop of EUR 5,000 compared with the previous year.

Mechanical Components: Double-digit sales growth

Gross sales

+10.9 %

Up thanks to a combination of great flexibility and high quality

Operating result

–78.3 %

Result affected by price increases for raw materials and heavy margin pressure

Margin

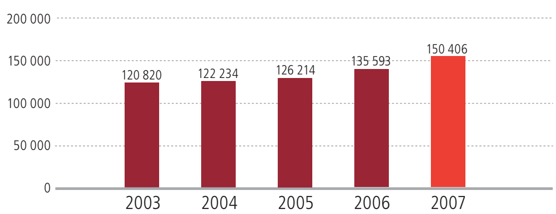
0.6 %

Measures introduced

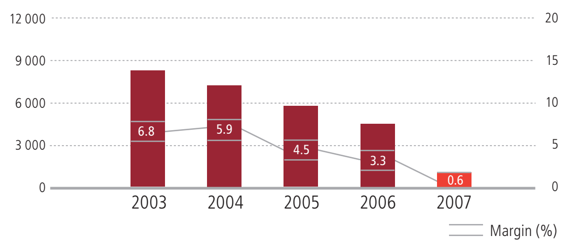
Overview of the financial year: Mechanical Components

Pricing pressure, start-up costs for new products and one-off costs proved impossible to offset. An innovation offensive, enhanced logistics processes and a new management structure will significantly improve the division's future results. Its position as a trusted supplier to the solar industry was further consolidated.

Gross sales (in TEUR)



Operating result (in TEUR) **and margin**



Sales development

The Mechanical Components saw a 10.9 % increase in sales in 2007. Measured in local currency, the increase was 12.2 %. It recorded double-digit sales growth in its core market of Germany, as well as in the Benelux countries and Eastern Europe, North and South America, India, China and Australia. In North America, this success was achieved despite the weakening of the USD against the EUR (taking into account differences in foreign-exchange rates, the increase here was 22.4 %). Reduced sales of bed drives in Switzerland and Italy caused financial sales in these markets to stagnate overall. Japan saw a decline in sales, with investment in the care market faltering in the wake of a revision of local healthcare legislation.

In the industrial segment, division sales in 2007 were well into double figures. Rose + Krieger established itself as a trusted supplier to the solar industry. Projects were implemented for high-profile transport and automotive supply firms, as well as an audio media distribution centre. Another involved upgrading headlight testing equipment. In the Dewert bed and armchair drives sector, sales were up almost 10% on the previous year. This success in what remains a highly competitive market is down to Dewert's flexibility and ability to react quickly. This enabled it to win new customers who had become dissatisfied with the quality and delivery reliability of other suppliers. With more and more low-cost manufacturers entering the market, particularly from Asia, the company has launched a new armchair drive for the most price-conscious customers. Though not suitable for all applications, this product represents extremely good value for money. In the heating, air conditioning and ventilation technology segment, sales of actuators rose by around 50 % to EUR 3.9 million.

Operating result

The operating result in 2007 was EUR 1.0 million compared with EUR 4.4 million the previous year. There are several reasons for this decline. The bed and armchair drive business was subject to considerable margin pressure in the reporting year. Regional sales distribution and changes to the product mix resulted in a lower gross margin. In the industrial segment, the delayed impact of increases in raw material prices made itself felt. In the hospital bed and patient lift segment, 2007 saw increased market and other development costs and production start-up costs, something that also affected new drive products for the heating, air conditioning and ventilation technology market. In addition, costs arising from value adjustments and losses on inventories rose by EUR 0.9 million in the reporting year – due partly to technical product adjustments – while guarantee costs rose by a similar amount. In response to the division's unsatisfactory result performance, an innovation offensive was launched in 2007 and steps were taken to enhance logistics processes and optimise procurement procedures. The industrial segment will acquire a new management structure in 2008 and a partnership is being sought for the actuator business, which may potentially be sold off as a result.

Asset and capital structure

Net operating assets rose under-proportionally to sales by 5.0 %. While invested operating non-current assets remained stable, net current assets increased slightly under-proportionally to the increase in sales. This led to a minimal improvement in capital turnover.

Following capital expenditure of EUR 8.9 million in 2006 on a major construction project in Germany, the volume of expenditure in the reporting year fell to EUR 5.5 million. However, it should be noted that the division increased its capital expenditure on tools, principally for use in the drive technology business.

Employees

The annual average number of people employed in the division rose slightly from the previous year to 1,271. Per capita sales rose from EUR 110,000 to EUR 118,000.

Gross sales by region		2007	2007	2006	2006
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	1.0	8 026	5.3	7 950	5.9
Germany	14.9	51 850	34.5	45 122	33.3
UK	9.4	8 011	5.3	7 322	5.4
France	7.2	11 367	7.6	10 605	7.8
Italy	–0.1	6 747	4.5	6 756	5.0
Benelux	13.0	10 448	6.9	9 244	6.8
Rest of Europe	9.4	21 743	14.5	19 871	14.6
North and South America	17.4	16 394	10.9	13 961	10.3
Middle and Far East	7.2	15 820	10.5	14 762	10.9
Total	**10.9**	**150 406**	**100.0**	**135 593**	**100.0**

OTHER

Included here is the technical gas business of Brazilian subsidiary IPES Industria de Produtos e Equipamentes de Solda Ltda.

"Other" also includes operating costs incurred by the holding, management and financing companies, which are not directly allocated to the individual operating divisions. These costs resulted in a negative operating result of EUR 3.2 million in this category (previous year EUR 2.9 million).

Purchases of tangibles assets	2007	2007	2006	2006
	TEUR	%	TEUR	%
Land and buildings	469	8.5	3 060	34.5
Machinery and equipment	2 393	43.3	3 135	35.3
Tools	2 301	41.6	1 845	20.8
Advance payments and construction in progress	362	6.6	834	9.4
Total	**5 525**	**100.0**	**8 874**	**100.0**

Sustainability

Sustainability underlies many of our decisions and has a major bearing on strategic choices.

Sustainability is a key issue in all our dealings with suppliers and customers.

We offer products that are socially and environmentally state-of-the-art and make careful use of natural resources. We are committed to the protection of human rights, fair working conditions, equal treatment and environmental protection.

We manufacture our products using environmentally friendly technologies and processes, always striking the right balance between legitimate environmental, human and economic needs.

Global Business – Local Business

The Phoenix Mecano Group has production facilities in most of the world's major economic regions. For the European market, we manufacture in Switzerland, Germany, Eastern Europe and Tunisia. This means that our products can reach end customers with a maximum transport time of 48 hours, without the need for expensive and wasteful air-freighting. In China, we manufacture products for the Asian markets and are expanding these activities in pace with the increasing importance of this economic region. In India we pursue the same approach of local value creation. A welcome side-effect of this strategy is that local market requirements can be directly incorporated into the product development process.

ROHS and REACH

Following the successful implementation of the European ROHS (Restriction of Hazardous Substances) Directive, which led Phoenix Mecano to adopt more environmentally friendly materials and production processes, the next major project is already upon us. The REACH Directive (Registration Evaluation Authorisation of Chemicals) contains new EU regulations on the use and declaration of chemical substances and entered into force on 1 July 2007. Under the REACH regulations, industrial companies like Phoenix Mecano are required, as 'downstream users', to have the chemicals used in their products and production processes analysed in detail by the manufacturer and/or importer based on a system of modulation by tonnage and then to declare them. Where necessary, recommendations on safe handling and the testing strategy have to be published. This gives end users greater certainty about what materials they are coming into contact with and any problems that these might pose. This transparency requirement is to be welcomed and will create a more responsible approach to chemicals throughout the lifetime of industrial products.

Over the last 20 years, environmental protection has become a much more prominent issue. People have realised that many of the world's resources are exhaustible and that there is a risk that raw materials will dry up before alternatives are developed. However, just taking account of environmental aspects in sustainability does not go far enough. The social aspects in a company in particular must also be taken into account. After all, in 2007 an annual average of about 4,900 people were employed by the Phoenix Mecano Group's subsidiaries. Cooperation with other players, such as trade unions and political and media representatives, is of crucial importance. However, this way of thinking and acting did not come about purely as a result of the new concept of 'sustainability'. In fact, it stems from the understanding that Phoenix Mecano has – and already had when it went public – of the concept of 'shareholder value'. Instead of aiming to maximise profits for the next quarter, the Group gives priority to ensuring the lasting success of the company. Anyone who thinks in this way must also think and act in a socially responsible and environmentally friendly manner.

Globally recognised maxims

The Phoenix Mecano Group employs some 4,900 people, most of them in various development, production and sales companies in 16 countries on five continents. Employees are the real factor behind the company's success. Each staff member has experience, knowledge and energy of the kind needed to achieve set goals on a daily basis. Many employees serve as an interface with customers and partners. They are all ambassadors of their company. Phoenix Mecano supports them in this function and – besides their basic and continuing education – encourages open communication both internally and externally. Both these factors serve to improve work processes and the quality of products and services, as well as promoting safety at work and ultimately boosting employees' identification with 'their' company and 'their' group of companies. Consequently, Phoenix Mecano also supports personal commitment by its employees in their own workplace and on behalf of the company's image as a whole. Phoenix Mecano treats all members of its staff respectfully and fairly. Cultural factors and differences between sites and subsidiaries are of course observed. Regardless of borders, the company offers its employees various possibilities for individual continuing training and opportunities for in-house development, and if need be provides support by offering them advice and assistance.

Decentralised structure ensures customer proximity

A series of like-minded SMEs have joined together in the Phoenix Mecano Group, which is why the organisation is deliberately geared towards decentralisation. This accelerates the companies' integration and brings them close to their markets. Another consequence of this set-up is that the various production companies enjoy extensive independence, which also gives them leeway to consider the legal framework conditions applying to the social context and to environmental protection. Consequently, requirements emanating from Switzerland or Germany only have a place here if principles such as corporate values and missions are involved. Phoenix Mecano thus plans its production facilities taking into account regional opportunities and openings to compete. Naturally, at the very least the company offers all employees fair and competitive wages, bonuses and social security contributions. In addition, the company strives to provide a safe, motivating work environment and corresponding working conditions.

Furthermore, through its transfer of knowledge and creation of new, challenging jobs in various countries, the company is helping to promote economic development. At the same time, Phoenix Mecano expects not only technical, but also social skills of its managerial staff. Anyone occupying a leadership position must serve as a model, lead the way by setting a decent example and ensure both that the rights of all employees are protected and that all people are treated with respect, regardless of their status, skin colour, religion or age. At the same time, Phoenix Mecano also expects its employees to consciously refrain from personal commitments that might run counter to the company's interests.

Share information

Buypack of shares worth
up to CHF 30 million

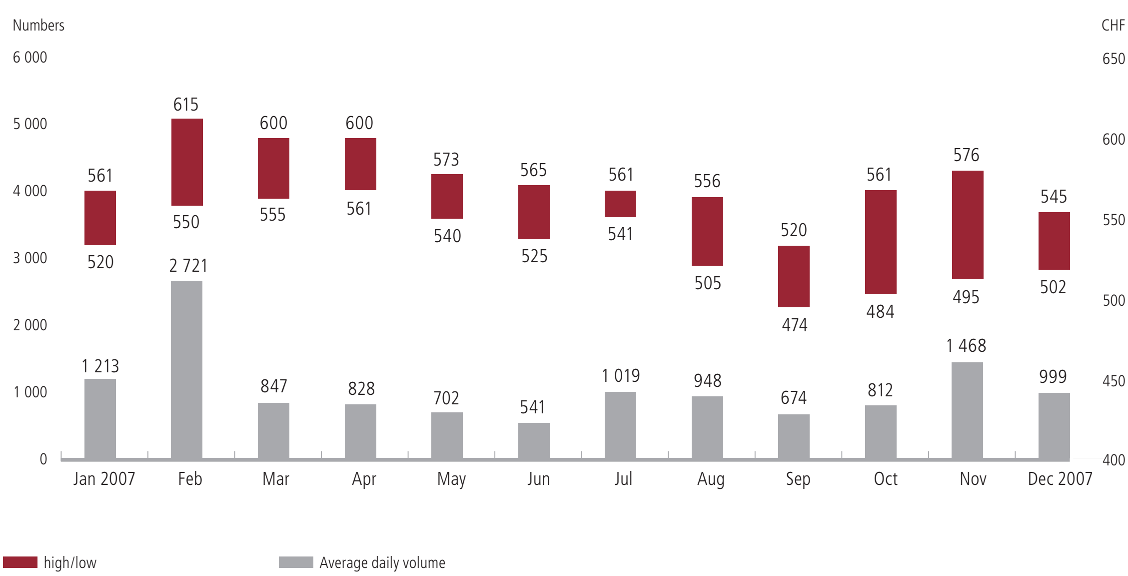
Share buyback worth up to
CHF 30 million launched

Proposed dividend
+50 %

Continuous growth in
capital base

Market trend Phoenix Mecano 1 January 2005–29 February 2008 compared with the Vontobel Small Caps Index and SPI

Monthly highs and lows 2007, average daily volume



Share capital

Phoenix Mecano AG's share capital of CHF 1,069,500 is divided up into 1,069,500 bearer shares with a par value of CHF 1.00 each. There are no restrictions on ownership or voting rights. 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.

Share buyback programme

In October 2007, the Board of Directors decided to launch a share buyback programme worth up to CHF 30 million as a means of effecting a capital decrease. This will last until 15 October 2009 at the latest.

As at 31 December 2007, 21,550 shares had been bought back under the share buyback programme.

In the previous year, in line with the decision by the Shareholders' General Meeting of 26 May 2006, the share capital of Phoenix Mecano AG was reduced from CHF 1,100,000 to CHF 1,069,500 by the elimination of 30,500 shares from the 2005–2006 share buyback programme on 15 September 2006.

Dividend policy and proposal

Phoenix Mecano AG strives to achieve a distribution rate of 15 % to 25 % of sustained net profit. As a growth-oriented enterprise, the company relies upon the steady growth of its capital base. The Board of Directors will propose to the Shareholders' General Meeting of 6 June 2008 increasing dividends from CHF 6 to CHF 9.

The proposed dividend for the 2007 financial year corresponds to 20 % of the result for the period.

Average trading volumes in 2007

On average 1,062 Phoenix Mecano shares were traded per day.

Opting-out

The company has not made 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.

Opting-up

The limit for the obligation to make an offer pursuant to Article 32 of the Swiss Federal Law on Stock Exchange and Securities Trade is 45 % of voting rights.

Ticker symbols

Quotation	SWX Swiss Exchange, Zurich
Securities No.	Inh.218781
Reuters	PHOZ
Telekurs/Telerate	PM
ISIN	CH0002187810

Information for shareholders

Annual report	annually, April
Balance sheet press conference	22 April 2008
Financial analysts' meeting	22 April 2008
First quarter results 2008	22 April 2008
Shareholders' General Meeting	06 June 2008
First half of 2008	08 August 2008
Detailed report First half of 2008	29 August 2008
Third quarter results 2008 (9 months)	04 November 2008

Further information for investors is available from

Benedikt A. Goldkamp, CEO
Phoenix Mecano Management AG
Lindenstrasse 23
CH-8302 Kloten
Phone +41 43 255 42 55
Fax +41 43 255 42 56
info@phoenix-mecano.com
www.phoenix-mecano.com

Share indicators at a glance

		2007	2006	2005	2004	2003
Stock market price						
High	CHF	615	570	366	440	403
Low	CHF	474	355	280	310	148
Year-end price	CHF	530	534	340	335	400
Average daily volume	Number	1 062	1 652	1 459	952	725
Market capitalisation on 31 December	CHF million	567	571	374	369	440
Free float	%	69	69	70	70	70

Corporate Governance

Phoenix Mecano pursues a sustainable management and corporate policy.

Its open information and communication culture helps to boost confidence among all stakeholders.

Informing shareholders, employees and all other interested parties in an open and comprehensive way promotes understanding and creates trust. The Phoenix Mecano Group's high level of transparency in communication enables all stakeholder groups to make a full and accurate assessment of business development and prospects and the sustainability of management and corporate policy.

The following pages deliberately follow the structural requirements of the SWX Swiss Exchange to make it easier for readers to seek specific information.

Group structure and shareholders

Group structure The Phoenix Mecano Group is solidly established in its markets worldwide. It is a leading technology enterprise manufacturing enclosures, electronics components, linear actuators and complete system integrations in three technical divisions. Its products are used principally but not exclusively in the machine industry, industrial electronics and the home and hospital care sector – its target markets.

The Group is divided into three divisions. Within these divisions, parent companies responsible for product management operate with the help of global production sites and sales companies.

In Switzerland, Phoenix Mecano has three production facilities. Phoenix Mecano Management AG has its head office in Kloten, from where it runs the Group's operations. The Group's holding and Phoenix Mecano Komponenten AG, which distributes the various products manufactured by Phoenix subsidiaries in Switzerland, have their head office in Stein am Rhein, as well as the sales company Phoenix Mecano Trading AG, while Phoenix Mecano Komponenten AG has an operational facility in Niederdorf, Baselland. The Group's overall structure has always been very lean. Operational responsibility lies largely with the divisional managers and the managing directors of the individual subsidiaries, who together make up the management (also referred to as the Executive Committee). The Group's operational structure is presented on pages 44 and 45. No investments are quoted.

Major shareholders

	2007	2006
%		
Planalto AG, Luxemburg	30.9	30.9
Tweedy, Browne Company LLC, New York	8.8	9.3
UBS Fund Management (Switzerland) AG, Basel	5.6	6.0
OppenheimerFunds Inc., New York	4.6	*
Sarasin Investmentfonds AG, Basel	3.9	*

* In 2006, only stakes in excess of 5% had to be reported.

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

Capital structure

Capital/shares and participation certificates As at 31 December 2007, Phoenix Mecano AG's share capital consisted of 1,069,500 fully paid-up bearer shares (securities no. Bearer 218781; Reuters: PHOZ; 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 31,432 own bearer shares. There are no nominal shares or participation certificates.

Contingent and authorised capital At present the Group has no authorised and no contingent capital.

Change in capital There was no change in capital in 2007. Following a decision by the Shareholders' General Meeting of 26 May 2006, the share capital was reduced from CHF 1,100,000 to CHF 1,069,500 from 15 September 2006 by eliminating 30,500 shares from the 2005–2006 share buyback programme. The share capital was then divided up into 1,069,500 bearer shares (previous year 1,100,000) with a par value of CHF 1.00.

Limitations on transferability and nominee registration Since Phoenix Mecano has no nominal shares there are no limits on transferability.

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. The Board of Directors met four times in 2007.

Election and term Members of the Board of Directors are (re-)elected by the Shareholders' General Meeting for a three-year term. To guarantee continuity within the Board of Directors, elections are (generally) staggered, with some members being re-elected and others newly recruited. If no shareholder requests separate voting, the members of the Board of Directors are elected in a single ballot. There are no restrictions on re-election. Members of the Board of Directors must be shareholders. Should non-shareholders be elected, they may only take up office after becoming shareholders. The Board of Directors elects one of its members to become Chairman and also designates someone to take the minutes, who does not necessarily have to be a member of the Board of Directors.

Powers The powers of the Board of Directors are set out in the Swiss Code of Obligations law 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 third parties. 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 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, authorisation of the principles governing the company's finances and accounts and also internal and external audits.

As at 31 December 2007 the Board of Directors comprised the following members:

Ulrich Hocker
Chairman of the Board of Directors (since 2003)
Board of Directors since 1988
Lawyer, Düsseldorf (Germany)
Born 1950, trained as a banker. Law degree, attorney at law. From 1985, manager at the Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW), Germany's largest shareholder organisation, and the publishing house Das Wertpapier. Chief Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW) since 1994.

Benedikt A. Goldkamp
Delegate of the Board of Directors
CEO; Dipl. Finanzwirt, MBA Duke University, Lufingen (Switzerland)
Member of the Board of Directors since 2000
Delegate of the Board of Directors since 1 July 2001
Born 1969 gained a degree in financial consultancy, followed by a Master's in Business Administration. 1996–1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998-2000 Managed the Group's own production facility 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
Dipl. Wirtschaftsprüfer
Dr oec. HSG, Zollikon (Switzerland)
Member of the Board of Directors since 2003
Born 1966, 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 became Co-Head of Financial Advisory Services and General Secretary of the JFE Hottinger Group, Financial Advisory Services and Private Banking, Zurich. 2004–2006 Chief Financial Officer of the alternative investment firm Horizon21. Since 2006 he has been working for UBS AG in Zurich in the field of private equity.

From left to right:
Beat Siegrist
Dr Florian Ernst
Benedikt A. Goldkamp
Dr Martin Furrer
Ulrich Hocker

Dr Martin Furrer
Lawyer
Dr iur., MBA INSEAD, Zumikon (Switzerland)
Member of the Board of Directors since 2003
Born 1965, 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 & Company 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
Strategy Consultant and CEO of Schweiter Technologies, Horgen
Dipl.-Ing. ETH, MBA Fontainebleau, Herrliberg (Switzerland)
Member of the Board of Directors since 2003
Born 1960, gained the following qualifications: Dipl.-Ing. ETH 1985, MBA Fontainebleau and McKinsey Fellowship 1988. Development engineer for data transfer with Contraves, Senior Consultant and Project Manager at McKinsey & Co. responsible for reorganisations and turnaround projects in the machine industry. In 1994–1995 he supervised the founding and management of companies for trade in and production of machine parts. Has been CEO of Schweiter Technologies in Horgen since 1996.

Further activities and interest In keeping with the guidelines on corporate governance, the following activities and interests are declared:

Mr Ulrich Hocker, Chairman of the Board of Directors, fulfils the following additional mandates:

Membership of management or supervisory boards
- Deutsche Telekom AG, Bonn, Germany (Member of the Supervisory Board)
- E.ON AG, Düsseldorf, Germany (Member of the Supervisory Board)
- Feri Finance AG, Bad Homburg, Germany (Deputy Chairman of the Supervisory Board)
- Arcandor AG, Essen, Germany (Member of the Supervisory Board)
- Thyssen Krupp Stainless AG, Duisburg, Germany (Member of the Supervisory Board)
- Gartmore SICAV, Luxembourg (Member of the Board of Directors)

Permanent management and advisory posts
- Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW), Düsseldorf, Germany

Official and political posts
- Member of the Stock Exchange Expert Committee of the Federal Ministry of Finance, Germany
- Member of the Government Commission of the German Corporate Governance Code

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

Members of the Board of Directors

Name	Function	In the Board since	In this function since	Term expires in	Operational management tasks
Ulrich Hocker	Chairman Member of the Audit Committee	1988	2003	2009	no
Benedikt A. Goldkamp	Delegate	2000	2001	2009	yes
Dr Florian Ernst	Member Chairman of the Audit Committee	2003	2003	2009	no
Dr Martin Furrer	Member	2003	2003	2009	no
Beat Siegrist	Member	2003	2003	2009	no

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 Director.

Internal organisation The Board of Directors is deliberately kept small and usually performs its duties as a body. The Audit Committee first set up in 2003 is responsible for external audits in particular. 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. 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 is convened (at least) twice a year.

The Audit Committee has an advisory function and prepares draft resolutions and recommodations for the attention of the whole Board of the Directors.

Tools for monitoring and informing the management
The Board of Directors may use several tools to ensure that it performs its duties vis-à-vis the management to the fullest extent. For instance the company has a modern management information system which includes all Phoenix Mecano Group companies and enables it to gain 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 complement the information possessed by members of the Board of Directors and their own basis for decision-making.

In 2002 a Group-wide risk management system and dedicated, full-time Internal Auditing department were set up. The latter is answerable to the Board of Directors and reports directly to it. Both have proved invaluable and were duly developed further. A quality assessment conducted by an external auditor in late 2006 confirmed that the Phoenix Mecano Group’s Internal Auditing department complied with international standards.

Key events in 2007 were the full integration of acquired and newly founded companies and the further development of tool-based monitoring of aggregated risks at Group level.

Management

The management comprises the Delegate of the Board of Directors and the company's directors and divisional managers. It is chaired by the Delegate of the Board of Directors. The management aids the Delegate by coordinating the Group's companies and discusses matters affecting more than one division of the company.

Other activities and interests The members of the management do not perform any duties in management or supervisory bodies of any major Swiss or foreign corporate bodies, institutions or foundations, nor do they serve in any management or advisory functions on a permanent basis.

Management contracts No other management contracts conferring management tasks have been concluded between the Group and companies or persons.

Remuneration, participation and loans

Content and assessment procedure The remuneration of the members of the Board of Directors except for the Delegate of the Board of Directors is set out in Article 18 of the articles of incorporation. This states that, in return for their work, the members of the Board of Directors receive a remuneration independent of retained earnings.

The Delegate of the Board of Directors and the members of the Executive Committee (management) are paid in accordance with their individual employment contracts. The annual remuneration level is determined based on income and return on capital targets. In individual cases qualitative targets are agreed (this does not apply to the Delegate of the Board of Directors). The variable part of their remuneration usually accounts for between 20 % and 40 % of the total, and in individual cases may exceed this.

There are no participation programmes for members of the Board of Directors and/or the Executive Committee. Accordingly, during the year under review no shares, convertible loans, options, participation certificates, or such like were issued or awarded to members of the Board of Directors, management or employees.

Further information can be found in the Phoenix Mecano AG Financial Report on page 102.

Remuneration of serving members of the Group's bodies	2007
TEUR	
Chairman of the Board of Directors	80
Delegate of the Board of Directors	605
Other members of the Board of Directors	78
Remuneration of the Board of Directors	**763**
Remuneration of the Executive Committee (excl. the Delegate of the Board of Directors)	**1 614**
Remuneration of the Board of Directors and Executive Committee	**2 377**
Social security contributions	184
Pension payments	172
Total remuneration of the Board of Directors and Executive Committee	**2 733**

Remuneration of former members of the Group's bodies The Phoenix Mecano Group's consolidated statement of income for 2007 includes no remuneration for former members of the Group's bodies who left in the preceding period or before.

Share allocations during the reporting year No shares were allocated.

Share ownership		31 Dec 2007
Name	Function	
Ulrich Hocker	Chairman of the Board of Directors	8 594
Benedikt A. Goldkamp	Delegate of the Board of Directors	1 138
Dr Florian Ernst	Member of the Board of Directors	10
Dr Martin Furrer	Member of the Board of Directors	100
Beat Siegrist	Member of the Board of Directors	400
Share ownership Board of Directors		**10 242**
Dr Werner Karlen	Chairman of the Executive Committee	450
Ralph Gamper	Member of the Executive Committee	30
Dr Joachim Metzger	Member of the Executive Committee	77
René Schäffeler	Member of the Executive Committee	20
Share ownership Executive Committee		**577**

Options No options were organised.

As at 31 December 2007, the management comprised the following members:

Benedikt A. Goldkamp (D)
Delegate of the Board of Directors/CEO
Dipl. Finanzwirt, MBA, Lufingen (Switzerland)
(see under Board of Directors on page 34 of this report)

Ralph Gamper (CH)
Member of the Executive Committee since 2006
Machine technician, Schlattingen (Switzerland)
Born 1955. Started his career as a technical draughtsman, gained his Matura (Swiss university entrance qualification) whilst working, then qualified as a machine technician and, again in his spare time, as a sales manager and business manager. Since 1982 Ralph Gamper has been in the employ of Phoenix Mecano Komponenten AG, which covers the Swiss market for the entire Phoenix Mecano Group. In 2001 he was appointed CEO and director of Phoenix Mecano Komponenten AG in Stein am Rhein.

Dr Werner Karlen (CH)
COO/Chairman of the Executive Committee
Dipl. Ing. ETH, Dr. oec. HSG, Embrach (Switzerland)
Born 1967. Graduated as dipl. Ing. ETH and Dr oec. HSG. Several years of experience as plant engineer at ABB Kraftwerk AG, as project manager at McKinsey & Co (1996–2000) and as COO at Biella-Neher AG (2000–2002). Joined Phoenix Mecano in May 2002 and has been responsible for its operational management since January 2003 as Chairman of the Executive Committee.

Maximilian Kleinle (D)
Member of the Executive Committee since 2004
Dipl. Ing. (FH), Goldau (Switzerland)
Born 1961. Graduated from college as an electrical engineer, then added an MBA. 1990-1996 Various management posts in distribution and marketing of technical products. 1997–2003 CEO of a company in precision engineering and electronics. He has been General Manager of the ELCOM/EMS division since October 2003 and a director since 2004.

From left to right:
Maximilian Kleinle
René Schäffeler
Philip J. Brown
Dr Werner Karlen
Benedikt A. Goldkamp
Dr Joachim Metzger
Ralph Gamper
Dieter B. Schaadt

Dr Joachim Metzger (D)

Member of the Executive Committee since 1992
Qualified mechanical and industrial engineer
Dr rer. pol., Rimbach (Germany)

Born 1951. Worked for several years for Arthur Andersen as an auditor and management consultant, became a Head of Division and Head of Materials Management at AMP as a member of the Executive Committee. 1989–1992 Managing Director at Rose + Krieger, 1992–1993 Managing Director at Dewert. Since 1992 he has been a director in charge of Business Development (global sourcing and opening up new markets in China, India, Southeast Asia and South America).

Dieter B. Schaadt (D)

Member of the Executive Committee since 1991
Technician, Minden (Germany)

Born 1945. Trained as a power electrician and technician. Has been at Rose Systemtechnik since 1976. There he was sales and marketing manager from 1976–1986 and has been Managing Director since 1986. Since 1991 he has been Head of the Enclosures division. Runs European subsidiaries of the Group in the UK, France, Belgium, the Netherlands, Italy and Austria.

René Schäffeler (CH)

CFO, Member of the Executive Committee since 2000
Dipl. Experte in Accounting and Controlling, Stein am Rhein (Switzerland)

Born 1966. Certified accountant/controller. Commercial training and active for several years in the banking sector. Has been at Phoenix Mecano since 1989. After serving as Controller (until 1991), Head of the Group Accounting Department (1992–1996) and Deputy Director of Finances and Controlling (1997–2000), he has been a director and CFO since 2000. In this post he is responsible for finances, group accounting, controlling and taxes.

Philip J. Brown (UK)

Member of the Executive Committee since 2007
Incorporated Engineer (IEng), MBA
Frederick (MD, USA)

Born 1961. Worked for 11 years as chief engineer in the British navy. From 1988 he occupied a variety of posts, most recently as managing director of the UK subsidiary of a global industrial controls manufacturer. He was Managing Director of Phoenix Mecano UK between 1997 and 2005 and has been President and CEO of Phoenix Mecano (USA) since 2005.

Additional fees and allowances No additional fees or allowances were owed or paid out to members of the Group's bodies or persons closely connected to them.

Loans to corporate officers No loans were made to corporate officers.

Maximum overall remuneration The maximum overall remuneration is listed in the section entitled „Remuneration of serving members of the Group's bodies" (see table on page 39).

Shareholders' participation rights

Voting rights and proxy voting One share entitles the holder to one vote at the Shareholders' General Meeting. There is no restriction on voting rights.

Shareholders may also exercise their voting rights by transferring their mandate in writing to another shareholder. Natural persons may not be legally represented by non-shareholders.

Statutory quorums 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 an equal number of votes, 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.

Convening the Shareholders' General Meeting/ Inclusion of items on the agenda The Shareholders' General Meeting (GM), the company's top body, 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 discussion of an agenda item. Pursuant to a decision taken by the GM of 7 June 2002, shareholders representing shares with a par value of CHF 100,000 may demand 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.

Entries in the register of shareholders Since Phoenix Mecano only has bearer shares, no register of shareholders is kept.

Change of control and protective measures

Offer obligation The limit for the obligation to make an offer pursuant to Article 32 of the Swiss Federal Law on Stock Exchange and Securities Trade 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.

Change of control clauses Phoenix Mecano does not have any change of control clauses. Nor have any agreements about extending contracts or redundancy packages been concluded in the event of a hostile takeover.

Auditors

Terms of mandate and term in office of the auditor in charge Pursuant to a decision by the Shareholders' General Meeting of 1 June 2007, KPMG Ltd, Zurich were appointed as auditors for the financial statements of Phoenix Mecano AG and Group auditors of the consolidated financial statements of the Phoenix Mecano Group for a period of one year. The auditor in charge is Mr Roger Neininger. KPMG AG, Zurich, were first appointed as new auditors and Group auditors by a decision of the Shareholders' General Meeting of 26 May 2006.

Instruments for supervising and monitoring the audit Phoenix Mecano has a dedicated full-time Internal Auditing department and a Board of Directors Audit Committee. The external auditors attend an Audit Committee meeting at least once a 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 audit conclusions are presented to the Board of Directors in the form of a management letter.

Auditors' fees/additional fees	2007
TEUR	
Total auditors' fees	678
Total additional fees	373
Total	**1 051**

Information policy

Phoenix Mecano's senior officers, namely the Board of Directors and management, are committed to open information and communication both within the Group and externally, believing that transparency alone creates trust. As well as attending official information events, namely:

- the balance sheet press conference
- the financial analysts' meeting
- the Shareholders' General Meeting

the company's representatives are in regular contact with media representatives, financial analysts and investors.

The dates of all events and publications, along with a contact address, can be found in the share information on page 33. Extensive information is available on the Internet at www.phoenix-mecano.com. The annual report and up-to-date media information can also be downloaded. It goes without saying that interested parties can also obtain information about other strategic, market-related or financial aspects of the Group's activities. Ad hoc disclosures are published on the following pages:

Pull-Link:www.phoenix-mecano.com/opencms/opencms/phoenix/medien/index.html
Push-Link: www.phoenix-mecano.com/opencms/opencms/phoenix/medien/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.

Group operational structure

GROUP HEAD OFFICE

Switzerland
Phoenix Mecano AG
CH-8260 Stein am Rhein

FINANCE, SERVICES AND OTHER COMPANIES

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

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

Brazil
IPES Industria de Produtos e Equipamentos de Solda Ltda.
Manaus, Brasilien
Managing director:
H. Deschoolmeester

Channel Islands
Phoenix Mecano Finance Ltd.
St. Helier
Jersey, Channel Islands
Managing director:
H. Durell

Germany
IFINA Beteiligungsgesellschaft mbH
D-50674 Köln
Managing directors:
B. A. Goldkamp, D. B. Schaadt, M. Sochor,
M. Kleinle

The Netherlands
PM International B.V.
NL-7005 AG Doetinchem
Managing director:
G. H. B. Hartmann

ENCLOSURES

D. B. Schaadt

Germany
Rose Systemtechnik GmbH
D-32457 Porta Westfalica
Managing director:
D. B. Schaadt

Bopla Gehäuse Systeme GmbH
D-32257 Bünde
Geschäftsführung:
D. Meyn

Kundisch GmbH + Co. KG
D-78056 Villingen-Schwenningen
Geschäftsführung:
H. Hartmann

ELCOM/EMS

M. Kleinle

Germany
Hartmann Codier GmbH
D-91083 Baiersdorf
Managing director:
Dr. R. Göstl

MCT Moderne Contact Technologie GmbH
D-91244 Reichenschwand
Managing directors:
Dr. R. Göstl, M. Kleinle

PTR Messtechnik GmbH + Co. KG
D-59368 Werne
Managing directors:
M. Kleinle, P. Scherer

Götz-Udo Hartmann GmbH + Co. KG
D-61279 Grävenwiesbach
Managing directors:
M. Kleinle, P. Scherer

Hartmann Elektronik GmbH
D-70499 Stuttgart (Weilimdorf)
Managing director:
Dr G. Zahnenbenz
W. Fritz

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

MECHANICAL COMPONENTS

B. A. Goldkamp

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

Dewert Antriebs- und Systemtechnik GmbH
D-32278 Kirchlengern
Managing directors:
R. Bokämper, M. Klimmek, A. Roither

Elodrive GmbH
D-32423 Minden
Managing director:
Dr. B. Buchholz

USA
Elodrive USA Inc.
Huntingdon Valley
PA 19006, USA
Managing director:
J. M. Staub

PRODUCTION COMPANIES

Czech Republic
LEONHARDY MCT s.r.o.
CZ-37701 Jindřichův Hradec
Managing director:
J. Gucková

Germany
Rose Gehäusetechnik GmbH
D-16227 Eberswalde Finow
Managing director:
L. Waltl

Hungary
Phoenix Mecano Kecskemét KFT
H-6000 Kecskemét
Managing directors:
Dr. Z. Nagy, Ch. Porde

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

Tunisia
Hartu S.à.r.l.
TN-2033 Ben Arous
Managing director:
M. Kleinle

Phoenix Mecano Hartu S.à.r.l.
TN-2013 Ben Arous
Managing director:
Dr. H. Oweinah

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

PHOENIX MECANO ELCOM S.à.r.l.
TN-1100 Djebel El Quest-Zaghouan
Managing director:
Dr. H. Oweinah

SALES COMPANIES

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

Austria
AVS-Phoenix Mecano GmbH
A-1232 Vienna
Managing director:
R. Kleinrath

Benelux
PM Komponenten B.V.
NL-7005 AG Doetinchem
Managing directors:
C. Van der Zaal, G. H. B. Hartmann

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

Brazil
Phoenix Mecano Comercial e Técnica Ltda.
São Paulo
Managing director:
H. Deschoolmeester

France
Phoenix Mecano S. à. r. l.
F-94121 Fontenay sur Bois, Cedex
Managing director:
T. Glemnitz

Great Britain
Phoenix Mecano Ltd.
GB-Aylesbury, HP 198 TX
Managing director:
D. B. Schaadt

India
Phoenix Mecano (India) Ltd.
Dist. Pune 412108
Managing director:
S. Shukla

Italy
Phoenix Mecano S. r. l.
I-20065 Inzago (Milano)
Managing director:
D. B. Schaadt

Korea (South Korea)
Phoenix Mecano Korea Co. Ltd.
Seoul 153-863
Managing director:
T. J. Ou

People's Republic of China
Mecano Components (Shanghai) Co. Ltd.
Shanghai 201802
Managing director:
K.W. Phoon

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

Shenzhen ELCOM Trading Co. Ltd.
Shenzhen
Managing director:
M. Kleinle

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:
C. Aranda-Hutchinson

Switzerland
Phoenix Mecano Komponenten AG
CH-8260 Stein am Rhein
Managing director:
R. Gamper

United Arab Emirates
Rose Systemtechnik Middle East (FZE)
125M2 Warehouse, Sharjah
Managing director:
H. Felsmann

USA
Phoenix Mecano Inc.
Frederick, Maryland 21701
Managing director:
P. Brown

Phoenix Mecano Group
Financial report 2007

INFORMATION ON THE FINANCIAL STATEMENTS

Financial report

Consolidated balance sheet as at 31 December 2007
Phoenix Mecano Group

Assets		2007	2006
TEUR	Note		
Non-current assets			
Goodwill	3	277	277
Other intangible assets	4	4 682	4 724
Tangible assets	5	89 331	87 055
Investments in associated companies	6	716	547
Other financial assets	7	89	852
Derivative financial instruments	19	664	846
Deferred tax assets	22	2 741	2 712
Total non-current assets		**98 500**	**97 013**
Current assets			
Inventories	8	86 059	78 111
Trade receivables	9	48 474	44 156
Derivative financial instruments	19	1 000	1 239
Income tax receivables		1 070	1 614
Other receivables	10	4 533	5 249
Current securities	11	2 566	7 948
Cash and cash equivalents	12	42 381	24 677
Deferred charges and prepaid expenses		852	831
Assets held for sale	13	2 208	2 886
Total current assets		**189 143**	**166 711**
Total assets		**287 643**	**263 724**

Equity and liabilities		2007	2006
TEUR	Note		
Equity Share capital	14	665	665
Own shares	15	– 10 252	– 652
Retained earnings		191 515	165 576
Profits/losses from IAS 39		851	1 751
Translation differences		– 719	– 641
Equity attributable to shareholders of the parent company		**182 060**	**166 699**
Minority interests	16	455	243
Total equity		**182 515**	**166 942**
Liabilities Liabilities from financial leasing	17	227	53
Other long-term financial liabilities	18	25 386	21 799
Long-term provisions	20, 21	7 576	7 201
Deferred tax liabilities	22	4 770	8 762
Long-term liabilities		**37 959**	**37 815**
Trade payables	23	12 887	13 803
Short-term financial liabilities	24	21 996	21 698
Derivative financial instruments	19	134	136
Short-term provisions	20, 21	7 855	6 249
Income tax liabilities		9 886	4 471
Other liabilities	25	10 834	8 924
Deferred income		801	322
Liabilities directly attributable to assets held for sale	13	2 776	3 364
Short-term liabilities		**67 169**	**58 967**
Total liabilities		**105 128**	**96 782**
Total equity and liabilities		**287 643**	**263 724**

Consolidated statement of income 2007

TEUR	Note	2007	2006
Continued operations			
Gross sales	32	389 382	346 506
Revenue reductions		– 4 243	– 3 621
Net sales		**385 139**	**342 885**
Changes in inventories		– 70	1 246
Own work capitalised		1 245	1 555
Other operating income	33	4 215	1 506
Total operating performance		**390 529**	**347 192**
Cost of materials	34	– 167 501	– 142 206
Personnel expenses	35	– 112 231	– 104 121
Amortisation of intangible assets	36	– 1 763	– 2 189
Depreciation on tangible assets	37	– 14 559	– 13 744
Other operating expenses	38	– 55 675	– 49 122
Operating expenses		**– 351 729**	**– 311 382**
Result before interest and tax (operating result)		**38 800**	**35 810**
Result from associated companies		169	134
Financial income	39	3 470	5 350
Financial expenses	40	– 5 414	– 10 087
Financial result		– 1 775	– 4 603
Result before tax		**37 025**	**31 207**
Income tax	41	– 7 080	– 4 258
Result of the period from continued operations		**29 945**	**26 949**
Discontinued operations			
Result of the period from discontinued operations	42	**13**	**855**
Result of the period		**29 958**	**27 804**
of which			
Shareholders in the parent company		29 752	27 722
Minority shareholders		206	82
Earnings per share			
From continued and discontinued operations			
Earnings per share – undiluted (in EUR)	43	28.06	25.97
Earnings per share – diluted (in EUR)	43	28.06	25.97
From continued operations			
Earnings per share – undiluted (in EUR)	43	28.05	25.17
Earnings per share – diluted (in EUR)	43	28.05	25.17

Consolidated statement of cash flow 2007

TEUR	Note	2007	2006
Continued and discontinued operations			
Result before tax continued operations		37 025	31 207
Result before tax discontinued operations	42	13	914
Result before tax		**37 038**	**32 121**
Amortisation of intangible assets	4	1 763	2 189
Depreciation on tangible assets	5	14 559	13 744
Losses/(gains) from the disposal of intangible and tangible assets	33, 38	–509	–179
Gains from the disposal of assets discontinued operations	42	0	–1 147
Impairment losses/(reversal of impairment losses) on intangible and tangible assets	4, 5	1 386	3 222
Losses and value adjustments on inventories	8	3 132	1 066
Result from associated companies		–169	–134
Other non-cash expenses/(income)		–45	4 248
(Decrease)/increase in long-term provisions		128	430
Interest paid		–2 191	–4 053
Income tax paid		–5 290	–5 892
Operating cash flow before changes in working capital		**49 802**	**45 615**
(Increase)/decrease in inventories		–9 427	–16 873
(Increase)/decrease in trade receivables		–3 178	4 875
(Increase)/decrease in other receivables, deferred charges and prepaid expenses		843	–513
(Decrease)/increase in trade payables		–2 484	–4 205
(Decrease)/increase in short-term provisions		524	–1 418
(Decrease)/increase in other liabilities and deferred income		2 727	–2 024
Cash flow from operating activities		**38 807**	**25 457**
Capital expenditure			
Tangible assets	5	–16 338	–19 371
Intangible assets	4	–1 954	–2 447
Financial assets		–8	–1 993
Current securities		0	–1 019
Acquisition of Group companies	46	–1 116	0
Disinvestments			
Tangible assets		796	8 147
Intangible assets		336	447
Financial assets		1 112	0
Current securities		5 331	18 737
Interest received		1 372	1 961
Dividends received		0	35
Cash used in investing activities		**–10 439**	**4 497**
Dividends paid (including minority interest)		–3 915	–2 735
Capital increase		18	0
(Purchase)/sale of own shares		–9 524	–1 360
Repayment of bonds		0	–63 600
Issue of financial liabilities		20 354	32 706
Repayment of financial liabilities		–17 489	–5 035
Cash flow from financing activities		**–10 556**	**–40 024**
Translation differences in cash and cash equivalents		–108	–307
Change in cash and cash equivalents		**17 704**	**–10 377**
Cash and cash equivalents as at 1 January	12	24 677	35 054
Cash and cash equivalents as at 31 December	12	42 381	24 677
Change in cash and cash equivalents		**17 704**	**–10 377**

Consolidated Statement of changes in equity

TEUR	Note	Share capital	Own shares
Equity as at 31 December 2005		**684**	**– 5 384**
Fluctuations in fair value of financial assets			
Realised results of financial assets			
Fluctuations in fair value of cash flow hedges			
Realised results of cash flow hedges			
Deferred taxes not affecting net income			
Translation differences			
Income and expenses directly recognised in equity		**0**	**0**
Result of the period			
Total of all recognised income and expenses for the period		**0**	**0**
Capital decrease	14	– 19	
Change in own shares	15		4 732
Dividends paid			
Equity as at 31 December 2006		**665**	**– 652**
Fluctuations in fair value of financial assets			
Realised results of financial assets			
Fluctuations in fair value of cash flow hedges			
Realised results of cash flow hedges			
Deferred taxes not affecting income			
Translation differences			
Income and expenses directly recognised in equity		**0**	**0**
Result of the period			
Total of all recognised income and expenses for the period		**0**	**0**
Capital decrease			
Change in own shares	15		– 9 600
Dividends paid			
Equity as at 31 December 2007		**665**	**– 10 252**

Retained earnings	Profits/(losses) from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total equity
146 644	**1 764**	**– 2 984**	**140 724**	**183**	**140 907**
	139		139		139
	– 587		– 587		– 587
	– 116		– 116		– 116
	725		725		725
	– 174		– 174		– 174
		2 343	2 343	– 4	2 339
0	**– 13**	**2 343**	**2 330**	**– 4**	**2 326**
27 722			**27 722**	**82**	**– 27 804**
27 722	**– 13**	**2 343**	**30 052**	**78**	**30 130**
– 6 340			– 6 359		– 6 359
267			4 999		4 999
– 2 717			– 2 717	– 18	– 2 735
165 576	**1 751**	**-641**	**166 699**	**243**	**166 942**
	– 11		– 11		– 11
	– 205		– 205		– 205
	– 2 370		– 2 370		– 2 370
	1 528		1 528		1 528
	158		158		158
		– 78	– 78	13	– 65
0	**– 900**	**– 78**	**– 978**	**13**	**– 965**
29 752			**29 752**	**206**	**29 958**
29 752	**– 900**	**– 78**	**28 774**	**219**	**28 993**
			0	18	18
77			– 9 523		– 9 523
– 3 890			– 3 890	– 25	– 3 915
191 515	**851**	**– 719**	**182 060**	**455**	**182 515**

Segment information 2007

	Enclosures		ELCOM/EMS	
By division	**2007**	**2006**	**2007**	**2006**
TEUR				
Gross sales to third parties	**155 619**	**139 597**	**82 357**	**70 403**
Gross sales between divisions	502	615	4 988	5 676
Depreciation on intangible and tangible assets included in the result before interest and tax	–4	–59	–301	–250
Amortisation of intangible assets and depreciation on tangible assets	–5 861	–5 789	–4 523	–4 215
Result before interest and tax continued operations	**31 986**	**27 038**	**9 073**	**7 300**
Financial result				
Result before tax				
Income tax				
Result of the period continued operations				
Investments in intangible and tangible assets continued operations	**7 794**	**6 855**	**3 856**	**4 346**
Operating assets continued operations	78 455	73 014	55 555	51 827
Assets held for sale [1]				
Cash and cash equivalents				
Other assets				
Total assets				
Operating liabilities continued operations	14 752	13 924	7 778	8 249
Liabilities directly associated with discontinued operations[1]				
Financial and other debts				
Total liabilities				
Net operating assets continued operations	**63 703**	**59 090**	**47 777**	**43 578**

	Europe		Rest of world		Total	
By region	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
TEUR						
Gross sales continued operations	326 756	288 657	62 626	57 849	389 382	346 506
Gross sales discontinued operations[1]	0	4 875	0	114	0	4 989
Operating assets continued operations	194 822	182 247	38 068	36 248	232 890	218 495
Investment in intangible and tangible assets continued operations	15 304	18 923	2 988	2 895	18 292	21 818

[1] Refers to the discontinued OMP product area (see notes 13 and 42).

Mechanical Components		Other/Elimination		Total continued operations	
2007	**2006**	**2007**	**2006**	**2007**	**2006**
150 406	**135 593**	**1 000**	**913**	**389 382**	**346 506**
22	20	–5 512	–6 311	0	0
–1 192	–1 653			–1 497	–1 962
–5 688	–5 685	–250	–244	–16 322	–15 933
958	**4 407**	**–3 217**	**–2 935**	**38 800**	**35 810**
				–1 775	–4 603
				37 025	**31 207**
				–7 080	–4 258
				29 945	**26 949**
6 570	**10 428**	**72**	**189**	**18 292**	**21 818**
98 039	92 544	841	1 110	232 890	218 495
				2 208	2 886
				42 381	24 677
				10 164	17 666
				287 643	**263 724**
13 780	12 295	3 500	1 855	39 810	36 323
				2 776	3 364
				62 542	57 095
				105 128	**96 782**
84 259	**80 249**	**–2 659**	**–745**	**193 080**	**182 172**

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 beds. It is the 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 the Swiss exchange (SWX) 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 2007, 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, receivables and liabilities from derivative financial instruments and liabilities hedged by fair value hedges are valued at fair value. In addition, assets held for sale (intangible assets, tangible assets) are valued at fair value, 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 nine IFRS rules were applied for the first time on 1 January 2007:

IFRS 7 (Financial Instruments: Disclosures) and application of IAS 1 (Presentation of Financial Statements) Application for the first time of these two revised IFRS/IAS standards only affected the presentation and extent of the notes; it had no impact on accounting or valuation.

Further adjustments The application of IFRIC interpretations had no major impact on the 2007 consolidated 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.

Standard / Interpretation			Entry into force	Planned implementation by Phoenix Mecano
IFRIC 11 IFRS 2	Group and Treasury Share Transactions	1	1 March 2007	Financial year 2008
IFRIC 12	Service Concession Arrangements	1	1 January 2008	Financial year 2008
IFRIC 14 IAS 19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	3	1 January 2008	Financial year 2008
IFRIC 13	Customer Loyalty Programmes	1	1 July 2008	Financial year 2009
IAS 1 revised	Presentation of Financial Statements	2	1 January 2009	Financial year 2009
IAS 23 revised	Borrowing Costs	1	1 January 2009	Financial year 2009
IFRS 8	Operating Segments	2	1 January 2009	Financial year 2009
IFRS 3 revised	Business Combinations	3	1 July 2009	Financial year 2010
IAS 27 amended	Consolidated and Separate Financial Statements after IFRS	3	1 July 2009	Financial year 2010

[1] No or negligible impact expected on Phoenix Mecano's consolidated financial statements.
[2] Main impact expected to be additional disclosures in Phoenix Mecano's consolidated financial statements.
[3] Impact on Phoenix Mecano's consolidated financial statements 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' means exercising a decisive influence on financial and operational activity with a view to deriving corresponding benefit. This is the case where Phoenix Mecano AG directly or indirectly holds over 50 % of the voting rights in a company or where its management of the company is contractually guaranteed or exercised in practice.

The integrated 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. This means that these interests are shown in the balance sheet as a proportion of equity and the proportional annual results are shown in the statement of income.

Capital consolidation

Capital consolidation is based on the Anglo-American purchase method. The assets and liabilities of a company to be included in the consolidation for the first time are valued at fair value. The difference between the acquisition price and the fair value of the equity capital – including contingent liabilities – of the company acquired, determined according to these accounting policies, is capitalised as goodwill. Should the goodwill be negative, it is reported directly in the statement of income.

Currency conversion

Owing to the great importance of the Euro to the Group – most 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 financial statements 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 a separate item. The statement of cash flow is converted at the average exchange rate.

Intercompany profits

Intercompany profits on inventories and fixed 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 primarily by division and secondarily by region (Europe and Rest of World).

The Phoenix Mecano Group is divided into three divisions:

- **Enclosures** (enclosures made of aluminium, plastic and glass-fibre reinforced polyester, as well as machine control boards and suspension systems for protecting electronics in an array of industrial applications)
- **ELCOM/EMS** (coding switches, inductive components, plug connectors, backplanes, circuit board equipment and the development of complete subsystems)
- **Mechanical Components** (aluminium profile assembly systems, linear positioner systems, industrial terminals and linear drives for machine construction and electrically adjustable furniture for the home and hospital care sector)

These form the basis for the primary format of the segment reporting. In addition, individual business areas that are not allocated directly to the above three divisions are included under Other, as are central management and financial functions.

Sales between individual divisions are invoiced on arms-length terms.

The result is allocated to the individual divisions to the level of the result before interest and tax. Operating assets include intangible assets, tangible assets, inventories, trade receivables, other receivables (minus financial and interest receivables) and deferred charges and prepaid expenses of the respective business division. Operating liabilities include provisions, trade liabilities, other liabilities (minus interest liabilities) and deferred income per business division. The remaining asset and liability items are recorded at Group level (under Cash and cash equivalents, Other assets or Financial and other liabilities).

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. Devaluation losses occurring as a result are reported in income under Other operational expenses. Appreciation is not included.

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 (without factoring in financing costs) 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 Other intangible assets are valued at acquisition cost less cumulative depreciation and, where appropriate, additional devaluation losses resulting from impairment. The depreciation is performed on a straight-line basis over the estimated useful life of the asset, which must not exceed eight years, in accordance with standard Group practice.

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

Tangible assets

Tangible assets are stated in the balance sheet at acquisition or manufacturing cost, less cumulative depreciation and where appropriate less additional devaluation losses resulting from impairment. The straight-line method of depreciation is applied over the depreciation periods specified in the useful life catalogues used by the whole Group. Where components of larger assets have different useful lives, these are written off as separate items.

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	unlimited
Buildings	35 years
Outside facilities and building installations	10–15 years
Machinery and equipment	4–9 years

The manufacturing costs of internally produced fixed assets contain no financing costs.

Leased assets

As a rule, lease contracts are only included in the balance sheet as financial lease contracts if the risks and opportunities associated with ownership belong largely to the Group company when the contract is concluded. They are valued at the cash 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 written off 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.

Devaluation losses (impairment)

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

Impairments are cancelled (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.

Investments in associated companies

Investments shown under this item are valued in accordance with the criteria set out above in the section 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 without affecting operating income and only transferred to the statement of income in the event of sale (treated as financial assets held for sale in accordance with IAS 39). If the fair value cannot be reliably determined, the evaluation is done 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 realised. Such reductions in value are not cancelled.

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 realisable net 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, but no financing costs. Appropriate value adjustments are made for risks of inventory obsolescence 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 eliminated, provided that the companies are consolidated.

Current securities

Securities are valued 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 equity and only included in the statement of income when the security in question is sold (treated as financial assets held for sale 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 cancelled. Accumulated interest on bonds is deferred.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, in bank and in postal accounts, together with cheques. They also include fixed deposits with an agreed term not exceeding three months.

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 written off.

Financial liabilities

Upon initial recognition, financial liabilities are recorded at fair value less transaction costs. In subsequent periods they are valued at amortised costs, which are usually a reasonable approximation of the fair values. 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.

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 covered if, on the balance sheet date, a corresponding restructuring plan has been worked out and its implementation can be expected.

Employee benefits

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.

The obligations associated with defined benefit pension plans are assessed annually for each plan by calculating the cash value of the expected claims using the projected unit credit method and then subtracting the market value of the plan assets. The discount rate is based on the interest rate for top-quality corporate bonds with similar durations to the obligations. The obligation is calculated annually by independent insurance experts.

Pension costs linked to service during the reporting period are reported in income. The increase in pension costs for past service resulting from new or improved pension benefits is recorded on a straight-line basis under staff pension expenses until entitlement can be claimed. If there is immediate entitlement, these costs are reported in income immediately.

Actuarial gains and losses resulting from periodic recalculations are reported in income on a straight-line basis over the average remaining working life, provided they exceed 10 % of the greater of the plan assets and pension obligation.

Surplus cover is only capitalised if actually available to the Group in the form of future contribution repayments or reductions.

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

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 reported in income in the period in which they occur.

Employee participation plans There are no employee participation plans.

Trade payables and other liabilities

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

Equity

Own shares are deducted from equity and posted as a separate item within equity. Gains and losses on own 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 valued at fair value in accordance with IAS 39 and are stated 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 (however, such instruments are not currently used). Book gains and losses from derivative financial instruments are dealt with as described below.

Hedging transactions which meet the requirements of IAS 39 regarding hedge accounting are governed by the relevant provisions set out in that standard. In the case of a fair value hedge, i.e. the hedging of an existing underlying transaction, the changes in market value from both the underlying transaction and the hedging transaction are recognised in the financial result as income/expense and the underlying hedged transaction is valued at fair value. In the case of a cash flow hedge, i.e. the hedging of future cash flows, the change in market value from the hedging transaction is shown in equity without affecting net income. As soon as the hedged transaction has taken place, the cumulative gains and losses are carried over into the statement of income. As part of its risk policy, the Group also 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.

Realisation of income

Sales are realised upon service delivery and transfer of ownership or risk to the customer. Interest income is limited to the correct accounting period. 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 passively limited 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. They are reflected in the statement of income, with the exception of income taxes on transactions reported directly in equity. In such cases, the corresponding income taxes are also recognised in equity.

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 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 are only capitalised if their realisation seems likely. Lasting positive results must be achieved for this, which are used for calculations in the foreseeable future. If there are taxable temporary differences and offsettable tax losses carried forward at the same company, the two amounts may be 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 planned.

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 per 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 and tangible assets These are tested for impairment annually. The anticipated cash flow generated by the use or disposal of the assets in question is estimated in order to ascertain whether impairment applies. Especially where company property is concerned, impairment is linked to unfavourable locations, product-specific manufacturing plants and tools and capitalised development services associated with a wide range of uncertainties. 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, since otherwise they are no longer suitable for soldering. 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.

Assets held for sale When discontinuing business operations, extensive estimations have to be made as regards both the assessment of corresponding assets and the discontinuation of necessary provisions. Appraisal reports are commissioned from third parties to assess important assets. For the book values of assets held for sale, see note 13.

Provisions Guarantee provisions are calculated based on estimates of potential future guarantees and on past experience. There is a higher guarantee risk for products of Dewert Antriebs- und Systemtechnik GmbH (D), which is active in the healthcare and hospital field. Individual Group companies are exposed to litigation. On the basis of current 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 20.

Pension obligations Pension obligations from defined benefit plans 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 21.

Gross sales The deferral of sales revenue requires an assessment regarding the time when the main risks and benefits were transferred to the customer.

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

Clarification of the Group accounts 2007

1 Currency exchange rates

	Balance sheet		Statements of income and cash flow	
	2007	2006	2007	2006
EUR for				
1 CHF	0.604	0.621	0.609	0.636
1 GBP	1.361	1.484	1.462	1.467
1 USD	0.686	0.758	0.731	0.797
100 HUF	0.396	0.398	0.398	0.379
1 RON	0.280	0.296	0.301	0.285
1 TND	0.563	0.591	0.578	0.605
1 SGD	0.477	0.494	0.485	0.502
1 CNY	0.094	0.097	0.096	0.100
1 BRL	0.386	0.355	0.376	0.367
1 INR	0.017	0.017	0.018	0.018
1 AUD	0.601	0.598	0.612	0.600

2 Scope of consolidation

2007 As of 1 January 2007, the Phoenix Mecano Group has acquired 100 % of the shares of the MCT Group (formerly known as the Leonhardy Group) comprising the companies MCT Moderne Contact-Technologie GmbH (D), MCT Beteiligungs-GmbH (D) and Leonhardy-MCT s.r.l. (CZ). MCT has been incorporated into the ELCOM/EMS division and fully consolidated in the 2007 consolidated financial statements. Phoenix Mecano Electronic GmbH (D) was amalgamated with IFINA Beteiligungsgesellschaft mbH (D) in August 2007, while in December 2007 the liquidation of Compact S.R.L. (I) was completed without affecting the statement of income in the 2007 consolidated financial statements. The sales company Rose Systemtechnik Middle East FZE was founded and included in the scope of consolidation in March 2007. Another production company in Tunisia – Phoenix Mecano Hartu S.à.r.l. – was established in October 2007.

2006 Phoenix Mecano ELCOM S.à.r.l. with head office in Djebel El Ouest, Tunisia, was founded in June 2006, and Shenzhen ELCOM Trading Co. Ltd. in China in August 2006. Both companies operate for the ELCOM/EMS division and have been fully consolidated since 2006. The liquidation of PTR France S.à.r.l. was completed in April 2006 without affecting the statement of income in the 2006 consolidated financial statements. The following companies were fully consolidated as at 31 December 2007:

Scope of consolidation

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake %
Phoenix Mecano AG	Stein am Rhein, Switzerland	Finance	CHF	1 070	n/a
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100
Phoenix Mecano Beteiligungen AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Elodrive AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production/Sales	CHF	2 000	100
Rose Systemtechnik GmbH	Porta Westfalica, Germany	Production/Sales	EUR	1 053	100
Bopla Gehäuse Systeme GmbH	Bünde, Germany	Production/Sales	EUR	750	100
Kundisch GmbH + Co. KG	Villingen-Schwenningen, Germany	Production/Sales	EUR	300	100
Rose Gehäusetechnik GmbH	Eberswalde Finow, Germany	Production	EUR	300	100
Hartmann Codier GmbH	Baiersdorf, Germany	Production/Sales	EUR	300	100
MCT Moderne Contact Technologie GmbH	Reichenschwand, Germany	Production/Sales	EUR	800	100

Scope of consolidation (continued)

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake %
PTR Messtechnik GmbH + Co. KG	Werne, Germany	Production/Sales	EUR	300	100
Götz Udo Hartmann GmbH + Co. KG	Grävenwiesbach, Germany	Production/Sales	EUR	300	100
RK Rose + Krieger GmbH	Minden, Germany	Production/Sales	EUR	496	100
Elodrive GmbH	Minden, Germany	Production/Sales	EUR	26	100
Dewert Antriebs- und Systemtechnik GmbH	Kirchlengern, Germany	Production/Sales	EUR	1 000	100
Hartmann Elektronik GmbH	Stuttgart, Germany	Production/Sales	EUR	222	100
Phoenix Mecano Digital Elektronik GmbH	Wutha-Farnroda, Germany	Production/Sales	EUR	350	100
IFINA Beteiligungsgesellschaft mbH	Köln, Germany	Finance	EUR	4 000	100
AKOM Agentur für Marketing GmbH	Porta Westfalica, Germany	Finance	EUR	26	100
Götz Udo Hartmann GmbH	Grävenwiesbach, Germany	Finance	EUR	26	100
Hartmann Codier Verwaltungs-GmbH	Baiersdorf, Germany	Finance	EUR	26	100
Kundisch Verwaltungs-GmbH	Villingen-Schwenningen, Germany	Finance	EUR	26	100
PTR Messtechnik Verwaltungs-GmbH	Werne, Germany	Finance	EUR	26	100
MCT Beteiligungs-GmbH	Porta Westfalica, Germany	Finance	EUR	200	100
Phoenix Mecano S.à.r.l.	Fontenay s/Bois, France	Sales	EUR	620	100
Phoenix Mecano Ltd.	Aylesbury, UK	Sales	GBP	300	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands	Finance	USD	1 969	100
Phoenix Mecano S.r.l.	Inzago, Milano, Italy	Sales	EUR	300	100
OMP Officina Meccanica di Precisione S.r.l. in Liquidation	Proserpio, Italy	Production/Sales	EUR	5 000	100
Sistemas Phoenix Mecano Espana S.A.	Zaragoza, Spain	Sales	EUR	60	90
PM Komponenten B.V.	Doetinchem, The Netherlands	Sales	EUR	20	100
PM International B.V.	Doetinchem, The Netherlands	Finance	EUR	4 500	100
PM Komponenten N.V.	Deinze, Belgium	Sales	EUR	100	100
Phoenix Mecano Kecskemét KFT	Kecskemét, Hungary	Production/Sales	EUR	2 560	100
Phoenix Mecano Plastic S.r.l.	Şibiu, Romania	Production	EUR	750	100
Leonhardy-MCT s.r.l.	Jindrichuv Hradec, Czech Republic	Production	CZK	1 000	100
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
Elodrive USA Inc.	Feasterville, PA, USA	Sales	USD	85	100
Phoenix Mecano Comercial e Tecnica Ltda.	Sao Paolo, Brazil	Sales	BRL	5 192	100
IPES Industria de Produtos e Equipamentos de Solda Ltda.	Manaus, Brazil	Production/Sales	BRL	3 922	100
Phoenix Mecano S.E. Asia Pte. Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano Korea Co., Ltd.	Seoul, South Korea	Sales	KRW	50 000	100
Phoenix Mecano (India) Ltd.	Mumbai, India	Production/Sales	INR	163 955	98
Mecano Components (Shanghai) Co. Ltd.	Shanghai, China	Production/Sales	CNY	14 722	100
Phoenix Mecano Components Shanghai Co. Ltd.	Shanghai, China	Sales	CNY	2 822	100
Shenzhen ELCOM Trading Co. Ltd.	Shenzhen, China	Purchase/Sales	CNY	500	100
Rose Systemtechnik Middle East FZE	Sharjah, UAE	Sales	AED	150	100
Phoenix Mecano Australia Pty Ltd.	Tullamarine Victoria, Australia	Sales	AUD	150	70
Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano Tunisie S.à.r.l.	Borj-Cedria, Tunisia	Production	TND	100	100
Phoenix Mecano ELCOM S.à.r.l.	Djebel El Ouest, Tunisia	Production	TND	500	100

3 Goodwill

The goodwill of EUR 0.3 million (previous year EUR 0.3 million) relates to the Enclosures division. The recoverability of this goodwill was tested using a five-year plan for the relevant cash flow-generating entity. A pre-tax discount rate (WAAC) of 10 % was applied to determine the cash value (utility value). Zero growth was assumed after the projection period. The recoverability was also tested using sensitivity analyses.

4 Other intangible assets

TEUR	Note	Development costs	Concessions, licences, similar rights and assets	Advance payments and development costs in progress	Total
Acquisition costs 31 December 2005		**16 002**	**17 145**	**626**	**33 773**
Changes in scope of consolidation					0
Translation differences		– 6	– 35	– 27	– 68
Acquisitions		638	679	1 130	2 447
Disposals		– 987	– 1 692		– 2 679
Reclassification		366	0	– 366	0
Acquisition costs 31 December 2006		**16 013**	**16 097**	**1 363**	**33 473**
Cumulative amortisation 31 December 2005		**12 950**	**15 160**	**42**	**28 152**
Changes in scope of consolidation					0
Translation differences		– 7	– 23		– 30
Scheduled amortisation	36	1 278	911		2 189
Impairment losses	38	1 115	2		1 117
Appreciations					0
Disposals		– 987	– 1 692		– 2 679
Reclassification		42		– 42	0
Cumulative amortisation 31 December 2006		**14 391**	**14 358**	**0**	**28 749**
Net values 31 December 2006		**1 622**	**1 739**	**1 363**	**4 724**
Acquisition costs 31 December 2006		**16 013**	**16 097**	**1 363**	**33 473**
Changes in scope of consolidation			342		342
Translation differences		– 1	– 52	– 54	– 107
Acquisitions		441	743	770	1954
Disposals			– 581		– 581
Reclassification		145	660	– 805	0
Acquisition costs 31 December 2007		**16 598**	**17 209**	**1 274**	**35 081**

4 Other intangible assets (continued)

TEUR	Note	Development costs	Concessions, licences, similar rights and assets	Advance payments and development costs in progress	Total
Acquisition costs 31 December 2007		**16 598**	**17 209**	**1 274**	**35 081**
Cumulative amortisation 31 December 2006		**14 391**	**14 358**	**0**	**28 749**
Changes in scope of consolidation			197		197
Translation differences		1	– 48		– 47
Scheduled amortisation	36	747	1 016		1 763
Impairment losses	38	164	56		220
Appreciations					0
Disposals		– 1	– 482		– 483
Reclassification					0
Cumulative amortisation 31 December 2007		**15 302**	**15 097**	**0**	**30 399**
Net values 31 December 2007		**1 296**	**2 112**	**1 274**	**4 682**

Concessions, licences, similar rights and assets includes primarily software licences and distribution rights and patents and other intangible rights and assets paid for.

No other intangible assets were subject to reservation of title as at the balance sheet date (previous year EUR 0.1 million).

Depreciation per capital asset of intangible assets, mainly for development projects, was performed within the framework of the annual impairment tests, since these projects did not develop as originally planned. The five-year plans for the relevant cash flow-generating entity were used as a basis. A pre-tax discount rate (WAAC) of 10 % was applied to determine the cash value (utility value). Zero or moderate growth rates were assumed after the projection period. The breakdown by division of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on intangible assets of EUR 0.2 million (previous year EUR 1.1 million) are included under Other operating expenses (see note 38).

5 Tangible assets

TEUR	Note	Land and buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition costs 31 December 2005		**76 843**	**152 857**	**2 539**	**232 239**
Changes in scope of consolidation					0
Translation differences		– 920	– 825	– 8	– 1 753
Acquisitions		5 205	11 550	2 616	19 371
Disposals		– 376	– 5 707	– 4	– 6 087
Reclassification		924	1 791	– 2 715	0
Acquisition costs 31 December 2006		**81 676**	**159 666**	**2 428**	**243 770**
Cumulative depreciation 31 December 2005		**29 999**	**118 892**	**21**	**148 912**
Changes in scope of consolidation					0
Translation differences		– 315	– 649		– 964
Scheduled depreciation	37	2 222	11 522		13 744
Impairment losses	38	146	699		845
Appreciations					0
Disposals		– 376	– 5 446		– 5 822
Reclassification		19	– 19		0
Cumulative depreciation 31 December 2006		**31 695**	**124 999**	**21**	**156 715**
Net values 31 December 2006		**49 981**	**34 667**	**2 407**	**87 055**
Acquisition costs 31 December 2006		**81 676**	**159 666**	**2 428**	**243 770**
Changes in scope of consolidation		2 666	2 625	344	5 635
Translation differences		– 613	– 634	– 9	– 1 256
Acquisitions		1 946	12 242	2 150	16 338
Disposals		– 1 306	– 8 131	– 25	– 9 462
Reclassification		635	2 102	– 2 737	0
Acquisition costs 31 December 2007		**85 004**	**167 870**	**2 151**	**255 025**
Cumulative depreciation 31 December 2006		**31 695**	**124 999**	**21**	**156 715**
Changes in scope of consolidation		991	1 961		2 952
Translation differences		– 260	– 512		– 772
Scheduled depreciation	37	2 390	12 169		14 559
Impairment losses	38		1 277		1 277
Appreciations	33	– 108	– 3		– 111
Disposals		– 1 120	– 7 806		– 8 926
Reclassification					0
Cumulative depreciation 31 December 2007		**33 588**	**132 085**	**21**	**165 694**
Net values 31 December 2007		**51 416**	**35 785**	**2 130**	**89 331**

Land and buildings are divided into developed and undeveloped land with a book value of EUR 8.4 million (previous year EUR 7.3 million) and factory and administration buildings with a balance sheet value of EUR 43.0 million (previous year EUR 42.7 million).

The balance sheet value of capitalised leased financial assets (machinery) was EUR 0.2 million, compared with EUR 0.05 million the previous year.

The fire insurance value of the tangible assets amounted to EUR 208.7 million on the balance sheet date compared to EUR 197.6 million the previous year (not including fire insurance value of assets held for sale).

Land and buildings with a book value of EUR 13.7 million (previous year EUR 6.7 million) were mortgaged to cover debts, not including property posted on the balance sheet under Assets held for sale (see note 13). The amount of the corresponding credit taken up totalled EUR 4.5 million (previous year EUR 3.9 million). Non-current assets to a balance sheet value of EUR 0.3 million (previous year EUR 0.7 million) were subject to reservation of title on the balance sheet date.

Depreciation per capital asset or per group of capital assets, mainly for automatic manufacturing equipment, machinery and tools, was performed within the framework of the annual impairment tests. It was caused primarily by a reduction in the use of production equipment due to changing customer needs. The five-year plans for the corresponding cash-generating entities (product areas and product lines) were used as a basis. A pre-tax discount rate (WAAC) of 10 % was applied to determine the cash value (utility value). Zero or moderate growth rates were assumed after the projection period.

A devaluation of the estimated fair value was carried out for the discontinued operations, where the fair value was lower than the book value.

The breakdown by division of impairment losses and reversal of impairment losses is clear from the segment information provided. In the statement of income, the impairment losses are presented as follows:

TEUR	Note	2007	2006
Impairment losses on tangible assets included in the item			
Other operating expenses	38	1 277	845
Result of the period from discontinued operations	42	0	1 260
Total		**1 277**	**2 105**
Reversal of impairment losses on tangible assets included in the item			
Other operating income	33	111	0
Total		111	0

6 Investments in associated companies

TEUR	Investment %	2007	2006
Investments in associated companies AVS-Phoenix Mecano GmbH, Vienna (A)	50	716	547
Balance sheet value		**716**	**547**
Financial figures AVS-Phoenix Mecano GmbH Non-current assets		6	9
Current assets		1 783	1 474
Liabilities		358	389
Income		5 209	4 498
Expenses		4 872	4 229

Phoenix Mecano products are sold in Austria through the joint venture AVS-Phoenix Mecano GmbH (A). Purchases of goods by Group companies totalled EUR 3.6 million (previous year EUR 3.1 million).

7 Other financial assets

		2007	2006
TEUR	Note		
Loans		1 309	2 416
Current portion of long-term financial assets	10	– 299	– 648
Value adjustments		– 921	– 916
Balance sheet value		**89**	**852**
By currency EUR		89	852
Balance sheet value		**89**	**852**
By maturities in 2 years		63	782
in 3 years		13	42
in 4 years		0	13
after 5 years		13	15
Balance sheet value		**89**	**852**
		2007	**2006**
Interest rates in %			
EUR		**5.0**	4.3

The loans are fixed rate.

		2007	2006
TEUR	Note		
Update of value adjustment on other financial assets			
As at 1 January		**916**	**0**
Formation	40	5	916
As at 31 December		**921**	**916**

8 Inventories

	2007	2006
TEUR		
Raw and ancillary materials	58 782	52 222
Work in progress	5 254	4 206
Finished goods and merchandise for resale	30 140	27 386
Advance payments	460	488
Value adjustments	– 8 577	– 6 191
Balance sheet value	**86 059**	**78 111**

Value adjustments were determined based on marketability and range of the stocks. Value adjustments and losses on inventories totalling EUR 3.1 million (previous year EUR 1.1 million) are included in the statement of income under Other operating expenses (see note 38).

No stocks had liens on them as at 31 December 2007 and 2006.

9 Trade receivables

	2007	2006
TEUR		
Trade receivables	50 641	46 261
Receivables due from associated companies	68	76
Value adjustments	– 2 235	– 2 181
Balance sheet value	**48 474**	**44 156**

	2007	2006
TEUR		
By currency CHF	1 444	1 668
EUR	37 339	33 448
USD	3 317	3 158
Other currencies	6 374	5 882
Balance sheet value	**48 474**	**44 156**

	2007	2006
TEUR		
Regional breakdown Europe	40 221	37 040
Rest of world	8 253	7 116
Balance sheet value	**48 474**	**44 156**

	2007	2006
TEUR		
Update of value adjustment		
Individual value adjustments		
As at 1 January	**1 618**	**2 074**
Change	– 322	– 456
As at 31 December	**1 296**	**1 618**
Flat value adjustments		
As at 1 January	**563**	**281**
Change	376	282
As at 31 December	**939**	**563**
Total	**2 235**	**2 181**

Age analysis of trade receivables not subject to individual value adjustments:

	2007		2006	
TEUR	Gross	Value adjust-ment	Gross	Value adjust-ment
Gross values	50 709		46 337	
Gross value of receivables subject to individual value adjustments	**– 1 587**		**– 1 979**	
Total	**49 122**		**44 358**	
of which:				
Not due	37 103	0	31 536	0
Overdue 1–30 days	7 738	0	9 531	0
Overdue 31–60 days	1 861	0	1 847	0
Overdue 61–90 days	819	0	682	0
Overdue 91–180 days	850	203	290	113
Overdue for more than 180 days	751	736	472	450
Total	**49 122**	**939**	**44 358**	**563**

The increase in receivables is due primarily to sales growth. The average payment term for trade receivables was 53 days (previous year 53 days). The individual value-adjusted receivables relate mainly to debtors who are involved in bankruptcy proceedings or have been directed to a collection agency. Flat-rate value adjustments for overdue receivables were determined on the basis of experience. There are no cluster risks. Receivables that are 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

		2007	2006
TEUR	Note		
Tax receivables from VAT and other taxes		1 894	2 427
Current portion of long-term financial assets	7	299	648
Financial receivables		958	1 063
Other		1 382	1 111
Balance sheet value		**4 533**	**5 249**

The financial receivables are deposits, subject to a 2.5 % rate of interest, receivable from agreements providing for part-time work for older employees in Germany and are secured by liens in favour of the employees concerned.

11 Current securities

	2007	2006
TEUR		
Financial assets held for sale		
Shares and equity funds	0	1 899
Bonds and bond funds	2 566	6 049
Balance sheet value	**2 566**	**7 948**
By currency		
CHF	0	1 741
EUR	2 566	6 207
Balance sheet value	**2 566**	**7 948**
By maturities		
in 1 year	1 191	3 635
in 2 years	893	1 185
in 3 years	0	894
in 4 years	0	0
in 5 years	0	0
after 5 years	211	240
none	271	1 994
Balance sheet value	**2 566**	**7 948**
	2007	**2006**
%		
Effective interest rate bonds		
CHF	–	1.3
EUR	3.7	4.0

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

	2007	2006
TEUR		
Means of payment Cash at bank and in postal accounts	6 987	8 691
Cash on hand and cheques	88	219
Total	**7 075**	**8 910**
Other cash and cash equivalents Fixed-term deposits (up to 3 months)	35 306	15 767
Balance sheet value	**42 381**	**24 677**
By currency CHF	753	1 854
EUR	37 943	17 215
USD	1 257	1 379
Other currencies	2 428	4 229
Balance sheet value	**42 381**	**24 677**
Average rate of interest in %		
CHF	0.1	0.2
EUR	3.7	2.7
USD	3.2	2.5

13 Assets held for sale

	2007	2006
TEUR		
Tangible assets	2 012	2 031
Trade receivables	95	747
Other assets	101	108
Assets held for sale	**2 208**	**2 886**
Financial liabilities	1 626	2 032
Provisions	413	962
Trade payables	170	302
Other liabilities	567	68
Liabilities directly attributable to assets held for sale	**2 776**	**3 364**
Net value	**–568**	**–478**

The assets held for sale and their associated liabilities relate to business in customer specific switchgear cabinets and electronic packaging solutions. On 12 October 2005, Phoenix Mecano AG's Board of Directors decided to withdraw from this business and on 31 October 2005 decided to proceed with the voluntary liquidation of OMP S.r.l. (I).

The substantial fixed asset still unsold on 31 December 2007 is a production and administration building in Italy, the sale of which has run into delay. The sale is due to be completed in 2008. This land was valued based on an estimation by an external assessor, also taking account of special factors. For all other non-current assets, the valuation is based on own estimations. The impairment losses on intangible and tangible assets resulting from this valuation in 2006 are presented in note 42.

The booked financial liabilities refer to a mortgage on the property held for sale. The provisions relate to contractual and/or legal risks and other liquidation costs. The provision requirement for contractual and/or legal risks is estimated. The provision for remaining liquidation costs incurred until completion of the liquidation of OMP S.r.l. (I) is based on contractual arrangements with liquidators, lawyers and so on.

14 Share capital

In the previous year, following a decision by the Shareholders' General Meeting of 26 May 2006, the share capital of Phoenix Mecano AG was reduced from CHF 1,100,000 to CHF 1,069,500 by the elimination of 30,500 shares from the 2005–2006 share buyback programme on 15 September 2006 (CHF is the statutory currency of Phoenix Mecano AG).

The share capital is fully paid up and divided into 1,069,500 bearer shares 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.

The principal shareholders of Phoenix Mecano AG are:

		2007	2006
%			
Name	Head office		
Planalto AG	Luxembourg City, Luxembourg	30.9	30.9
Tweedy, Browne Company LLC	New York, USA	8.8	9.3
UBS Fund Management (Switzerland) AG	Basel, Switzerland	5.6	6.0
OppenheimerFunds Inc.	New York, USA	4.6	
Sarasin Investmentfonds AG	Basel, Switzerland	3.9	

As of 1 December 2007, stakes above 3 % must be reported (previously 5 %).

15 Own shares

	Number of shares		Acquisition costs	
	2007	2006	2007	2006
			TEUR	TEUR
As at 1 January	**1 955**	**25 949**	**652**	**5 384**
Share purchases	9 335	4 130	3 003	1 189
Share sales	–1 408	–2 964	–392	–758
Share buybacks (2nd trading line)	21 550	5 340	6 989	1 196
Capital decrease	0	–30 500	0	–6 359
As at 31 December	**31 432**	**1 955**	**10 252**	**652**

On 1 October 2007, the Board of Directors announced a second share buyback programme worth up to CHF 30 million and lasting until 15 October 2009 at the latest. Under the 2007–2009 share buyback programme, a total of 21,550 shares were bought back in the period ending 31 December 2007. Detailed information on the purchases and sales effected in 2007 can be found on page 100 of the notes to the financial statements of Phoenix Mecano AG (note 4).

16 Principal minority interests

The principal minority interests are:

	2007	2006
%		
Dewert Australia Pty. Ltd.	30	30
Phoenix Mecano S.E. Asia Pte. Ltd. (Singapore)	25	25
Phoenix Mecano Korea Co. Ltd.	25	25
Sistemas Phoenix Mecano Espana S.A.	10	10

17 Liabilities from financial leasing

		2007	2006
TEUR	Note		
Minimum leasing commitments			
Minimum leasing commitments due within 1 year		120	30
Minimum leasing commitments due within 1–5 years		287	58
Total		**407**	**88**
Less future interest charge		–71	–9
Present value of lease obligations		**336**	**79**
Less current portion	24	–109	–26
Balance sheet value (long-term portion)		**227**	**53**
By currency			
EUR		198	0
SGD		26	39
AUD		3	14
Balance sheet value (long-term portion)		**227**	**53**
By maturities			
in 2 years		104	26
in 3 years		98	18
in 5 years		25	9
Balance sheet value		**227**	**53**

The average interest rate for liabilities from financial leasing was 10.4 % (previous year 10.2 %).

18 Other long-term financial liabilities

		2007	2006
TEUR	Note		
Liabilities to financial institutions		32 697	27 092
Current portion of long-term financial liabilities	24	– 7 311	– 5 293
Balance sheet value		**25 386**	**21 799**
By currency			
CHF		5 436	5 590
EUR		19 936	16 187
Other currencies		14	22
Balance sheet value		**25 386**	**21 799**
By maturities			
in 2 years		8 014	4 261
in 3 years		6 452	5 810
in 4 years		7 436	4 253
in 5 years		1 397	5 355
after 5 years		2 087	2 120
Balance sheet value		**25 386**	**21 799**
Interest rates in %			
CHF		3.4	3.4
EUR		4.7	3.7
Other currencies		13.0	13.5

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

The existing mortgage for discontinued operations is posted under Liabilities directly attributable to assets held for sale (see note 13).

The other long-term financial liabilities are all in principle fixed rate. The interest rate has been made variable by means of two receiver swaps covering two-thirds of the volume (see note 19).

The other long-term financial liabilities include no covenants.

19 Derivative financial instruments

The forward exchange purchases of HUF and RON for EUR are treated as a cash flow hedge and are used for partial hedging of the planned operating expenses in Hungary and Romania respectively. The timing and amounts of future cash flows from forward exchange contracts can be seen in the maturity table in note 27. The corresponding hedges were effective in the reporting period.

Two underlying fixed-rate loans have been made variable by means of two receiver swaps worth a total of EUR 23 million. These interest rate change contracts in EUR are treated as fair value hedges.

The interest rate change contract in USD reported the previous year was a payer swap treated as a cash flow hedge at a nominal value of EUR 2.3 million, intended to set the interest rate for a corresponding bank loan. All other derivative financial instruments in the consolidated financial statements to 31 December 2007 and 31 December 2006 are held for trading purposes.

As at 31 December 2007, of the receivables due from forward exchange contracts EUR 1.4 million (previous year EUR 2.1 million) related to cash flow hedges and EUR 0.1 million to a forward exchange contract classified as trading. The liabilities from forward exchange contracts related to cash flow hedges. As at 31 December 2007, the receivables due from interest rate change contracts related to fair value hedges (EUR 0.2 million) and liabilities from interest rate change contracts the previous year related to an interest rate change contract classified as trading (EUR 0.1 million).

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

	Contract value		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
TEUR						
Forward exchange contracts by currency						
CHF	**1 970**	0	0	0	16	0
USD	1 292	1 314	102	3	0	0
HUF	12 648	19 624	1 357	2 032	0	0
RON	2 300	900	0	34	118	0
Total	**18 210**	**21 838**	**1 459**	**2 069**	**134**	**0**
Forward exchange contracts by maturities						
in 1 year			959	1 223	134	0
in 2 year			500	483	0	0
in 3 year			0	363	0	0
Total			**1 459**	**2 069**	**134**	**0**
Interest rate change contracts by currency						
EUR	25 000	23 000	205	0	0	136
USD	0	2 273	0	16	0	0
Total	**25 000**	**25 273**	**205**	**16**	**0**	**136**
Interest rate change contracts by maturities						
in 1 year			41	16	0	136
in 2 year			94	0	0	0
in 3 year			50	0	0	0
in 4 year			17	0	0	0
in 5 year			3	0	0	0
Total			**205**	**16**	**0**	**136**
Net balance sheet value by maturities						
Total long-term			664	846	0	0
Total short-term			1 000	1 239	134	136
Net balance sheet value			**1 664**	**2 085**	**134**	**136**

20 Provisions

TEUR	Provisions for long-term benefits to employees: Pension obligations	Provisions for long-term benefits to employees: Other	Guarantee provisions	Other provisions	2007 Total	2006 Total
Provisions as at 1 January	**3 202**	**3 970**	**1 740**	**4 538**	**13 450**	**10 320**
Changes in scope of consolidation	397	60	48	368	873	0
Translation differences		–3	–17	–44	–64	–48
Usage	–275	–629	–558	–3 371	–4 833	–2 627
Releases	–26	–177	–309	–702	–1 214	–470
Reclassification		12		–12	0	0
Allocations	314	642	1 762	4 501	7 219	6 275
Provisions as at 31 December	**3 612**	**3 875**	**2 666**	**5 278**	**15 431**	**13 450**
Due within 1 year	155	379	2 590	4 731	7 855	6 249
Due over 1 year	3 457	3 496	76	547	7 576	7 201

Provisions for long-term employee benefits relate to pension obligations in Germany (under Pension obligations) and 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 Provisions for other long-term employee benefits).

The increase in guarantee provisions is mainly due to increased risks for products used in the hospital and care sector.

Other provisions include provisions for short-term payments to employees (e.g. indemnities and salary bonuses) totalling EUR 2.9 million (previous year EUR 2.9 million) and provisions for lawsuit risks and other conceivable risks or contingent obligations.

21 Pension obligations

TEUR	Note	2007	2006
Financial position of defined benefit pension plans as at 31 December 2007 and 2006			
Present value of defined benefit obligations **As at 1 January**		**12 112**	**12 298**
Service costs		925	826
Interest expense		442	377
Capital		219	390
Pension payments		–1 954	–838
Actuarial (gains)/losses		–1 233	–646
Transfers		258	0
Translation differences		–230	–295
As at 31 December		**10 539**	**12 112**

Pension obligations (continued)		2007	2006	2005
TEUR	Note			
Market value of plan assets **As at 1 January**		**7 917**	**7 743**	
Expected return		233	230	
Employer contributions		414	446	
Employee contributions		359	386	
Capital		219	390	
Pension payments		– 1 808	– 703	
Actuarial gains/(losses)		154	– 312	
Translation differences		– 214	– 263	
As at 31 December		**7 274**	**7 917**	
Net balance sheet value pension obligations Present value of defined benefit obligations financed using a pension fund		– 7 321	– 8 769	
Fair value of plan assets		7 274	7 917	
		– 47	**– 852**	
Present value of defined benefit obligations not financed using a pension fund		– 3 218	– 3 343	
Non-reported actuarial (gains)/losses		– 347	993	
Net balance sheet value of defined benefit plans (provision)	20	**– 3 612**	**– 3 202**	
Pension expense Service costs		925	826	
Interest expense		442	377	
Expected return		– 233	– 230	
Employee contributions		– 359	– 386	
Amortisation of actuarial (gains)/losses		0	127	
Pension expense for defined benefit plans		**775**	**714**	
Pension expense for defined contribution plans		**341**	**273**	
Pension expense		**1 116**	**987**	
Actuarial assumptions Weighted discount rate		4,0 %	3,2 %	
Expected return on plan assets		3,0 %	3,0 %	
Weighted expected rate of salary increase		1,8 %	1,8 %	
Weighted expected rate of pension increase		0,8 %	0,8 %	
Funding of defined benefit pension obligations Plan assets		7 274	7 917	7 743
Pension plan obligations		10 539	12 112	12 298
Funding difference of which EUR 3.6 million (2006: EUR 3.2 million; 2005: EUR 3.1 million) is reported in the balance sheet as provisions		– 3 265	– 4 195	– 4 555
Experience adjustment of plan assets and benefit obligations				
Actuarial and experience adjustment of plan assets		154	0	0
Actuarial and experience adjustment of benefit obligation		978	– 70	– 354

The expected 3 % return on plan assets corresponds to the anticipated long-term income derived from the legal minimum interest rate in Switzerland and the surplus from the collective foundation. The actual return on capital tallies more or less with the expected income.

The plan assets relate to the Swiss pension plan and take the form of a repurchase value on the corresponding collective life insurance contract with the insurance provider.

The expected outflow of funds for employer contributions from defined benefit plans in 2008 is EUR 0.4 million.

Other long-term employee benefits Provisions for agreements providing for part-time work for older employees in Germany, statutory retirement pay in Italy ("Trattamento Fine Rapporto") and length-of-service awards were set aside in accordance with IAS 19 (see note 20).

22 Deferred tax

	2007	2006
TEUR		
Deferred tax assets on:		
Non-current assets	1 210	2 030
Inventories	2 041	1 886
Receivables	187	107
Provisions	706	1 083
Other	191	170
Deferred tax assets on temporary differences	**4 335**	**5 276**
Deferred tax on losses carried forward	16 613	21 027
Total deferred tax assets	**20 948**	**26 303**
Netting with deferred tax liabilities	– 1 956	– 7 554
Value adjustments	– 16 251	– 16 037
Balance sheet value	**2 741**	**2 712**
Deferred tax liabilities on:		
Non-current assets	– 4 693	– 6 023
Inventories	– 1 599	– 1 850
Receivables	– 146	– 7 982
Provisions	– 139	– 138
Other	– 149	– 323
Total deferred tax liabilities	**– 6 726**	**– 16 316**
Netting with deferred tax assets	1 956	7 554
Balance sheet value	**– 4 770**	**– 8 762**
Net position deferred tax	**– 2 029**	**– 6 050**
Trend of deferred tax **As at 1 January**	**– 6 050**	**– 7 858**
Changes of tax rate recognised in the statement of income	1 406	– 127
Translation differences	– 199	– 162
Change in scope of consolidation	– 150	0
Reduction/(increase) in value adjustments not affecting income	158	– 174
Change in temporary differences recognised in the statement of income	2 806	2 271
As at 31 December	**– 2 029**	**– 6 050**
Non-capitalised tax losses carried forward Up to 1 year	6 860	8 002
1–2 years	5 986	6 757
2–3 years	9 447	5 986
3–4 years	1 325	9 447
4–5 years	4 593	5 196
Over 5 years	43 564	23 163
Total	**71 775**	**58 551**

Due to uncertainties regarding usability of tax losses carried forward totalling EUR 72 million (previous year EUR 59 million), a value adjustment of the resulting tax savings totalling EUR 16.3 million (previous year EUR 16.0 million) was made on the balance sheet date. This relates particularly to tax losses carried forward linked to discontinued activities. In the financial year under review, non-capitalised losses carried forward rose by around EUR 13 million, owing to a reduction in negative valuation differences and hence reduced scope for netting.

Of the tax losses carried forward maturing at over 5 years, EUR 13.3 million (previous year EUR 8.8 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period.

The deferred tax liabilities include deferred tax totalling EUR 0.3 million (previous year EUR 0.4 million) on fluctuations in fair value on cash flow hedges posted without affecting income.

Valuation differences on investments in fully consolidated companies on which no deferred tax has been calculated totalled EUR 37.0 million (previous year EUR 41.9 million).

Because no corresponding dividend payments are planned, there was no accrual of deferred tax on undistributed profits of subsidiaries.

23 Trade payables

	2007	2006
TEUR		
Trade payables	12 883	13 803
Liabilities to associated companies	4	0
Balance sheet value	**12 887**	**13 803**
By currency CHF	715	524
EUR	9 794	11 130
USD	996	924
Other currencies	1 382	1 225
Balance sheet value	**12 887**	**13 803**

24 Short-term financial liabilities

		2007	2006
TEUR	Note		
Liabilities to financial institutions		14 564	16 365
Other		12	14
Current portion of liabilities from financial leasing	17	109	26
Current portion of other financial liabilities	18	7 311	5 293
Balance sheet value		**21 996**	**21 698**
By currency CHF		6 166	2 487
EUR		13 197	14 851
USD		2 481	4 320
Other currencies		152	40
Balance sheet value		**21 996**	**21 698**
By maturities in < 3 months		11 799	12 639
in 3–6 months		5 195	6 368
in 6–12 months		5 002	2 691
Balance sheet value		**21 996**	**21 698**
Interest rates in % CHF		3.4	2.5
EUR		5.1	4.2
USD		5.6	6.0
Other currencies		7.8	8.7

The 4 % bond for CHF 100 million was paid back on 25 September 2006. The funds used for the repayment came partly from refinancing through bank loans and partly from the Group's cash reserves.

25 Other liabilities

	2007	2006
TEUR		
Social security liabilities	1 079	1 037
Liabilities to employees	3 717	3 331
Liabilities arising from VAT and other taxes	4 438	3 098
Other	1 600	1 458
Balance sheet value	**10 834**	**8 924**

26 Categories of financial instruments

The following book values of financial assets and liabilities (including fixed-rate long-term financial liabilities) correspond approximately to the IFRS fair value as at 31 December 2007 and 31 December 2006 (to within EUR 0.1 million).

		2007	2006
TEUR	Note		
Other financial assets	7	89	852
Trade receivables	9	48 474	44 156
Other receivables (excluding VAT and other taxes)	10	2 639	2 822
Cash and cash equivalents (excluding cash on hand)	12	42 293	24 458
Loans and receivables		**93 495**	**72 288**
Current securities	11	2 566	7 948
Financial assets held for sale		**2 566**	**7 948**
Derivative financial instruments (not used for hedging)	19	102	3
Financial assets at fair value through profit or loss		**102**	**3**
Liabilities from financial leasing	17	– 227	– 53
Financial liabilities	18, 24	– 47 382	– 43 497
Trade payables	23	– 12 887	– 13 803
Other liabilities (excluding social security, employees, VAT and other taxes)	25	– 1 600	– 1 458
Liabilities at amortised cost		**– 62 096**	**– 58 811**
Derivative financial instruments (not used for hedging)	19	0	– 136
Financial liabilities at fair value through profit or loss		**0**	**– 136**

27 Financial risk management

General The Board of Directors 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 Board of Directors' Audit Committee.

The risk management principles that have been developed are aimed at identifying and analysing the risks to which the Group is exposed, developing checks and balances and monitoring risks. 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.

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. Financial instruments, of which only limited use is made – almost exclusively for hedging purposes –, are also controlled centrally. Because currency management is centralised, 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 and CHF.

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 various regions and sectors, means that the credit risk on receivables is limited. There are no cluster risks.

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:

		2007	2006
TEUR	Note		
Other financial assets	7	89	852
Derivative financial instruments	19	1 664	2 085
Trade receivables	9	48 474	44 156
Other receivables (excluding tax receivables from VAT and other taxes)	10	2 639	2 822
Current securities (excluding shares/equity funds)	11	2 566	6 049
Cash and cash equivalents (excluding cash on hand)	12	42 293	24 458
Total		**97 725**	**80 422**

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, 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 2007, unused credit lines with major banks totalled EUR 36.5 million.

Maturity analysis of financial liabilities as at 31 December 2007

TEUR	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	12 887	–12 887	–12 550	–282	–55		
Other liabilities[1]	1 600	–1 600	–1 600				
Financial liabilities (excluding financial leasing)	47 273	–51 479	–11 905	–5 861	–5 623	–25 660	–2 430
Liabilities from financial leasing (long- and short-term)	336	–407	–31	–29	–60	–287	
Total	**62 096**	**–66 373**	**–26 086**	**–6 172**	**–5 738**	**–25 947**	**–2 430**
Derivative financial instruments							
Interest rate swap classified as:							
Fair value hedge	–204	204		15	25	164	
Trading	–1	1		1			
Forward exchange transaction classified as:							
Cash flow hedge: Outflow of funds		–14 948	–2 852	–2 952	–5 904	–3 240	
Cash flow hedge: Inflow of funds	–1 239	16 187	3 047	3 137	6 263	3 740	
Trading: Outflow of funds		–3 262		–1 970	–1 292		
Trading: Inflow of funds	–86	3 348		1 954	1 394		
Total	**60 566**	**–64 843**	**–25 891**	**–5 987**	**–5 252**	**–25 283**	**–2 430**

Maturity analysis of financial liabilities as at 31 December 2006

TEUR	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	13 803	–13 803	–13 398	–200	–205		
Other liabilities[1]	1 458	–1 458	–1 458				
Financial liabilities (excluding financial leasing)	43 471	–46 516	–12 277	–6 874	–3 137	–21 911	–2 317
Liabilities from financial leasing (long- and short-term)	79	–88	–7	–8	–15	–58	
Total	**58 811**	**–61 865**	**–27 140**	**–7 082**	**–3 357**	**–21 969**	**–2 317**
Derivative financial instruments							
Interest rate swap classified as:							
Cash flow hedge	–16	16	16				
Trading	136	–136			–136		
Forward exchange transaction classified as:							
Cash flow hedge: Outflow of funds		–20 524	–2 644	–2 644	–4 988	–10 248	
Cash flow hedge: Inflow of funds	–2 065	22 589	3 019	3 021	5 451	11 098	
Trading: Outflow of funds		–1 314		–753	–561		
Trading: Inflow of funds	–3	1 317		760	557		
Total	**56 863**	**–59 917**	**–26 749**	**–6 698**	**–3 034**	**–21 119**	**–2 317**

[1] Excluding liabilities to social security, employees, VA and other taxes.

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 67 % of its turnover in the Euro area (previous year 65 %) 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 HUF, CHF and USD. 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 concludes 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 (in companies whose functional currency is not the same as the local currency) at major production locations – primarily Hungary – and occasionally in USD and CHF, 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 is a USD financing arrangement relating to Phoenix Mecano AG.

The following tables set out the currency risks associated with financial instruments, where the currency differs from the functional currency of the Group company holding the instruments:

Currency risk as at 31 December 2007

Non-derivative financial instruments				
TEUR	EUR	CHF	USD	HUF
Trade receivables	1 448	0	539	703
Cash and cash equivalents	433	10	736	66
Trade payables	–87	–74	–612	–204
Financial liabilities	0	0	–2 193	0
Total	**1 794**	**–64**	**–1 530**	**565**
Forward exchange transactions	–1 954		–1 394	
Net risk	**–160**	**–64**	**–2 924**	**565**

Currency risk as at 31 December 2006

Non-derivative financial instruments				
TEUR	EUR	CHF	USD	HUF
Trade receivables	1 227	0	247	1 093
Cash and cash equivalents	485	11	454	1 720
Trade payables	–77	–59	–420	–205
Financial liabilities	0	0	–3 788	0
Total	**1 635**	**–48**	**–3 507**	**2 608**
Forward exchange transactions			–1 317	
Net risk	**1 635**	**–48**	**–4 824**	**2 608**

Based on the above-mentioned currency risks, 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. Significantly greater effects on the statement of income may arise from price movements relating to ongoing foreign currency transactions during the financial year.

Sensitivity analysis

TEUR	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF
Change in result of the period 2007 (+/–)	127	218	151	57
Change in result of the period 2006 (+/–)	78	378	123	261

On account of forward exchange contracts classified as cash flow hedges, equity at 31 December 2007 would have been EUR 1.3 million lower in the event that the exchange rate had been 10 % higher and EUR 1.6 million higher in the event that the exchange rate had been 10 % lower. As at 31 December 2006, equity would have been EUR 2.0 million lower in the event that the exchange rate had been 10 % higher and EUR 2.4 million higher in the event that the exchange rate had been 10 % lower.

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 liabilities to financial institutions. The Group uses interest rate options and swaps to hedge and/or structure external debts. In addition, it partially hedges interest rate risks on financial assets.

Sensitivity analysis 2007 and 2006: 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 2007 and 2006 would have been EUR 0.1 million higher or lower, assuming all other variables had remained constant. In the previous year, equity would have been less than EUR 0.1 million higher or lower on account of an interest rate change contract classified as a cash flow hedge.

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 2007 or 31 December 2006, would have been less than EUR 0.1 million, assuming all other variables had remained constant.

Price risk The Phoenix Mecano Group invests in securities, which carries with it a price risk (market price).

As at 31 December 2007, no such investments involved shares and equity funds. If market prices had been 5 % higher or lower, the equity as at 31 December 2006, given the shares classified as financial assets held for sale, would have been less than EUR 0.1 million higher or lower, 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 15–25 % 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 buybacks 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 less current securities and cash and cash equivalents.

Net indebtedness as at 31 December 2007 and 31 December 2006 was as follows:

		2007	2006
TEUR	Note		
Liabilities from financial leasing	17	227	53
Other long-term financial liabilities	18	25 386	21 799
Short-term financial liabilities	24	21 996	21 698
Financial liabilities directly attributable to assets held for sale	13	1 626	2 032
Interest-bearing liabilities		**49 235**	**45 582**
less Current securities	11	2 566	7 948
less Cash and cash equivalents	12	42 381	24 677
Net indebtedness		**4 288**	**12 957**
Equity		182 515	166 942
Gearing ratio in %		**2.3**	**7.8**

29 Contingent liabilities

	2007	2006
TEUR		
Sureties and guarantees	342	99
Commitments from bills of exchange	20	28
Total	**362**	**127**

30 Commitments to purchase tangible assets

The purchase commitment for tangible assets as at 31 December 2007 was EUR 2.1 million (previous year EUR 1.3 million).

31 Operating leases, rent and leasehold rent

	2007	2006
TEUR		
Minimum commitments due within 1 year	1 981	1 955
Minimum commitments due within 1–5 years	3 514	3 007
Minimum commitments due after 5 years	4 562	4 622
Minimum operating leasing, rent and leasehold rent commitments	**10 057**	**9 584**
Minimum claims due within 1 year	150	236
Minimum claims due within 1–5 years	572	601
Minimum claims due after 5 years	215	390
Minimum claims from rent/leasehold rent	**937**	**1 227**

The operating leasing, rent and leasehold rent commitments consist almost exclusively of commitments for leased premises and floor space (long-term lease).

32 Gross sales

		2007	2006
TEUR	Note		
Gross sales from continued operations		389 382	346 506
Gross sales from discontinued operations	42	0	4 989
Total		**389 382**	**351 495**

The gross sales shown include invoiced goods and services supplied by the Group to third parties and associated companies. Value-added taxes, directly granted rebates and discounts and credit notes for returns are deducted. There were no sales between the continued and discontinued business areas.

Gross sales from continued operations were up 12.4 % on the previous year (previous year 10.0 %). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by – 1.0 % and 3.0 % respectively.

33 Other operating income

	2007	2006
TEUR		
Reimbursement from insurance	428	153
Gains on the disposal of intangible and tangible assets	752	316
Impairment losses on tangible assets	111	0
Government subsidies	214	160
Other	2 710	877
Total	**4 215**	**1 506**

The negative goodwill generated from the purchase of the MCT Group is included under Other (see note 46).

34 Cost of materials

	2007	2006
TEUR		
Cost of raw and ancillary materials, merchandise for resale and external services	162 272	137 561
Incidental acquisition costs	5 229	4 645
Total	**167 501**	**142 206**

Value adjustments and losses on inventories are included under Other operating expenses (see note 38).

35 Personnel expenses

	2007	2006
TEUR		
Wages and salaries	90 525	83 691
Social costs	18 574	17 750
Supplementary staff costs	3 132	2 680
Total	**112 231**	**104 121**

36 Amortisation of intangible assets

	2007	2006
TEUR		
Development services	1 016	1 278
Concessions, licences, similar rights and assets	747	911
Total	**1 763**	**2 189**

37 Depreciation on tangible assets

	2007	2006
TEUR		
Land and buildings	2 390	2 222
Machinery and equipment	12 169	11 522
Total	**14 559**	**13 744**

38 Other operating expenses

		2007	2006
TEUR	Note		
External development costs		633	549
Establishment expenses		16 493	14 986
Rent, leasehold rent, leases		2 328	2 698
Administration expenses		6 107	5 866
Advertising expenses		3 970	3 839
Sales expenses		14 862	13 936
Losses from the disposal of intangible and tangible assets		243	138
Impairment losses on intangible and tangible assets	4,5	1 497	1 962
Losses and value adjustments on inventories	8	3 132	1 066
Capital and other taxes		664	641
Other		5 746	3 441
Total		**55 675**	**49 122**

The total development costs from continued operations, including internal costs, amounted to EUR 5.4 million (previous year EUR 6.4 million).

The increase under Other is attributable in part to increased guarantee costs for products in the care and hospital sector (EUR 0.9 million).

39 Financial income

TEUR	Note	2007	2006
Dividend income		0	35
Interest income from third parties		1 150	1 671
Interest income from the financing of discontinued activities	42	0	375
Fair value hedge gain (from derivative financial instruments)	19	204	0
Fair value hedge gain (on underlying transaction)	19	0	92
Gain from financial assets at fair value through profit or loss (trading derivative)	19	239	918
Gain from financial assets held for sale transferred from equity (securities)		225	568
Exchange rate gains		1 589	1 658
Other financial income		63	33
Total		**3 470**	**5 350**

The financial income from continued operations in 2006 included interest income totalling EUR 0.4 million, which was not attained with third parties but instead from the financing within the Group of discontinued operations.

40 Financial expenses

TEUR	Note	2007	2006
Interest expense		2 059	3 232
Fair value hedge loss (on underlying transaction)	19	204	0
Fair value hedge loss (from derivative financial instruments)	19	0	92
Fair value hedge gain (from derivative financial instruments)	19	62	31
Fair value hedge gain (on underlying transaction)		3 048	5 760
Gain from financial assets at fair value through profit or loss (trading derivative)	7	5	916
Other financial income		36	56
Total		**5 414**	**10 087**

In connection with the repayment of the Phoenix Mecano AG bond in 2006 (see note 24), a capital decrease of EUR 25 million was implemented at Phoenix Mecano Finance Ltd. (Jersey) to free up the necessary liquid funds for Phoenix Mecano AG. In this connection, exchange rate losses totalling EUR 2.8 million, previously posted without affecting income, were listed in 2006 under Exchange rate losses and posted in the statement of cash flow under Other non-cash expenses.

41 Income tax

		2007	2006
TEUR			
Current income tax		11 292	6 402
Deferred tax		– 4 212	– 2 144
Income tax continued operations		**7 080**	**4 258**
Income tax discontinued operations		0	59
Income tax		**7 080**	**4 317**
Transfer from theoretical to effective income tax			
Result before tax continued operations		37 025	31 207
Result before tax discontinued operations		13	914
Result before tax		**37 038**	**32 121**
Theoretical income tax		**8 686**	**9 314**
Weighted income tax rate	in %	**23.5**	**29.0**
Changes of tax rate deferred tax		– 1 406	127
Tax-free income		– 276	– 173
Non-deductible expenses		484	613
Tax losses for the actual year not capitalised		765	703
Use of non-capitalised tax losses carried forward from previous years		– 858	– 876
Income tax relating to other periods		– 69	– 5 327
Other		– 246	– 64
Effective income tax		**7 080**	**4 317**
Effective income tax rate	in %	**19.1**	**13.4**

The theoretical income taxes are derived from the weighted current local tax rates in the countries where the Phoenix Mecano Group does business. The strong fluctuation in the weighted theoretical income tax rate is conditioned by the fact that the mixed results achieved by the individual subsidiaries are subject to varying local tax rates.

In addition to the deferred taxes presented above, EUR – 0.2 million (previous year EUR 0.2 million) in deferred tax expenses linked to fluctuations in fair value of cash flow hedges posted without affecting income were offset directly against equity. See also note 22.

In 2007, there was a EUR 2.2 million shift from deferred tax to current tax.

The tax income from changes of tax rate on deferred tax relates mainly to the reduction in deferred tax liabilities in Germany as a consequence of the 2008 corporate tax reform.

The 2006 income posted under Income tax relating to other periods derives mainly from the elimination and/or reassessment of tax risks from earlier tax periods.

42 Result of the period from discontinued operations

		2007	2006
TEUR	Note		
Result of the period OMP product area		–7	– 754
Result relating to discontinuation of operations		20	1 609
Result of the period discontinued operations		**13**	**855**
Gross sales		0	4 989
Revenue reductions		0	– 5
Changes in inventories		0	– 553
Other operating income		0	298
Cost of materials		0	– 3 508
Personnel expenses		0	– 766
Depreciation on tangible assets		0	– 2
Other operating expenses		0	– 639
Financial result		–7	– 509
Result before tax OMP product area		**–7**	**– 695**
Income tax		0	– 59
Result of the period OMP product area		**–7**	**– 754**
Gains from the disposal of intangible and tangible assets		0	1 147
Impairment losses on intangible and tangible assets	5	0	– 1 260
Revenue from sale of inventories		50	530
Other result relating to discontinuation of operations		–30	1 192
Result relating to discontinuation of operations		**20**	**1 609**

The result of the period from discontinued operations relates to business in customer specific switchgear cabinets and electronic packaging solutions. On 12 October 2005, Phoenix Mecano AG's Board of Directors decided to withdraw from this business and on 31 October 2005 decided to proceed with the voluntary liquidation of OMP S.r.l. (I). This liquidation was largely completed during the reporting year.

See note 13 for the accounting of assets held for sale and associated liabilities.

The financial result for 2006 included interest expenses totalling EUR 0.4 million resulting from financing within the Group (see also note 39).

In 2006, Other result relating to restructuring and/or discontinuation of operations comprised the formation and/or release of provisions (including for contractual and legal risks).

Cash flow from operations concerning discontinued activities was positive, totalling EUR 0.5 million (previous year EUR 1.7 million). A balance of EUR 0.1 million (previous year EUR 8.2 million) accrued from investments and disinvestments (cash used in investing activities). Cash flow from financing activities totalled EUR –1.2 million (previous year EUR – 6.2 million).

43 Earnings per share

	2007	2006
TEUR		
Result **Result of the period attributable to shareholders of the parent company** (basis for earnings per share continued and discontinued operations)	**29 752**	**27 722**
Result of the period from discontinued operations	13	855
Result of the period from continued operations attributable to shareholders of the parent company (basis for earnings per share continued operations)	**29 739**	**26 867**
Number of shares Shares issued on 1 January	1 069 500	1 100 000
Capital decrease	0	–30 500
Own shares (annual average)	–9 195	–2 101
Shares outstanding	1 060 305	1 067 399
Basis for diluted earnings per share	**1 060 305**	**1 067 399**
Basis for undiluted earnings per share	**1 060 305**	**1 067 399**

44 Operating cash flow before restructuring expenses

		2007	2006
TEUR	Note		
Operating result		38 800	35 810
Amortisation of intangible assets	36	1 763	2 189
Depreciation on tangible assets	37	14 559	13 744
Operating cash flow from continued operations		**55 122**	**51 743**

45 Free cash flow

	2007	2006
TEUR		
Cash flow from operating activities	38 807	25 457
Purchases of intangible assets	–1 954	–2 447
Purchases of tangible assets	–16 338	–19 371
Disinvestments in intangible assets	366	447
Disinvestments in tangible assets	796	8 147
Free cash flow (before financial investments)	**21 677**	**12 233**

The free cash flow before financial investments also takes account of the discontinued operations (see note 42).

46 Acquisition of Group companies

	2007	
TEUR	Book value	Fair value
Other intangible assets	45	145
Tangible assets	2 522	2 683
Other current assets	3 768	3 883
Cash and cash equivalents	117	117
Liabilities	–4 011	–4 291
Identifiable net assets	**2 441**	**2 537**
Negative goodwill from acquisition		–1 304
Purchase price including transaction costs		**–1 233**
Cash and cash equivalents acquired		117
Change in funds		**–1 116**

The acquisition relates to the MCT Group, full ownership of which was acquired from 1 January 2007. The MCT Group, which is active in the plug connector and connection technology sector, contributed EUR 10.5 million to overall sales and EUR 2.2 million (including negative goodwill) to overall profit in 2007.

No Group companies were acquired in 2006.

47 Transactions with related parties

	2007	2006
TEUR		
Chairman of the Board of Directors	80	83
Delegate of the Board of Directors	605	515
Other members of the Board of Directors	78	80
Remuneration of the Board of Directors	**763**	**678**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**1 614**	**1 721**
Remuneration of the Board of Directors and Executive Committee	**2 377**	**2 399**
Social security contributions	184	158
Pension payments	172	197
Total remuneration of the Board of Directors and Executive Committee	**2 733**	**2 754**

Remuneration in 2006 included compensation for termination of an employment contract totalling EUR 0.1 million.

Transactions with associated companies are presented in notes 6, 9 and 23.

Detailed information on transactions with related parties can be found in the notes to the financial statements of Phoenix Mecano AG on page 102 (note 20).

No significant transactions with other related parties outside the scope of consolidation took place in 2007 or 2006.

48 Events after the balance sheet date

On 1 January 2008, the Phoenix Mecano Group acquired full ownership of transformer manufacturer Datatel Elektronik GmbH, based in Langenhagen (D). Part of the purchase price is dependent on future results and will not be paid until 2010. The company, which produces high-quality toroidal transformers designed and built mainly for use in solar inverters, has been incorporated into the ELCOM/EMS division. In 2007, Datatel generated sales of EUR 7.7 million in Germany and employed around 50 staff.

In addition, on 1 January 2008 the Phoenix Mecano Group acquired a 70 % stake in the systems house SL System & Lineartechnik GmbH as a sales partner for the Mechanical Components division in the south Germany area. A call option for the remaining 30 % has been agreed. In 2007, the firm generated gross sales of EUR 2.9 million and employed 25 staff.

The costs of the two acquisitions, including transaction costs, total EUR 4.1 million. The acquired assets and assumed liabilities are provisionally as follows:

TEUR	Book value	Fair value
Non-current assets	475	3 559
Current assets	3 384	3 449
Liabilities	– 2 701	– 3 649
Net assets acquired	**1 158**	**3 359**

This results in provisional goodwill of EUR 0.7 million.

In addition, in February 2008 the Phoenix Mecano Group decided to seek a partnership with an established technology and sales company for what remains a relatively minor segment of the Mechanical Components division, namely high-quality ventilation damper and valve control drives. The subsequent sale of this business may be an option.

No other events occurred between 31 December 2007 and 20 March 2008 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 20 March 2008, the Board of Directors of Phoenix Mecano AG released the 2007 consolidated financial statements for publication. These will be submitted to the Shareholders' General Meeting on 6 June 2008 with a recommendation for their approval.

50 Dividend

The Board of Directors recommends to the Shareholders' General Meeting of 6 June 2008 that a dividend of CHF 9.00 (CHF is the statutory currency of Phoenix Mecano AG) per share be paid out (see Proposal for the appropriation of retained earnings on page 104). The total outflow of funds is expected to be CHF 9.3 million. The dividend paid out in 2007 was CHF 6.00 (previous year CHF 4.00) per share. The outflow of funds in 2007 was CHF 6.4 million (previous year CHF 4.3 million).

Report of the Group auditors

To the Shareholders' General Meeting of Phoenix Mecano AG, Stein am Rhein

As Group auditors, we have audited the consolidated financial statements of Phoenix Mecano AG, Stein am Rhein, and subsidiaries, presented on pages 48 to 91 and consisting of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and notes to the consolidated financial statements for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position, results of operations and cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

KPMG Ltd.

Roger Neininger
Auditor in charge

Thomas Keusch

Zurich, 20 March 2008

Five-year overview

	2007	2006	2005	2004	2003
EUR million					
Consolidated balance sheet					
Total assets/capital	287.6	263.7	285.0	311.1	301.7
Non-current assets	98.5[1]	97.0[1]	93.2[1]	116.5	121.9
in % of total assets	34.2	36.8	32.7	37.4	40.4
Tangible assets	89.3[1]	87.1[1]	83.3[1]	103.5	107.3
Current assets	189.1	166.7[1]	191.8[1]	194.6	179.8
in % of total assets	65.8	63.2	67.3	62.6	59.6
Inventories	86.1[1]	78.1[1]	61.3[1]	80.4	83.9
Cash and cash equivalents	42.4	24.7	35.1	30.7	28.8
Equity	182.5	166.9	140.9	160.0	146.0
in % of total assets	63.5	63.3	49.4	51.4	48.4
Liabilities	105.1	96.8	144.1	151.1	155.7
in % of total assets	36.5	36.7	50.6	48.6	51.6
Net indebtedness	4.3	13.0	22.0	41.8	59.7
in % of equity	2.3	7.8	15.6	26.1	40.9
Consolidated statement of income					
Gross sales	389.4	351.5	343.9	348.7	326.1
Gross sales from continued operations	389.4	346.5	315.0	310.2	297.1
Total operating performance	390.5[2]	347.2[2]	312.7[2]	308.1[2]	327.4
Personnel expenses	112.2[2]	104.1[2]	96.6[2]	96.0[2]	103.1
Amortisation of intangible assets	1.8[2]	2.2[2]	3.0[2]	4.3[2]	4.5
Depreciation on tangible assets	14.6[2]	13.7[2]	14.2[2]	14.4[2]	17.3
Operating result before restructuring expenses	38.8[2]	35.8[2]	27.5[2]	27.9[2]	22.5
Restructuring expenses	0.0[2]	0.0[2]	– 3.8[2]	0.0[2]	0.2
Result before interest and tax	38.8[2]	35.8[2]	23.8[2]	27.9[2]	22.7
Financial result	– 1.8[2]	– 4.6[2]	– 2.5[2]	– 2.2[2]	– 4.8
Result before tax	37.0[2]	31.2[2]	21.2[2]	25.7[2]	17.9
Income tax	– 7.1[2]	– 4.3[2]	– 4.8[2]	– 3.3[2]	– 3.1
Result of the period from continued operations	29.9[2]	26.9	16.4	22.5[2]	
Result of the period from discontinued operations	0.0[3]	0.9[3]	– 25.3[3]	– 7.6[3]	
Result of the period	30.0	27.8	– 8.8	14.9	14.8
in % of gross sales	7.7	7.9	– 2.6	4.3	4.5
in % of equity	16.4	16.7	– 6.3	9.3	10.1
Consolidated statement of cash flow					
Cash flow from operating activities	38.8	25.5	38.1	35.1	35.1
Cash used in investing activities	– 10.4	4.5	– 12.9	– 28.5	– 20.0
Purchases of tangible assets	16.3	19.4	13.3	15.3	13.0
Cash flow from financing activities	– 10.6	– 40.0	– 21.1	– 4.8	– 8.7
Free cash flow	21.7	12.2	25.1	19.1	22.2

[1] The assets held for sale from the discontinued OMP product area are posted in current assets under a separate item.
[2] The figures for 2004–2007 refer to continued operations, i.e. without the discontinued OMP product area.
[3] Discontinued operations relate to the customer specific switchgear cabinets and electronic packaging solutions business (OMP product area).

Phoenix Mecano AG
Financial report 2007

INFORMATION ON THE FINANCIAL STATEMENTS

Financial report

Balance sheet as at 31 December 2007 Phoenix Mecano AG

Assets		2007	2006
CHF	Note		
Fixed assets **Non-current assets**			
Investments	1	149 855 500	140 031 195
Lending to Group companies	2	19 070 421	23 324 486
Total fixed assets		**168 925 921**	**163 355 681**
Current assets **Receivables**			
Financial receivables from Group companies	3	4 453 905	4 562 108
Other receivables		162 521	165 000
		4 616 426	**4 727 108**
Own shares	4	16 683 193	918 751
Current asset securities	5	0	2 803 640
Cash and cash equivalents		56 349	1 827 841
Total current assets		**21 355 968**	**10 277 340**
Deferred charges and prepaid expenses		0	89 959
Total assets		**190 281 889**	**173 722 980**

Liabilities and equity		2007	2006
CHF	Note		
Equity Share capital	6	1 069 500	1 069 500
Statutory reserves		2 500 000	2 500 000
Reserves for own shares		16 683 193	918 751
Special reserves		111 620 000	111 620 000
Retained earnings	7	19 110 455	21 945 125
Total equity		**150 983 148**	**138 053 376**
Liabilities Provisions	8	4 500 000	4 500 000
Long-term liabilities			
Bank loans	9	7 500 000	7 500 000
Short-term liabilities			
Bank liabilities	9	13 611 000	10 100 000
Financial liabilities to Group companies	10	12 047 550	13 262 648
Liabilities to shareholders		7 981	5 388
Other liabilities	11	1 362 691	5 320
		27 029 222	**23 373 356**
Deferred income		269 519	296 248
Total liabilities		**39 298 741**	**35 669 604**
Total liabilities and equity		**190 281 889**	**173 722 980**

Statement of income 2007

		2007	2006
CHF	Note		
Income			
Income from investments	14	20 049 049	15 325 000
Financial income	15	1 729 204	3 221 603
Other income	16	44 089	3 289 800
Total income		**21 822 342**	**21 836 403**
Expenses			
Financial expenses	17	–1 260 677	–4 890 063
Administration expenses		–750 232	–771 725
Other expenses	18	–410 622	–1 950 010
Income and capital taxes		–80 139	–33 880
Total expenses		**–2 501 670**	**–7 645 678**
Profit for the year		**19 320 672**	**14 190 725**

Notes to the financial statements 2007

General

The financial statements for Phoenix Mecano AG in Swiss francs have been drawn up in accordance with the provisions of Swiss corporation law.

1 Investments

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

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake %
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100
Phoenix Mecano Beteiligungen AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Elodrive AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production/Sales	CHF	2 000	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands	Finance	USD	1 969	100
PM International B.V.	Doetinchem, The Netherlands	Finance	EUR	4 500	100
AVS-Phoenix Mecano GmbH	Vienna, Austria	Sales	EUR	40	2
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
Phoenix Mecano S.E. Asia Pte. Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano (India) Ltd.	Mumbai, India	Production/Sales	INR	163 955	98
Mecano Components (Shanghai) Co. Ltd.	Shanghai, China	Production/Sales	CNY	14 722	100
Phoenix Mecano Components Shanghai Co. Ltd.	Shanghai, China	Sales	CNY	2 822	100
Shenzhen Elcom Trading Co.	Shenzhen, China	Purchasing/Sales	CNY	2 000	100
Phoenix Mecano Comercial e Técnica Ltda.	Sao Paulo, Brazil	Sales	BRL	5 192	100
IPES Industria de Produtos e Equipamentos de Solda Ltda.	Manaus, Brazil	Production/Sales	BRL	3 922	100

The change in the balance sheet value compared with the previous year is due to capital increases at Phoenix Mecano Inc. (USA), Mecano Components (Shanghai) Co. Ltd. (China), Phoenix Mecano Components Shanghai Co. Ltd. (China) and Phoenix Mecano (India) Pvt. Ltd. and the transfer of a 75 % stake in Shenzhen ELCOM Trading Co. Ltd. (China), which was previously held by a subsidiary. Following the capital increase, the ownership interest in Phoenix Mecano (India) Ltd. went up from 96 % to 98 %.

An overview of all directly and indirectly held investments is given on pages 64 and 65.

2 Loans to Group companies

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

3 Financial receivables from Group companies

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

4 Own shares

The following is an overview of the acquisitions and sales of own shares made during the reporting year:

	Number	Share purchases Average price CHF	Number	Share purchases Average price CHF
January	250	546.30	114	555.51
February	353	592.27	4	612.00
March	766	567.90	0	
April	234	571.29	0	
May	910	558.64	0	
June	865	541.20	130	548.00
July	0		0	
August	3 128	515.42	30	511.00
September	2 030	497.78	0	
October	90	549.50	401	550.97
November	398	526.65	599	545.68
December	311	512.45	130	543.54
Total year	**9 335**	**528.32**	**1 408**	**547.45**

In addition, as part of the share buyback programme decided by the Board of Directors in October 2007, the following buybacks were made over a second trading line:

	Number	Share purchases Average price CHF
October	800	555.00
November	13 600	533.40
December	7 150	528.60
Total year	**21 550**	**532.61**

At the balance sheet date, the company owned 31,432 own bearer shares (previous year 1,955 shares), which have been booked at acquisition costs. No subsidiaries owned shares in Phoenix Mecano AG.

5 Current securities

As at 31 December 2007, Phoenix Mecano AG owned no securities. The outstanding bonds in CHF included under this item in the previous year were paid back in 2007.

6 Share capital

The share capital is divided into 1,069,500 bearer shares with a par value of CHF 1.00 each. In the previous year, the share capital was reduced from CHF 1,100,000 to CHF 1,069,500 by the elimination of 30,500 shares from the 2005–2006 share buyback programme on 15 September 2006. As at the balance sheet date, major shareholders held the following stakes in the share capital of Phoenix Mecano AG:

		2007	**2006**
%			
Name	Head office		
Planalto AG	Luxemburg, Luxemburg	30.9	30.9
Tweedy, Browne Company LLC	New York, USA	8.8	9.3
UBS Fund Management (Switzerland) AG	Basel, Switzerland	5.6	6.0
OppenheimerFunds Inc.	New York, USA	4.6	
Sarasin Investmentfonds AG	Basel, Switzerland	3.9	

In 2006, only stakes over 5 % had to be reported. From December 1, 2007, stakes over 3 % are subject to this requirement.

7 Retained earnings

The retained earnings brought forward from the previous year totalled CHF 15,554,225. The 2007 financial year closed with a profit for the year of CHF 19,320,672. After moving CHF 15,764,442 to the reserve for own shares, this places retained earnings totalling CHF 19,110,455 at the disposal of the Shareholders' General Meeting of 6 June 2008. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 104.

8 Provisions

As in the previous year, this item comprises provisions to cover investment risks totalling CHF 3.5 million as well as provisions to cover exchange rate risks totalling CHF 1.0 million.

9 Bank loans/Bank liabilities

The long-term bank loans are CHF loans with terms of between 3 and 5 years. The short-term bank liabilities include CHF and USD loans.

10 Financial liabilities to Group companies

This item comprises short-term financial liabilities (including liabilities on clearing accounts) in CHF and EUR towards subsidiary companies in Switzerland and abroad.

11 Other liabilities

Other liabilities include withholding tax liabilities from the share buyback totalling CHF 1.3 million.

12 Derivative financial instruments

At the balance sheet date, there were open EUR/CHF forward exchange transactions totalling CHF 3.3 million, which will fall due within one year. As at 31 December 2007, these had a negative replacement value of CHF 27,000. At the end of the previous year, there was a USD interest rate change contract with an equivalent value of CHF 3.7 million, which matured in May 2007 and had a positive replacement value of CHF 26,000 as at 31 December 2006.

13 Contingent liabilities

	2007	2006
TCHF		
Guarantees and letters of comfort	**117 039**	**94 101**

The contingent liabilities cover sureties and warranty obligations given for subsidiaries in favour of financial institutions. The actual book value of liabilities held by Group companies totalled CHF 53.0 million (previous year CHF 51.8 million).

For the purposes of registration for Group VAT taxation from 1 January 2007, Phoenix Mecano AG has entered into a joint guarantee with its Swiss subsidiaries.

14 Income from investments

Income from investments comprises dividends paid by subsidiaries in Switzerland and abroad.

15 Financial income

Financial income includes earnings from interest, commissions and securities.

16 Other income

As in the previous year, other income in the reporting year includes income from licences. In the previous year, redundant value adjustments totalling CHF 3.3 million were also released.

17 Financial expense

This item includes interest and securities expenses.

18 Other expenses

This item includes net exchange rate losses totalling CHF 0.4 million for the reporting year (CHF 1.1 million exchange rate losses less CHF 0.7 million exchange rate gains) compared with net exchange rate losses in the previous year totalling CHF 1.7 million. It also includes the formation of value adjustments and licence expenses for both years.

19 Net release of hidden reserves

The statement of income contains no net release of hidden reserves. In the previous year, hidden reserves totalling CHF 3.3 million were released.

20 Remuneration and participations

Remuneration of members of the Board of Directors and Executive Committee The following remuneration was awarded to serving corporate officers in 2007:

Name	Position	Fixed remuneration TCHF	Variable remuneration TCHF	Social security and pension TCHF	Total remuneration TCHF
Ulrich Hocker	Chairman of the BD	130		10	140
Benedikt A. Goldkamp	Delegate of the BD	420	574	139	1 133
Dr Florian Ernst	Member of the BD	43		3	46
Dr Martin Furrer	Member of the BD	43		3	46
Beat Siegrist	Member of the BD	43		3	46
Remuneration of the Board of Directors		**679**	**574**	**158**	**1 411**
(excluding the Delegate of the Board of Directors)		1 978	674	426	3 078
Total remuneration of the Board of Directors and Executive Committee		**2 657**	**1 248**	**584**	**4 489**

Mr Benedikt A. Goldkamp is also CEO of the Phoenix Mecano Group. His remuneration as CEO is included in the remuneration as Delegate of the Board of Directors, the highest individual remuneration of any member of the management.

The variable remuneration is based on individual employment contracts and annual bonus agreements. The amount depends on the attainment of income and return-on-capital targets and in individual cases on personal performance targets. It includes the variable remuneration for the 2007 financial year accounted for in the financial statements to 31 December 2007. 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 remuneration was paid in the reporting year to former corporate officers who had left the company.

No loans or securities were awarded to members of the Board of Directors or the Executive Committee or persons related to them.

Participations by members of the Board of Directors and the Executive Committee and persons related to them

Share ownership		31 Dec 2007
Name	Position	
Ulrich Hocker	Chairman of the BD	8 594
Benedikt A. Goldkamp	Delegate of the BD	1 138
Dr Florian Ernst	Member of the BD	10
Dr Martin Furrer	Member of the BD	100
Beat Siegrist	Member of the BD	400
Share ownership by the Board of Directors		10 242
Dr Werner Karlen	Chairman of the EC	450
Ralph Gamper	Director	30
Dr Joachim Metzger	Director	77
René Schäffeler	Director	20
Share ownership by the Executive Committee		**577**

In addition, Planalto AG, Luxembourg, which is owned by the Goldkamp family, holds a 30.9% stake.

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 remuneration awarded to the Board of Directors and the Executive Committee and the standard contributions to pension funds, no significant transactions with related persons or companies took place.

21 Events after the balance sheet date

No events occurred between 31 December 2007 and 20 March 2008 which 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 663b of the Swiss Code of Obligations.

Proposal for the appropriation of retained earnings

	CHF
Net income for the year 2007	19 320 672
Retained earnings brought forward 2006	15 554 225
Allocation to reserve for own shares	– 15 764 442
Retained earnings	**19 110 455**

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

	CHF
Dividend of CHF 9.00 per share[1]	9 625 500
Carryforward to new account	9 484 955
Total	**19 110 455**

[1] The dividend total refers to the entire share portfolio of 1,069,500 bearer shares. Shares in the company's possession at the time of the payout will not be entitled to dividend.

Report of the statutory auditors 2007

To the Shareholders' General Meeting of Phoenix Mecano AG, Stein am Rhein

As statutory auditors, we have audited the accounting records and the financial statements presented on pages 96 to 103 (comprising balance sheet, income statement and notes) of Phoenix Mecano AG, Stein am Rhein, for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records, financial statements and the proposal by the board of directors for the appropriation of retained earnings comply with Swiss law and the company's articles of incorporation.

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

KPMG Ltd.

Roger Neininger
Auditor in charge

Thomas Keusch

Zurich, 20 March 2008

Further information:
International presence

FURTHER INFORMATION

Locations

Sales

1 **Australia:** Victoria
2 **Austria:** Vienna
3 **Belgium:** Deinze
4 **Brazil:** São Paulo
5 **People's Republic of China:** Shenzhen
6 **France:** Fontenay sous Bois
7 **Great Britain:** Aylesbury
8 **Italy:** Inzago
9 **Korea:** Seoul
10 **Russia:** Moskau
11 **Singapore:** Singapore
12 **Spain:** Zaragoza
13 **Thailand:** Bangkok
14 **The Netherlands:** Doetinchem
15 **USA:** Huntingdon Valley, Pennsylvania
16 **United Arab Emirates:** Sharjah
17 **Taiwan:** Taipei

Production

18 **Germany:** Eberswalde
19 **Romania:** Sibiu
20 **Czech Republic:** Jindřichův Hradec
21 **Tunisia:** Ben Arous, Borj-Cedria, Zaghouan

Production and sales

22 **Brazil:** Manaus
23 **Germany:** Porta Westfalica, Bünde, Villingen-Schwenningen, Minden, Kirchlengern, Baiersdorf, Werne, Grävenwiesbach, Stuttgart, Wutha-Farnroda, Reichenschwand
24 **People's Republic of China:** Shanghai
25 **India:** Pune
26 **Switzerland:** Stein am Rhein, Niederdorf
27 **Hungary:** Kecskemét
28 **USA:** Frederick, Maryland

Addresses

GROUP HEAD OFFICE

Switzerland
Phoenix Mecano AG
Hofwisenstrasse 6
CH-8260 Stein am Rhein
www.phoenix-mecano.com

FINANCE, SERVICE AND COMPANIES

Switzerland
Phoenix Mecano Management AG
Lindenstrasse 23
CH-8302 Kloten
Phone +41/43/255 42 55
Fax +41/43/255 42 56
info@phoenix-mecano.com
www.phoenix-mecano.com

Phoenix Mecano Trading AG
Hofwisenstrasse 6
CH-8260 Stein am Rhein
Phone +41/52/742 75 22
Fax +41/52/742 75 92
pm.trading@phoenix-mecano.com

Channel Islands, GB
Phoenix Mecano Finance Ltd.
17. Bond Street
St. Helier
Jersey, Channel Islands JE2 3NP
Phone +44/1534/732 299
Fax +44/1534/725 376

Brazil
IPES Industria de Produtos e Equipamentos de Solda Ltda.
Av. Buriti 7001, Distrito Industrial
Manaus
Phone +55/92/615 17 77
Fax +55/92/615 17 90

Germany
IFINA Beteiligungsgesellschaft mbH
Erbeweg 13-15
D-32457 Porta Westfalica
Phone +49/571/504 11 14
Fax +49/571/504 171 14

The Netherlands
PM International B.V.
Havenstraat 100
NL-7005 AG Doetinchem
Phone +31/314/368 368
Fax +31/314/368 378
ger.hartman@phoenix-mecano.com

ENCLOSURES

Germany
Rose Systemtechnik GmbH
Erbeweg 13-15
D-32457 Porta Westfalica
Phone +49/571/504 10
Fax +49/571/504 11 59
rose@rose-pw.de
www.rose-pw.de

Bopla Gehäuse Systeme GmbH
Borsigstr. 17-25
D-32257 Bünde
Phone +49/5223/969 0
Fax +49/5223/969 100
info@bopla.de
www.bopla.de

Kundisch GmbH + Co. KG
Steinkirchring 56
D-78056 Villingen-Schwenningen
Phone +49/7720/976 10
Fax +49/7720/976 122
vertrieb@kundisch.de
www.kundisch.de

ELCOM/EMS

Germany
Hartmann Codier GmbH
Industriestrasse 3
D-91083 Baiersdorf
Phone +49/9133/779 30
Fax +49/9133/42 35
info@hartmann-codier.de
www.hartmann-codier.de

MCT Moderne Contact Technologie GmbH
Hersbrucker Strasse 23
D-91244 Reichenschwand
Phone +49/9151/869 60
Fax +49/9151/869 622
info@mct.de.com
www.mct.de.com

PTR Messtechnik GmbH + Co. KG
Gewerbehof 38
D-59368 Werne
Phone +49/2389/798 80
Fax +49/2389/798 888
info@ptr-messtechnik.de
www.ptr-messtechnik.de

Götz-Udo Hartmann GmbH + Co. KG
Auf der Struth 1
D-61279 Grävenwiesbach
Phone +49/6086/961 40
Fax +49/6086/259
info@hartu.de
www.hartu.de

Hartmann Elektronik GmbH
Motorstrasse 43
D-70499 Stuttgart (Weilimdorf)
Phone +49/711/139 89-0
Fax +49/711/866 11 91
info@hartmann-elektronik.de
www.hartmann-elektronik.de

Phoenix Mecano Digital Elektronik GmbH
Am Schunkenhofe 1
D-99848 Wutha-Farnroda
Phone +49/36921/201 0
Fax +49/36921/201 23
info@pmd-wutha.de
www.pmd-wutha.de

MECHANICAL COMPONENTS

Germany
RK Rose + Krieger GmbH
Potsdamer Str. 9
D-32423 Minden
Phone +49/571/933 50
Fax +49/571/933 51 19
info@rk-online.de
www.rk-online.de

Dewert Antriebs- und Systemtechnik GmbH
Weststrasse 1
D-32278 Kirchlengern
Phone +49/5223/979 0
Fax +49/5223/751 82
info@dewert.de
www.dewert.de

Elodrive GmbH
Potsdamer Str. 12
D-32423 Minden
Phone +49/571/934 300
Fax +49/571/934 30 19
info@elodrive.de
www.elodrive.de

Switzerland
Phoenix Mecano Komponenten AG
Bachmatten 12
CH-4435 Niederdorf/BL
Phone +41/61/951 25 50
Fax +41/61/951 25 56

USA
Elodrive USA Inc.
442 B Pike Road
Huntingdon Valley, PA 19006
Phone +1/215/942 49 46
Fax +1/215/942 49 47
info@elodrive.com
www.elodriveusa.com

PRODUCTION COMPANIES

Czech Republic
LEONHARDY MCT s.r.o.
Rodvínov 93
P.O. Box 226
CZ-37701 Jindřichův Hradec
Phone +42/0384/396 430
Fax +42/0384/396 430

Germany
Rose Gehäusetechnik GmbH
Schönholzer Strasse 18
D-16227 Eberswalde
Phone +49/3334/309 80
Fax +49/3334/309 822

Hungary
Phoenix Mecano Kecskemét KFT
István király krt. 24
H-6000 Kecskemét
Phone +36/76/515 500
Fax +36/76/515 555
phoemec@mail.matav.hu
www.phoenix-mecano.hu

Romania
Phoenix Mecano Plastic S.r.l.
Europa Unita Nr. 10
RO-550052 Sibiu
Phone +402/69/241 055
Fax +402/69/241 210
pm.office@phoenix-mecano.ro

Tunisia
Hartu S.à.r.l.
15, Rue des Usines,
Zone Industrielle Sidi Rezig, Megrine
TN-2033 Ben Arous
Phone +21/671/387 802
Fax +21/671/387 928

Phoenix Mecano Hartu S.à.r.l.
Rue Annabe Lot 119-Z.l.
TN-2013 Ben Arous
Phone +21/671/387 802
Fax +21/671/387 928

Phoenix Mecano Tunisie S.à.r.l.
23, rue Jamel Abdelnacer
TN-2084 Z.I. Borj-Cedria
Phone +21/671/430 666
Fax +21/671/430 267

PHOENIX MECANO ELCOM S.à.r.l.
Z.I. Iotis Med Ridha Bouhejba lot 3-4
TN-1100 Djebel El Quest-Zaghouan
Phone +21/672/640 089
Fax +21/672/640 589

SALES COMPANIES

Australia
Phoenix Mecano Australia Pty Ltd.
18 B Mareno Road
Tullamarine
Victoria 3043
Phone +61/3/933 856 99
Fax +61/3/933 853 99
info@dewert.com.au
www.dewert.com.au

Austria
AVS-Phoenix Mecano GmbH
Birostrasse 17
A-1232 Wien
Phone +43/1/615 08 01
Fax +43/1/615 080 11 30
infoservice@avs-phoenix.co.at
www.avs-phoenix.co.at

Benelux
PM Komponenten B.V.
Havenstraat 100
NL-7005 AG Doetinchem
Phone +31/314/368 368
Fax +31/314/368 378
info.pmnl@phoenix-mecano.com
www.pmkomponenten.nl

PM Komponenten N.V.
Karrewegstraat 124
B-9800 Deinze
Phone +32/9/220 70 50
Fax +32/9/220 72 50
info.pmb@phoenix-mecano.com
www.pmkomponenten.be

Brazil
Phoenix Mecano Comercial e Técnica Ltda.
Av. Prof. Alceu Maynard de Araujo, 185
CEP 04726-160 São Paulo
Phone +55/11/564 341 90
Fax +55/11/564 108 82
vendas@phoenix-mecano.com.br
www.phoenixmecano.com.br

France
Phoenix Mecano S.à.r. l.
76, rue du Bois-Galon
F-94121 Fontenay sur Bois, Cedex
Phone +33/1/539 950 50
Fax +33/1/539 950 76
info.pmf@phoenix-mecano.com
www.phoenixmecano.fr

Great Britain
Phoenix Mecano Ltd.
6-7 Faraday Road
Aylesbury
GB-Buckinghamshire HP 198 TX
Phone +44/1/296/619 100
Fax +44/1/296/398 866
infogb@phoenix-mecano.com
www.phoenix-mecano.co.uk

>

Addresses

SALES COMPANIES (CONTINUED)

India
Phoenix Mecano (India) Ltd.
Pirangut Indl. Area
Pirangut Hinjwadi Road
Village Bhare, Taluka Mulshi
Dist. Pune 412108
Phone +91/20/667 45 00
Fax +91/20/667 451 10
admin@pmipl-online.com
www.phoenixmecano.in

Italiy
Phoenix Mecano S.r.l.
Prolungamento, Via G. di Vittorio 11
I-20065 Inzago (Mi)
Phone +39/02/953 152 60
Fax +39/02/953 105 39
info.pmi@phoenix-mecano.com
www.phoenix-mecano.it

Korea
Phoenix Mecano Korea Co., Ltd.
Seoul Office
202 Bosung Building
1425-1 Seocho-dong,
Seocho-gu, Seoul 137-070
South Korea
Phone +82/226 376 922
Fax +82/226 376 925
info@pmecano.co.kr
www.pmecano.co.kr

People's Republic of China
Mecano Components
(Shanghai) Co. Ltd.
No. 1001, JiaQian Road
Nanxiang, JiaDing District
201802 Shanghai
Phone +86/21/691 765 90
Fax +86/21/691 765 32
info@mecano.com.cn
www.mecano.com.cn

Phoenix Mecano Components
(Shanghai) Co. Ltd.
No. 1001, JiaQian Road
Nanxiang, JiaDing District
201802 Shanghai
Phone +86/21/691 765 90
Fax +86/21/691 765 32
info@mecano.com.cn
www.mecano.com.cn

Shenzhen Elcom Trading Co. Ltd.
1902, 19F Dongfeng Buildung 2010
Shennan Road, Shenzhen China
Phone +86/755/837 856 74
Fax +86/755/837 852 37

Russia
Representative Office
Rose Systemtechnik GmbH
121170 Moskau
Kutusowskij Prospekt 36
Block 3, Büro 322-1
Phone +7/495/ 984 25 11
Fax +7 (495) 988 76 21
info@rose-pw.ru

Singapore
Phoenix Mecano S.E. Asia Pte. Ltd.
53 Ubi Ave 3
04-01, Colourscan Building
Singapore 408863
Phone +65/674 916 11
Fax +65/67496766/674 967 49
pmsea@pmecano.com.sg
www.phoenixmecano.com.sg

Spain
Sistemas Phoenix Mecano España S.A.
Pol. El Olivar, naves 15-16
Carretera de Logroño, Km. 247
E-50011 Zaragoza
Phone +34/976/786 080
Fax +34/976/787 088
info@phoenix-mecano.es
www.phoenix-mecano.es

Switzerland
Phoenix Mecano Komponenten AG
Hofwisenstrasse 6
CH-8260 Stein am Rhein
Phone +41/52/742 75 00
Fax +41/52/742 75 90
info@phoenix-mecano.ch
www.phoenix-mecano.ch

Taiwan
Branch Office
Phoenix Mecano S.E. Asia Pte Ltd.
Taipei World Trade Center Exhibition Hall
Room 4E-12
No. 5, Hsin-Yi Road
Sec. 5, Taipei, Taiwan 110
pmtwn@pmecano.com.tw

Thailand
Representative Office
Phoenix Mecano S.E. Asia Pte Ltd.
Kitsiri Building, Room C, 2nd Floor
1054/14 New Petchburi Road,
Makkasan, Ratchatewi,
Bangkok 10400, Thailand
Phone +66/2/254 707 6
Fax +66/2/254 70 78
pmthai@pmecano.com.sg

United Arab Emirates
Rose Systemtechnik
Middle East (FZE)
125M2 Warehouse
P.O. Box 8993
Sharjah – U.A.E.
Phone +971/50/270 39 85
surajshreya@hotmail.com
www.ROSE-MEast.com

USA
Phoenix Mecano Inc.
7330 Executive Way
Frederick, Maryland, Md. 21704-8353
Phone +1/301/696 94 11
Fax +1/301/696 94 94
pminfo@pm-usa.com
www.pm-usa.com

Products of the Phoenix Mecano Group

ENCLOSURES

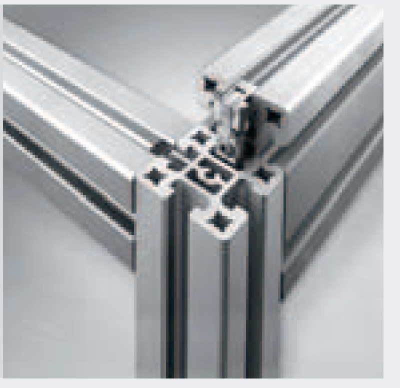
Enclosures made from stainless steel, polyester fiber glass and aluminium for use in explosive environments in the mechanical engineering sector

ROSE

MECHANICAL COMPONENTS

Heavy-duty profiles with pressure connector for high-tolerance construction systems

RK ROSE+KRIEGER



ENCLOSURES

Modular enclosure system with a range of uses in the control technology and building services sector

BOPLA

MECHANICAL COMPONENTS

High-performance drive for moving large adjustable loads in the healthcare and hospital sectors

DEWERT

ENCLOSURES

Sandwich keyboards offer an electronics-, display- or touch-based system solution

KUNDISCH

MECHANICAL COMPONENTS

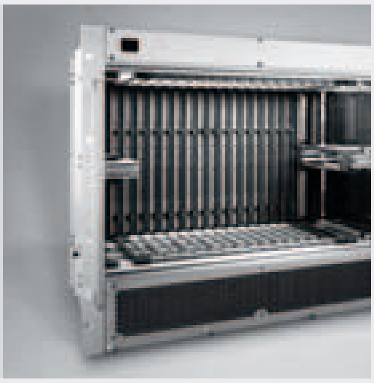
Electrical actuator with 90° rotation for dampers in the HVAC market

ELODRIVE

ELCOM/EMS

New system platform for
high-speed applications

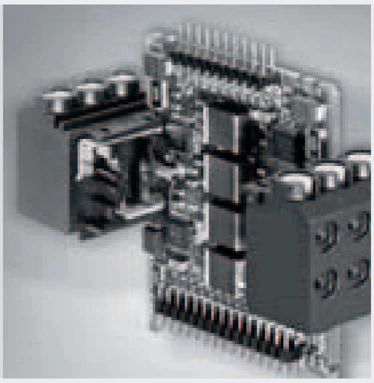
HARTMANN ELEKTRONIK



ELCOM/EMS

Push-in terminal blocks
of high temperature resistant
material for use in DIN-rail
enclosures

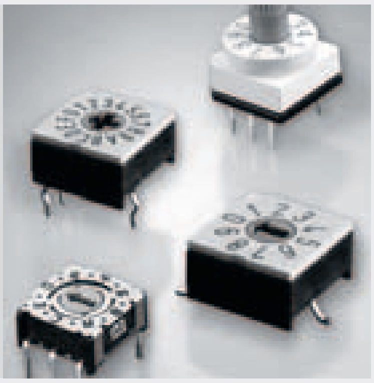
PTR



ELCOM/EMS

Rotary coding switches of
different sizes and with
different connection options
are used across the whole
range of electrical engineering
applications

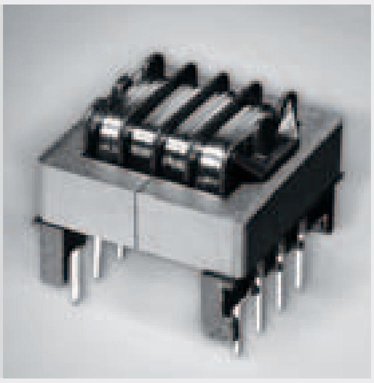
HARTMANN



ELCOM/EMS

Oscillator choke for electronic
ballast in lighting technology
applications

GÖTZ-UDO
HARTMANN



ELCOM/EMS

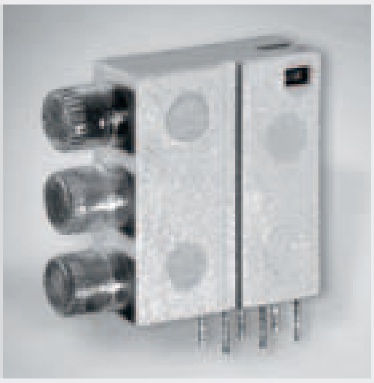
Customised diesel particulate
filter control

PHOENIX MECANO
DIGITAL ELEKTRONIK

ELCOM/EMS

LED elements with
protective caps to prevent
electrostatic discharge

MCT



Editorial
Ruoss Markus
Corporate Communications
CH-8808 Pfäffikon

Concept and Design
Kirchhoff Consult (Schweiz) AG
CH-8008 Zurich

Photography
Thomas Plain
CH-8004 Zurich
Board of Directors and
Executive Committee

Picture credits
Gilles Boccioli
By kind permission of
A-7503 Grosspetersdorf (Austria)
Reservoir

Getty Images
D-80469 Munich
Harbor, Hospital

Printed by
Neidhart + Schön Group AG
CH-8037 Zurich

Group head office
Phoenix Mecano AG
Hofwisenstrasse 6
Postfach
CH-8260 Stein am Rhein

Contact address
Phoenix Mecano Management AG
Lindenstrasse 23
CH-8302 Kloten
Phone +41/43/255 42 55
Fax +41/43/255 42 56
info@phoenix-mecano.com
www.phoenix-mecano.com

This annual report is also availabe in German.
The German version is binding.