Phoenix Mecano | Annual Report 2013

Think together. Grow together.
Act together.

PHOENIX MECANO

Key figures of the Phoenix Mecano Group

	Units	2013	2012	2011	2010	2009
Key financial figures						
Gross sales	EUR million	500.6	500.5	529.8	501.6	396.9
Change	%	0.0	–5.5	5.6	26.4	–4.9
Operating cash flow (EBITDA)	EUR million	56.2	54.5 [1]	68.1	71.2	33.8
Change	%	3.1	–20.0 [1]	–4.3	110.3	–43.3
in % of sales	%	11.2	10.9	12.9	14.2	8.5
Result before interest and tax (Operating result)	EUR million	35.0	27.9 [1]	36.1	52.6	13.5
Change	%	25.5	–22.7 [1]	–31.4	288.3	–68.3
in % of sales	%	7.0	5.6	6.8	10.5	3.4
in % of net operating asset	%	14.2	11.1 [1]	13.4	19.5	7.0
Result of the period	EUR million	22.4	18.1	23.6	43.9	11.6
Change	%	23.9	–23.6	–46.1	278.3	–62.1
in % of sales	%	4.5	3.6	4.5	8.7	2.9
in % of equity	%	8.8	7.2 [1]	9.6 [1]	18.6	6.0
Total assets/capital	EUR million	395.6	390.0	389.8	381.4	301.1
Equity	EUR million	254.2	250.7 [1]	246.5 [1]	236.2	193.4
in % of total assets	%	64.3	64.3 [1]	63.2 [1]	61.9	64.2
(Net liquidity)/Net indebtedness	EUR million	–1.5	0.7	17.3	24.9	–3.8
in % of equity	%	–	0.3	7.0	10.5	–
Cash flow from operating activities	EUR million	42.3	62.1	44.6	29.4	46.7
Free cash flow	EUR million	23.0	37.5	24.4	11.7	35.1
Purchases of tangible and intangible assets	EUR million	20.3	25.4	20.9	19.6	12.1
Share indicators						
Share capital [2, 3] (bearer shares with a par value of CHF 1.00)	Number	978 000	978 000	978 000	978 000	988 000
Shares entitled to dividend [4]	Number	957 936	963 197	973 480	972 541	968 798
Result before interest and tax (Operating result) per share [6]	EUR	36.6	29.0 [1]	37.1	54.1	14.0
Result of the period per share [6]	EUR	23.4	18.8	24.3	45.1	12.0
Equity per share [6]	EUR	265.4	260.3 [1]	253.2 [1]	242.9	199.6
Free cash flow per share [6]	EUR	24.0	38.9	25.1	12.0	36.2
Dividend	CHF	15.00 [5]	13.00	13.00	13.00	10.00
Share price						
High	CHF	565	575	719	660	420
Low	CHF	436	431	427	404	235
Year-end price	CHF	545	431	490	660	394

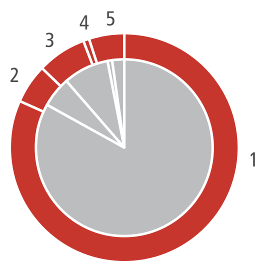
1 Restated due to IAS 19, see explanation in the “Principles of consolidation and valuation”.
2 Pursuant to a decision by the Shareholders’ General Meeting of 5 June 2009, the share capital was reduced by CHF 81 500 with effect from 28 September 2009 by cancelling 81 500 shares from the 2007/2008 and 2008/2009 share buy-back programmes.
3 Pursuant to a decision by the Shareholders’ General Meeting of 28 May 2010, the share capital was reduced by CHF 10 000 with effect from 2 September 2010 by cancelling 10 000 shares from the 2008/2009 share buy-back programme.
4 As at the balance sheet date, the company owned 20 064 treasury shares, which are not entitled to dividend.
5 Proposal to the Shareholders’ General Meeting of 23 May 2014.
6 Based on shares entitled to dividend as at 31 December.

Value added in 2013

Creation of value added		2013	2012
in 1 000 EUR	Note		
1 Net sales		495 352	495 581
2 Own work capitalised and other income		4 762	5 848
3 Cost of materials		–229 275	–238 350
4 Other operating expenses	A	–62 226	–62 300
5 Depreciation/amortisation		–21 147	–26 563
6 Other non-operating result	B	–2 205	–406
Value added		185 261	173 810

Distribution of value added

in %

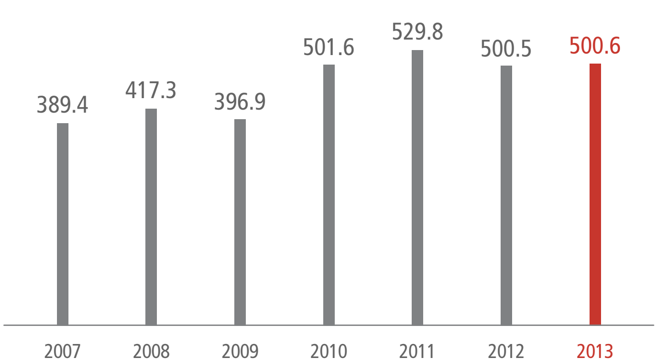


Distribution of value added	Note	2013	2012
1 Employees	C	81.7	83.7
2 Government (Taxes)	D	5.6	5.4
3 Shareholders	E	7.1	8.4
4 Lenders (net interest expense)		0.6	0.5
5 Companies (retained earnings)	F	5.0	2.0
Value added		100.0	100.0

A Excluding capital taxes and other non-profit-related taxes.
B Financial result excluding net interest expense plus share of result from associated companies.
C Personnel expenses.
D Current income tax, capital taxes and other non-profit-related taxes.
E Dividends paid in the financial year and share repurchases under the share buy-back programme.
F Result of the period less dividends already paid in the financial year and share repurchases under the share buy-back programme.

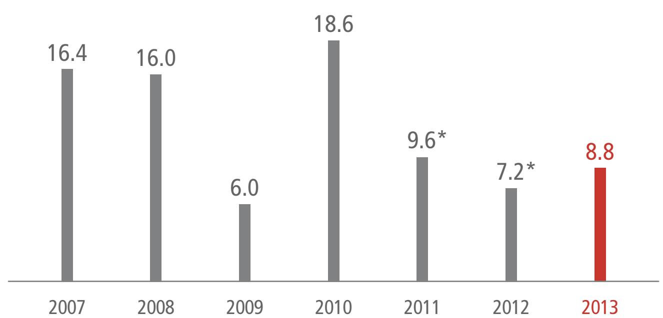
Gross sales | 2007–2013

in EUR million



Return on equity | 2007–2013

in %



* Adjusted due to IAS 19.

Number of employees

	Units	2013	2012	2011	2010	2009
Employee numbers						
Number of employees Annual average	Number	5 839	5 722	6 152	5 929	4 719
Gross sales per employee	1 000 EUR	85.7	87.5	86.1	84.6	84.1
Personnel expenses per employee	1 000 EUR	25.9	25.4	23.3	22.2	24.5

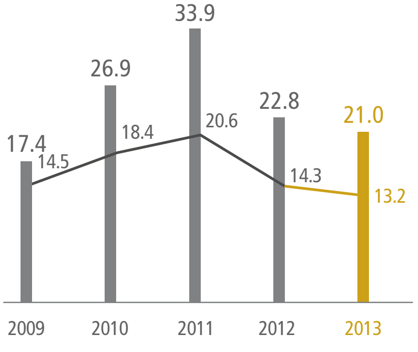
The divisions

ENCLOSURES

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

Operating result and margin | 2009–2013

in EUR million (— — Margin in %)



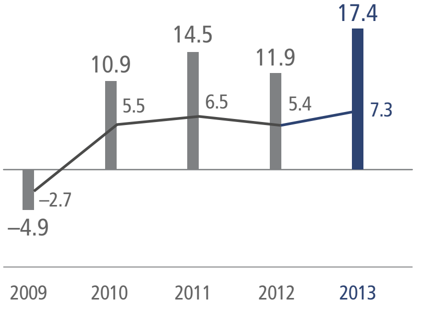
Key figures	2013	2012
in EUR million		
Gross sales	159.8	160.0
Purchases of tangible and intangible assets	5.6	6.2
Operating result	21.0	22.8
Margin in %	**13.2**	**14.3**
Employees	1 715	1 666

MECHANICAL COMPONENTS

Aluminium profiles, pipe connection systems, linear drives and conveyor components enable sophisticated systems for use in machine and equipment construction. Reliable, high-performance linear actuators and drive units help to create ergonomic workstations and ensure a high level of user comfort in the home and hospital care sector.

Operating result and margin | 2009–2013

in EUR million (— — Margin in %)



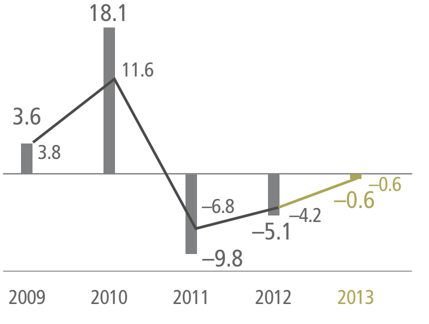
Key figures	2013	2012
in EUR million		
Gross sales	236.4	220.5
Purchases of tangible and intangible assets	9.3	9.0
Operating result	17.4	11.9
Margin in %	**7.3**	**5.4**
Employees	1 914	1 906

ELCOM/EMS

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

Operating result and margin | 2009–2013

in EUR million (— — Margin in %)



Key figures	2013	2012
in EUR million		
Gross sales	104.3	119.9
Purchases of tangible and intangible assets	5.1	9.7
Operating result	–0.6	–5.1
Margin in %	**–0.6**	**–4.2**
Employees	2 182	2 124

Our profile

Phoenix Mecano is active in the production of enclosures and industrial components. It has a streamlined management structure, with heads of division and managing directors of subsidiaries assigned a high level of responsibility. As a global technology company, it is a leader in many of its markets. Its cost-effective and professional niche products, manufactured to its customers' requirements, ensure the smooth operation of processes and connections in the machine industry and industrial electronics. Its core markets are mechanical engineering, measurement and control technology, medical technology, aerospace technology, alternative energy and home and hospital care.

Our pledge to our stakeholders

Our **customers** are central to our success. Our development and production processes are geared entirely to meeting their individual needs. Our decentralised structure and flexibility enable us to offer unique, competitively-priced solutions quickly and easily.

Our **employees** are the most important element in our flexible corporate structure. We foster initiative and individual responsibility by involving our employees at all levels in problem-solving processes and process optimisation.

We are committed to offering our **investors** a long-term growth strategy. We achieve solid value creation by planning ahead and responding quickly to changing market conditions.

We support the **environment** in which we operate by creating sustainable jobs and making targeted contributions to social projects at company locations.

Well-equipped for the recovery

The growth initiatives launched throughout the Group, our drive to optimise processes and our solid capital and liquidity position enable us to look to the future with confidence.

Ulrich Hocker
Chairman of the Board
of Directors

Benedikt A. Goldkamp
Delegate of the Board
of Directors

DEAR SHAREHOLDERS,

By and large 2013 lived up to our expectations. A continued reluctance to invest within the European mechanical engineering industry and the implementation of our strategic decision to withdraw from the mass production of chokes and transformers for solar converters curbed our sales growth. On the other hand, we were able to completely offset planned sales decreases of EUR 23 million in the converter business by progress in other areas. The disappearance of one-off expenses such as impairment losses on tangible and intangible assets led to a significant improvement in earnings. More important than this temporary boost, however, was the progress that the Group made in optimising its processes and realigning the business towards highly promising growth segments.

Our Group-wide "Journey towards Operational Excellence" (J2OX) programme is in full swing. Fifty specialists and managers from all divisions and regions attended multiple-day training courses, tailored to the Group's needs, at which they were taught techniques and tools for making long-term improvements to processes. They are already putting this knowledge to regular use in their respective fields of production, development and administration.

NEW DIVISION INITIATIVES LAUNCHED

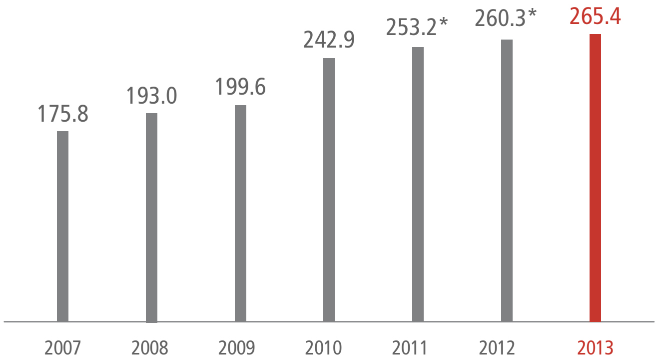
In the Enclosures division, we conducted an in-depth analysis of global logistics processes and developed plans to optimise material flows, delivery times and capital tied up in the supply chain. The resulting measures are already being implemented and offer considerable potential for enhancing our global competitiveness in the years ahead. Modern input interfaces such as touchscreens are complementing our established membrane keyboard technology and expanding our enclosure product offering, which bodes well for the future.

Our most dynamic growth in 2013 was generated by drive and control systems for electrically adjustable comfort furniture in the Mechanical Components division. Over the past few years, new low-cost electric drives, hand switches and smart comfort and safety features have triggered a growth boom in the lucrative US market, which we, as global market leader, supply with solutions from our production facilities in China and the USA.

In the ELCOM/EMS division, we launched a raft of growth initiatives. New test probe products for testing complex wiring harnesses and electronic circuit boards enabled attractive gains. We also significantly expanded our product portfolio of LED systems for exterior and street lighting. The acquisition of Phoenix Mecano Special Measuring Systems (The Netherlands) saw us enter the market for high-precision measuring systems for electrical parameters, whose target markets are physics research and high-voltage direct current (HVDC) transmission. We plan to round off this segment with in-house developments in 2014 and expect attractive growth opportunities in the medium term due to the increasing demands for smart power grids.

Equity per share | 2007–2013

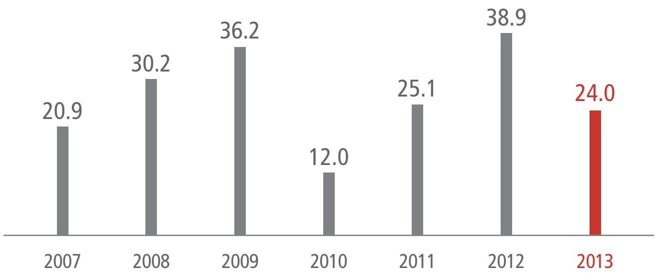
in EUR



* Adjusted due to IAS 19.

Free cash flow per share | 2007–2013

in EUR



REGIONAL VARIATIONS

While Europe is still only slowly recovering from the debt crisis and Asia, particularly China, has struggled to match the growth rates of past years, the US market proved to be in solid shape. However, even European markets were showing some signs of stabilisation by the end of the year.

PLANS TO INCREASE PAYOUT RATIO

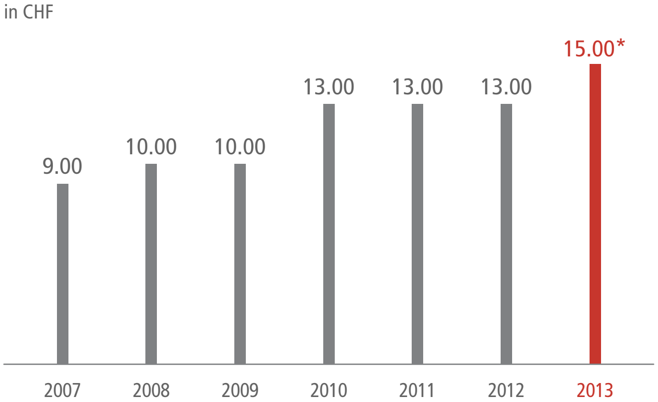
Subject to approval from the Shareholders' General Meeting, we plan in future to pay out a higher proportion of sustainable profit in the form of dividends. The payout ratio is to be set at 40–50% of net result, adjusted for special factors (previously 20–30%). This payout policy, which will in no way affect our ability to invest in the company's future, is our response to the increased need of many shareholders for regular and predictable dividends in a long-term low-interest environment.

We are able to take this step due to our very solid capital position, the reduction of net indebtedness to zero at the end of 2013 and the stability of our business portfolio. On the other hand, we are not currently planning any further share buy-back programmes.

THANK YOU TO OUR EMPLOYEES

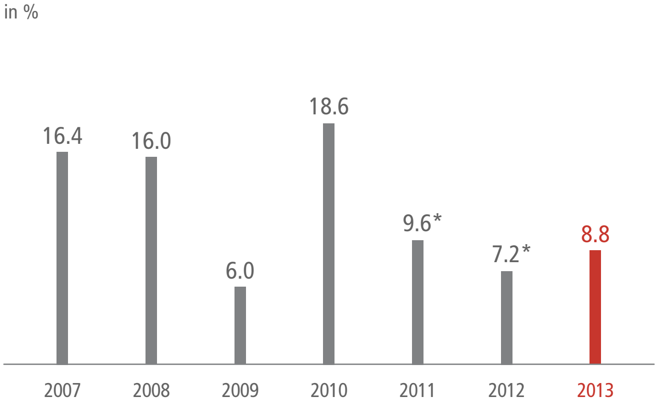
Global competition continues to place increasing demands on our products and processes. Thanks to our employees' great dedication and loyalty to the company, we were able to meet these demands once again in 2013. We would particularly like to commend the constructive and creative commitment shown by employees in the optimisation of processes and the elimination of weaknesses and waste as part of our J2OX programme. J2OX is not about top-down instructions from senior management but rather about taking on board the ideas and suggestions of staff at all levels of the business. Such commitment cannot be taken for granted and deserves our utmost respect.

Dividend per share | 2007–2013



* Proposal to the Shareholders' General Meeting of 23 May 2014.

Return on equity | 2007–2013



* Adjusted due to IAS 19.

OUTLOOK

Better economic indicators and optimism on the global markets at the start of 2014 hold out the promise of a more favourable environment for capital goods and infrastructure investments. Phoenix Mecano too noticed a gradual improvement in the business environment in the second half of 2013. However, the eurozone's debt problems remain unresolved and even China, the growth engine of recent years, has seen an unaccustomed slowdown in growth. Moreover, the current monetary turbulence faced by emerging economies shows how fragile the recovery still is. Overall, however, the positive factors outweigh the negative, so we have based our business and investment plans for 2014 on the assumption of moderate growth. In any case, no major investments are required this financial year, which gives us plenty of flexibility to respond to unexpected events or developments.

For us, focal areas in 2014 are the strategic realignment of the Power Quality product area (electrotechnical components such as instrument transformers, transformers and chokes), expanding our production sites in India and China, continuing to optimise logistics in the Enclosures division and further developing the J2OX operational excellence programme. Bolt-on acquisitions also remain a key part of our growth strategy. The Group's very comfortable capital and liquidity position gives us the necessary strategic flexibility to achieve this.

Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors

Our strategy at all levels of the value creation process

The Phoenix Mecano Group follows a long-term growth strategy which it has been implementing consistently for many years. The measures and steps required for this strategy are adapted flexibly to take account of changing conditions.

Intellectual capital
Experience with integrating acquired companies | Knowledge of local market conditions | Flexible production processes | J2OX | Complete customised solutions | Patents

Financial capital
Solid capital structure | Free cash flow enables investments to strengthen innovation and organic growth

Facilities
State-of-the-art manufacturing facilities | Global production and sales locations

What we invest

Relationships
Key stakeholders (suppliers, customers, investors)

Employees
Responsible employees:
Flat management structures and hierarchies | Well-designed working areas

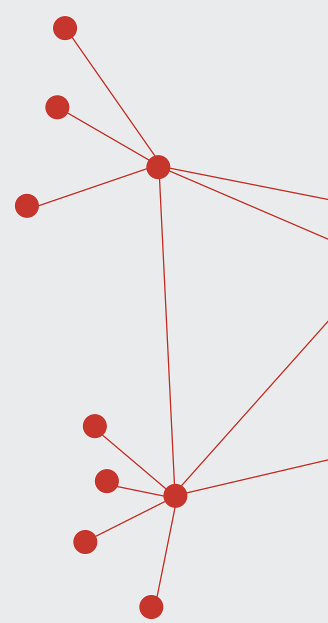
Natural resources
Global sourcing: optimisation of global material procurement activities in India, Southeast Asia and Eastern Europe | Recycling and waste management

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

Management | Governance
Flat, decentralised organisational structure

Group-wide or cross-division standards

Flexible allocation of company resources



Culture
Long-term focus

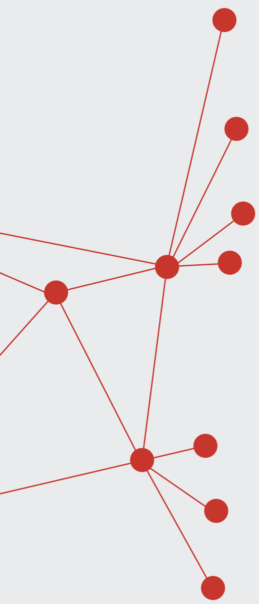
Continuous improvement

Nurturing talent

Sustainability as the guiding principle in process design

A FOCUS ON INCREASING COMPANY VALUE

Phoenix Mecano's group strategy is geared towards a steady, long-term increase in the value of the business. We continually strive to further the Group's growth and the expansion of its global sales network out of our own resources and through targeted acquisitions. Our transparent and decentralised organisational structure enhances our effectiveness in a heavily fragmented market. Together as a group we are stronger. Active management and a clear strategy in the structuring of our operational divisions ensure consistent leadership across the Group and guarantee maximum transparency. Our targeted investment policy is guided by clear criteria based on a performance measurement and value enhancement concept. The divisions are managed for results and are subject to strict and regular monitoring.



Strategy
Exploiting value creation potential in existing markets

Growth through targeted acquisitions

Value-oriented allocation of company resources

Global sales network

Performance
Uniform Group-wide finance and controlling systems

Result-oriented division targets

Cross-division performance measurement

What we get out

Intellectual capital
Continuous improvements in LEAN processes | Product and process innovations | International expansion | In-depth knowledge of customer and market needs | Know-how

Financial capital
Appropriate return on capital employed (ROCE) ensures long-term access to the capital market | Operating margins | Targeted acquisitions | Free cash flow for dividend payments and capital expenditure

Facilities
Sustained productivity improvements and cost reductions through relocation of production sites and logistics

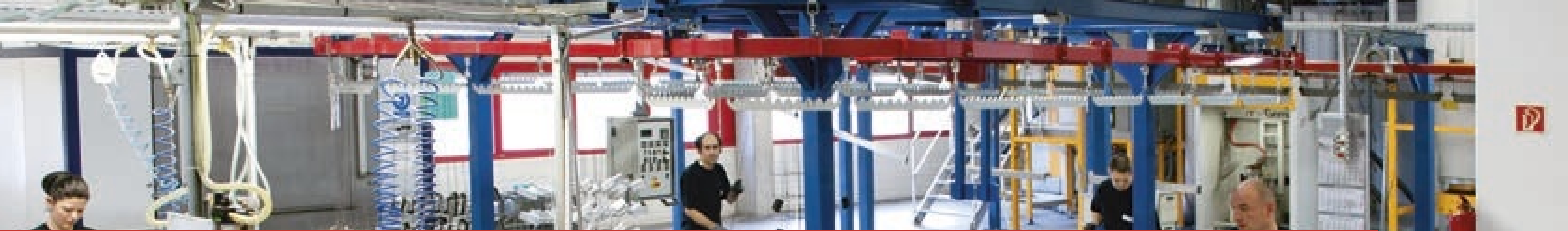
Relationships
Superior customer service | Local expertise | Global network | Reliable long-term partnership for system solutions

Employees
Cross-division and cross-regional expertise in the development of new processes and technologies | Staff loyalty

Natural resources
Energy-efficient solutions for product developments

Think together. Act together. Grow together.

For Phoenix Mecano this means working as a team to deliver the best possible solutions in partnership with our customers.



Our steps towards a learning organisation

Operational Excellence

"Our Journey towards Operational Excellence" – Phoenix Mecano's continuous improvement culture

JOURNEY TOWARDS OPERATIONAL EXCELLENCE

J2OX – Our Journey towards Operational Excellence

Permanent process and product optimisation. This was the goal we set ourselves two years ago when we launched "OUR JOURNEY TOWARDS OPERATIONAL EXCELLENCE" (J2OX), a long-term initiative for the continuous improvement of Phoenix Mecano's operational performance. The aim is to achieve a culture of continuous improvement and to establish J2OX sustainably throughout the Group. J2OX principles must be embedded the length and breadth of the company, among all employees at every level, to help drive up the company's value in a sustainable way. That process is now well under way.

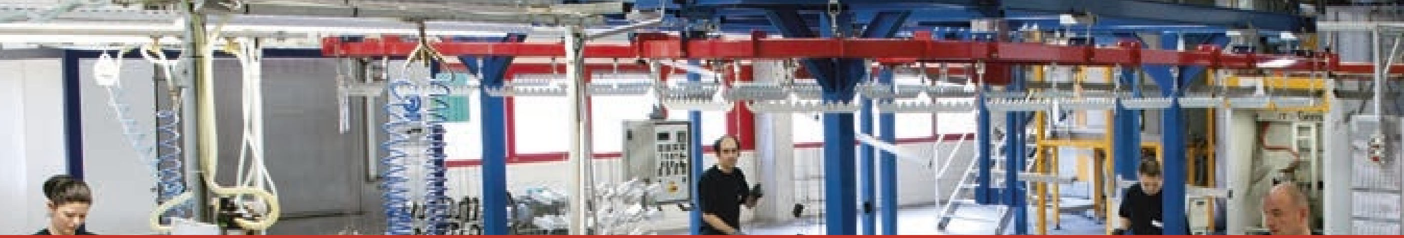
Our goals

Changing the company's culture

- Motivation and innovation at all levels of the organisation and in all organisational units
- Structured, team-based problem-solving and efficient teamwork
- Continuous learning by all Phoenix Mecano employees, including from one another

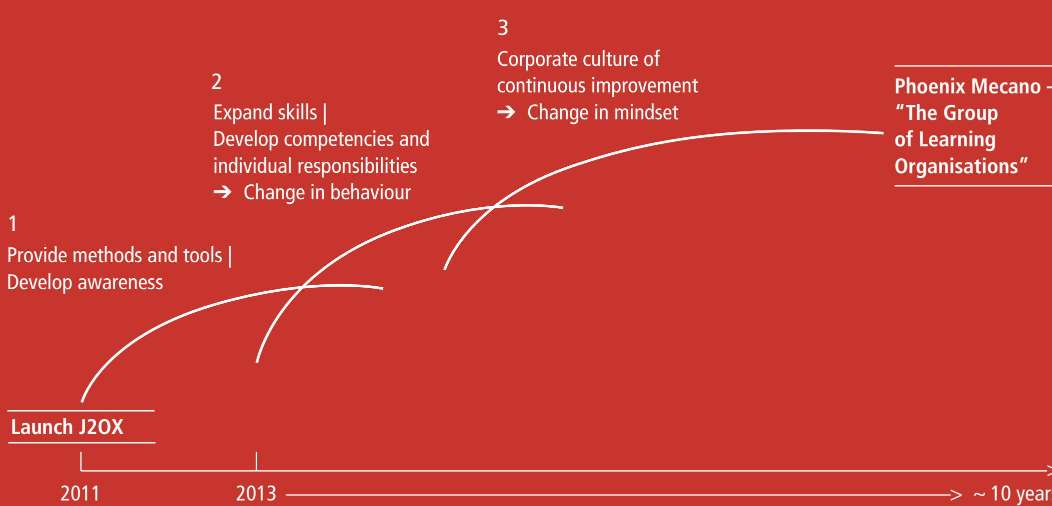
Operational improvements

- First-class quality, avoidance of errors and elimination of non-value-added activities
- Maximum process efficiency through reduced lead times
- Flexible response times geared to changing market demands and customer needs
- Reduction of working capital
- More efficient use of resources such as energy and raw materials
- Continuous optimisation of products, processes and services



Our steps towards a learning organisation

J2OX – Our long-term model over three development timeframes



J2OX is a long-term initiative spanning three development timeframes. The first level – raising awareness, imparting a basic knowledge of J2OX methods, tools and objectives – is complete. Employees at all levels and on all continents are engaged with J2OX. The Group is now working on level two. The aim of this level is to develop the relevant skills and competencies throughout the Group and so bring about changes in behaviour and attitude at all hierarchical levels. A number of J2OX training programmes are currently under way to communicate tried-and-tested Lean Six Sigma methods and tools and teach staff how to apply them. To date, over 40 Lean Production Master and over 20 Lean Administration Master trainees have qualified. Numerous managers have taken part in intensive seminars lasting several days to learn about the J2OX management philosophy. The third level is all about creating a culture of continuous improvement and embedding it in the company's thinking and in the mindset of each and every employee.

Employees	Company	Customers
Motivation through engagement	High, reliably reproducible quality in processes and products	Reliable delivery
Attractive learning and working environment	Lower capital requirements	Short response and delivery times
Promotion of individual responsibility, personal initiative and a holistic approach	Avoidance of non-value-added activities	High flexibility
Active involvement in structured, team-based problem-solving	Reduction of lead times	Higher quality
Identification with continuous process improvement and resulting binding standards	Reduction of inventories	Competitive prices
Understanding of the whole set-up and the role of each individual in it	Competitive advantages through optimised processes	High degree of innovation

Our benchmarks for success

Sustained improvement in performance through J2OX

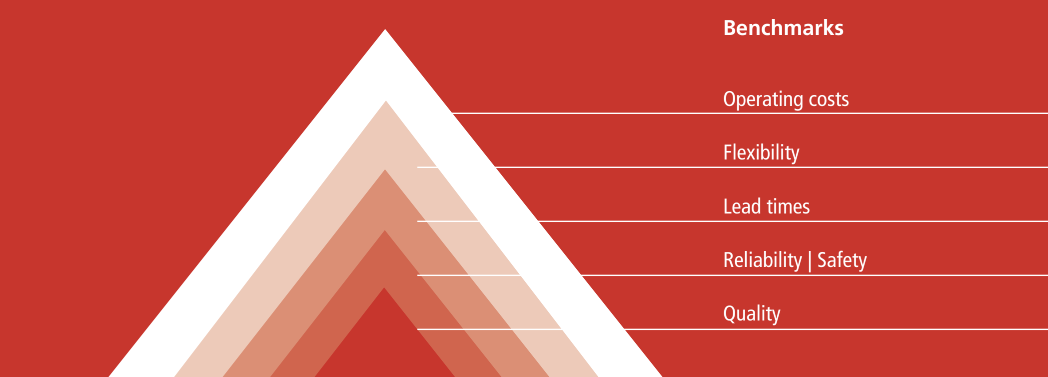


Diagram based on the sand cone model of Ferdows & De Meyer, 1990

Quality

- Avoiding errors through optimised processes
- Reliably reproducible quality
- Ergonomic working
- Process reliability through one-piece flow assembly and 100% testing built into the production flow

Reliability | Safety

- Reliable compliance with delivery deadlines
- Reliable compliance with quality requirements and specifications

Lead times

- Optimisation of production, logistics and administration processes
  - Optimisation of inventories
  - Smart deployment of men, machinery, equipment, materials and tools
  - Minimisation of non-value-added activities

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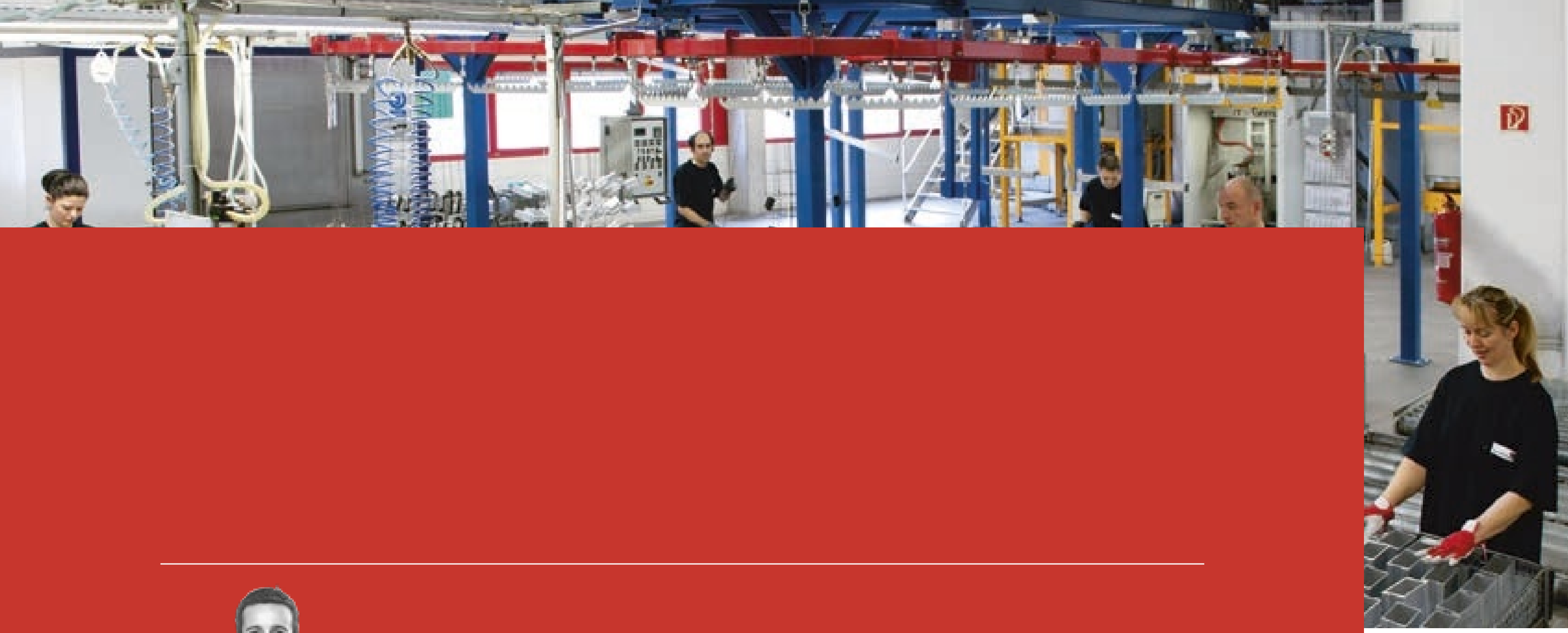


Dr Rochus Kobler, COO

"J2OX fully harnesses the knowledge and abilities of all employees and demands complete commitment, exemplary conduct and support from our managers at all levels."

Flexibility

- Shorter response times geared to changing customer needs
- Excellent customer service

Operating costs

- Significant reduction in working capital (cost reduction in the mid-single-digit million range)
- Simplification of transport routes, storage and handling (cost reduction/savings in the millions)
- Cost reduction through time-saving, e.g. by eliminating a third shift

Employee and customer satisfaction

Health and safety at work | Environmental compatibility

Sustainable increase in company value

Our views on J2OX

Christoph Porde
Managing Director
Phoenix Mecano Kecskemét

“Lasting change can only be achieved if our employees embrace and support the content of J2OX. Our specially designed training programmes play a crucial role in that respect.”

Heyko Holst
Production Manager
RK Rose + Krieger

“Involving all employees in a continuous improvement process is critical to our success. J2OX must therefore engage with all staff.”

Lothar Waltl
Production Manager
Rose Systemtechnik

“Working in and around the learning zone is the basis of every improvement activity and is a core component of J2OX for all of us.”

A one-piece flow concept for surface coating has halved the component processing time (above).

During assembly of linear units, targeted in-process inspections reduce costly reworking (above). | Cleaning components in parallel with mechanical processing. Optimising order lead time by shortening the process chain while also boosting productivity.

Phoenix Mecano Group

Focus on product and process innovation | Dynamic growth in electrically adjustable comfort furniture in the US end market

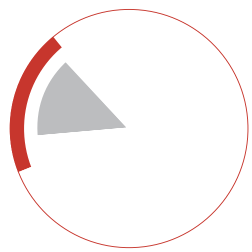
Gross sales by region – Phoenix Mecano Group

Europe

369.0 EUR million Gross sales

345.9 EUR million Gross sales

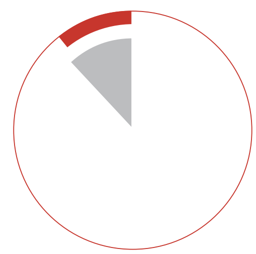
Middle and Far East



72.4 EUR million Gross sales

100.5 EUR million Gross sales

North and South America



59.1 EUR million Gross sales

54.2 EUR million Gross sales

2013 2012

At EUR 500.6 million, sales were virtually on a par with the previous year. Declining sales in the photovoltaic sector were offset by organic and acquisition-related sales growth in other areas. Thanks in part to lower special charges, the operating result rose by 25.5% and the result of the period by 23.9%. The Group has a net cash surplus for the first time since 2009. The equity ratio remains at the same high level of 64.3%.

BUSINESS ACTIVITY

~ 5%

of Group sales were generated through new growth initiatives in 2013.

The economic downturn in the European industrial sector ended in the second half of 2013. Since then, the industrial environment has been stable, with a modest upward trend. However, we have yet to see dynamic growth momentum. In 2013, Phoenix Mecano had to cope with the consequences of its strategic decision to withdraw from the mass-market inverter components business. This was achieved satisfactorily, despite the absence of a supportive environment. All in all, a drop of around EUR 23 million in sales of inverter components – corresponding to just under 5% of Group sales – was completely offset by new growth initiatives. The realignment of the ELCOM/EMS division, which used to manufacture the inverter components, has been pushed through at a rapid pace.

Through in-house developments and bolt-on acquisitions, the division is now targeting promising new markets such as battery formation equipment, instrument transformers for physics research facilities and high-voltage direct current (HVDC) transmission systems, LED exterior lighting modules and lamps as well as other niche applications with growth potential and high value added.

OKIN A MAJOR GROWTH DRIVER

However, the biggest growth momentum was achieved in the US end market for electrically adjustable comfort furniture. With its Okin brand, our Mechanical Components division is global market leader in this growing segment. Within the Phoenix Mecano Group, Okin has production and development sites in Europe, Asia and America. A key driver of growth for the Okin business is the aging baby boomer generation combined with new comfort features such as heating, massage, tablet and smartphone integration and control, TV functions, drinks coolers and many additional functions. Thanks to these trends, Okin is increasingly able to market electronic modules and control devices in packages alongside drive technology.

INDUSTRIAL BUSINESS WITH COUNTERCYCLICAL INVESTMENTS AND PROCESS IMPROVEMENTS

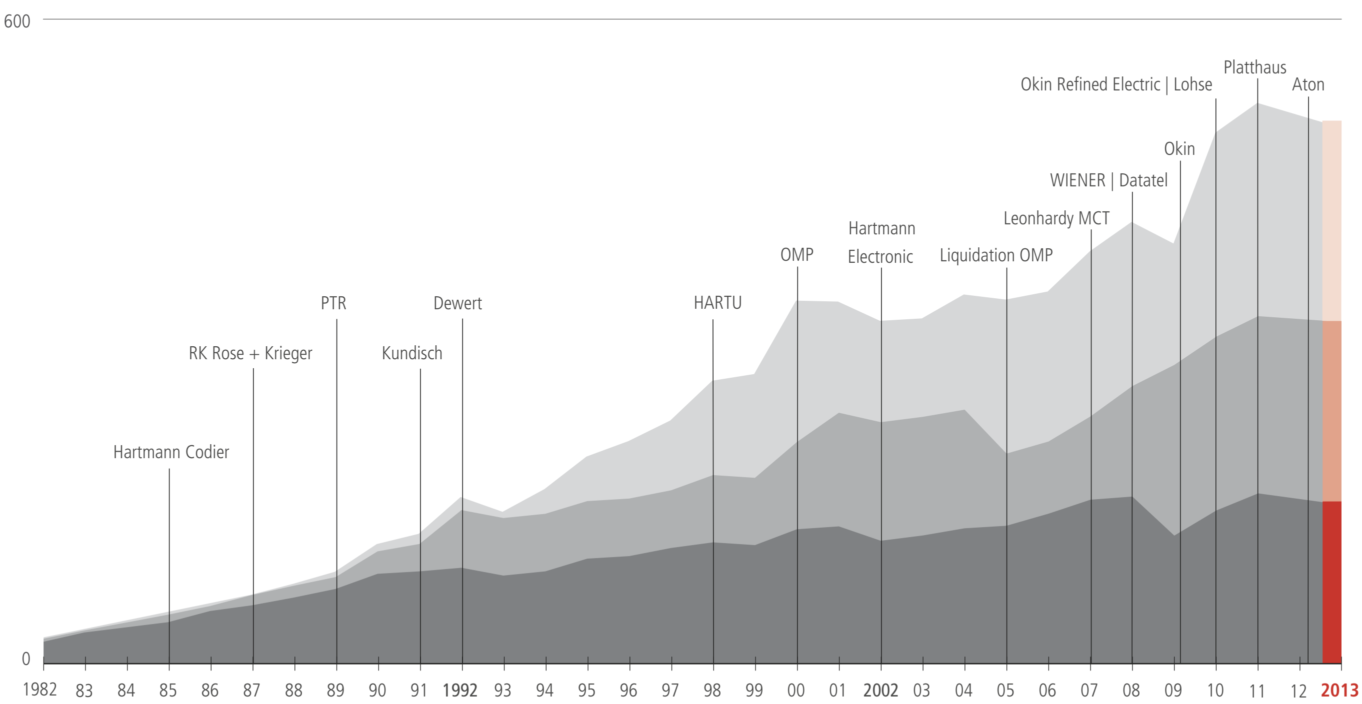
Within the largely stagnating industrial business, our focus in 2013 was on product and process innovation. In particular, we succeeded in making substantial progress on our J2OX (Journey towards Operational Excellence) continuous improvement programme, thanks to intensive training and workshops at all levels worldwide. The Group is currently developing a cross-division system of performance indicators for monitoring and tracking the optimisations achieved by J2OX.

At the same time, significant investments were made in expanding and modernising our production infrastructure in Hungary, India and China. These ongoing investments are in line with Phoenix Mecano's long-term policy of developing production and process expertise in a consistent way, even countercyclically where appropriate. Thanks to this approach, we have always managed to benefit disproportionately during economic upturns in previous cycles.

A big new logistics centre for the Mechanical Components and Enclosures divisions began operating in Hungary in summer 2013 and new plants for manufacturing transformers (Greater Shanghai) and customised turned parts and screws (Shenzen) entered service in China. In India, our aluminium die-casting plant was modernised with new die-casting machines and central melting furnace technology.

Sales | Growth | Acquisitions | 1982–2013

in EUR million



1980s:
Volume-oriented components business

1990s:
Value creation through customisation

Since 2000:
Internationalisation of the business into Asia and Eastern Europe opens up new global growth opportunities

- Accelerated growth through acquisition
- Growth through acquisition
- Sales growth based on business portfolio

SALES AND PROFITABILITY

DECLINING PHOTOVOLTAIC SALES OFFSET

The Phoenix Mecano Group's consolidated gross sales in 2013 totalled EUR 500.6 million, virtually the same as the previous year (EUR 500.5 million). Negative currency effects depressed sales by –1.1%. Corrected for changes in the scope of consolidation, sales were down slightly by 0.8%. This pattern masks two opposing effects. On the one hand, the strategic partial withdrawal from the photovoltaic components business led to a decline in sales of EUR 23 million. On the other hand, an equivalent volume of new sales were generated through organic growth initiatives and acquisitions, primarily in the Mechanical Components division.

+38.9%

Significant sales increase in Asian markets, generated by all three divisions.

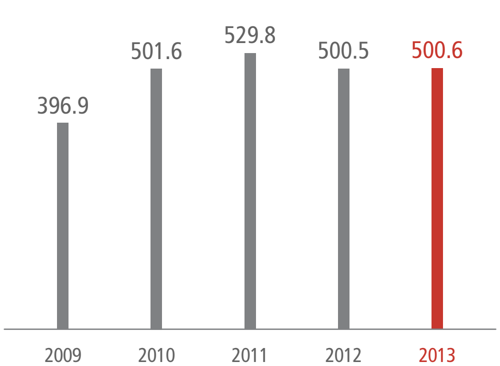
Owing to the aforementioned losses in the photovoltaic sector, sales in Europe were down by 6.3% overall and by a disproportionately high 12.3% in the core market of Germany. In most other European markets, modest sales increases were recorded. The proportion of total sales generated in Europe fell from 73.7% to 69.1%. Sales in Asian markets (apart from Japan) expanded by a significant 38.9%. All divisions contributed to this growth. The main driver was the DewertOkin business selling drive and control systems for adjusting comfort furniture and nursing beds. In North and South America, negative currency effects in particular resulted in an 8.4% decline in sales.

The reluctance to invest in Europe and North America depressed sales growth in the Enclosures division and led to a slight reduction of 0.1%. By contrast, sales in the Mechanical Components division rose by 7.2%, mainly due to revenue from drives for electrically adjustable comfort and healthcare furniture. The division's industrial components business contracted slightly due to the economic slowdown. Owing to the loss of photovoltaic sales and flagging demand for electrotechnical components, the ELCOM/EMS division saw its sales drop by 13.0% (16.3% in organic terms).

Consolidated incoming orders for the Phoenix Mecano Group rose by 1.9% to EUR 515.7 million, compared with EUR 506.0 million the previous year. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 103.0%, compared with 101.1% the previous year.

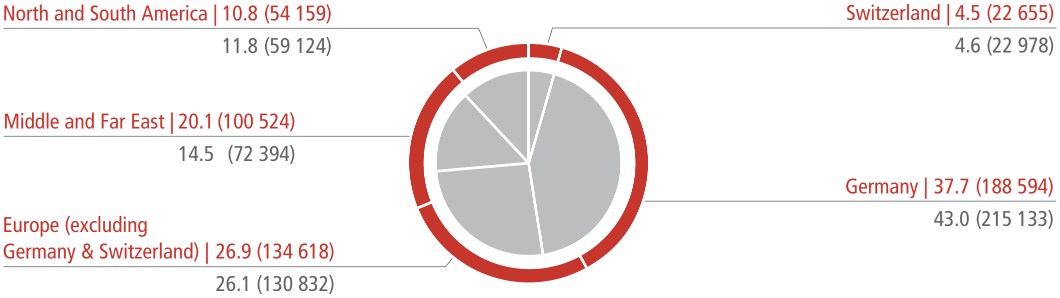
Gross sales | 2009–2013

in EUR million



Gross sales by region | 2013 and 2012

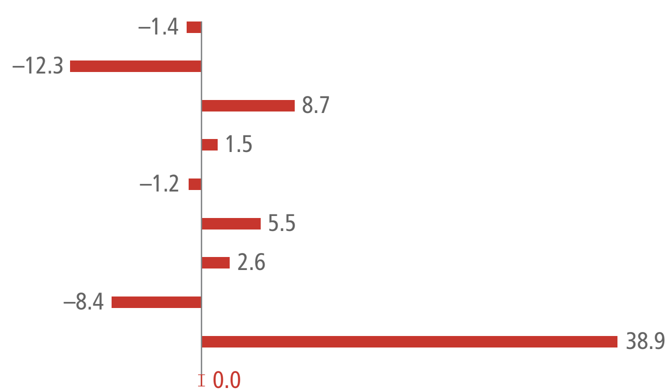
in % (in 1 000 EUR)



Gross sales by region	2013	2012
in 1 000 EUR		
Switzerland	22 655	22 978
Germany	188 594	215 133
UK	14 334	13 190
France	22 200	21 873
Italy	14 453	14 627
The Netherlands	13 116	12 433
Rest of Europe	70 515	68 709
North and South America	54 159	59 124
Middle and Far East	100 524	72 394
Total	500 550	500 461

Change in gross sales by region | compared to previous year

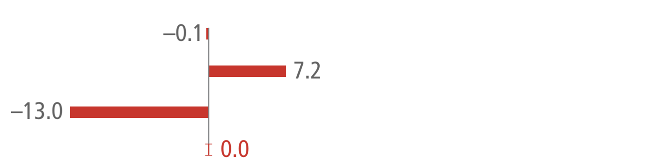
in %



Gross sales by division	2013	2012
in 1 000 EUR		
Enclosures	159 827	160 022
Mechanical Components	236 415	220 510
ELCOM/EMS	104 308	119 929
Total gross sales divisions (segments)	500 550	500 461

Change in gross sales by division | compared to previous year

in %



OPERATING RESULT UP BY 25.5%

The operating result increased by 25.5% in 2013, from EUR 27.9 million to EUR 35.0 million. The operating margin improved from 5.6% to 7.0%. The previous year's result included devaluations of tangible and intangible assets and losses on inventories and production materials in the photovoltaic components business totalling around EUR 8 million. In the reporting year, two factors impacted the Phoenix Mecano Group's profitability: firstly, the largely weak industrial activity in Western industrialised countries and, secondly, the costs of realigning the ELCOM/EMS division following the withdrawal from the inverter components business and the development of touchscreen expertise in the Enclosures division. On the other hand, growth at DewertOkin, particularly in Asia, had a positive effect.

For the above reasons, the Enclosures division saw its result decline from EUR 22.8 million to EUR 21.0 million while the ELCOM/EMS division posted a smaller operating loss of EUR 0.6 million. By contrast, the Mechanical Components division increased its operating result by 45.5% to EUR 17.4 million.

The Group benefited in the reporting year from reduced use of materials (while sales remained largely stable). This was the result of changes to the product mix and slightly lower material use rates in individual product areas.

Personnel expenses rose by 4.0% in 2013 due to general labour cost increases, staff recruitment in sales and development and one-off costs for indemnities totalling EUR 0.8 million. Average staff numbers over the year rose by 2.0% from 5 722 to 5 839.

Depreciation on tangible assets remained largely unchanged from the previous year. By contrast, amortisation of intangible assets fell by EUR 0.8 million (–12.7%), owing to a lower amortisation basis as the result of impairment losses from previous years. Impairment losses in the reporting year were minimal (EUR 0.2 million compared with EUR 4.9 million the previous year).

Other operating expenses rose slightly by EUR 0.2 million (+0.3%). Most of the increases related to energy costs. Administration expenses also increased, although advertising and selling expenses were down slightly and value adjustments and losses on inventories were down by EUR 1.3 million.

RESULT OF THE PERIOD: EUR 22.4 MILLION

The financial result was EUR –3.3 million, significantly worse than the previous year (EUR –1.3 million). In the reporting year, there was a net expense arising from the adjustment of residual purchase price liabilities from acquisitions totalling EUR 2.9 million (previous year EUR 0.2 million). The net interest result deteriorated slightly from EUR –0.8 million to EUR –1.1 million. On the other hand, the exchange rate result improved.

The income tax rates in 2013 and 2012 were above the multi-year average, at 29.5% and 32.2% respectively. In the reporting year, this was mainly due to increased non-deductible expenses arising from the adjustment of residual purchase price liabilities from acquisitions.

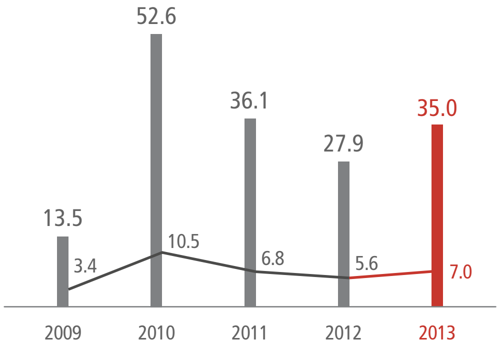
+23.9%

Result of the period rose to EUR 22.4 million in 2013.

The result of the period was up by 23.9% from EUR 18.1 million to EUR 22.4 million. The net margin climbed to 4.5% (previous year 3.6%).

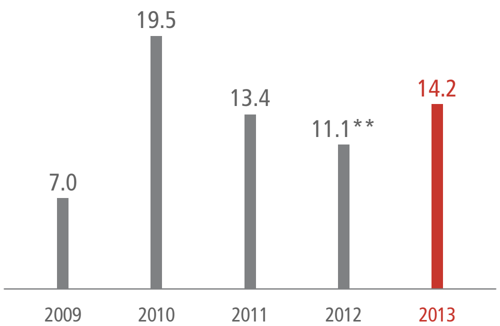
Operating result and margin | 2009–2013

in EUR million (—— Margin in %)



Profitability* | 2009–2013

in %



* Operating result as a percentage of net operating assets at the balance sheet date.
** Adjusted due to IAS 19.

Result before interest and tax (Operating result) by division		2013	2012
in 1 000 EUR	Change in %		
Enclosures	–7.9	21 047	22 845
Mechanical Components	45.5	17 375	11 944
ELCOM/EMS	88.1	–603	–5 088
Total for all divisions (segments)	27.3	37 819	29 701
Reconciliation [1]	–55.4	–2 777	–1 787
Total	25.5	35 042	27 914

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

Profitability by division [2]		2013	2012
in 1 000 EUR	Change in % points		
Enclosures	–2.4	34.9	37.3
Mechanical Components	4.9	14.6	9.7
ELCOM/EMS	6.8	–0.9	–7.7
Group	3.0	14.2	11.1

[2] Opererating result as a percentage of net operating assets at the balance sheet date.

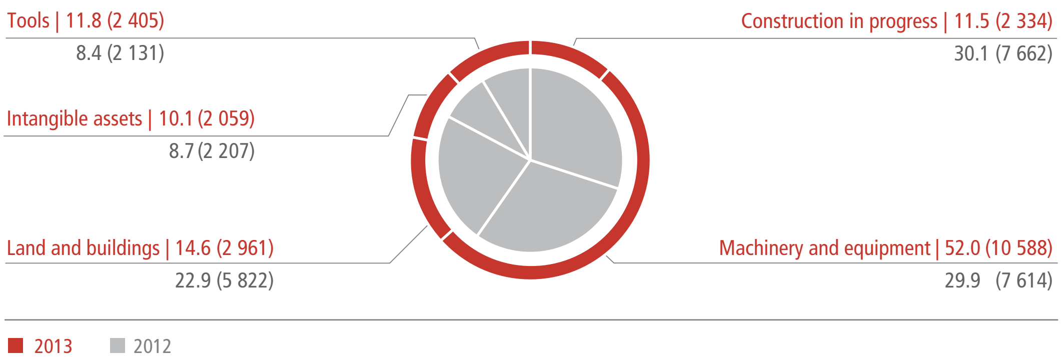
ASSET AND CAPITAL STRUCTURE

PURCHASES OF TANGIBLE AND INTANGIBLE ASSETS

Purchases of tangible assets in the reporting year totalled EUR 18.3 million (previous year EUR 23.2 million). Purchases of intangible assets totalled EUR 2.1 million (previous year EUR 2.2 million). The decrease in tangible assets was due to completion of the investment in a logistics centre in Hungary, which entered service successfully in 2013.

Purchases of tangible and intangible assets | 2013 and 2012

in % (in 1 000 EUR)



Purchases of tangible and intangible assets	2013	2013	2012	2012
	in 1 000 EUR	in %	in 1 000 EUR	in %
By type of asset				
Intangible assets	2 059	10.1	2 207	8.7
Land and buildings	2 961	14.6	5 822	22.9
Machinery and equipment	10 588	52.0	7 614	29.9
Tools	2 405	11.8	2 131	8.4
Construction in progress	2 334	11.5	7 662	30.1
Total	20 347	100.0	25 436	100.0
By division				
Enclosures	5 589	27.6	6 174	24.3
Mechanical Components	9 329	45.8	8 975	35.3
ELCOM/EMS	5 115	25.1	9 696	38.1
Total for all divisions (segments)	20 033	98.5	24 845	97.7
Reconciliation [1]	314	1.5	591	2.3
Total	20 347	100.0	25 436	100.0

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

HIGH EQUITY RATIO UNCHANGED

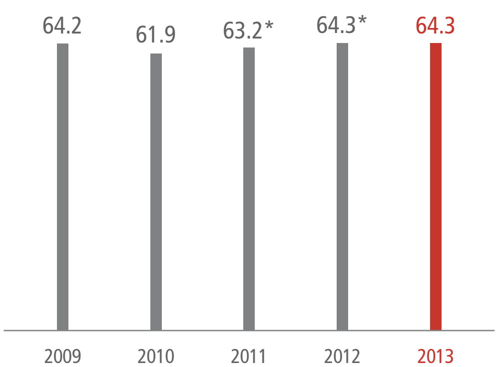
The equity ratio was unchanged at 64.3%, although additional shares worth EUR 2.8 million were repurchased in the reporting year under the share buy-back programme.

NET CASH POSITION

Thanks to the free cash flow generated, the Group was able to completely eliminate the prior-year net indebtedness of EUR 0.7 million in 2013. As at the balance sheet date, there was a net cash position of EUR 1.5 million. The Group has the necessary financial leeway as regards organic and acquisition-related growth opportunities. The acquisition of Hitec Special Measuring Systems B.V. (henceforth PM Special Measuring Systems B.V.) in early 2014 was financed entirely from available cash reserves.

Equity ratio | 2009–2013

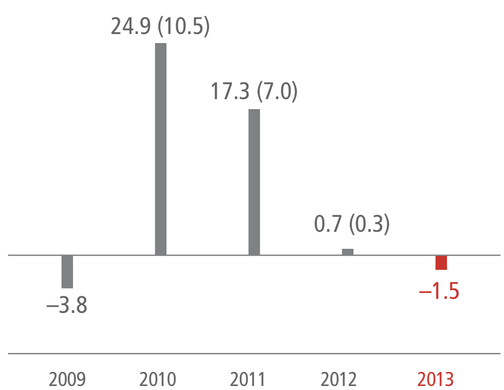
in %



* Adjusted due to IAS 19.

Net debt and gearing | 2009–2013

in EUR million (Gearing in %)



OUTLOOK

Since the second half of 2013, we have seen a stabilisation of the operating environment backed up by positive leading indicators and, in industrialised countries at least, a still generous supply of liquidity by central banks. At the same time, a degree of volatility persists, due to recurring uncertainties such as signs of weakness in the emerging economies in Q1 2014 and the crisis in Crimea. We do not currently detect any evidence of a shift in trend. However, as in the past, we will plan consistently in terms of scenarios. We will, as in the past, plan consistently in terms of scenarios. Our continuity-based investment policy is one part of this. Another key element is our flexible location policy based on well-established, global production sites and purchasing networks, which helps us to negotiate currency turbulence time after time. Naturally, the flexibility of our strong balance sheet also remains an important pillar. Organic initiatives and strategic bolt-on acquisitions are equally valuable components of our growth strategy, which we will continue to pursue in 2014. Assuming that the economic climate for industrial goods continues to stabilise, we believe that single-digit percentage growth in sales and at least a proportionate increase in operating result are a realistic prospect from today's perspective.

Phoenix Mecano Enclosures

Weak industrial activity impacts sales and result | Successes in the oil and gas business and medical technology

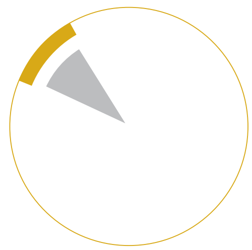
Gross sales by region – Phoenix Mecano Enclosures

Europe

131.5 EUR million Gross sales

130.0 EUR million Gross sales

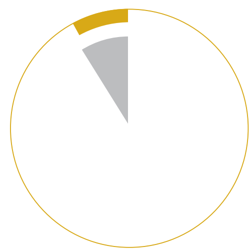
Middle and Far East



14.5 EUR million Gross sales

17.4 EUR million Gross sales

North and South America



14.1 EUR million Gross sales

12.5 EUR million Gross sales

2013 2012

Weak industrial activity in Europe affected the division's sales and result. Sales increases were achieved primarily in explosion-proof enclosures, special sheet-metal enclosures, system solutions and touch systems.

SALES AND PROFITABILITY

+20.4%

Sales in the Middle and Far East climbed by 20.4% thanks to project successes in the oil and gas business.

SALES

The Enclosures division saw its gross sales fall by a minimal 0.1% in 2013 to EUR 159.8 million. Corrected for differences in foreign-exchange rates, gross sales were up by 0.7%. There were no consolidation effects. Due to weak industrial activity, the division recorded a 1.2% decline in sales in Europe, mainly in Switzerland, Russia and northern and southern Europe. A slight upturn occurred only towards the end of the year. Sales were also down by 11.5% in North and South America, although this was partly currency-related. Sales in the Middle and Far East developed favourably, climbing by 20.4% thanks to project successes in the oil and gas business in South Korea and the Middle East and a recovery in sales in China.

Sales of industrial enclosures (including control panels and equipment carriers) were down by 0.7% in the reporting year. The bulk of the decrease related to traditional industrial business in measurement and control technology. Once again, double-digit growth was achieved in explosion-proof enclosures for the oil and gas business and further progress was made in the automotive sector in Germany, with Commander enclosures, support arm systems and workstations being supplied to this market segment. Sales of system technology and special sheet-metal enclosures reached an all-time high in 2013.

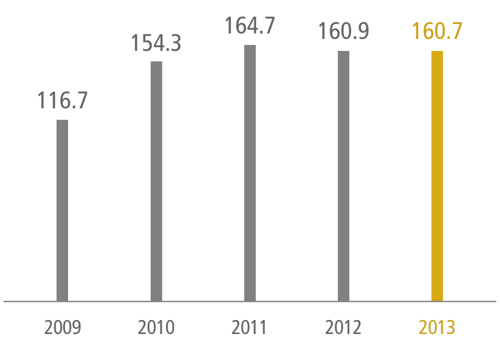
Sales of input systems rose by 4.7%. This success was concentrated largely in the medical technology sector, with sales in other markets tending to stagnate. The trend in this area is increasingly towards touch systems and combinations of touch and keyboard systems.

ORDERS

Incoming orders totalled EUR 160.7 million, which, although marginally down on the previous year, is higher than the sales volume in the reporting year. This equates to a book-to-bill ratio (incoming orders as a percentage of gross sales) of 100.6% (previous year 100.5%). Incoming orders in the last two quarters of the reporting year were up year-on-year.

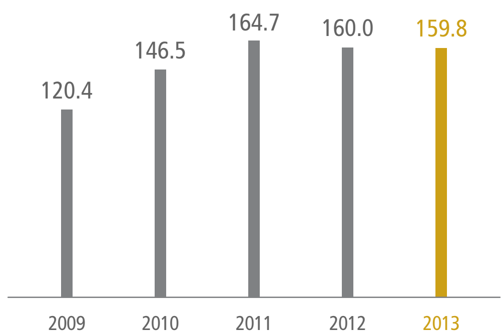
Incoming orders | 2009–2013

in EUR million



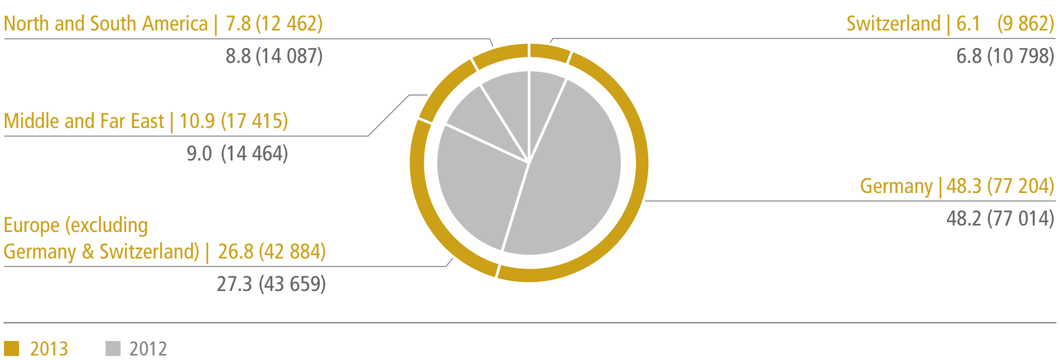
Gross sales | 2009–2013

in EUR million



Gross sales by region | 2013 and 2012

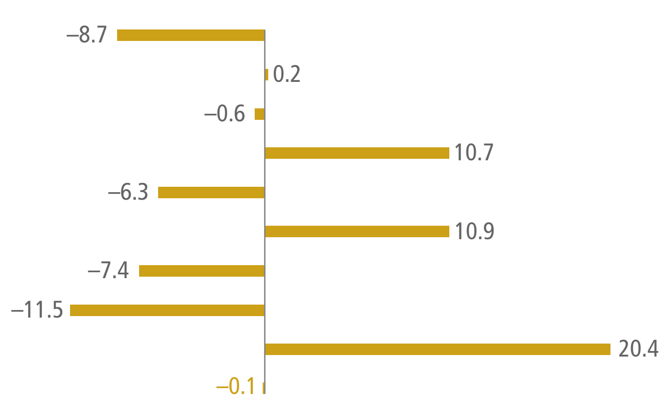
in % (in 1 000 EUR)



Gross sales by region	2013	2012
in 1 000 EUR		
Switzerland	9 862	10 798
Germany	77 204	77 014
UK	4 763	4 792
France	5 315	4 800
Italy	4 401	4 696
The Netherlands	7 296	6 580
Rest of Europe	21 109	22 791
North and South America	12 462	14 087
Middle and Far East	17 415	14 464
Total	159 827	160 022

Change in gross sales by region | compared to previous year

in %

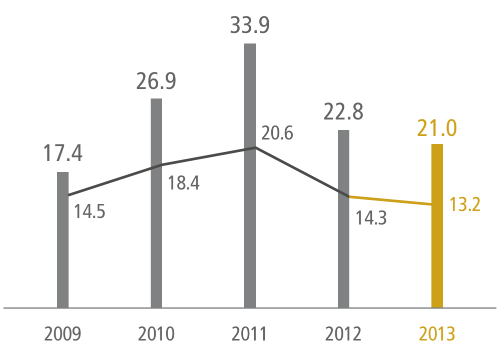


RESULT

The subdued sales performance in Europe and America left its mark on the operating result, which improved earnings in Asia were unable to offset. In addition, the operating result was impacted by the development of touchscreen expertise for input systems. The division's operating result fell by 7.9% in the reporting year. The newly launched multiannual Supply Chain Excellence project to restructure global logistics, manufacturing and value chains will generate savings in the years ahead.

Operating result and margin | 2009–2013

in EUR million (—— Margin in %)



Result before interest and tax (Operating result)		2013	Margin	2012	Margin
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Operating result	–7.9	21 047	13.2	22 845	14.3

Net operating assets		2013	Profitability	2012	Profitability
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Net operating assets	–1.4	60 381	34.9	61 251	37.3

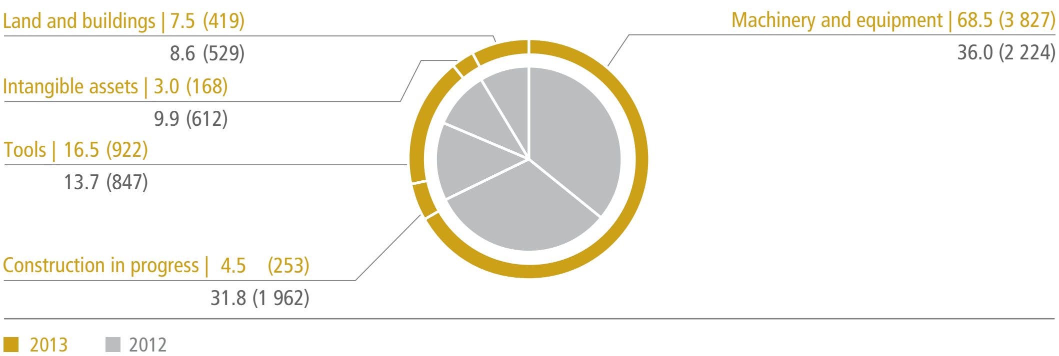
ASSET AND CAPITAL STRUCTURE

Purchases of tangible and intangible assets in 2013 fell slightly short of the previous year, at EUR 5.6 million. They consisted mainly of investments in manufacturing and warehousing technology, including the optimisation and expansion of aluminium die casting in India, the development of touch lamination and the creation of an automated storage system in Hungary.

Net operating assets decreased from EUR 61.3 million to EUR 60.4 million. Operating non-current assets were reduced by 2.6% and operating current assets by 1.5%. The return on capital employed (ROCE) fell to 34.9% (previous year 37.3%) due to the lower operating result.

Purchases of tangible and intangible assets | 2013 and 2012

in % (in 1 000 EUR)



Purchases of tangible and intangible assets	2013	2013	2012	2012
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	168	3.0	612	9.9
Land and buildings	419	7.5	529	8.6
Machinery and equipment	3 827	68.5	2 224	36.0
Tools	922	16.5	847	13.7
Construction in progress	253	4.5	1 962	31.8
Total	5 589	100.0	6 174	100.0

EMPLOYEES

The annual average number of staff employed by the division rose by 2.9% to 1 715, mainly due to a further expansion of manufacturing in India.

Phoenix Mecano Mechanical Components

Strong performance in the furniture sector, especially in Asia | Improvement in the division’s operating margin

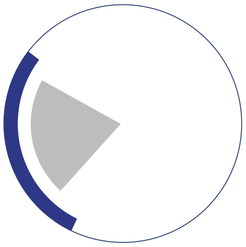
Gross sales by region – Phoenix Mecano Mechanical Components

Europe

136.1 EUR million Gross sales

134.7 EUR million Gross sales

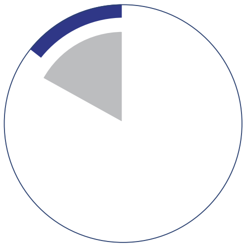
Middle and Far East



47.6 EUR million Gross sales

68.0 EUR million Gross sales

North and South America



36.8 EUR million Gross sales

33.7 EUR million Gross sales

■ 2013 ■ 2012

Substantial business expansion in Asia saw sales climb by 7.2%. The operating result rose by 45.5% on the back of cost optimisations and an increase in gross profit. The new logistics centre entered service in Hungary.

SALES AND PROFITABILITY

SALES

Owing to organic growth, sales in the Mechanical Components division rose by 7.2% in the reporting year to EUR 236.4 million (8.9% when corrected for differences in foreign-exchange rates). Weak industrial activity led to a decline in sales of 1.1% in Europe and 10.8% (partly currency-related) in North America. Revenues in the Middle and Far East were up by 43.0%, mainly in electrically adjustable comfort furniture.

The division's industrial components business, which is highly Europe-centric, suffered from weak demand in custom machine building and automation technology. Sales of industrial assembly systems fell by 6.8%. Increased sales in the industrial components business were generated in Asia. The division also succeeded in consolidating its position as a recognised supplier of high-quality, high-performance linear positioning systems.

+46.1%

increase in sales of drive and control components for the furniture and healthcare market in Asia.

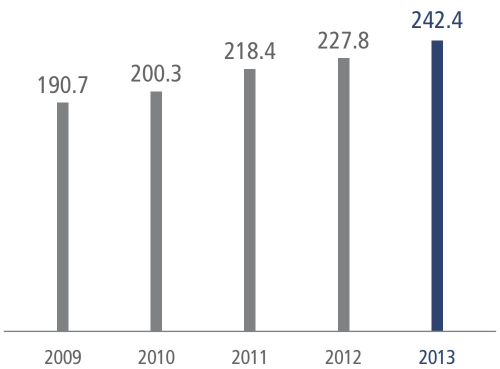
The linear drives business for the furniture and healthcare market posted a 3.3% increase in sales in Europe and a dynamic expansion of 46.1% in Asia. Also successful were drive and control components for electrically adjustable comfort beds and armchairs for the North American retail market. Overall, sales of linear adjustment and positioning systems, used mainly in the furniture and healthcare market, rose by 9.9%. The division aims to win market share in various segments of the furniture and healthcare market in 2014, thanks to new product developments.

ORDERS

Incoming orders were up 6.4% on the previous year at EUR 242.4 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 102.5% (previous year 103.3%).

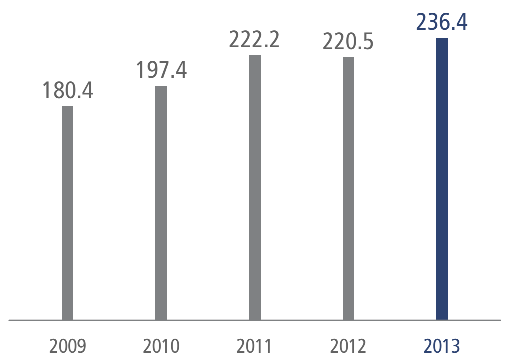
Incoming orders | 2009–2013

in EUR million



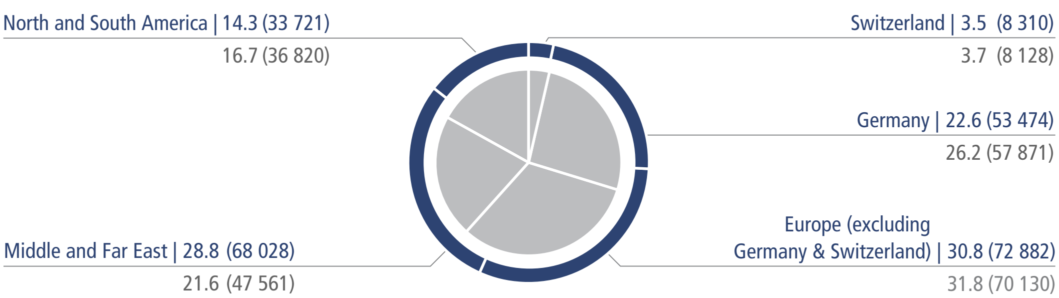
Gross sales | 2009–2013

in EUR million



Gross sales by region | 2013 and 2012

in % (in 1 000 EUR)

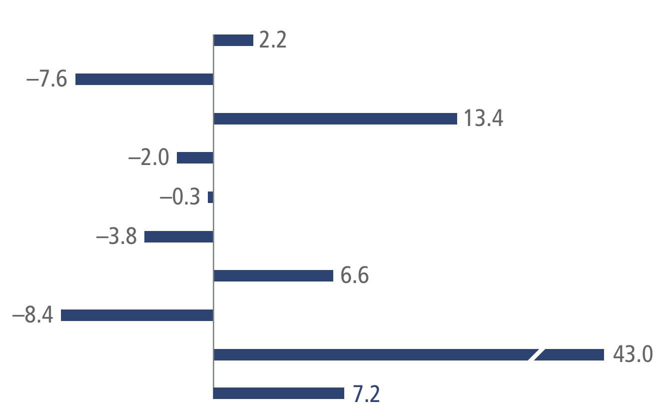


■ 2013 ■ 2012

Gross sales	2013	2012
in 1 000 EUR		
Switzerland	8 310	8 128
Germany	53 474	57 871
UK	8 375	7 387
France	14 319	14 604
Italy	8 566	8 596
The Netherlands	4 802	4 994
Rest of Europe	36 820	34 549
North and South America	33 721	36 820
Middle and Far East	68 028	47 561
Total	236 415	220 510

Change in gross sales by region | compared to previous year

in %

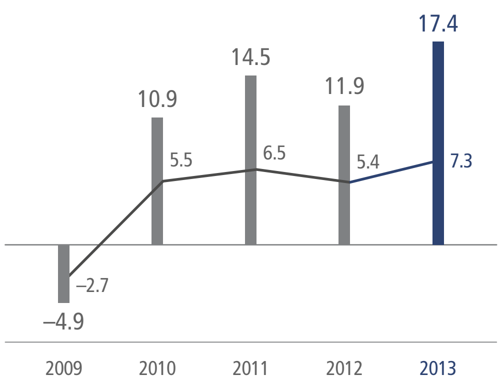


RESULT

The rise in sales combined with a slight reduction in the material use rate led to a significant increase in gross profit. This pushed up the operating result by 45.5% to EUR 17.4 million. Logistical optimisation based on centralised distribution from Hungary and the concentration of European repair and service functions in Hungary made an initial contribution to this result. Further investments were also made in the reporting year in the development of drive and control solutions and in building up the market for the innovative fittings technology of Integrated Furniture Technologies Ltd. (UK), a company acquired in 2012.

Operating result and margin | 2009–2013

in EUR million (—— Margin in %)



Result before interest and tax (Operating result)		2013	Margin	2012	Margin
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Operating result	45.5	17 375	7.3	11 944	5.4

Net operating assets		2013	Profitability	2012	Profitability
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Net operating assets	–3.6	118 800	14.6	123 299	9.7

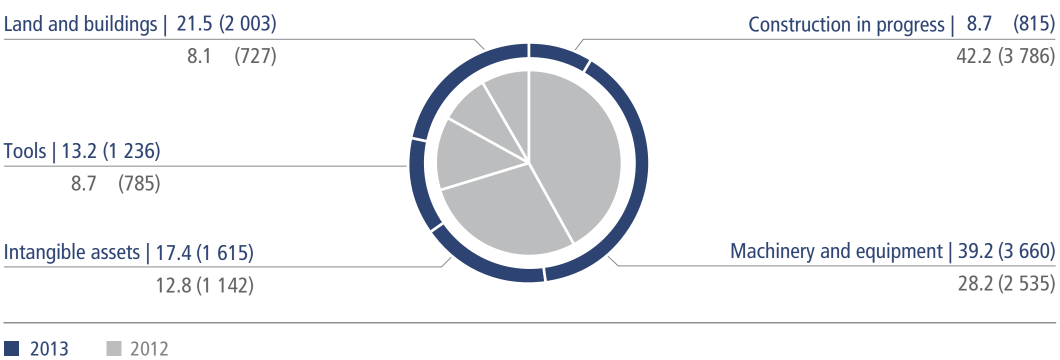
ASSET AND CAPITAL STRUCTURE

The biggest capital expenditure project over the past two years has been the construction of a logistics centre in Hungary. The centre has been operational since August 2013. Total purchases of tangible and intangible assets stood at EUR 9.3 million, compared with EUR 9.0 million the previous year. This also includes a smaller new building for systems supplier RK Schmidt Systemtechnik GmbH in Germany as well as the expansion of injection moulding capacity in China.

Net operating assets decreased by 3.6% thanks to a reduction in operating net current assets. As a result, and thanks to the higher operating result, the return on capital employed (ROCE) rose to 14.6%, compared with 9.7% the previous year.

Purchases of tangible and intangible assets | 2013 and 2012

in % (in 1 000 EUR)



Purchases of tangible and intangible assets	2013	2013	2012	2012
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	1 615	17.4	1 142	12.8
Land and buildings	2 003	21.5	727	8.1
Machinery and equipment	3 660	39.2	2 535	28.2
Tools	1 236	13.2	785	8.7
Construction in progress	815	8.7	3 786	42.2
Total	9 329	100.0	8 975	100.0

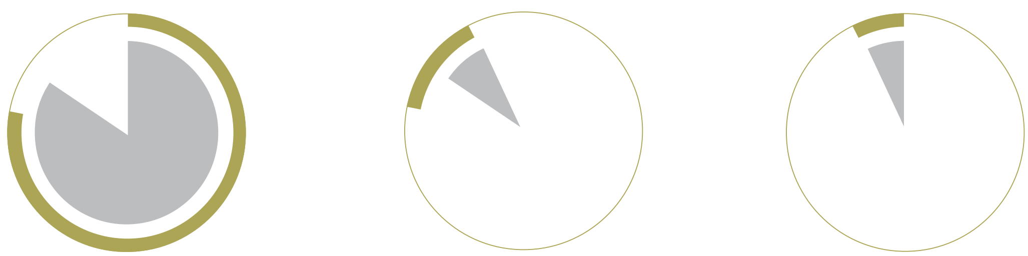
EMPLOYEES

The annual average number of staff employed by the division in 2013 was 1 914, largely unchanged from the previous year (1 906). A reduction in staff in Germany was offset by a further increase in China.

Phoenix Mecano ELCOM/EMS

Sales losses in photovoltaics not fully offset | One-off expenses due to new manufacturing facilities, market launches and integrations

Gross sales by region – Phoenix Mecano ELCOM/EMS



Europe	Middle and Far East	North and South America
101.3 EUR million Gross sales	10.4 EUR million Gross sales	8.2 EUR million Gross sales
81.3 EUR million Gross sales	15.1 EUR million Gross sales	8.0 EUR million Gross sales

2013 2012

As expected, sales losses caused by the partial withdrawal from the photovoltaic components business could not be fully offset. The costs of realigning the division, integrating the newly acquired Bond Tact Industrial Ltd. and developing manufacturing facilities in China and Morocco as well as high market launch costs for LED lighting technology led to an operating loss of EUR 0.6 million.

SALES AND PROFITABILITY

SALES

The ELCOM/EMS division recorded a 13.0% drop in sales in 2013 (15.2% when corrected for differences in foreign-exchange rates). Adjusted for consolidation effects, sales were down by 16.3%. These losses occurred in the photovoltaic segment in the core market of Germany. They resulted from the slump in demand in this sector and the strategic withdrawal from the photovoltaic components business. Excluding this reduction in sales from EUR 26 million to EUR 3 million, the division increased its sales by 7.6%.

Sales of electromechanical components (switches, terminal blocks, test probes) rose by 4.7% in the reporting year. Corrected to take account of consolidation, sales were down by 3.7%. This decline was due to the completion of a large project in the automotive sector. In the Far East, sales rose by over 50%, mainly thanks to the acquisition of Bond Tact Industrial Ltd. (Hong Kong, China), which has expanded the division's switch range. In the reporting year, new developments generated increased sales in a number of business areas. These included relay sockets for the railway technology sector, various new test probe series for cable operators and circuit board testing as well as new rotary code switches and thumb wheel switches for DIN-rail devices.

Sales of power quality products fell by 48.6% due to declining sales in the photovoltaic components business. In the other power quality markets, overall sales increased by just under 6%. Project business with large chokes was particularly successful, while demand for inductors stagnated. The creation of a choke and transformer production facility in China was successfully completed in 2013 and initial sales were generated. The development of a manufacturing facility in Morocco as an alternative location to Tunisia is also under way.

+13.6%

increase in sales in the electronic packaging business compared to 2012.

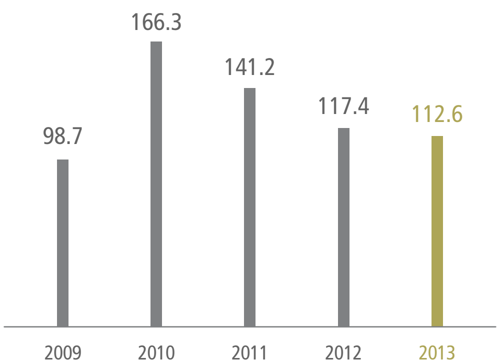
The electronic packaging business (Hartmann Elektronik, WIENER, Plein & Baus, Phoenix Mecano Digital Elektronik, ATON Lichttechnik) increased its sales by 13.6% compared with the previous year. This growth was mainly concentrated in electronics manufacturing. The expansion of expertise in system solutions for electronic devices played a key role here. In the payment systems segment, banknote readers opened up new market opportunities. In addition, various new power supply units for high-end applications were developed and brought to market.

ORDERS

Incoming orders totalled EUR 112.6 million, down 4.1% on the previous year, also due to the slump in photovoltaic business. The book-to-bill ratio (incoming orders as a percentage of gross sales) was an encouraging 107.9%, compared with 97.9% the previous year.

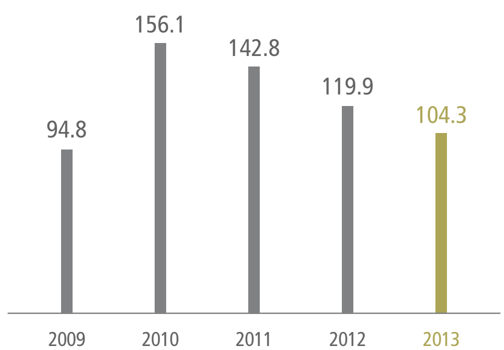
Incoming orders | 2009–2013

in EUR million



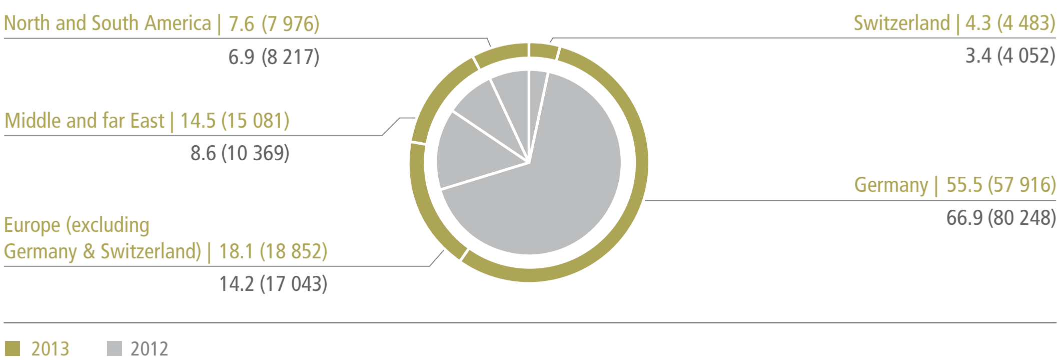
Gross sales | 2009–2013

in EUR million



Gross sales by region | 2013 and 2012

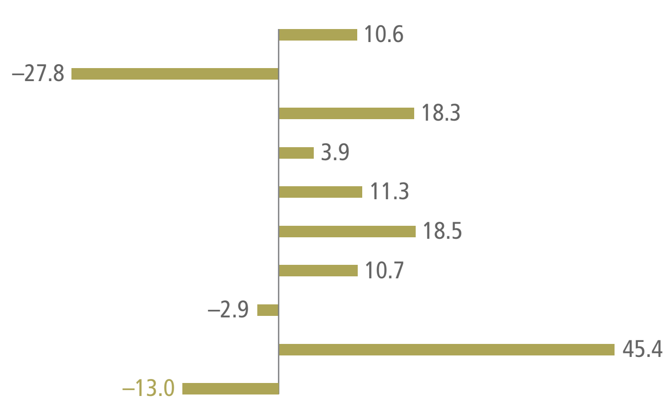
in % (in 1 000 EUR)



Gross sales by region	2013	2012
in 1 000 EUR		
Switzerland	4 483	4 052
Germany	57 916	80 248
UK	1 196	1 011
France	2 566	2 469
Italy	1 486	1 335
The Netherlands	1 018	859
Rest of Europe	12 586	11 369
North and South America	7 976	8 217
Middle and Far East	15 081	10 369
Total	104 308	119 929

Change in gross sales by region | compared to previous year

in %

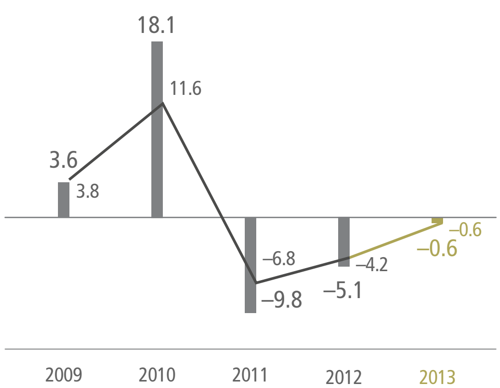


RESULT

The ELCOM/EMS division recorded a loss of EUR 0.6 million, compared with a loss of EUR 5.1 million the previous year. The result was impacted by the division realignment, with initiatives in industrial drive technology, measurement technology, LED exterior lighting as well as individual segments of renewable energies, the integration of new acquisition Bond Tact and the development of manufacturing facilities in Morocco and China.

Operating result and margin | 2009–2013

in EUR million (— — Margin in %)



Result before interest and tax (Operating result)		2013	Margin	2012	Margin
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Operating result	88.1	–603	–0.6	–5 088	–4.2

Net operating assets		2013	Profitability	2012	Profitability
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Net operating assets	4.7	69 634	–0.9	66 486	–7.7

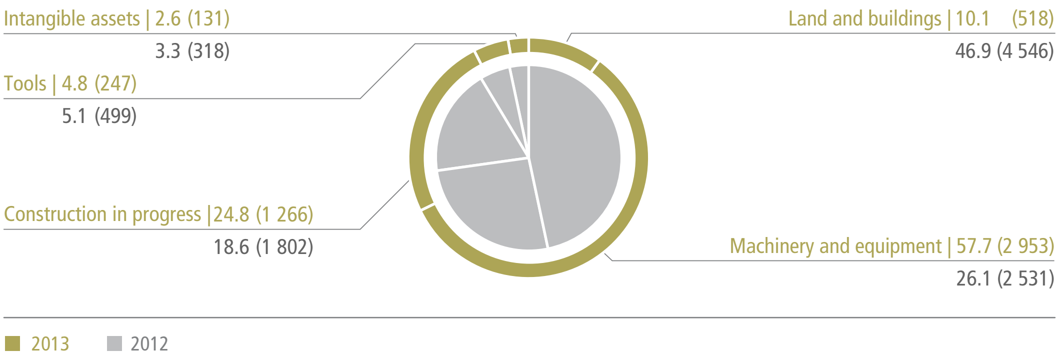
ASSET AND CAPITAL STRUCTURE

Capital expenditure fell from EUR 9.7 million to EUR 5.1 million. The significantly higher prior-year expenditure was mainly due to the creation of a new facility in China.

Net operating assets increased from EUR 66.5 million to EUR 69.6 million, mainly owing to acquisitions.

Purchases of tangible and intangible assets | 2013 and 2012

in % (in 1 000 EUR)



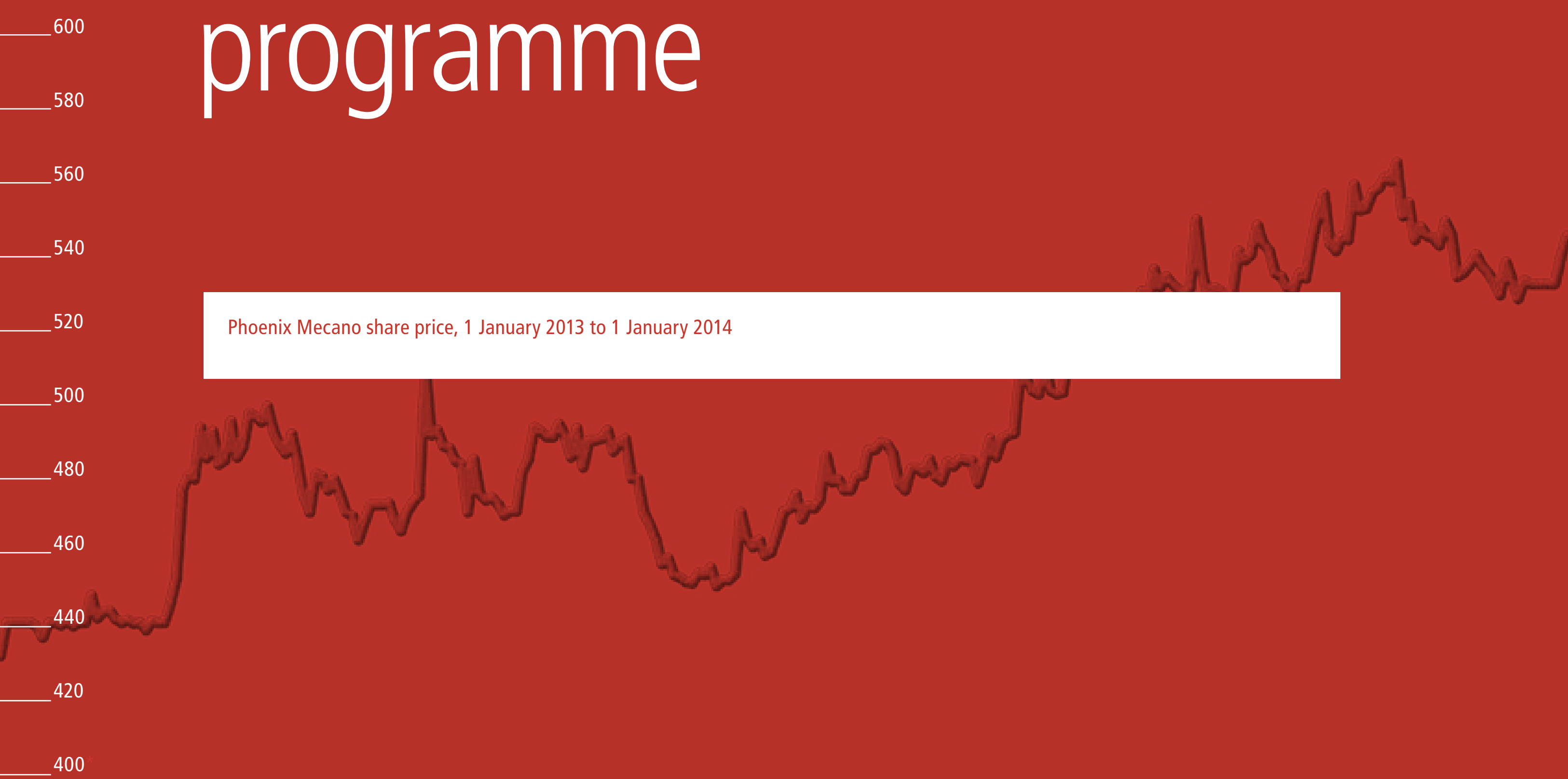
Purchases of tangible and intangible assets	2013	2013	2012	2012
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	131	2.6	318	3.3
Land and buildings	518	10.1	4 546	46.9
Machinery and equipment	2 953	57.7	2 531	26.1
Tools	247	4.8	499	5.1
Construction in progress	1 266	24.8	1 802	18.6
Total	5 115	100.0	9 696	100.0

EMPLOYEES

The annual average number of staff employed by the division in the reporting year rose from 2 124 to 2 182. The acquisition of Bond Tact and the creation of manufacturing facilities in Morocco and China led to an increase in staff, while the headcount in Tunisia decreased.

Share information

Phoenix Mecano raises payout ratio | New dividend policy | End of share buy-back programme



Phoenix Mecano share price, 1 January 2013 to 1 January 2014

Attractive average five-year total shareholder return

$$18.4\%^{*} = \frac{\dfrac{\overbrace{(\text{CHF } 64 + \text{CHF } 228)}^{\text{Dividends 2009–2013 + Gains 2009–2013}} \times 100}{5}}{\underbrace{\text{CHF } 317}_{\text{Share price as at 31 December 2008}}}$$

* p.a. Calculated on the basis of the dividend proposal to the Shareholders' General Meeting of 23 May 2014, not taking into account the share buy-back programmes.

Phoenix Mecano raises the target payout ratio for dividend payments while continuing its long-term strategy of returning capital not required for the Group's growth.

THE SHARE

Phoenix Mecano AG's shares are listed on the SIX Swiss Exchange in Zurich. Phoenix Mecano AG's share capital of CHF 978 000 is divided up into 978 000 bearer shares with a par value of CHF 1.00 each. There are no restrictions on ownership or voting rights. Capital that is not required for internal growth is returned to shareholders in the form of dividends, par value repayments and share buy-backs. The share capital has not been increased since the company went public in 1988. Phoenix Mecano AG's corporate policy dictates that growth should be funded out of the company's own capital resources.

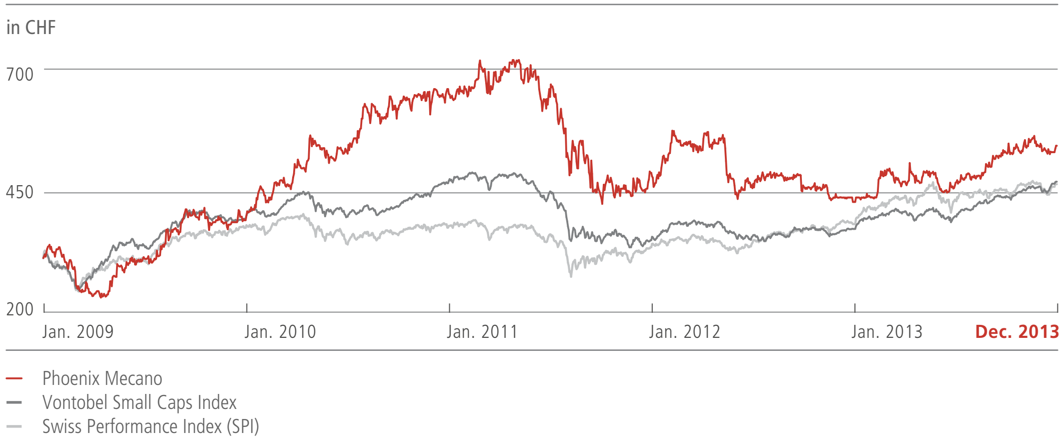
OPTING OUT

The company has not made any use of the possibility provided for in the Stock Exchange Act of excluding an acquiring company from the obligation to make a public purchase bid.

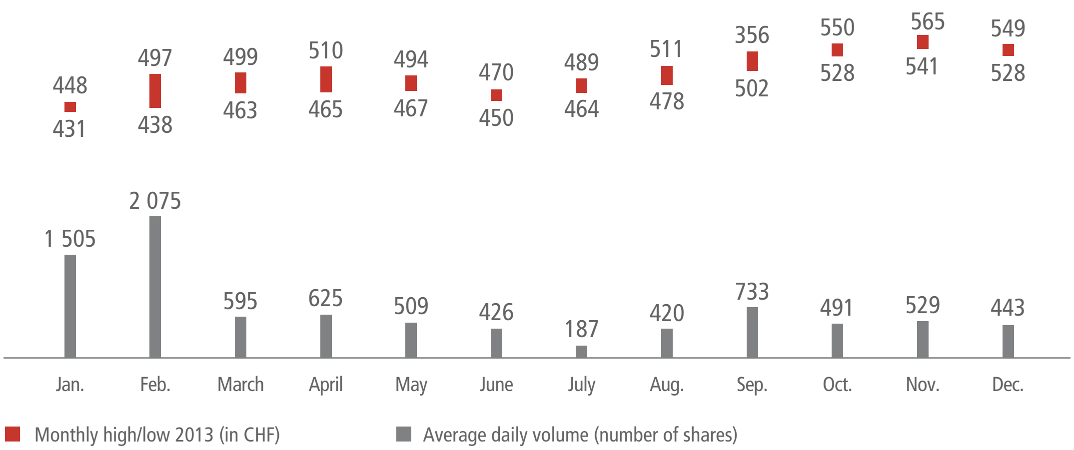
OPTING UP

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

Phoenix Mecano share price, 1 January 2009–31 December 2013
Compared with the Vontobel Small Caps Index and SPI

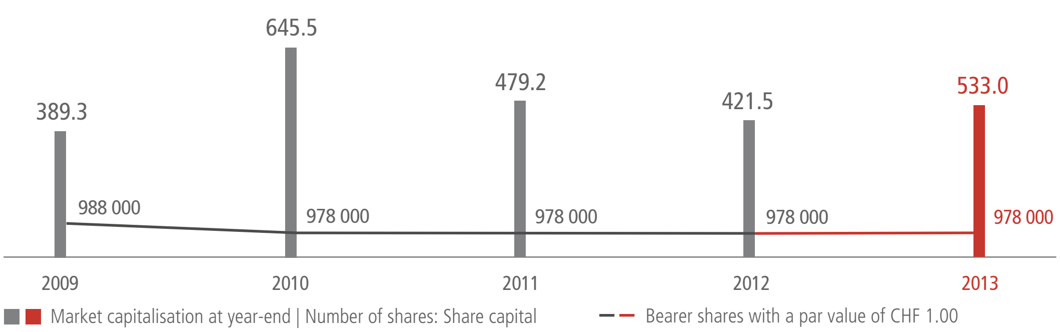


Monthly highs and lows and average daily volume | 2013



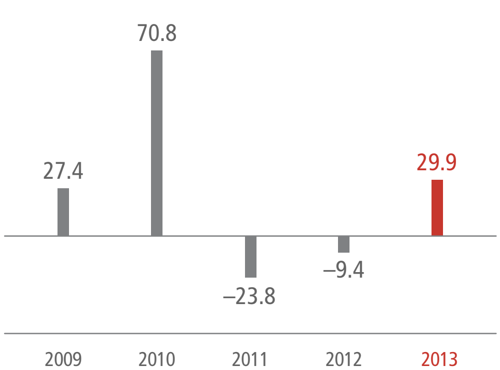
Market capitalisation | 2009–2013

in million CHF



Total shareholder return | 2009–2013

in %



PAYOUT AND DIVIDEND POLICY

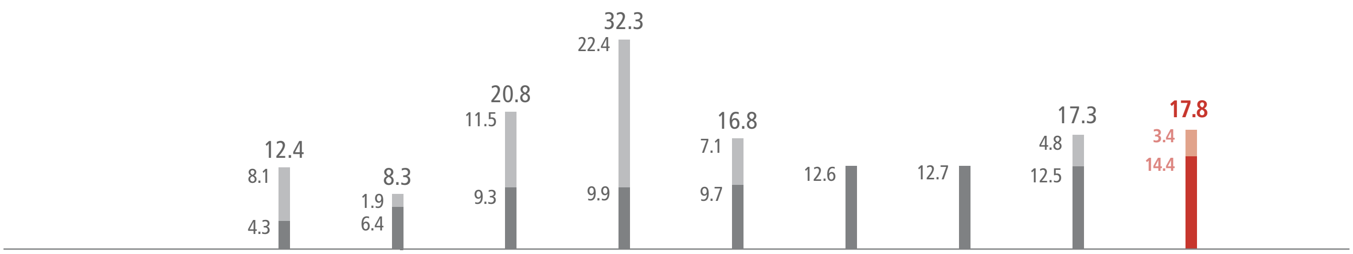
Phoenix Mecano is raising the target payout ratio for dividend payments from 20-30% of result after tax, adjusted for special factors, to 40-50%. The strong balance sheet and high free cash flow can sustainably finance organic growth as well as any acquisitions. The Board of Directors will propose to the Shareholders' General Meeting of 23 May 2014 a dividend of CHF 15.00. The proposed dividend for financial year 2013 corresponds to 52% of the result of the period.

SHARE BUY-BACK PROGRAMME

On 19 June 2012, the Board of Directors announced a new share buy-back programme for up to 10% of the bearer shares recorded in the Commercial Register, with the aim of effecting a capital reduction. The programme began on 22 June 2012. It was terminated prematurely on 20 September 2013 due to the change of payout ratio. A total of 17 500 shares worth CHF 8.2 million were repurchased.

Dividend payout and return of capital to shareholders | 2005–2013

in million CHF

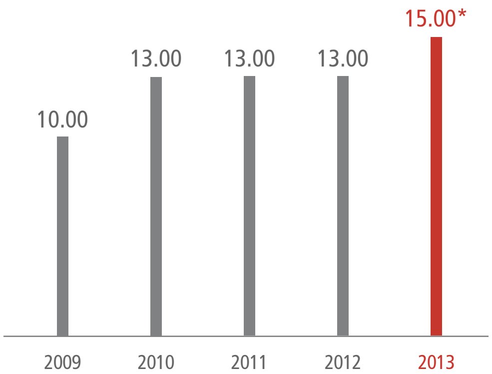


	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
in million CHF										
Proposed dividend	4.3	6.4	9.3	9.9	9.7	12.6	12.7	12.5	14.4	91.8
Share buy-back	8.1	1.9	11.5	22.4	7.1	–	–	4.8	3.4	59.2
Total	12.4	8.3	20.8	32.3	16.8	12.6	12.7	17.3	17.8	151.0

Proposed dividend Share buy-back

Dividend per share | 2009–2013

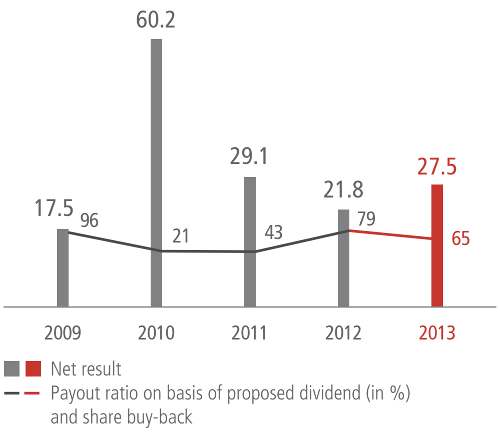
in CHF



* Proposal to the Shareholders' General Meeting of 23 May 2014.

Result of the period | 2009–2013

in million CHF



DIALOGUE WITH THE CAPITAL MARKET

ANALYST COVERAGE AND RECOMMENDATION

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

Analyst coverage | as at 31 December 2013	
UBS AG (CH)	joern.iffert@ubs.com
Helvea (CH)	ramstalden@helvea.com
Zürcher Kantonalbank (CH)	richard.frei@zkb.ch

Share information	
Listing	SIX Swiss Exchange | Zurich
Securities No.	Inh. 218781
ISIN	CH 000 218 7810
Reuters	PM.S
Bloomberg	PM SW Equity
Telekurs | Telerate	PM

CONTINUOUS DIALOGUE WITH THE CAPITAL MARKET

Phoenix Mecano continually develops its information policy and adapts its capital market communication to new requirements. To help nurture the ongoing relationship with shareholders and investors, various roadshows and analyst presentations were held in Zurich, Geneva, London and Edinburgh during the reporting year. A number of one-on-one meetings also took place at the company's headquarters.

Share indicators at a glance	Unit	2013	2012	2011	2010	2009
Number of shares						
Share capital [1, 2] (bearer shares with a par value of CHF 1.00)	Number	978 000	978 000	978 000	978 000	988 000
Treasury shares	Number	20 064	14 803	4 520	5 459	19 202
Shares entitled to dividend	Number	957 936	963 197	973 480	972 541	968 798
Information per share						
Operating result per share [3]	EUR	36.6	29.0 [7]	37.1	54.1	13.9
Result of the period per share [3]	EUR	23.4	18.8	24.3	45.1	12.0
Equity per share [3]	EUR	265.4	260.3 [7]	253.2 [7]	242.9	199.6
Free cash flow per share [3]	EUR	24.0	38.9	25.1	12.0	36.2
Dividend	CHF	15.00 [6]	13.00	13.00	13.00	10.00
Share price						
High	CHF	565	575	719	660	420
Low	CHF	436	431	427	404	235
Year-end price	CHF	545	431	490	660	394
Share key figures						
Dividend yield [4]	%	2.8	3.0	2.7	2.0	2.5
Payout ratio [5]	%	52	58	43	21	55
Price/profit ratio 31 December		19.0	19.1	14.6	10.6	21.8

1 Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, the share capital was reduced by CHF 81 500 with effect from 28 September 2009 by cancelling 81 500 shares from the 2007/2008 and 2008/2009 share buy-back programmes.
2 Pursuant to a decision by the Shareholders' General Meeting of 28 May 2010, the share capital was reduced by CHF 10 000 with effect from 2 September 2010 by cancelling 10 000 shares from the 2008/2009 share buy-back programme.
3 Based on shares entitled to dividend as at 31 December.
4 Dividend in relation to year-end price.
5 Proposed dividend (shares entitled to dividend only) in relation to result of the period.
6 Proposal to the Shareholders' General Meeting of 23 May 2014.
7 Adjusted due to IAS 19.

FINANCIAL CALENDAR 2014

14 February 2014 7:00 a.m.	**Media release** Financial year 2013 | Provisional figures
23 April 2014 7:00 a.m.	**Media release** Financial year 2013 Q1 2014 Publication of annual report 2013
23 April 2014 9:30 a.m.	**Media conference** Financial year 2013 Q1 2014 Widder Hotel | Rennweg 7 | 8001 Zurich
23 April 2014 11:30 a.m.	**Financial analysts' conference** Financial year 2013 Q1 2014 Widder Hotel | Rennweg 7 | 8001 Zurich
23 May 2014 3:00 p.m.	**Shareholders' General Meeting** Hotel Chlosterhof | Oehningerstrasse 2 8260 Stein am Rhein
15 August 2014 7:00 a.m.	**Media release** Financial year 2014 Half-yearly results 2014 Publication of half-yearly results 2014 (detailed report)
31 October 2014 7:00 a.m.	**Media release** Financial year 2014 Q3 2014

FURTHER INFORMATION

Benedikt A. Goldkamp
Chief Executive Officer
Phone +41/43 255 42 55
info@phoenix-mecano.com
www.phoenix-mecano.com

Sustainability

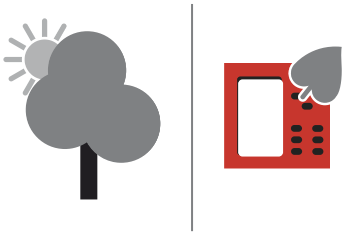
Sustainable success is central to our business strategy and corporate governance approach

Phoenix Mecano acts responsibly

RESPONSIBLE
TOWARDS
OUR EMPLOYEES

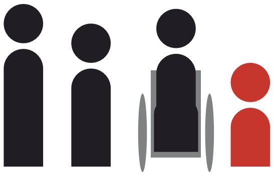
We are a reliable employer, offering our employees continuous, individual support.

RESPONSIBLE
TOWARDS
THE ENVIRONMENT



Operating in an environmentally compatible way and using natural resources sustainably are cornerstones of our business philosophy.

RESPONSIBLE
TOWARDS SOCIETY



We support young people and are committed to social initiatives around the world.

Phoenix Mecano places sustainable success at the heart of its entrepreneurial strategy and corporate governance approach. Our corporate policy is geared towards profitable long-term growth rather than short-term gain and maximum quarterly profits. This approach enables us to operate in a socially and environmentally conscious way, in keeping with our overall business philosophy. Our shareholders and other stakeholder groups, such as employees and customers, benefit equally from this mindset.

Since the company went public, this approach has also been reflected in our dividend policy. In recent years, regular and predictable payouts totalling 20–30% of net result, adjusted for special factors, have been made. This payout ratio is now to be raised to 40–50%.

CODE OF CONDUCT

As a globally active, listed company, it goes without saying that Phoenix Mecano must comply with international legislation, regulations and guidelines. Failure to do so could harm the company's reputation and undermine the trust of stakeholders, thereby jeopardising the company's value and the long-term job security of our employees. For this reason, the Group's Board of Directors and management introduced a Code of Conduct in 2009, whose principles they apply themselves as role models for the rest of the Group. Employees must comply with applicable laws and guidelines and the Code of Conduct in their day-to-day work.

COMPLIANCE WITH LEGAL REGULATIONS AND GUIDELINES

Phoenix Mecano expects all employees to comply with applicable laws and guidelines in their day-to-day work. The following internal regulations, among others, must also be observed:

Do's:

- Compliance with anti-trust laws and competition and fair trading legislation
- Transparent and legally-compliant accounting and financial reporting
- Treating Phoenix Mecano Group property with respect

Don'ts:

- Insider trading, and disseminating or exploiting insider information
- Fraudulent activities
- Unauthorised transfer of confidential data and documents
- Bribery, corruption and donations to political parties
- Accepting unreasonable financial benefits
- Actions giving rise to conflicts of interest

All employees can report violations to their superior or the next highest level of management and, if in doubt, directly to the Group's CEO. Major violations will be punished, and may even lead to dismissal, in addition to criminal prosecution and disciplinary measures.

FOR OUR EMPLOYEES

INDIVIDUAL SUPPORT FOR OUR EMPLOYEES

The Phoenix Mecano Group employs over 5 800 people on five continents. Each and every one plays a vital part in our Group's success. By promoting knowledge transfer and creating demanding new jobs, the Group contributes to ongoing economic development in a wide range of countries. Many employees act as a central interface with our customers and partners. Thanks to their great expertise and unflagging personal commitment, they continued to ensure that our customary quality and reliability of products and services were maintained and further enhanced during the reporting year.

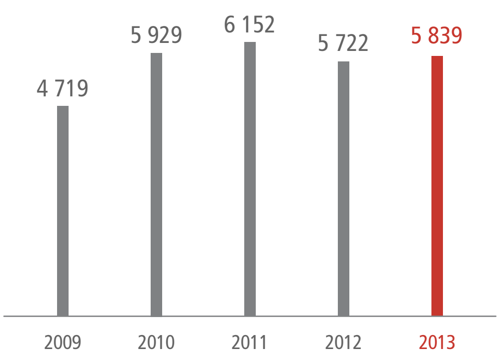
Phoenix Mecano treats all persons with respect, irrespective of their gender, status, skin colour, religion or age. Cultural factors and differences between sites and subsidiaries are not only observed but also used as an opportunity to learn from one another. The company is committed to the protection of human rights and equal opportunities and to providing a safe, motivating working environment with fair and competitive remuneration.

From its managerial staff, Phoenix Mecano expects social as well as technical skills. Managers must act as role models, lead the way by setting a good example and ensure fair play and respect for the rights of all employees. Phoenix Mecano encourages open communication and supports its employees in their personal commitments. A range of continuing training options allow employees to further develop their personal and professional skills in a targeted way. This helps to improve operational processes, enhance the quality of products and services and promote safety at work, while also strengthening employees' identification with the Phoenix Mecano Group as a whole and boosting motivating.

The interests and demands of our customers, employees and other stakeholders are central to the Group's continuous improvement initiative – "Our Journey towards Operational Excellence" (J2OX). For example, the switch to lean production at companies like Phoenix Mecano Kecskemét, Hungary, means that work can be tailored more closely to individual employees and promotes a greater level of personal responsibility. Also at Kecskemét, the sponsorship association of Phoenix Mecano Kecskemét Kft., a non-profit organisation with around 700 members, has been working since 2005 to improve the living conditions of its members. The sponsorship includes assistance with personal costs and support for cultural programmes. The association also promotes contact with Hungarians living in neighbouring countries.

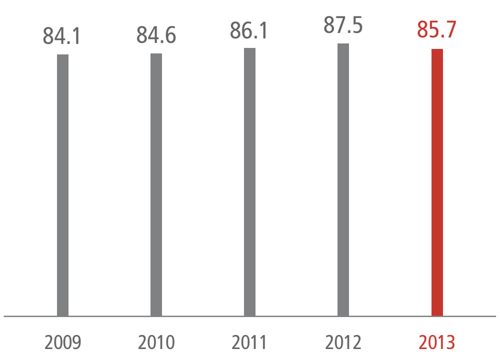
Number of employees | 2009–2013

Annual average



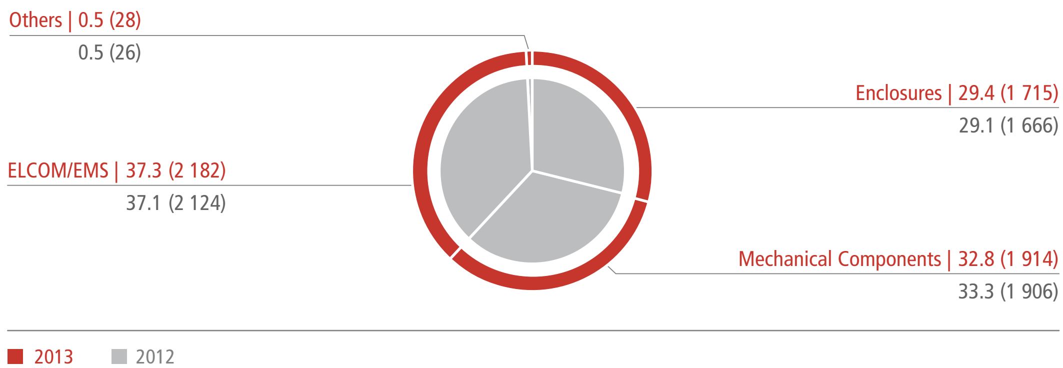
Gross sales per employee | 2009–2013

in 1 000 EUR



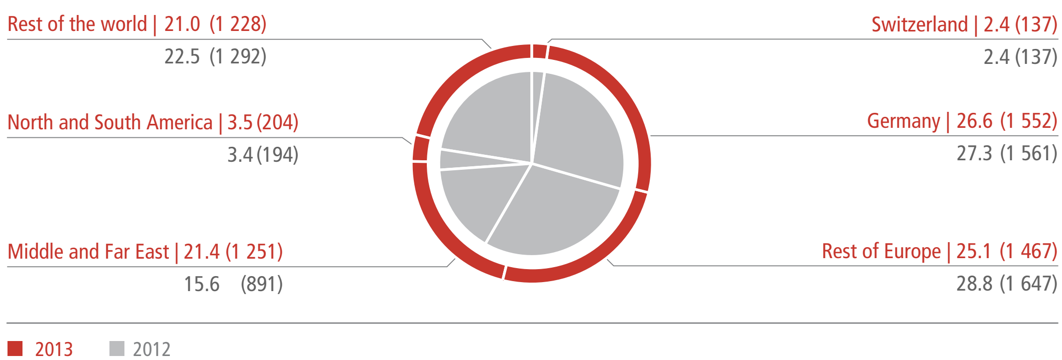
Employees by division | 2013 and 2012

in % (number)



Employees by region | 2013 and 2012

in % (number)



Key figures at a glance		2013	2012	2011	2010	2009
Annual average / Number unless otherwise indicated	Change 2013 to 2012/ Number/ 1 000 EUR					
Employees	117	5 839	5 722	6 152	5 929	4 719
By division						
Enclosures	49	1 715	1 666	1 628	1 511	1 407
Mechanical Components	8	1 914	1 906	1 934	1 808	1 556
ELCOM/EMS	58	2 182	2 124	2 564	2 570	1 702
Others	2	28	26	26	40	54
By region						
Switzerland	–	137	137	133	126	128
Germany	–9	1 552	1 561	1 591	1 501	1 431
Rest of Europe	–180	1 467	1 647	1 913	1 962	1 534
Middle and Far East	360	1 251	891	819	554	406
North and South America	10	204	194	185	196	192
Rest of World (ROW)	–64	1 228	1 292	1 511	1 590	1 028
Personnel expenses in 1 000 EUR	0.5	25.9	25.4	23.3	22.2	24.5
Gross sales per employee in 1 000 EUR	–1.8	85.7	87.5	86.1	84.6	84.1

FOR SOCIETY

SOCIAL COMMITMENT AT A LOCAL LEVEL

In keeping with its mission statement and corporate culture, the Phoenix Mecano Group is involved in many social projects at a regional level, thereby promoting the development of the regions concerned. Responsibility for social commitment is decentralised, being exercised by individual Group companies.

In the 20 years that Phoenix Mecano has had a production facility in Kecskemét, we have been and remain actively involved in promoting education and vocational training as well as cultural development. The facility implements and promotes the dual education system and has for years provided a training environment for students from the Kandó Kálmán Vocational Secondary School and Trade School. Fruitful working relationships have also been established and developed with various secondary schools in Kecskemét, for research projects and other purposes.

In the field of engineer training, there is a close collaboration with Kecskemét College's Faculty of Mechanical Engineering and Automation (GAMF). Every year a large number of students are assisted with diploma work and offered the chance of an industrial placement. The company also cooperates on various research and development programmes with staff from the College. Key to this collaboration is the fact that Phoenix Mecano Kecskemét's managing director Dr Zoltán Nagy is a senior lecturer at the College.

In Germany too, our subsidiaries RK Rose + Krieger and Bopla Gehäuse Systeme work closely with technical colleges and universities in the region. They also offer specialist placements and research opportunities, as well as providing materials and test stations. In partnership with the Marktgymnasium in Bünde, Bopla Gehäuse Systeme gives school-age students the opportunity to experience a business and working environment. As well as workplace visits and placements, the young people are also offered support with preparing written job applications.

Since 2004, Mecano Components (Shanghai) has been supporting a project in Beijing which offers assistance to street children. The project operates as a boarding school, which each year provides a home for up to 100 children aged between 6 and 13, who used to live on the streets.

In India, Phoenix Mecano (India) gives financial support to a healthcare programme providing basic medical care at a hospital located near the firm's premises.

FOR THE ENVIRONMENT

ENVIRONMENTALLY CONSCIOUS IN OUR DAY-TO-DAY ACTIVITIES

Fostering an awareness of ecological responsibility begins with each and every individual in their daily working lives. Accordingly, all of our employees throughout the Group are regularly and comprehensively informed, trained and motivated to ensure that they implement the company's internal principles on environmental protection in their day-to-day work. For example, Phoenix Mecano USA in Frederick is a member of the Maryland Green Registry, a voluntary scheme to promote the greening of operational facilities, and takes a range of measures to help conserve the environment. These include motion detectors and timers for efficient light management, programmed thermostats for space heating and cooling during working and non-working hours, filters and closed systems for the sustainable use of machine oil, sorting and recycling of plastic, paper, bottles, aluminium, etc.

However, despite our commitment to the environment, we are aware that the high ecological standards of Switzerland and Germany cannot be applied as a benchmark in all countries. Nonetheless, we continually strive to improve environmental awareness at all levels and in all regions. To this end, Phoenix Mecano has outlined a clear set of principles with associated operational goals. Legal and regulatory requirements must be fulfilled without exception. Our high-quality, state-of-the-art products are manufactured using environmentally sound technologies and processes, always striking the right balance between legitimate ecological, human and economic needs. Our environmental commitment is based heavily on the standards implemented in the EU, and Germany in particular. Regional regulations are also observed, and represent the minimum requirements adhered to.

CERTIFIED QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEMS ESTABLISHED

Wherever possible, the Phoenix Mecano Group has its quality and environmental management systems certified according to recognised standards in order to guarantee the uniform, Group-wide assessment of process-related environmental protection measures, to enable environmentally-focused operations and personnel management and to meet customers' needs to their complete satisfaction. The following certification systems are currently applied:

Certification standards used in subsidiaries worldwide

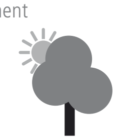
Bopla Gehäuse Systeme GmbH	ISO 9001:2008	Germany
DewertOkin GmbH	ISO 9001:2000	Germany
Hartu Technologie GmbH + Co. KG	ISO 9001:2008	Germany
Hartmann Codier GmbH	ISO 9001:2008	Germany
Hartmann Electronic GmbH	ISO 9001:2008	Germany
Kundisch GmbH + Co. KG	ISO 9001:2000	Germany
Lohse GmbH	ISO 9001:2008	Germany
Phoenix Mecano Digital Elektronik GmbH	ISO 9001:2008/ISO/TS 16949:2009	Germany
Phoenix Mecano Inc.	ISO 9001:2008	USA
Phoenix Mecano (India) Pvt. Ltd.	ISO 9001:2001–2007	India
Phoenix Mecano Kecskemét Kft.	ISO 9001:2008	Hungary
Phoenix Mecano Komponenten AG	ISO 9001:2008	Switzerland
Phoenix Mecano Ltd.	BS EN ISO 9001:2008	UK
Phoenix Mecano S.E. Asia Pte Ltd.	ISO 9001:2000	Singapore
Platthaus GmbH	ISO 9001:2008	Germany
PTR Messtechnik GmbH + Co. KG	ISO 9001:2008	Germany
RK Rose + Krieger GmbH	ISO 9001:2008	Germany
Rose Systemtechnik GmbH	ISO 9001:2008	Germany

Certified quality according to recognised standards

Environmental management systems certified

Bopla Gehäuse Systeme GmbH	ISO 14001:2004	Germany
DewertOkin GmbH	ISO 14001:2004	Germany
Hartmann Codier GmbH	ISO 14001:2004	Germany
Phoenix Mecano Kecskemét Kft.	ISO 14001:2004	Hungary
PTR Messtechnik GmbH + Co. KG	ISO 14001:2005	Germany

Responsible towards the environment



Corporate Governance

Sustainable value creation through transparent and responsible corporate governance

Phoenix Mecano is committed to sound, effective corporate governance

PHOENIX MECANO GROUP

FINANCE AND SERVICE COMPANIES	DIVISIONS	PRODUCTION AND SALES COMPANIES | worldwide	
Switzerland	ENCLOSURES	Australia	The Netherlands
Germany	Germany	Austria	People's Republic of China
Hungary		Belgium	Romania
The Netherlands	MECHANICAL COMPONENTS	Brazil	Singapore
United Kingdom		Denmark	Spain
	Germany	France	Sweden
		Germany	Switzerland
	ELCOM/EMS	Hungary	Tunisia
	Germany	India	Turkey
		Italy	United Arab Emirates
		Korea (South Korea)	United Kingdom
		Morocco	USA

Phoenix Mecano is committed to transparency and responsibility in its corporate governance. It believes that sound, effective corporate governance is key to sustainable value creation.

SUSTAINABLE CORPORATE POLICY

Phoenix Mecano informs its stakeholders in an open and comprehensive way to create trust and promote understanding of the company. Its high level of transparency 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 SIX Swiss Exchange to make it easier for readers to seek specific information.

GROUP STRUCTURE AND SHAREHOLDERS

Phoenix Mecano is a global technology enterprise in the enclosures and industrial components sectors and has significant market shares in all international growth markets. It manufactures technical 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 split into three divisions: Enclosures, ELCOM/EMS and Mechanical Components. Within these divisions, parent companies responsible for product management operate with the help of global production sites and sales companies. In Switzerland, Phoenix Mecano is present at two locations: Kloten, from where Phoenix Mecano Management AG runs the Group's operations, and Stein am Rhein, which is home to the headquarters of the Group's holding company as well as to Phoenix Mecano Komponenten AG, which distributes the various products manufactured by Phoenix Mecano subsidiaries in Switzerland, and the purchasing company Phoenix Mecano Trading AG. The Group's overall structure has always been very lean. Operational responsibility lies with the management, also referred to as the Executive Committee. The Extended Group Leadership Committee, including the operational managers of the Group's divisions, main business units and regions, assists with the coordination of business activities. The Group's operational structure is presented on pages 78 and 79. Detailed information about the scope of consolidation can be found on pages 111 and 112 of the financial report. None of the shareholdings is listed.

Annual report
pages 78 | 79 and
111 | 112

As at 31 December 2013, the following major shareholders were known to the company, each holding a share of the voting rights equivalent to over 3% of the share capital.

Major shareholders	2013	2012
in %		
Planalto AG, Luxembourg City, Luxembourg	34.0	34.0
Tweedy, Browne Global Value Fund, New York, USA (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	5.5	7.9*
Massachusetts Mutual Life Insurance Company, Springfield, USA (Ultimate parent company of OppenheimerFunds Inc., New York, USA)	< 3.0	8.9
Sarasin Investmentfonds AG, Basel, Switzerland	5.4*	5.4*
UBS Fund Management (Switzerland) AG, Basel, Switzerland	3.5	*

This information is based on reports by the shareholders mentioned above.
* Stake not reported in the year indicated.

www.six-exchange-regulation.com/publications/published_notifications/major_shareholders_de.html

Individual notifications can be viewed at the following link of SIX Swiss Exchange:
www.six-exchange-regulation.com/publications/published_notifications/major_shareholders_en.html

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

Shareholders' agreements There are no shareholders' agreements.

CAPITAL STRUCTURE

Capital/shares and participation certificates As at 31 December 2013, Phoenix Mecano AG's share capital was fully paid up and consisted of 978 000 bearer shares (securities No. Inh. 218781; Reuters: PM.S; Telekurs/Telerate: PM) with a par value of CHF 1.00. All shares, apart from those owned by the company, fully entitle the bearer to vote and receive a dividend. As at the balance sheet date, the company owned 20 064 treasury bearer shares. There are no nominal shares and no participation or dividend-right certificates.

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

Changes in capital There was no change in capital in 2013, 2012 and 2011. The Shareholders' General Meeting of 28 May 2010 approved the cancellation of 10 000 shares from the 2008/2009 buy-back programme. The share capital was reduced from CHF 988 000 to CHF 978 000, with effect from 2 September 2010, and was then re-divided into 978 000 bearer shares with a par value of CHF 1.00 each. Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, 81 500 bought-back shares were cancelled from the 2007/2008 and 2008/2009 share buy-back programmes and the share capital reduced from CHF 1 069 500 to CHF 988 000, with effect from 28 September 2009. No changes in capital took place in 2008 and 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 as of 15 September 2006 by cancelling 30 500 shares from the 2005/2006 share buy-back programme.

Limitations on transferability and nominee registrations 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 2012, each meeting lasting an average of four hours.

Elections and terms of office As of the 2014 ordinary Shareholders' General Meeting, directors are elected by the Shareholders' General Meeting for a term of one year until the end of the next ordinary Shareholders' General Meeting. There are no restrictions on election. Also from 2014, the Chairman is elected by the Shareholders' General Meeting from among the members of the Board of Directors for a term of one year, until the end of the next ordinary Shareholders' General Meeting. This term may also be renewed. The Board of Directors designates someone to take the minutes, who does not necessarily have to be a member of the Board of Directors.

Powers The powers of the Board of Directors are set out in the Swiss Code of Obligations as well as in Phoenix Mecano AG's Articles of Incorporation, which state that the Board of Directors is entitled to transfer the management or individual branches thereof and the representation of the company to one or more of its members or to third parties, pursuant to its own rules of procedure governing organisational matters. To this end it may set up committees, appoint, monitor or recall delegates or appoint a management comprising one or more of its own members or external persons. The Board of Directors determines the powers and obligations of committees, delegates, management and executives with a power of attorney.

The Board of Directors is authorised to take decisions provided that a majority of its members is present. Decisions are taken by a majority of votes cast by those present. In the event of a tie, the Chairman has the casting vote.

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

- Preparation of the proceedings of the Shareholders' General Meeting, especially the annual report, financial statements and proposals on the appropriation of earnings
- Determination of corporate goals and the principles underlying corporate policy and strategy
- Determination of the company's policy on risks
- Decision-making regarding the establishment or cessation of major divisions of the company and authorisation of the acquisition or disposal of shareholdings, plus authorisation of any changes to the legal structure of the Group
- Decision-making on the budget and medium-term planning (product and market strategy, financial and investment guidelines)
- Allocation of signatory powers to members of the Board of Directors and determination of the principles governing signatures below that level
- Determination of the principles of reporting to the Board of Directors, approval of the principles governing the company's finances and accounts and also internal and external audits
- For the first time for financial year 2014: preparation of the remuneration report.

Other activities and vested interests In keeping with the guidelines on corporate governance, the following activities and interests must be declared:

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

Activities in governing and supervisory bodies
- Feri Finance AG, Bad Homburg, Germany (Deputy Chairman of the Supervisory Board)
- Gildemeister AG, Bielefeld, Germany (Member of the Supervisory Board)

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

Official functions and political posts
- Member of the Government Commission of the German Corporate Governance Code

Mr Beat Siegrist, Member of the Board of Directors, fulfils the following additional mandates:

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

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

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 organisational structure The Board of Directors is deliberately kept small and usually performs its duties collectively. The Audit Committee, first set up in 2003, is primarily responsible for monitoring external audits. In that task it is supported by the Internal Auditing Department. The Audit Committee is chaired by Dr Florian Ernst in his capacity as a non-executive member of the Board of Directors. Dr Ernst is a certified auditor and has the necessary knowledge and experience of finance and accounting. Another member of the Audit Committee is the Chairman of the Board of Directors, Ulrich Hocker. The CEO and CFO also attend Audit Committee meetings. The Committee held two meetings in 2013, each lasting an average of three-and-a-half hours.

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

At its meeting on 20 December 2013, the Board of Directors set up a Compensation Committee comprising three members of the Board of Directors: Beat Siegrist (Chairman), Ulrich Hocker and Dr Martin Furrer. The members of the Compensation Committee will be proposed to the 2014 Shareholders' General Meeting for election individually. The Compensation Committee draws up proposed remuneration guidelines for the Board of Directors and management. It also makes recommendations for Board of Directors compensation and the fixed and variable remuneration components for management. The whole Board of Directors then decides whether to approve the proposals. To prevent conflicts of interest, the Chairman and Delegate of the Board of Directors abstain from votes relating to their own remuneration. From the 2015 ordinary Shareholders' General Meeting, the Shareholders' General Meeting will also vote on Board of Directors and management remuneration.

Members of the Board of Directors

Name	Position	On the Board since	In current position since	Term expires in	Operational management tasks
Ulrich Hocker	Chairman of the Board of Directors Member of the Compensation Committee Member of the Audit Committee	1988	2003	2014	No
Benedikt A. Goldkamp	Delegate of the Board of Directors	2000	2001	2014	Yes
Dr Florian Ernst	Member of the Board of Directors Chairman of the Audit Committee	2003	2003	2014	No
Dr Martin Furrer	Member of the Board of Directors Member of the Compensation Committee	2003	2003	2014	No
Beat Siegrist	Member of the Board of Directors Chairman of the Compensation Committee	2003	2003	2014	No

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

From left to right:
Dr Florian Ernst | Member of the Board of Directors, Chairman of the Audit Committee
Ulrich Hocker | Chairman of the Board of Directors, Member of the Compensation Committee, Member of the Audit Committee
Benedikt A. Goldkamp | Delegate of the Board of Directors, CEO
Dr Martin Furrer | Member of the Board of Directors, Member of the Compensation Committee
Beat Siegrist | Member of the Board of Directors, Chairman of the Compensation Committee

AS AT 31 DECEMBER 2013 THE BOARD OF DIRECTORS COMPRISED THE FOLLOWING MEMBERS:

Ulrich Hocker (D) Chairman of the Board of Directors since 2003. Member of the Board of Directors since 1988. Düsseldorf (Germany), born 1950. Trained as a banker. Law degree, attorney at law. Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW) from 1985 to November 2011 and President since 21 November 2011.

Benedikt A. Goldkamp (D) Delegate of the Board of Directors. Member of the Board of Directors since 2000. Delegate of the Board of Directors and CEO since 1 July 2001. Lufingen (Switzerland), born 1969. Gained a degree in financial consultancy, followed by a Master of Business Administration from Duke University. 1996–1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998–2000 Managed the Group's own production 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 (CH) Member of the Board of Directors since 2003. Zollikon (Switzerland), 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 held various positions in the banking sector, including as a mergers & acquisitions consultant and the CFO of an alternative investment company in Pfäffikon, Schwyz. Has been working for Deutsche Bank (Switzerland) AG in Zurich since 2008, in a variety of roles, and currently advises clients on asset & wealth management.

Dr Martin Furrer (CH) Member of the Board of Directors since 2003. Zumikon (Switzerland), 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 & Co. in Zurich. Has been back working as a lawyer for Baker & McKenzie in Zurich since 1997, specialising in private equity, mergers & acquisitions, capital market law and restructuring. Has been a partner at Baker & McKenzie since 2002.

Beat Siegrist (CH) Member of the Board of Directors since 2003. Herrliberg (Switzerland), 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. CEO of Schweiter Technologies, Horgen, from 1996–2008. Member of the Board of Directors of INFICON Holding AG, Bad Ragaz, since 2010. 2008–2012 Managing Director of the Satisloh Group. Since 2013 Chairman of the Board of Directors of Garaventa Accessibility AG, Goldau. Chairman of the Board of Directors of Schweiter Technologies, Horgen.

In 2002, a dedicated, full-time Internal Auditing Department was set up. It is accountable to the Board of Directors and reports directly to it. Key audit issues in 2013 were accounts receivable and inventory management, the internal control system, the risk management system and transfer pricing documentation. A quality assessment conducted by an external auditor (Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany) in early 2012 confirmed that the Phoenix Mecano Group's Internal Auditing Department complied with international standards. A quality assessment is carried out every five years.

The Group-wide, software-based risk management system was introduced in 2002 and a Group-wide, non-software-based internal control system in 2008. Both systems have proved invaluable and are continuously updated. The most recent update was the introduction of integrated software for the risk management and internal control systems in the 4th quarter of 2012.

MANAGEMENT

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

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

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

AS AT 31 DECEMBER 2013, THE MANAGEMENT COMPRISED THE FOLLOWING MEMBERS:

Benedikt A. Goldkamp (D) CEO | Delegate of the Board of Directors. Member of the Board of Directors since 2000. Delegate of the Board of Directors and CEO since 1 July 2001. Dipl. Finanzwirt. Lufingen (Switzerland). MBA from Duke University. Born 1969. 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 Rochus Kobler (CH) COO | Member of the management since 2010. Dr oec. HSG, Dipl. Ing. ETH/MSc, Unterägeri (Switzerland). Born 1969. From 1997 to 2002 he was Senior Engagement Manager at McKinsey in Zurich, Johannesburg and Chicago. Between 2002 and 2010 he served as CEO and Member of the Board of Directors at the international production and trading group Gutta. He has been COO since 1 September 2010, with responsibility for the operational management of the Phoenix Mecano Group.

René Schäffeler (CH) CFO | Member of the management since 2000. Certified accountant/controller, Stein am Rhein (Switzerland). Born 1966. 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 an executive director and CFO since 2000. In this post he is responsible for finances, group accounting, controlling and taxes.

From left to right:
René Schäffeler | CFO, Member of the management
Benedikt A. Goldkamp | Delegate of the Board of Directors, CEO, Member of the management
Dr Rochus Kobler | COO, Member of the management

Annual report pages
77 and 166

REMUNERATION, SHAREHOLDINGS AND LOANS

Page 77, Remuneration report | page 166, Financial statements

Share ownership	Position	31.12.2013	31.12.2012
Ulrich Hocker	Chairman of the Board of Directors	8 798	8 798
Benedikt A. Goldkamp	Delegate of the Board of Directors	1 740	1 840
Dr Florian Ernst	Board member	10	10
Dr Martin Furrer	Board member	100	100
Beat Siegrist	Board member	400	400
Shares held by the Board of Directors		11 048	11 148
Dr Rochus Kobler	Member of the management	200	200
Dr Joachim Metzger *	Member of the management	–	15
René Schäffeler	Member of the management	80	80
Shares held by the management		280	295

* Dr Joachim Metzger: until 30 June 2013.

SHAREHOLDERS' PARTICIPATION

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 be represented at the Shareholders' General Meeting by their legal representative, another shareholder with written authorisation or the independent proxy.

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 a tie, the Chairman has the casting vote, except in elections, where the final decision will be taken in the event if need be.

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

Convocation of the Shareholders' General Meeting/Inclusion of items on the agenda The Shareholders' General Meeting (GM), 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 inclusion of an item on the agenda. Shareholders representing shares with a par value of CHF 100 000 may request the inclusion of an item on the agenda.

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

Inscriptions into the share register Since Phoenix Mecano only has bearer shares, no share register is kept.

CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer The limit for the obligation to make an offer pursuant to Article 32 of the Swiss Federal 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.

Clauses on changes of control There are no change-of-control clauses. There is no provision for severance pay for serving members of the Board of Directors or management or other executive staff.

STATUTORY AUDITORS

Duration of the mandate and term of office of the auditor in charge By a decision of the Shareholders' General Meeting of 24 May 2013, KPMG AG, Zurich, were appointed as statutory auditors for the accounting and financial statements of Phoenix Mecano AG and as Group auditors of the consolidated financial statements of the Phoenix Mecano Group for a period of one year. KPMG AG, Zurich, first assumed the mandate as statutory and Group auditors in 2006; the auditor in charge, Mr Kurt Stocker, has been in office since the 2012 Shareholders' General Meeting. The auditor in charge is replaced every seven years.

Auditors' fees In the reporting year, KPMG received fees totalling EUR 670 000 for auditing the financial statements and consolidated financial statements.

Additional fees KPMG received additional fees of EUR 417 000 in the reporting year: EUR 396 000 for tax consultancy and EUR 21 000 for miscellaneous services including support for the Internal Auditing Department.

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

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

Auditors' fees/Additional fees	2013	2012
in 1 000 EUR		
Total auditors' fees	670	789
Tax consultancy	396	262
Miscellaneous (mainly tax conference, support for Internal Auditing Department)	21	5
Total additional fees	417	267
Total	1 087	1 056

INFORMATION POLICY

Phoenix Mecano discloses relevant information about its business activities in its annual reports, semi-annual reports and media releases as well as at media and analysts' conferences and the Shareholders' General Meeting.

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

Annual report page 51
www.phoenix-mecano/
media-releases.html

The calendar of events and publications can be found in the "Share Information" section on page 51. Extensive information is also available on the Internet at www.phoenix-mecano.com, from where the annual report and up-to-date media information can 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. For ad hoc disclosures, the relevant pages are:

› Pull Link:
  www.phoenix-mecano.com/current-media-releases.html
› Pull Link:
  www.phoenix-mecano.com/subscribe.html

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

Remuneration report

The remuneration system is geared towards long-term value creation. It encourages successful performance and entrepreneurial flair and is focused on the interests of shareholders.

The remuneration awarded in 2013 is set out in the consolidated financial statements (page 154) and the separate financial statements of Phoenix Mecano AG (page 166).

The remuneration report contains information about the principles of remuneration, procedures for determining remuneration and components of remuneration for the Board of Directors and management of Phoenix Mecano AG. It also details the remuneration awarded in 2013 and the planned components of remuneration in 2014 and 2015. It is based on the provisions of the Articles of Incorporation, the transparency requirements set out in Article 663b^{bis} and Article 663c of the Swiss Code of Obligations, Articles 13–16 and Article 20 of the Swiss Ordinance against Excessive Compensation in Listed Companies (VegüV), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse.

PRINCIPLES OF REMUNERATION

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

GOVERNANCE

At its meeting on 20 December 2013, the Board of Directors set up a Compensation Committee comprising three members of the Board of Directors: Beat Siegrist (Chairman), Ulrich Hocker and Dr Martin Furrer. The members of the Compensation Committee will be proposed to the 2014 Shareholders' General Meeting for election individually. The Compensation Committee draws up proposed remuneration guidelines for the Board of Directors and management. It also makes recommendations for Board of Directors compensation and the fixed and variable remuneration components for management. The whole Board of Directors then decides whether to approve the proposals. To prevent conflicts of interest, the Chairman and Delegate of the Board of Directors abstain from votes relating to their own remuneration.

The Compensation Committee meets as often as required, but at least once a year.

At the first ordinary Board of Directors meeting of the financial year (usually in March), the Compensation Committee evaluates the business success of the past financial year and proposes corresponding bonuses for members of the management. At the same time, it reviews the targets and calculation principles for the variable remuneration of management members for the current and next financial year. It also reviews the rules governing Board of Directors remuneration and proposes any necessary adjustments to the full Board of Directors.

In addition, the Compensation Committee examines and approves the draft remuneration report for submission to the full Board of Directors.

The Delegate of the Board of Directors (CEO) attends meetings of the Compensation Committee in an advisory capacity. He leaves the meeting when his own remuneration is being discussed.

The Compensation Committee can call in external compensation specialists to offer neutral advice or provide studies or data as a basis for comparison in setting remuneration.

PROCEDURES FOR DETERMINING REMUNERATION

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

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

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

STRUCTURE OF REMUNERATION AND COMPENSATION

The Board of Directors is compensated in cash for all of its duties, including ordinary and any extraordinary meetings, committee activities and other extraordinary activities. No expenses are paid. Only in the case of cross-border travel are the actual costs reimbursed.

As of 1 July 2013, the management of Phoenix Mecano consists of three members: the CEO (Delegate of the Board of Directors), COO and CFO. All three hold responsible positions with an overall management role. Compensation for all members therefore follows the same model, based on a simple but effective formula.

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

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

No shares were allocated and no options were organised in the reporting year.

SOCIAL SECURITY AND FRINGE BENEFITS

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

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

Management members receive lump-sum expenses in accordance with the expense regulations approved by the relevant tax authorities.

If they wish, members of the management are given a company car for business and private use.

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

ADDITIONAL FEES

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

LOANS TO CORPORATE OFFICERS

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

CONTRACTUAL TERMS AND CONDITIONS

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

SEVERANCE PAY

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

REMUNERATION FOR FINANCIAL YEAR 2013

The following remuneration was awarded for financial year 2013:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	**Total remuneration 2013**
Ulrich Hocker	Chairman of the Board of Directors	131		11	142
Benedikt A. Goldkamp	Delegate of the Board of Directors	43		6	49
Dr Florian Ernst	Board member	53		5	58
Dr Martin Furrer	Board member	43		3	46
Beat Siegrist	Board member	43		3	46
Remuneration of the Board of Directors		313	0	28	341
Remuneration of the management		1 931	583	370	2 884
Remuneration of the Board of Directors and of the management		2 244	583	398	3 225
Highest individual management salary Benedikt A. Goldkamp	CEO	475	257	109	841

The management compensation reflects the decision of the Board of Directors on 5 June 2013 to reduce the number of management members to three with effect from 1 July 2013. The remuneration of outgoing members is included until the time of their departure. The variable remuneration of outgoing members is based on income and return-on-capital targets (typically 80–90%) and personal, qualitative targets (typically 10–20%).

The Phoenix Mecano Group's consolidated statement of income for 2013 includes no compensation for former members of the Group’s bodies who left in the preceding period or before.

AMENDMENT TO THE ARTICLES OF INCORPORATION

A revised version of the Articles of Incorporation with regard to Board of Directors and management compensation, taking into account the Swiss Ordinance against Excessive Compensation in Listed Companies (VegüV), will be submitted to the 2014 Shareholders’ General Meeting for approval.

Group operational structure

PHOENIX MECANO

GROUP HEADQUARTERS

SWITZERLAND
Phoenix Mecano AG
CH-8260 Stein am Rhein

FINANCE AND SERVICE COMPANIES

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

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

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

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

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

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

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

ENCLOSURES

Dr H. W. Rixen

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

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

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

MECHANICAL COMPONENTS

M. Kleinle

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

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

ELCOM/EMS

Dr R. Kobler

GERMANY

ATON Lichttechnik GmbH
D-30853 Langenhagen Mitte
Managing director:
R. Bormet

HARTU Technologie GmbH + Co. KG
D-61279 Grävenwiesbach
Managing directors:
B. A. Goldkamp, K. H. Goos

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

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

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

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

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

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

PRODUCTION AND SALES COMPANIES

AUSTRALIA

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

BELGIUM

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

AUSTRIA

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

BRAZIL

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

DENMARK

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

FRANCE

Phoenix Mecano S.à.r.l.
F-94124 Fontenay-sous-Bois, Cedex
Managing director:
J. P. Schreiber

GERMANY

Lohse GmbH
D-76461 Muggensturm
Managing directors:
K. H. Goos, E. Sorg

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

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

HUNGARY

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

INDIA

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

ITALY

Phoenix Mecano S.r.l.
I-20065 Inzago (Milano)
Managing director:
Dr H. W. Rixen

KOREA (SOUTH KOREA)

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

MOROCCO

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

THE NETHERLANDS

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

PEOPLE'S REPUBLIC OF CHINA

Bond Tact Hardware (Dongguan) Co., Ltd.
Dongguan, Guangdong
Managing director:
S. Kong

Bond Tact Industrial Ltd.
Hong Kong
Managing director:
S. Kong

Okin Refined Electric Technology Co., Ltd.
314024 Jiaxing
Managing directors:
Dr J. Gross, J. Tang

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

Phoenix Mecano Components (Taicang) Co., Ltd.
215400 Taicang, Jiangsu Province
Managing director:
K. W. Phoon

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

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

ROMANIA

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

SINGAPORE

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

SPAIN

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

SWEDEN

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

SWITZERLAND

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

TUNISIA

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

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

Phoenix Mecano ELCOM S.à.r.l.
TN-1111 Bouhejba-Zaghouane
Managing director:
K. Vieth

TURKEY

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

UNITED ARAB EMIRATES

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

UNITED KINGDOM

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

USA

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

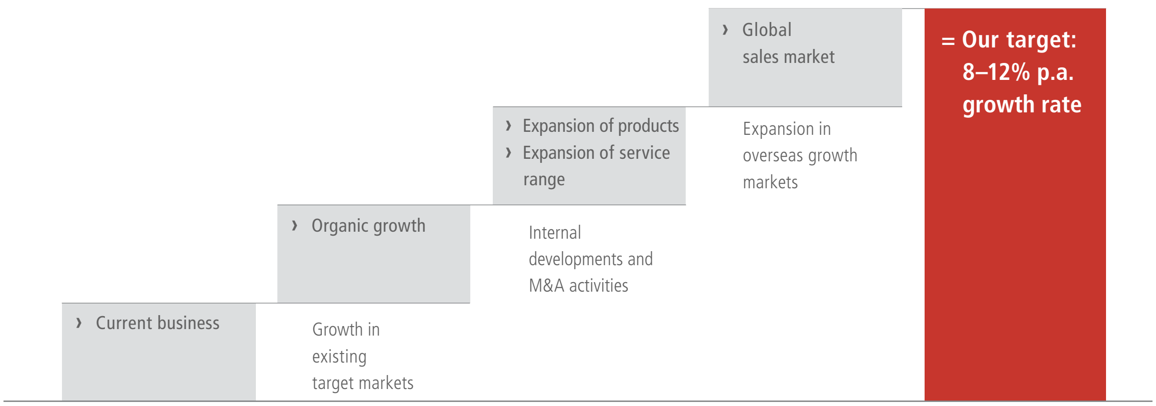
WIENER, Plein & Baus, Corp.
Springfield, OH 45505
Managing director:
Dr A. Ruben

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

Phoenix Mecano Group consolidated financial statements 2013

Slight trend towards recovery compared with previous year | Stable sales

Phoenix Mecano well-equipped for the recovery in 2014
Drivers of our long-term growth



Consolidated balance sheet as at 31 December 2013

Assets		2013	2012	2011
in 1 000 EUR	Note No.		Restated*	Restated*
Non-current assets				
Goodwill	3	14 161	14 362	14 362
Other intangible assets	4	16 843	19 680	18 546
Investment properties	5	958	1 060	0
Tangible assets	5	107 352	103 533	100 717
Investments in associated companies	6	422	407	465
Other financial assets	7	338	798	308
Derivative financial instruments	17	0	149	0
Deferred tax assets	20	3 334	3 813	5 595
Total non-current assets		**143 408**	**143 802**	**139 993**
Current assets				
Inventories**	8	109 908	110 271	131 989
Trade receivables	9	57 769	51 553	55 625
Derivative financial instruments	17	835	45	83
Income tax receivables		4 985	2 708	2 101
Other receivables**	10	9 669	9 492	8 720
Current securities	11	7 266	7 796	6 663
Cash and cash equivalents	12	60 409	62 824	43 500
Deferred charges and prepaid expenses		1 309	1 470	1 122
Total current assets		**252 150**	**246 159**	**249 803**
Total assets		395 558	389 961	389 796

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".
** Change of presentation, see explanation in the "Principles of consolidation and valuation".

Equity and liabilities		2013	2012	2011
in 1 000 EUR	Note No.		Restated*	Restated*
Equity				
Share capital	13	609	609	609
Treasury shares	14	–7 795	–5 616	–1 650
Retained earnings		259 459	250 440	244 036
Profits/losses from IAS 39		4	67	–2 347
Translation differences		45	3 375	4 212
Equity attributable to shareholders of the parent company		**252 322**	**248 875**	**244 860**
Minority interest	15	1 915	1 819	1 612
Total equity		**254 237**	**250 694**	**246 472**
Liabilities				
Long-term financial liabilities	16	22 941	39 357	41 451
Derivative financial instruments	17	0	62	1 913
Long-term provisions**	18	3 774	4 677	5 779
Long-term pension obligations**	19	8 272	8 162	6 610
Deferred tax liabilities	20	4 483	4 235	5 024
Long-term liabilities		**39 470**	**56 493**	**60 777**
Trade payables	21	26 322	19 779	19 696
Short-term financial liabilities	22	43 186	31 978	26 038
Derivative financial instruments	17	197	523	1 436
Short-term provisions**	18	11 774	11 009	13 408
Short-term pension obligations**	19	222	306	286
Income tax liabilities		2 833	4 170	5 799
Other liabilities	23	15 185	13 692	14 200
Deferred income		2 132	1 317	1 684
Short-term liabilities		**101 851**	**82 774**	**82 547**
Total liabilities		**141 321**	**139 267**	**143 324**
Total equity and liabilities		**395 558**	**389 961**	**389 796**

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".
** Change of presentation, see explanation in the "Principles of consolidation and valuation".

Consolidated statement of income 2013

in 1 000 EUR	Note No.	2013	2012 Restated *
Sales revenue	31	**495 352**	**495 581**
Changes in inventories		440	1 226
Own work capitalised		1 357	1 549
Other operating income	32	2 965	3 073
Cost of materials	33	–229 275	–238 350
Personnel expenses	34	–151 332	–145 491
Amortisation of intangible assets	35	–5 296	–6 063
Depreciation on tangible assets	36	–15 680	–15 557
Impairment and reversal of impairment losses on intangible and tangible assets	37	–171	–4 943
Other operating expenses	38	–63 318	–63 111
Result before interest and tax (operating result)		**35 042**	**27 914**
Result from associated companies	6	116	85
Financial income	39	5 122	3 998
Financial expenses	40	–8 502	–5 335
Financial result		**–3 264**	**–1 252**
Result before tax		**31 778**	**26 662**
Income tax	41	–9 386	–8 589
Result of the period		**22 392**	**18 073**
of which			
– Shareholders in the parent company		22 255	18 079
– Minority shareholders		137	–6
Earnings per share			
Earnings per share – undiluted (in EUR)	42	23.22	18.63
Earnings per share – diluted (in EUR)	42	23.22	18.63

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

Consolidated statement of comprehensive income 2013

in 1 000 EUR	Note No.	2013	2012 Restated*
Result of the period		22 392	18 073
Items that may be reclassified subsequently to profit or loss			
Fluctuations in fair value of financial assets		–21	61
Fluctuations in fair value of cash flow hedges		0	2 319
Realised results of cash flow hedges		–34	406
Translation differences attributable to the parent company		–3 330	–837
Translation differences attributable to minority interest		–185	7
Deferred tax	20	–8	–372
Items that may not be reclassified to profit or loss			
Revaluation of pension obligations		29	–1 487
Deferred tax	20	0	354
Other comprehensive income (after tax)		–3 549	451
Comprehensive income		18 843	18 524
of which			
– Shareholders in the parent company		18 891	18 523
– Minority shareholders		–48	1

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

Consolidated statement of cash flow 2013

		2013	2012
in 1 000 EUR	Note No.		Restated*
Result of the period		22 392	18 073
Income tax	41	9 386	8 589
Result before tax		**31 778**	**26 662**
Amortisation of intangible assets	4	5 296	6 063
Depreciation on tangible assets	5	15 680	15 557
Losses/(gains) from the disposal of intangible and tangible assets	32, 38	–146	86
Impairment of intangible and tangible assets	4,5	171	4 943
Losses and value adjustments on inventories	8	1 487	2 793
Result from associated companies	6	–116	–85
Other non-cash expenses/(income)		2 612	–1 243
Increase/(decrease) in long-term provisions and pension obligations**		–726	352
Net interest expense/(income)	39, 40	1 059	846
Interest paid		–1 218	–1 280
Income tax paid		–13 094	–11 337
Operating cash flow before changes in working capital		42 783	43 357
(Increase)/decrease in inventories**		–1 426	18 891
(Increase)/decrease in trade receivables		–6 982	4 135
(Increase)/decrease in other receivables, deferred charges and prepaid expenses**		–1 441	–993
(Decrease)/increase in trade payables		6 110	–76
Decrease)/increase in short-term provisions and pension obligations**		779	–2 385
(Decrease)/increase in other liabilities and deferred income		2 526	–781
Cash flow from operating activities		42 349	62 148

Table continued on page 87

in 1 000 EUR	Note No.	2013	2012 Restated*
Capital expenditure			
Intangible assets	4	–2 059	–2 207
Tangible assets	5	–18 288	–23 229
Financial assets		0	–428
Current securities		–2 239	–3 412
Acquisition of Group companies	45	–1 356	–2 949
Disinvestments			
Intangible assets		0	1
Tangible assets	5, 32, 38	1 036	802
Financial assets		21	0
Current securities		2 533	2 118
Disposal of Group companies		0	0
Interest received		883	1 045
Dividends received	6	100	150
Cash used in investing activities		–19 369	–28 109
Dividends paid (including minority interest)		–10 444	–10 722
Purchase of minority interests		0	–272
Capital increase by minority shareholders		0	20
Purchase of treasury shares		–2 770	–4 000
Sale of treasury shares		692	32
Issue of financial liabilities		6 451	10 632
Repayment of financial liabilities		–18 513	–10 240
Cash flow from financing activities		–24 584	–14 550
Translation differences in cash and cash equivalents		–811	–165
Change in cash and cash equivalents		**–2 415**	**19 324**
Cash and cash equivalents as at 1 January	12	62 824	43 500
Cash and cash equivalents as at 31 December	12	**60 409**	62 824
Change in cash and cash equivalents		**–2 415**	**19 324**

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".
** Change of presentation, see explanation in the "Principles of consolidation and valuation".

Consolidated statement of changes in equity 2012 and 2013

		Share capital	Treasury shares	Retained earnings
in 1 000 EUR	Note No.			
Equity as at 31 December 2011		**609**	**–1 650**	**245 670**
Restatement *				–1 634
Equity as at 1 January 2012		**609**	**–1 650**	**244 036**
Items that may be reclassified subsequently to profit or loss				
Fluctuations in fair value of financial assets				
Fluctuations in fair value of cash flow hedges				
Realised results of cash flow hedges				
Translation differences				
Deferred taxes not affecting income				
Items that may not be reclassified to profit or loss				
Revaluation of pension obligations *				–1 487
Deferred tax *				354
Total other comprehensive income (after tax)		**0**	**0**	**–1 133**
Result of the period				**18 079**
Total comprehensive income		**0**	**0**	**16 946**
Change in minority interest				–39
Capital increase				
Change in treasury shares	14		–3 966	–2
Dividends paid				–10 501
Total equity transactions with owners		**0**	**–3 966**	**–10 542**
Equity as at 31 December 2012		**609**	**–5 616**	**250 440**

* Restated due to IAS 19, see explanation in the “Principles of consolidation and valuation”.

Table continued on pages 90/91

Profits/(losses) cash flow hedge from IAS 39	Profits/(losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	**Total equity**
–2 311	–36	4 212	246 494	1 612	248 106
			–1 634		–1 634
–2 311	–36	4 212	244 860	1 612	246 472
	61		61		61
2 319			2 319		2 319
406			406		406
		–837	–837	7	–830
–372			–372		–372
			–1 487		–1 487
			354		354
2 353	61	–837	444	7	451
			18 079	–6	18 073
2 353	61	–837	18 523	1	18 524
			–39	407	368
			0	20	20
			–3 968		–3 968
			–10 501	–221	–10 722
0	0	0	–14 508	206	–14 302
42	25	3 375	248 875	1 819	250 694

Consolidated statement of changes in equity 2012 and 2013

in 1 000 EUR	Note No.	Share capital	Treasury shares	Retained earnings
Equity as at 31 December 2012		609	–5 616	250 440
Items that may be reclassified subsequently to profit or loss				
Fluctuations in fair value of financial assets				
Fluctuations in fair value of cash flow hedges				
Realised results of cash flow hedges				
Translation differences				
Deferred taxes not affecting income				
Items that may not be reclassified to profit or loss				
Revaluation of pension obligations *				29
Deferred tax *				0
Total other comprehensive income (after tax)		0	0	29
Result of the period				22 255
Total comprehensive income		0	0	22 284
Change in minority interest				–3 315
Capital increase				
Change in treasury shares	14		–2 179	101
Dividends paid				–10 051
Total equity transactions with owners		0	–2 179	–13 265
Equity as at 31 December 2013		609	–7 795	259 459

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

Table continued from pages 88/89

Profits/(losses) cash flow hedge from IAS 39	Profits/(losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	**Total equity**
42	25	3 375	248 875	1 819	250 694
	–21		–21		–21
			0		0
–34			–34		–34
		–3 330	–3 330	–185	–3 515
–8			–8		–8
			29		29
			0		0
–42	–21	–3 330	–3 364	–185	–3 549
			22 255	137	22 392
–42	–21	–3 330	18 891	–48	18 843
			–3 315	537	–2 778
			0		0
			–2 078		–2 078
			–10 051	–393	–10 444
0	0	0	–15 444	144	–15 300
0	4	45	252 322	1 915	254 237

Consolidated segment information 2013

By division	Enclosures		Mechanical Components	
	2013	2012	2013	2012
in 1 000 EUR				
Gross sales to third parties	159 827	160 022	236 415	220 510
Gross sales between divisions	118	301	83	118
Revenue reductions				
Sales revenue				
Impairment of intangible and tangible assets	0	–193	–42	69
Amortisation of intangible assets and depreciation on tangible assets	–5 873	–5 889	–8 737	–9 014
Result before interest and tax (operating result)*	21 047	22 845	17 375	11 944
Financial result*				
Result before tax*				
Income tax*				
Result of the period*				
Purchases of intangible and tangible assets	5 589	6 174	9 329	8 975
Segment assets	78 020	79 597	150 710	146 241
Cash and cash equivalents				
Other assets				
Total assets	78 020	79 597	150 710	146 241
Segment liabilities*	17 639	18 346	31 910	22 942
Interest-bearing liabilities				
Other liabilities*				
Total liabilities	17 639	18 346	31 910	22 942
Net assets	60 381	61 251	118 800	123 299

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".
** Included under Reconciliation are individual business areas and central management and financial functions that cannot be allocated to the divisions.

ELCOM/EMS		Total segments		Reconciliation**		Total Group	
2013	2012	2013	2012	2013	2012	2013	2012
104 308	119 929	500 550	500 461		0	500 550	500 461
4 434	4 806	4 635	5 225	–4 635	–5 225	0	0
						–5 198	–4 880
						495 352	495 581
–129	–4 819	–171	–4 943	0	0	–171	–4 943
–5 936	–6 362	–20 546	–21 265	–430	–355	–20 976	–21 620
–603	–5 088	37 819	29 701	–2 777	–1 787	35 042	27 914
						–3 264	–1 252
						31 778	26 662
						–9 386	–8 589
						22 392	18 073
5 115	9 696	20 033	24 845	314	591	20 347	25 436
82 879	79 786	311 609	305 624	3 603	3 932	315 212	309 556
				60 409	62 824	60 409	62 824
				19 937	17 581	19 937	17 581
82 879	79 786	311 609	305 624	83 949	84 337	395 558	389 961
13 245	13 300	62 794	54 588	4 858	4 303	67 652	58 891
				66 127	71 335	66 127	71 335
				7 542	9 041	7 542	9 041
13 245	13 300	62 794	54 588	78 527	84 679	141 321	139 267
69 634	66 486	248 815	251 036	5 422	–342	254 237	250 694

Consolidated segment information 2013

Gross sales to third parties	2013	2012
in 1 000 EUR		
By region		
Switzerland	22 655	22 978
Germany	188 594	215 133
UK	14 334	13 190
France	22 200	21 873
Italy	14 453	14 627
The Netherlands	13 116	12 433
Rest of Europe	70 515	68 709
North and South America	54 159	59 124
Middle and Far East	100 524	72 394
Gross sales	**500 550**	**500 461**
Revenue reductions	–5 198	–4 880
Sales revenue	495 352	495 581
By product group		
Industrial enclosures	141 444	142 457
Input systems	18 383	17 565
Enclosures	**159 827**	**160 022**
Industrial assembly systems	32 845	35 258
Linear adjustment and positioning systems	203 570	185 252
Mechanical Components	**236 415**	**220 510**
Electro-mechanical Components	49 810	47 588
Power Quality	22 883	44 512
Electronic Packaging	31 615	27 829
ELCOM/EMS	**104 308**	**119 929**
Gross sales	**500 550**	**500 461**
Revenue reductions	–5 198	–4 880
Sales revenue	495 352	495 581

Long-term assets (tangible assets, intangible assets and investments in associated companies)	2013	2012
in 1 000 EUR		
By region		
Switzerland	6 660	7 035
Germany	48 940	50 771
UK	5 228	5 537
France	499	469
Italy	1 441	1 569
The Netherlands	275	136
Rest of Europe	34 166	32 037
North and South America	4 236	5 053
Middle and Far East	38 291	36 435
Total	139 736	139 042

Principles of consolidation and valuation

ACCOUNTING PRINCIPLES

Phoenix Mecano AG with its subsidiaries (the Phoenix Mecano Group) operates worldwide as a manufacturer and seller of components for industrial customers in the electronics, electrical and mechanical engineering segments as well as of electric drives and control systems for adjustable ergonomic and healthcare furniture and hospital and healthcare beds. It is a leader in many of its markets. The Group's main activities are presented under Segment Information. Phoenix Mecano AG has its head office in Stein am Rhein, Switzerland, and has been listed on the Swiss Exchange (SIX) 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 2013, 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 measured at fair value. In addition, assets held for sale (intangible assets, tangible assets) are measured at fair value less costs to sell, provided that this value is lower than the book value. The consolidated statement of income was drawn up using the total cost method.

APPLICATION OF NEW ACCOUNTING STANDARDS

The following amendments to IFRS/IAS standards were applied for the first time from 1 January 2013:

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- Amendments to IAS 1: Presentation of Items of Other Comprehensive Income
- IAS 19 (amended 2011): Employee Benefits
- IAS 27 (amended 2011): Separate Financial Statements
- IAS 28 (amended 2011): Investments in Associates and Joint Ventures
- Amendments to IFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRSs (May 2012)
- Amendments to IFRS 10, IFRS 11 and IFRS 12

The application of the revised IFRS/IAS standards had no impact on accounting, measurement and presentation or on the scope of the notes to the financial statements, with the exception of IAS 19, IAS 1 and IFRS 13.

IMPACT OF AMENDMENTS TO IAS 19, IAS 1 AND IFRS 13

Under the amendments to IAS 19, actuarial gains and losses must henceforth be recognised immediately under Other comprehensive income. The possibility that used to exist of deferring recognition of actuarial gains and losses (corridor method) is no longer allowed. For the first time, the revised standard also contains provisions on how to handle contributions from employees under the terms of a pension plan. These must be treated as a negative benefit (reduction in expenses) when calculating service cost, with the effects being attributed to periods of service on a straight-line basis if the contributions in later years will lead to a materially higher level of benefit than in earlier years. In addition, interest expense and expected return are replaced by a net interest component. This is obtained by multiplying the net pension obligation by the discount interest rate. The tables below present a reconciliation of the restated items in the balance sheet, statement of income, statement of comprehensive income and statement of cash flow due to application of the amended IAS 19 – Employee Benefits. Notes 18, 19, 20, 34, 40, 41, 42 and 43 relating to the previous year have also been amended, based on these adjustments.

Restatement of consolidated balance sheet	31.12.2012	1.1.2012
in 1 000 EUR		
Long-term provisions (before IAS 19R)	9 402	10 434
Reclassification of long-term pension obligation	–4 725	–4 558
Adjustment due to IAS 19R	0	–97
Long-term provisions (restated)	**4 677**	**5 779**
Long-term pension obligations (before IAS 19R)	4 725	4 558
Adjustment due to IAS 19R	3 437	2 052
Long-term pension obligations (restated)	**8 162**	**6 610**
Deferred tax liabilities (before IAS 19R)	4 909	5 345
Adjustment due to IAS 19R	–674	–321
Deferred tax liabilities (restated)	**4 235**	**5 024**
Equity (before IAS 19R)	253 457	248 106
Adjustment due to IAS 19R	–2 763	–1 634
Equity (restated)	**250 694**	246 472

Restatement of consolidated statement of income		31.12.2012
in 1 000 EUR		
Result of the period (before IAS 19R)		18 069
Adjustment due to IAS 19R		
› Personnel expenses		59
› Financial expenses		–54
› Deferred tax		–1
Result of the period (restated)		**18 073**
Earnings per share – undiluted and diluted (in EUR) (before IAS 19R)		18.62
Adjustment due to IAS 19R		0.01
Earnings per share – undiluted and diluted (in EUR) (restated)		18.63

Restatement of consolidated statement of comprehensive income		31.12.2012
in 1 000 EUR		
Comprehensive income (before IAS 19R)		19 653
Adjustment due to IAS 19R		
› Change in result of the period		4
› Revaluation of pension obligations		–1 487
› Deferred tax		354
Comprehensive income (restated)		**18 524**

Restatement of consolidated statement of cash flow		31.12.2012
in 1 000 EUR		
Cash flow from operating activities (before IAS 19R)		62 148
Adjustment due to IAS 19R		
› Result of the period		4
› Income tax		1
› Other non-cash expenses/(income)		–1 487
› Increase/(decrease) in long-term provisions/pension obligations		1 482
Cash flow from operating activities (restated)		**62 148**

The impact for personnel expenses includes an increase of EUR +97 000 owing to IAS 19-related changes to the calculation of provisions for part-time work for older employees. The provision is included under Long-term provisions.

The amendments to IAS 19 had only a negligible impact (< EUR 0.1 million) on the statement of income for financial year 2013.

The amendments to IAS 1 require a new presentation in the statement of comprehensive income, which has been implemented accordingly. The items of other comprehensive income must be regrouped into those that will not be subsequently reclassified to the statement of income and those that might be reclassified under certain conditions.

The amendments to IFRS 13 seek to increase consistency in fair value measurements and provide a single framework of requirements in this area. The new provisions had no impact on the fair value measurements stated in the consolidated financial statements, although they did result in additional disclosures.

The amendments to IAS 36 were applied early in financial year 2013. The amendment requires the recoverable amount of a cash-generating unit to be disclosed even if no impairment or reversal of an impairment loss took place in the reporting year.

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.

			Entry into force	Planned implementation by Phoenix Mecano
New standards or interpretations				
IFRIC 21	Levies	1	1 January 2014	Financial year 2014
IFRS 9	Financial Instruments and associated amendments to IFRS 7 regarding initial application	2	1 January 2015 at the earliest	To be determined
Revisions and amendments of standards and interpretations				
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1	1 January 2014	Financial year 2014
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1	1 January 2014	Financial year 2014
Amendments to IAS 19	Employee Contributions	1	1 July 2014	Financial year 2015
Annual IFRS amendments 2010–2012		2	1 July 2014	Financial year 2015
Annual IFRS amendments 2011–2013		2	1 July 2014	Financial year 2015

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

CHANGE TO PRESENTATION OF FINANCIAL STATEMENTS IN 2013

The allocation of advance payments for inventories was changed in 2013. Until then, these items were recorded under Inventories. From now on, advance payments for inventories are recognised under Other receivables. The 2012 and 2011 balance sheets and notes 8 and 10 as well as the 2012 consolidated statement of cash flow have also been amended to take account of the changed allocation. This change in presentation led to a EUR 1.293 million reduction in Inventories in 2012 and a corresponding increase in Other receivables. In 2011, Inventories were reduced by EUR 0.891 million while Other receivables increased by the same amount.

In addition, (short-term and long-term) pension obligations are now presented separately in the balance sheet, having previously been shown under Provisions. The 2012 and 2011 balance sheets and note 18 relating to the previous year have been amended to take account of this changed presentation. Short-term pension obligations totalled EUR 0.306 million in 2012 and EUR 0.286 million in 2011 while long-term pension liabilities totalled EUR 8.162 million in 2012 and EUR 6.610 million in 2011.

SCOPE OF CONSOLIDATION

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

ASSOCIATED COMPANIES

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

CAPITAL CONSOLIDATION

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

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

CURRENCY CONVERSION

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

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

INTERCOMPANY PROFITS

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

SEGMENT INFORMATION

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

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

› **Enclosures** (enclosures made of aluminium, plastic and glass-fibre reinforced polyester, machine control boards and suspension systems for protecting electronics in an array of industrial applications, membrane keyboards)

› **Mechanical Components** (aluminium profile assembly systems, linear positioning systems, industrial terminals and linear drives for mechanical engineering and electrically adjustable furniture for the home and hospital care sector)

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

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

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

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

GOODWILL

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

OTHER INTANGIBLE ASSETS

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

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

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

INVESTMENT PROPERTIES

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

TANGIBLE ASSETS

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

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

The useful lives of assets are estimated as follows:

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

LEASED ASSETS

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

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

IMPAIRMENT LOSSES

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

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

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

INVESTMENTS IN ASSOCIATED COMPANIES

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

OTHER FINANCIAL ASSETS

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

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

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

INVENTORIES

Inventories are reported at acquisition or production cost, which must not exceed the 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. Appropriate value adjustments are made for inventory-related risks wherever necessary, based on corresponding analyses of scope or coverage.

RECEIVABLES

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

CURRENT SECURITIES

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD FOR SALE

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

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

FINANCIAL LIABILITIES

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

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

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

PROVISIONS

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

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

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

Employee participation plans There are no employee participation plans.

PENSION OBLIGATIONS

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

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

Pension costs consist of the following three components:

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

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

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

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

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

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

TRADE PAYABLES AND OTHER LIABILITIES

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

EQUITY

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

REVENUE RECOGNITION

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

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

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

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

GOVERNMENT SUBSIDIES

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

INCOME TAX

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

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

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

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

Non-reclaimable withholding taxes on distributions on the profits of foreign subsidiaries are only recorded as a liability if such distributions are 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 at the balance sheet date and also expenses and income from the reporting periods. The assumptions and estimations are based on historical knowledge and experience and on the information available when the balance sheet is being drawn up. They are considered accurate under the circumstances. If estimations and assumptions made by the management based on the best knowledge available at the time of balance sheet preparation differ from the actual circumstances subsequently observed, the original estimations and assumptions are adapted accordingly in the reporting year in which the circumstances altered.

The most important assumptions and estimations are set out below:

Intangible (including goodwill) and tangible assets These are tested for impairment annually. 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. Estimates are also necessary when determining the discount rate to be applied. For the book values of intangible and tangible assets, see notes 4 and 5.

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

Provisions Guarantee provisions are calculated based on estimates of potential future guarantees and on past experience. There is a higher guarantee risk for linear drives used in the hospital and care sector. Individual Group companies are exposed to litigation. On the basis of currently available knowledge, an assessment of the potential consequences of these court cases was conducted and provisions were constituted where necessary. For the book values of provisions, see note 18.

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

Pension obligations Pension obligations from defined benefit plans (defined benefit obligations) are determined based on statistical and actuarial calculations made by external assessors, which in turn are based on a wide range of assumptions (about salary trend, pension trend, life expectancy and so on). For the book values of the pension obligations posted on the balance sheet, see note 19.

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

Notes to the consolidated financial statements 2013

1 CURRENCY EXCHANGE RATES

Euro for	Balance sheet 2013	Balance sheet 2012	Statements of income and cash flow 2013	Statements of income and cash flow 2012
1 CHF	0.816	0.828	0.813	0.830
1 GBP	1.202	1.231	1.178	1.233
1 USD	0.725	0.758	0.753	0.778
100 HUF	0.336	0.343	0.337	0.346
1 RON	0.224	0.225	0.227	0.225
1 SEK	0.113	0.117	0.116	0.115
1 TND	0.441	0.488	0.465	0.499
1 SGD	0.574	0.620	0.602	0.623
1 CNY	0.120	0.122	0.122	0.123
1 BRL	0.307	0.370	0.352	0.400
1 INR	0.012	0.014	0.013	0.015
1 TRY	0.337	0.425	0.397	0.432
1 AUD	0.647	0.787	0.730	0.806

2 SCOPE OF CONSOLIDATION

In 2013 and 2012 the scope of consolidation changed as follows:

Change in scope of consolidation

Date	Company	Change	Division
2013			
31.12.2013	Robco Designs Ltd.	Acquisition of remaining shares	Mechanical Components
02.05.2013	Phoenix Mecano Maroc S.à.r.l.	Foundation	ELCOM/EMS
31.03.2013	Bond Tact Hardware (Dongguan) Company Limited	Acquisition	ELCOM/EMS
31.03.2013	Bond Tact Industrial Limited	Acquisition	ELCOM/EMS
01.01.2013	Datatel Elektronik GmbH	Merger with HARTU Technologie GmbH & Co. KG	ELCOM/EMS
2012			
04.10.2012	Phoenix Mecano Kecskemét Research and Development Kft.	Foundation	Mechanical Components
07.08.2012	Phoenix Mecano Components (Taicang) Co., Ltd.	Foundation	ELCOM/EMS
10.02.2012	Integrated Furniture Technologies Ltd.	Acquisition	Mechanical Components
13.01.2012	ATON Lichttechnik GmbH	Foundation	ELCOM/EMS
01.01.2012	Rose Enclosures GmbH	Merger with Rose Systemtechnik GmbH	Enclosures
01.01.2012	Okin Motion Technologies GmbH	Merger with DewertOkin GmbH	Mechanical Components

The following companies were fully consolidated as at 31 December 2013:

Scope of consolidation

Company	Head office	Activity	Currency	Registered capital in 1000	Stake in %
Phoenix Mecano AG	Stein am Rhein, Switzerland	Finance	CHF	978	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
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
Hartmann Codier GmbH	Baiersdorf, Germany	Production/Sales	EUR	300	100
PTR Messtechnik GmbH + Co. KG	Werne, Germany	Production/Sales	EUR	300	100
HARTU Technologie GmbH & Co. KG	Grävenwiesbach, Germany	Production/Sales	EUR	300	100
Lohse GmbH	Muggensturm, Germany	Production/Sales	EUR	51	100
Platthaus GmbH Elektrotechnische Fabrik	Alsdorf, Germany	Production/Sales	EUR	900	100
RK Rose + Krieger GmbH	Minden, Germany	Production/Sales	EUR	496	100
RK Rose + Krieger GmbH System- & Lineartechnik	Salem-Neufrach, Germany	Production/Sales	EUR	250	90
RK Schmidt Systemtechnik GmbH	St. Wendel, Germany	Production/Sales	EUR	500	100
DewertOkin GmbH	Kirchlengern, Germany	Production/Sales	EUR	1 000	100
Hartmann Electronic GmbH	Stuttgart, Germany	Production/Sales	EUR	222	100
Plein & Baus GmbH	Burscheid, Germany	Production/Sales	EUR	51	100
Phoenix Mecano Digital Elektronik GmbH	Wutha-Farnroda, Germany	Production/Sales	EUR	350	100
ATON Lichttechnik GmbH	Wutha-Farnroda, Germany	Production/Sales	EUR	100	100
IFINA Beteiligungsgesellschaft mbH	Porta Westfalica, Germany	Finance	EUR	4 000	100
Götz-Udo Hartmann GmbH	Grävenwiesbach, Germany	Finance	EUR	26	100
Kundisch Beteiligungs-GmbH	Villingen-Schwenningen, Germany	Finance	EUR	26	100
PTR Messtechnik Verwaltungs-GmbH	Werne, Germany	Finance	EUR	26	100
Phoenix Mecano S.à.r.l.	Fontenay-sous-Bois, Cedex, France	Sales	EUR	620	100
Phoenix Mecano Ltd.	Aylesbury, UK	Sales	GBP	300	100
Integrated Furniture Technologies Ltd.	Cheltenham, UK	Development	GBP	1	100
Robco Designs Ltd.	London, UK	Development	GBP	1	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands, GB	Finance	USD	1 969	100
Phoenix Mecano AB	Ingelstad, Sweden	Sales	SEK	100	100

Scope of consolidation

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake in %
Phoenix Mecano ApS	Odense, Denmark	Sales	DKK	125	100
Phoenix Mecano S.r.l.	Inzago, Milan, Italy	Sales	EUR	300	100
OMP Officina Meccanica di Precisione S.r.l. in liquidation	Milan, Italy	–	EUR	5 000	100
Sistemas Phoenix Mecano España 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	6 000	100
Phoenix Mecano Kecskemét Research and Development Kft.	Kecskemét, Hungary	Development	HUF	500	100
Okin Hungary Gépgyártó Kft.	Hajdúdorog, Hungary	Production	HUF	30 000	100
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania	Production	EUR	750	100
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
WIENER, Plein & Baus, Corp.	Springfield, USA	Sales	USD	100	100
Okin America Inc.	Shannon, USA	Production/Sales	USD	10	100
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales	BRL	7 601	100
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance	BRL	1 062	100
Phoenix Mecano S.E. Asia Pte Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano Korea Co., Ltd.	Busan, South Korea	Sales	KRW	370 000	75
Phoenix Mecano (India) Pvt. Ltd.	Pune, India	Production/Sales	INR	299 452	100
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China	Production/Sales	USD	3 925	100
Shenzhen ELCOM Co., Ltd.	Shenzhen, China	Production/Sales	CNY	8 000	100
Okin Refined Electric Technology Co., Ltd.	Jiaxing, China	Production/Sales	CNY	77 780	100
Phoenix Mecano Components (Taicang) Co., Ltd.	Taicang, China	Production/Sales	USD	6 500	100
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance/Sales	EUR	2 500	100
Bond Tact Industrial Ltd.	Hong Kong, China	Sales	HKD	500	80
Bond Tact Hardware (Dongguan) Co., Ltd.	Dongguan, China	Production/Sales	CNY	1 866	80
Phoenix Mecano Mazaka AŞ	Ankara, Turkey	Sales	TRY	430	91
Rose Systemtechnik Middle East (FZE)	Sharjah, U.A.E.	Sales	AED	150	100
Phoenix Mecano Australia Pty Ltd.	Tullamarine Victoria, Australia	Sales	AUD	204	70
Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	10	100
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano ELCOM S.à.r.l.	Bouhejba, Tunisia	Production	TND	500	100
Phoenix Mecano Digital Tunisie S.à.r.l.	Borj-Cedria, Tunisia	Production	TND	100	100
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Morocco	Production	EUR	93	100

3 GOODWILL

in 1 000 EUR	2013	2012
Acquisition costs 1 January	14 362	14 362
Translation differences	–201	0
Acquisition costs 31 December	14 161	14 362
Accumulated amortisation 31 December	0	0
Net values 31 December	14 161	14 362

The goodwill of EUR 14.2 million (previous year EUR 14.4 million) relates to the following cash-generating units: the Bopla product area in the Enclosures division EUR 0.3 million (previous year EUR 0.3 million); Platthaus GmbH Elektrotechnische Fabrik, acquired in 2011, in the ELCOM/EMS division EUR 1.8 million (previous year EUR 1.8 million); and Okin Refined Electric Technology Co. Ltd. in China, acquired in 2010, in the Mechanical Components division EUR 12.1 million (previous year EUR 12.3 million). The recoverability of this goodwill was tested using five-year plans for the relevant cash-generating units (CGUs). A pre-tax discount rate (WACC) of 8.5% (previous year 9.5%), and of 9.5% (previous year 10.5%) to measure the goodwill from the acquisition of Okin Refined in China, was applied to determine the present value (value in use). Zero growth was assumed after the projection period. The recoverability was also tested using sensitivity analyses.

Impairment test on Platthaus The impairment test on the goodwill of Platthaus resulted in a value in use that exceeded the book value by EUR 0.6 million (previous year EUR 0.7 million). An increase in the discount rate from 8.5% to 9.0% or a reduction in the perpetuity growth rate from 0% to –0.8% would bring the value in use into line with the book value.

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

4 OTHER INTANGIBLE ASSETS

in 1 000 EUR	Note No.	Development costs	Concessions licences, similar rights and assets	Development projects in progress	Total
Acquisition costs 31 December 2011		**12 665**	**46 394**	**320**	**59 379**
Additions of companies included in consolidation	45		6 716		6 716
Translation differences			175		175
Additions		164	1 412	631	2 207
Disposals		–1 429	–37		–1 466
Reclassification		127	6	–133	0
Acquisition costs 31 December 2012		**11 527**	**54 666**	**818**	**67 011**
Accumulated amortisation 31 December 2011		**11 539**	**29 294**	**0**	**40 833**
Translation differences			–3		–3
Amortisation	35	352	5 711		6 063
Impairment losses	37	154	1 821		1 975
Reversal of impairment losses	37	–72			–72
Disposals		–1 429	–36		–1 465
Reclassification					0
Accumulated amortisation 31 December 2012		**10 544**	**36 787**	**0**	**47 331**
Net values 31 December 2012		**983**	**17 879**	**818**	**19 680**
Acquisition costs 31 December 2012		**11 527**	**54 666**	**818**	**67 011**
Additions of companies included in consolidation	45		723		723
Translation differences			–657		–657
Additions		207	1 215	637	2 059
Disposals		–524	–10 030		–10 554
Reclassification		464		–464	0
Acquisition costs 31 December 2013		**11 674**	**45 917**	**991**	**58 582**
Accumulated amortisation 31 December 2012		**10 544**	**36 787**	**0**	**47 331**
Translation differences			–385		–385
Amortisation	35	399	4 897		5 296
Impairment losses	37	51			51
Reversal of impairment losses	37				0
Disposals		–524	–10 030		–10 554
Reclassification					0
Accumulated amortisation 31 December 2013		**10 470**	**31 269**	**0**	**41 739**
Net values 31 December 2013		**1 204**	**14 648**	**991**	**16 843**

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

Other intangible assets worth EUR 0.03 million (previous year EUR 0.1 million) were subject to reservation of title as at the balance sheet date.

Write-downs of individual intangible assets – development projects in the reporting year, and also the customer base and know-how in the previous year – were performed within the framework of the annual impairment tests on cash-generating units (CGUs) and assets at the balance sheet date, since these projects and customer relations did not develop as originally planned. The five-year plans for the relevant CGU were used as a basis. A pre-tax discount rate (WACC) of 8.5% (previous year 9.5%) was applied to determine the present value (value in use). A zero growth rate was assumed after the project period.

The breakdown of impairment losses by division is clear from the segment information provided. In the statement of income, impairment losses on intangible assets of EUR 0.1 million (previous year EUR 2.0 million) are included under Impairment of intangible and tangible assets (see note 37).

5 TANGIBLE ASSETS

in 1 000 EUR	Note No.	Investment properties	Land and buildings	Machinery and equipment	Construction in progress	Total
Acquisition costs 31 December 2011		0	105 495	181 911	1 536	288 942
Additions of companies included in consolidation	45			430		430
Translation differences			–231	–169	–16	–416
Additions		20	5 802	9 745	7 662	23 229
Disposals			–242	–6 612	–19	–6 873
Reclassification		1 857	–1 833	1 783	–1 807	0
Acquisition costs 31 December 2012		1 877	108 991	187 088	7 356	305 312
Accumulated depreciation 31 December 2011		0	48 641	139 584	0	188 225
Translation differences			–49	–69		–118
Depreciation	36	12	3 386	12 159		15 557
Impairment losses	37		3	3 062		3 065
Reversal of impairment losses	37			–25		–25
Disposals			–16	–5 969		–5 985
Reclassification		805	–805			0
Accumulated depreciation 31 December 2012		817	51 160	148 742	0	200 719
Net values 31 December 2012		1 060	57 831	38 346	7 356	104 593
Acquisition costs 31 December 2012		1 877	108 991	187 088	7 356	305 312
Additions of companies included in consolidation	45			3 326		3 326
Translation differences		–107	–824	–1 179	–52	–2 162
Additions			2 961	12 993	2 334	18 288
Disposals			–203	–7 599	–516	–8 318
Reclassification			3 473	3 253	–6 726	0
Acquisition costs 31 December 2013		1 770	114 398	197 882	2 396	316 446
Accumulated depreciation 31 December 2012		817	51 160	148 742	0	200 719
Translation differences		–29	–276	–650		–955
Depreciation	36	24	3 119	12 537		15 680
Impairment losses	37			144		144
Reversal of impairment losses	37			–24		–24
Disposals			–198	–7 230		–7 428
Reclassification						0
Accumulated depreciation 31 December 2013		812	53 805	153 519	0	208 136
Net values 31 December 2013		958	60 593	44 363	2 396	108 310

Land and buildings is divided into developed and undeveloped land with a book value of EUR 10.1 million (previous year EUR 10.1 million) and factory and administration buildings with a balance sheet value of EUR 50.5 million (previous year EUR 47.7 million).

The fire insurance value of the tangible assets amounted to EUR 281.2 million on the balance sheet date, compared with EUR 269.5 million the previous year.

Land and buildings with a book value of EUR 9.1 million (previous year EUR 12.6 million) were mortgaged to cover debts. The amount of the corresponding credit taken up totalled EUR 4.4 million (previous year EUR 4.7 million). Tangible assets with a balance sheet value of EUR 0.02 million (previous year EUR 0.01 million) were subject to reservation of title on the balance sheet date.

Write-downs of individual capital assets or groups of capital assets, mainly for machinery and tools, were performed within the framework of the annual impairment tests on cash-generating units (CGUs) and assets at the balance sheet date. The five-year plans for the corresponding CGUs (product areas and product lines) were used as a basis. A pre-tax discount rate (WACC) of 8.5% (previous year 9.5%) was applied to determine the present value (value in use). A zero growth rate was assumed after the projection period.

The breakdown by division of impairment losses and reversals of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on tangible assets of EUR 0.1 million (previous year EUR 3.1 million) are included under Impairment of intangible and tangible assets (see note 37).

Following the closure of a production site in Germany and the leasing of a property in Brazil, the assets in question were reclassified as investment properties in the previous year. The fair value of the investment properties is EUR 1.8 million. The investment properties are classified in Level 3 of the fair value hierarchy. The fair value was calculated using an income value method. The rental income of the investment properties is EUR 0.1 million and their direct operating expenses are EUR 0.2 million.

6 INVESTMENTS IN ASSOCIATED COMPANIES

in 1 000 EUR	Investment in %	2013	2012
Update of investment in associated companies			
AVS Phoenix Mecano GmbH, Vienna (A)	50		
Robco Designs Ltd., London (GB)	50*		
As at 1 January		407	465
Additions of companies included in consolidation		–1	8
Result		116	85
Dividends paid		–100	–150
Translation differences		0	–1
As at 31 December		422	407

* Until 30 December 2013.

Phoenix Mecano products are sold in Austria through the joint venture AVS Phoenix Mecano GmbH (A). Purchases of goods by Group companies totalled EUR 2.9 million (previous year EUR 2.6 million).

The result of the period and the comprehensive income totalled EUR 0.232 million.

The joint venture Robco Designs Ltd. (GB) exploits expertise in the system integration of fittings and drives. The remaining 50% of the company was acquired on 31 December 2013. The acquisition does not meet the definition of a business under IFRS 3.

7 OTHER FINANCIAL ASSETS

in 1 000 EUR	Note No.	2013	2012
Loans		369	389
Investments (under 20%)		228	228
Advance payments for investments		0	428
Non-current securities		273	277
Current portion of long-term financial assets	10	–294	–286
Value adjustments		–238	–238
Balance sheet value		338	798
By currency			
EUR		122	154
Other currencies		216	644
Balance sheet value		338	798
By maturity			
in 2 years		11	35
in 3 years		9	9
in 4 years		90	9
in 5 years		0	89
after 5 years		0	0
none		228	656
Balance sheet value		338	798
Interest rates (loans)			
EUR		3.7%	3.9%

The loans are fixed rate.

The advance payments for investments in the previous year relate to the first instalment of the purchase price for 80% of the shares in Bond Tact Industrial Ltd., Hong Kong. As at the balance sheet date and the date of approval of the consolidated financial statements for the period ending 31 December 2012, the conditions for transfer of control under IFRS 3 were not yet fulfilled in the previous year.

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

The value adjustment on loans remains unchanged at EUR 0.238 million.

8 INVENTORIES

in 1 000 EUR	2013	2012
Raw and ancillary materials	69 900	76 967
Work in progress	6 045	5 455
Finished goods and merchandise for resale	45 034	42 064
Value adjustments	–11 071	–14 215
Balance sheet value	109 908	110 271

The value adjustments were determined based on marketability and range of the stocks. The reduction compared with the previous year is mainly due to the scrapping of obsolete stocks from the photovoltaic business and the reversal of the corresponding value adjustments. Changes in value adjustments and losses on inventories totalling EUR 1.5 million (previous year EUR 2.8 million) are included in the statement of income under Other operating expenses (see note 38).

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2013 and 2012.

9 TRADE RECEIVABLES

	2013	2012
in 1 000 EUR		
Trade receivables	60 218	53 895
Receivables due from associated companies	162	92
Value adjustments	–2 611	–2 434
Balance sheet value	57 769	51 553
By currency of trade receivables		
CHF	1 449	1 406
EUR	30 305	31 457
USD	4 608	5 114
HUF	305	120
CNY	14 734	7 654
Other currencies	6 368	5 802
Balance sheet value	57 769	51 553
Regional breakdown of trade receivables		
Switzerland	2 076	1 738
Germany	10 078	10 498
UK	2 169	2 153
France	3 835	3 846
Italy	4 149	4 336
The Netherlands	1 603	1 822
Rest of Europe	8 664	8 327
North and South America	5 310	5 812
Middle and Far East	19 885	13 021
Balance sheet value	57 769	51 553
Update of value adjustment on trade receivables		
Individual value adjustments		
As at 1 January	1 323	1 508
Change	294	–185
As at 31 December	1 617	1 323
Flat-rate value adjustments		
As at 1 January	1 111	1 089
Change	–117	22
As at 31 December	994	1 111
Total	2 611	2 434

	2013		2012	
	Gross	Value adjustment	Gross	Value adjustment
in 1 000 EUR				
Aging analysis of trade receivables not subject to individual value adjustments				
Gross values	60 380		53 987	
Gross value of receivables subject to individual value adjustments	–1 634		–1 363	
Total	58 746		52 624	
of which:				
Not due	44 650		38 510	
Overdue for 1–30 days	10 439		10 156	
Overdue for 31–60 days	2 093		2 118	
Overdue for 61–90 days	388	93	384	88
Overdue for 91–180 days	364	148	603	230
Overdue for more than 180 days	812	753	853	793
Total	58 746	994	52 624	1 111

The average payment term was 50 days (previous year 47 days).

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

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

10 OTHER RECEIVABLES

in 1 000 EUR	Note No.	2013	2012
Tax receivables from VAT and other taxes		3 947	4 876
Current portion of long-term financial assets	7	294	286
Financial receivables		1 127	1 323
Advanced payments on inventories		1 060	1 293
Other		3 241	1 714
Balance sheet value		9 669	9 492

The financial receivables relate mainly to deposits receivable from agreements providing for part-time work for older employees in Germany, which are listed in EUR, yield an interest rate of 2.4% (previous year 2.7%) and are secured by liens in favour of the employees concerned.

11 CURRENT SECURITIES

	2013	2012
in 1 000 EUR		
Available-for-sale securities		
Shares and equity funds	0	0
Bonds and bond funds	7 266	7 796
Balance sheet value	7 266	7 796
By currency		
CHF	0	0
EUR	7 262	7 149
Other currencies	4	647
Balance sheet value	7 266	7 796
By maturity		
in 1 year	2 607	2 481
in 2 years	625	2 622
in 3 years	650	643
in 4 years	2 209	672
in 5 years	1 104	1 122
after 5 years	0	60
none	71	196
Balance sheet value	7 266	7 796
Effective interest rate for bonds		
EUR	1.4%	2.2%
Other currencies	8.5%	7.0%

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

in 1 000 EUR	2013	2012
Means of payment		
Cash at bank and in postal accounts	18 526	11 933
Cash on hand	102	104
Total	18 628	12 037
Other cash and cash equivalents		
Fixed-term deposits (up to 3 months)	41 781	50 787
Balance sheet value	60 409	62 824
By currency		
CHF	1 421	765
EUR	41 875	47 465
USD	6 635	3 726
HUF	325	209
CNY	5 598	5 632
Other currencies	4 555	5 027
Balance sheet value	60 409	62 824
Interest rates		
CHF	0.1%	0.1%
EUR	1.4%	1.3%
USD	0.1%	0.1%
HUF	1.7%	0.5%
CNY	0.4%	1.7%

13 SHARE CAPITAL AND RESERVES

The share capital is fully paid up and divided into 978 000 bearer shares (previous year 978 000) with a nominal value of CHF 1.00. The conversion into euro is effected at the historical exchange rate of 0.622. There is no authorised or contingent capital. Each share entitles the holder to attend the Shareholders' General Meeting and cast one vote. The reserve for translation differences contains the accumulated translation differences resulting from translation of the financial statements of Group companies.

The major shareholders of Phoenix Mecano AG are:

Name	Head office	2013	2012
in %			
Planalto AG	Luxembourg City, Luxembourg	34.0	34.0
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5	7.9*
Massachusetts Mutual Life Insurance Company (Ultimate parent company of OppenheimerFunds Inc. New York, USA)	Springfield, USA	< 3.0	8.9
Sarasin Investmentfonds AG	Basel, Switzerland	5.4*	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	3.5	*

* Stake not reported in the year indicated.

This information is based on reports by the shareholders mentioned above.

14 TREASURY SHARES

	Number of shares		Acquisition costs	
	2013	2012	2013	2012
Number / in 1 000 EUR				
As at 1 January	14 803	4 520	5 616	1 650
Share purchases	0	96	0	37
Share sales	–1 939	–113	–591	–34
Share buy-backs (2nd trading line)	7 200	10 300	2 770	3 963
As at 31 December	20 064	14 803	7 795	5 616

The share buy-back programme launched on 22 June 2012 was terminated prematurely by a decision of the Board of Directors on 20 September 2013 due to the increase in the payout ratio planned by the Board of Directors.

Detailed information on the purchases and sales effected in 2013 can be found in the notes to the financial statements of Phoenix Mecano AG on page 161 (see note 4).

15 MINORITY INTEREST

The minority interests are:

in %	2013	2012
Phoenix Mecano Australia Pty Ltd.	30	30
Phoenix Mecano S.E. Asia Pte Ltd. (Singapore)	25	25
Phoenix Mecano Korea Co., Ltd.	25	25
Bond Tact Industrial Ltd.	20	0
Bond Tact Hardware (Dongguan) Co., Ltd.	20	0
Sistemas Phoenix Mecano España S.A.	10	10
RK System- und Lineartechnik GmbH	10	10
Phoenix Mecano Mazaka AŞ	9	9

In 2013, 80% of the shares in Bond Tact Industrial Ltd. and Bond Tact Hardware (Dongguan) Co., Ltd. were acquired (see note 45).

There were a number of changes to minority interests in 2012, as disclosed in the statement of changes in equity.

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

16 LONG-TERM FINANCIAL LIABILITIES

in 1 000 EUR	Note No.	2013	2012
Liabilities to financial institutions		28 664	30 099
Residual purchase price liabilities from acquisitions		17 804	21 043
Other financial liabilities	22	–23 527	–11 785
Balance sheet value		22 941	39 357
By currency			
CHF		9 996	12 006
EUR		9 138	10 088
CNY		3 807	15 956
Other currencies		0	1 307
Balance sheet value		22 941	39 357
By maturity			
in 2 years		8 530	25 853
in 3 years		6 464	7 590
in 4 years		2 416	4 486
in 5 years		500	1 428
after 5 years		5 031	0
Balance sheet value		22 941	39 357
Interest rates			
CHF		1.8%	2.0%
EUR		2.4%	2.8%
CNY		5.3%	4.5%

For Okin Refined Electric Technology Co., Ltd., acquired in 2010, there is a purchase commitment for the remaining shares held by a third party resulting from call and put options totalling EUR 17.8 million (previous year EUR 19.7 million), which will largely mature in 2014 (see note 24).

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

There are no covenants.

17 DERIVATIVE FINANCIAL INSTRUMENTS

	Contract values		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2013	2012	2013	2012	2013	2012
iin 1 000 EUR						
Forward exchange contracts by currency						
CHF	0	3 312	0	0	0	1
USD	200	800	0	34	3	0
HUF	25 600	20 000	626	155	39	43
RON	5 760	6 060	98	0	0	78
CNY	9 596	11 563	95	0	0	160
Other currencies	100	0	0	0	6	0
Total	**41 256**	**41 735**	**819**	**189**	**48**	**282**
Forward exchange contracts by maturity						
in 1 year			819	40	48	220
in 2 years			0	149	0	62
Total			**819**	**189**	**48**	**282**
of which classified as:						
Cash flow hedge			0	155	0	121
Trading			819	34	48	161
Total			**819**	**189**	**48**	**282**
Interest rate change contracts by currency						
EUR	6 000	6 000	0	5	78	188
CHF	6 120	4 968	16	0	66	94
USD	1 814	2 894	0	0	5	21
Total	**13 934**	**13 862**	**16**	**5**	**149**	**303**
Interest rate change contracts by maturity						
in 1 year			16	5	149	303
Total			**16**	**5**	**149**	**303**
of which classified as:						
Trading			16	5	149	303
Total			**16**	**5**	**149**	**303**
Net balance sheet value by maturity						
Total long-term			0	149	0	62
Total short-term			835	45	197	523
Net balance sheet value			835	194	197	585

The forward exchange purchases of HUF and RON for EUR are used for partial hedging of the planned operating expenses in local currency in Hungary and Romania. Until the previous year, such forward exchange purchases were treated as cash flow hedges, but as of 2013 this has been discontinued in the interests of simplification. Accordingly, the equity item Profits/losses cash flow hedge from IAS 39 totalling EUR 0.04 million as at 31 December 2012 has been cancelled in the reporting year.

The cash flow hedge transactions in the previous year were effective in the corresponding period.

All forward exchange contracts in the consolidated financial statements at 31 December 2013 and 31 December 2012 are held for trading purposes (except for the HUF and RON forward exchange purchases treated as cash flow hedges in 2012).

The interest rate change contracts relate to payer swaps in EUR, CHF and USD and are held for trading purposes in the consolidated financial statements at 31 December 2013 and 31 December 2012.

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

18 PROVISIONS

in 1 000 EUR	Provisions for long-term employee benefits	Guarantee provisions	Other provisions	**Total 2013**	**Total 2012**
Provisions as at 1 January	4 116	3 369	8 201	15 686	19 187
Change in scope of consolidation				0	0
Translation differences	–18	–17	–70	–105	78
Usage	–959	–1 388	–4 789	–7 136	–8 850
Releases	–34	–304	–1 610	–1 948	–2 753
Allocation	658	2 076	6 317	9 051	8 024
Provisions as at 31 December	3 763	3 736	8 049	15 548	15 686
Due within 1 year	810	3 627	7 337	11 774	11 009
Due after 1 year	2 953	109	712	3 774	4 677

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

Other provisions include provisions for short-term payments to employees (e.g. indemnities and salary bonuses) totalling EUR 4.9 million (previous year EUR 3.8 million), and provisions for litigation risks, impending losses and other conceivable risks from contractual or constructive obligations. This includes a provision of EUR 0.2 million for legal costs in connection with patent disputes. The outcome of these proceedings cannot yet be determined, so no further provision has been set aside apart from the costs of the legal proceedings.

19 PENSION OBLIGATIONS

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

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

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

Swiss pension plan

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

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

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

In setting benefits, the minimum requirements of the Swiss Occupational Retirement, Survivors' and Disability Pensions Act (BVG) and its implementing provisions must be observed. The BVG stipulates the minimum wage to be insured and the minimum retirement credits. The minimum interest rate to be applied to these minimum retirement savings is determined by the Swiss Federal Council at least every two years. In 2013, it remained unchanged from 2012 at 1.5%.

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

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

German pension plan

There are personal defined benefit pension plans for individual pensioners, departed and still active employees (mainly executives). No new commitments are being entered into (except in the case of pension plans taken over through acquisitions). In principle, entitlement to pension benefits arises on the grounds of old age, disability or death. Payments take the form of lifetime annuities or in some cases lump-sum payments, depending on the relevant pension regulations. Survivors are entitled to a percentage of the annuity at the time of the beneficiary's death. In principle, as regards the amount of the annuity payment, pension plans are fixed or dependent on the statutory contribution assessment ceiling at the time the insured event occurs. In some cases, benefits are dependent on the development of salaries for civil servants. The plans do not have separate plan assets, which means there are no minimum funding requirements. The pension benefits are financed by the employer. In the event that an employee leaves the company before a pension benefit becomes payable, they retain their entitlements to pension payments in accordance with legal requirements. Of the 13 persons entitled to pension benefits, 11 had vested benefits as at the balance sheet date.

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

Financial position of defined benefit pension plans as at 31 December 2013 and 2012	31.12.2013			31.12.2012 restated *		
	Switzerland	Germany	Total	Switzerland	Germany	Total
in 1 000 EUR						
Present value of defined benefit obligations						
As at 1 January	17 729	5 123	22 852	15 542	4 386	19 928
Service costs	691	88	779	537	65	602
Employee contributions	607	0	607	588	0	588
Interest expense	302	151	453	350	203	553
Capital	868	0	868	499	0	499
Pension payments	–2 811	–190	–3 001	–761	–216	–977
Actuarial (gains)/losses	13	43	56	799	685	1 484
Plan amendments	–29	0	–29	36	0	36
Translation differences	–231	0	–231	139	0	139
As at 31 December	17 139	5 215	22 354	17 729	5 123	22 852
Market value of plan assets (Switzerland)						
As at 1 January			14 384			13 032
Interest income			247			296
Employer contributions			689			641
Employee contributions			607			588
Capital			868			499
Pension payments			–2 811			–761
Income from plan assets excluding interest income			85			–3
Translation differences			–209			92
As at 31 December			13 860			14 384
Net balance sheet value of pension obligations (Switzerland and Germany)						
Present value of defined benefit obligations financed using a pension fund			–22 354			–22 852
Fair value of plan assets			13 860			14 384
Balance sheet value			–8 494			–8 468

* Restated due to IAS 19, see explanation in the “Principles of consolidation and valuation”.

Table continued on pages 132 and 133

Financial position of defined benefit pension plans as at 31 December 2013 and 2012	31.12.2013 Total	31.12.2012 restated * Total
in 1 000 EUR		
Net balance sheet value of pension obligations (Switzerland and Germany)		
As at 1 January	–8 468	–6 896
Total expenses recognised in the statement of income	–956	–895
Total expenses recognised in other comprehensive income	29	–1 487
Pension payments	190	216
Employer contributions	689	641
Translation differences	22	–47
As at 31 December	–8 494	–8 468
Pension expense (Switzerland and Germany)		
Service costs	779	602
Net interest expenses/(income)	206	257
Plan amendments	–29	36
Pension expense for defined benefit plans	956	895
Pension expense for defined contribution plans	593	543
Pension expense	1 549	1 438
The expenses recognised in other comprehensive income broke down as follows (Switzerland and Germany)		
Gains/(losses) from changed financial assumptions	–393	1 769
Gains/(losses) from changed demographic assumptions	0	0
Experience gains/(losses)	449	–285
Income from plan assets excluding amounts contained in interest income	–85	3
(Income)/expenses in other comprehensive income	–29	1 487

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

Table continued on page 133

Actuarial assumptions	31.12.2013 Total	31.12.2012 Total
in %		
Discount rate Switzerland	2.0	1.8
Discount rate Germany	3.0	3.0
Interest rate payable on retirement savings in Switzerland	1.5	1.5
Expected rate of salary increase Switzerland	1.5	1.5
Expected rate of salary increase Germany	2.5	2.5
Expected rate of pension increase Germany	1.5	1.5
Life expectancy Switzerland	BVG 2010 generation table	BVG 2010 generation table

The expected outflow of funds for employer contributions from defined benefit plans in 2014 is EUR 0.7 million.

The weighted average duration of pension obligations was 10.5 years as at 31 December 2013 and 10.2 years as at 31 December 2012.

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

Sensitivities as at 31 December 2013	+0.25% Effect on DBO	–0.25% Effect on DBO
in %		
Discount rate Switzerland	–2.3	+2.6
Discount rate Germany	–3.1	+3.3
Interest rate applied to retirement savings in Switzerland	+2.3	–2.6
Future wage increases in Switzerland	+0.2	–0.2
Future pension increase in Germany	+2.7	–2.6
Increase in life expectancy in Switzerland (+/–1 year)	+1.5	–1.3

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

20 DEFERRED TAX

in 1 000 EUR	2013	2012 restated *
Deferred tax assets		
› Non-current assets	396	388
› Inventories	1 658	1 923
› Receivables	219	219
› Provisions	1 564	1 635
› Other	673	442
Deferred tax assets on temporary differences	**4 510**	**4 607**
Deferred tax on losses carried forward	1 364	1 867
Total deferred tax assets	**5 874**	**6 474**
Netting with deferred tax liabilities	–2 540	–2 661
Balance sheet value	**3 334**	**3 813**
Deferred tax liabilities		
› Non-current assets	–5 310	–5 548
› Inventories	–1 071	–1 095
› Receivables	–72	–80
› Provisions	–122	–91
› Other	–448	–82
Total deferred tax liabilities	**–7 023**	**–6 896**
Netting with deferred tax assets	2 540	2 661
Balance sheet value	**–4 483**	**–4 235**
Net position deferred tax	–1 149	–422
Trend of deferred tax		
As at 1 January	–422	571
Changes of tax rate recognised in the statement of income	51	–923
Translation differences	–34	–36
Change in scope of consolidation	–801	–1 423
Reduction/(increase) in value adjustments on fluctuations in fair value of cash flow hedges not affecting income/ Actuarial gains and losses from IAS 19	–8	–18
Change in temporary differences recognised in the statement of income	65	1 407
As at 31 December	–1 149	–422

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

Table continued on page 135

in 1 000 EUR	2013	2012
Non-capitalised tax losses carried forward		
4–5 years	251	0
Over 5 years	33 505	28 262
Total	33 756	28 262
Valuation differences on which no deferred taxes were capitalised		
Non-current assets	742	970
Inventories	911	908
Receivables	123	3
Provisions	886	1 068
Other	61	208
Total	2 723	3 157

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 33.8 million (previous year EUR 28.3 million), no deferred tax assets were recorded on this amount. Of the tax losses carried forward which expire after five years, EUR 12.4 million (previous year EUR 11.6 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period.

The deferred tax assets in the previous year include deferred tax totalling EUR 0.01 million on fluctuations in fair value on cash flow hedges posted without affecting income (see note 17).

The taxable values of investments in fully consolidated companies from acquisitions exceed the corresponding values used for Group accounting purposes by EUR 18.1 million (previous year EUR 9.3 million). No deferred tax has been calculated for these valuation differences.

21 TRADE PAYABLES

in 1 000 EUR	2013	2012
Trade payables	26 322	19 779
Balance sheet value	26 322	19 779
By currency		
CHF	1 123	1 246
EUR	9 431	9 741
USD	3 167	2 279
HUF	292	194
CNY	10 353	4 541
Other currencies	1 956	1 778
Balance sheet value	26 322	19 779

22 SHORT-TERM FINANCIAL LIABILITIES

in 1 000 EUR	Note No.	2013	2012
Liabilities to financial institutions		19 630	20 158
Other		29	35
Current portion of › long-term financial liabilities	16	23 527	11 785
Balance sheet value		43 186	31 978
By currency			
CHF		11 914	11 812
EUR		11 460	10 459
USD		5 593	5 908
CNY		13 997	3 780
Other currencies		222	19
Balance sheet value		43 186	31 978
By maturity			
in < 3 months		33 718	20 279
in 3–6 months		4 091	6 990
in 6–12 months		5 377	4 709
Balance sheet value		43 186	31 978
Interest rates			
CHF		1.2%	1.2%
EUR		1.8%	1.8%
USD		2.0%	1.8%
CNY		5.5%	4.5%
Other currencies		8.0%	8.0%

23 OTHER LIABILITIES

in 1 000 EUR	2013	2012
Social security liabilities	1 623	1 499
Liabilities to employees	5 670	5 117
Liabilities arising from VAT and other taxes	4 197	3 999
Other	3 695	3 077
Balance sheet value	15 185	13 692

24 CATEGORIES OF FINANCIAL INSTRUMENTS

As at 31 December 2013 and 31 December 2012, the book values of financial assets and liabilities (including long-term fixed-interest financial liabilities), as shown below, correspond approximately to the IFRS fair value. The fair value of financial liabilities is EUR 0.7 million (previous year EUR 1.1 million) higher than the book value. Financial liabilities are classified in Level 2 of the fair value hierarchy. The fair value corresponds to the present value of the estimated future cash flows based on the terms and maturities of each individual contract, discounted at a market interest rate as at the measurement date.

in 1 000 EUR	Note No.	2013	2012
Other financial assets (excluding investments and advance payments for investments)	7	110	142
Trade receivables	9	57 769	51 553
Other receivables (excluding VAT and other taxes)	10	5 722	4 616
Cash and cash equivalents (excluding cash on hand)	12	60 307	62 720
Loans and receivables		123 908	119 031
Current securities	11	7 266	7 796
Available-for-sale financial assets		7 266	7 796
Derivative financial instruments (not used for hedging)	17	835	39
Financial assets at fair value through profit or loss		835	39
Financial liabilities (excluding residual purchase price liabilities)	16, 22	–48 323	–50 292
Trade payables	21	–26 322	–19 779
Other liabilities (excluding social security, employees, VAT and other taxes)	23	–3 695	–3 077
Liabilities at amortised cost		–78 340	–73 148
Derivative financial instruments (not used for hedging)	17	–197	–464
Residual purchase price liabilities from acquisitions	16	–17 804	–21 043
Financial liabilities at fair value through profit or loss		–18 001	–21 507

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

in 1 000 EUR	Note No.	2013	2012	Hierarchy
Financial assets measured at market value				
Current securities	11	7 266	7 796	Level 1
Derivative financial instruments	17	835	194	Level 2
Total		8 101	7 990	
Financial liabilities measured at market value				
Derivative financial instruments	17	–197	–585	Level 2
Residual purchase price liabilities from acquisitions	16	–17 804	–21 043	Level 3
Total		–18 001	–21 628	

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

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

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

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

in 1 000 EUR	Note No.	2013	2012
As at 1 January		21 043	17 667
Change in scope of consolidation	45	0	2 439
Currency differences		–389	68
Usage		–9 883	–58
Releases (Other financial income)	39	–1 250	–1 211
Allocation (Other financial expense)	40	4 199	1 383
Allocation (via equity)		3 315	0
Interest expense	40	769	755
Balance as at 31 December		17 804	21 043

The fair value of the residual purchase price liabilities is dependent on results (i.e. earnings) benchmarks, which are based partly on target figures. The residual purchase price liabilities may alter owing to a change in exchange rates (see note 26), a change in the interest rate or a change in the parameters for determining the residual purchase price. If the relevant future results were 10% greater, the residual purchase price liability would increase by EUR 0.4 million, assuming all other variables remained constant. All expenses and income relate to residual purchase liabilities outstanding at 31 December 2013.

The usage of EUR 9.9 million relates to initial payments as part of the existing residual purchase price liability from the 2010 acquisition of Okin Refined Electric Technology Co., Ltd. The remainder of the price will be paid in 2014.

In the previous year, there was a contingent purchase price liability of EUR 1.3 million for Integrated Furniture Technologies Ltd. acquired in 2012. A recalculation of the fair value found that no further payment was expected. A corresponding derecognition was therefore performed (see note 39).

The allocation of EUR 4.2 million to residual purchase price liabilities was due to the positive and better-than-expected business performance of Okin Refined Electric Technology Co., Ltd., which had a corresponding impact on the residual purchase price (see note 40).

A new contractual agreement was entered into with the minority shareholder of Okin Refined Electric Technology Co., Ltd. including a call and put option for 5% of the company's shares, expiring at the end of 2018. Under the agreement, the share purchase price will be determined based on an EBIT multiple with no upper limit. The fair value of EUR 3.3 million is based on a business plan through to 2018 and has therefore been booked as a transaction with owners under retained earnings in equity (see consolidated statement of changes in equity).

25 RISK MANAGEMENT

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

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

26 FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

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:

in 1 000 EUR	Note No.	2013	2012
Other financial assets (excluding investments and advance payments for investments)	7	110	142
Derivative financial instruments	17	835	194
Trade receivables	9	57 769	51 553
Other receivables (excluding VAT and other taxes)	10	5 722	4 616
Current securities	11	7 266	7 796
Cash and cash equivalents (excluding cash on hand)	12	60 307	62 720
Total		132 009	127 021

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 2013, unused credit lines with major banks totalled EUR 63.2 million (previous year EUR 58.5 million).

Maturity analysis of financial liabilities as at 31 December 2013 and 2012

Maturity analysis as at 31 December 2013	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
in 1 000 EUR							
Non-derivative financial instruments							
Trade payables	26 322	–26 322	–26 257	–60	–5		
Other liabilities (excluding social security, employees, VAT and other taxes)	3 695	–3 695	–3 695				
Financial liabilities (excluding financial leasing)	66 127	–68 498	–34 552	–4 324	–5 616	–18 453	–5 553
Total	96 144	–98 515	–64 504	–4 384	–5 621	–18 453	–5 553
Derivative financial instruments							
Interest rate swap classified as Trading	133	–133	–133				
Forward exchange transaction classified as Trading	–771						
› Outflow of funds		–41 256	–41 256				
› Inflow of funds		42 027	42 027				
Total	95 506	–97 877	–63 866	–4 384	–5 621	–18 453	–5 553

Maturity analysis as at 31 December 2012	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
in 1 000 EUR							
Non-derivative financial instruments							
Trade payables	19 779	–19 779	–19 217	–417	–145		
Other liabilities (excluding social security, employees, VAT and other taxes)	3 077	–3 077	–3 077				
Financial liabilities (excluding financial leasing)	71 335	–73 508	–20 412	–7 259	–5 013	–40 824	
Total	**94 191**	**–96 364**	**–42 706**	**–7 676**	**–5 158**	**–40 824**	**0**
Derivative financial instruments							
Interest rate swap classified as Trading	298	–298	–298				
Forward exchange transaction classified as Cash flow hedge	–34						
› Outflow of funds		–26 060	–3 650	–3 650	–7 500	–11 260	
› Inflow of funds		26 094	3 655	3 643	7 449	11 347	
Forward exchange transaction classified as Trading	127						
› Outflow of funds		–15 675	–15 675				
› Inflow of funds		15 548	15 548				
Total	**94 582**	**–96 755**	**–43 126**	**–7 683**	**–5 209**	**–40 737**	**0**

Contingent liabilities (see note 28) 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 52% of its sales in the euro area (previous year 58%) and a significant portion of its expenditure is in EUR, the Phoenix Mecano Group operates internationally and is therefore exposed to a foreign currency risk. Aside from EUR, transactions are conducted principally in CHF, USD, HUF and CNY. Foreign currency risks arise from expected future transactions and from assets and liabilities recorded in the balance sheet, where these are not in the functional currency of the respective Group company. To hedge such risks from expected future transactions, the Phoenix Mecano Group enters into forward exchange contracts with reputable counterparties as and when necessary, or uses foreign currency options. This hedging relates mainly to planned expenditure in local currency (in companies whose functional currency is not the same as the local currency) at production locations in Hungary and Romania and occasionally in USD, CHF, GBP, CNY, INR and AUD, with hedges declining as a proportion of the planned currency exposure the further ahead the transaction is due to take place. The extent of the items to be hedged is reviewed regularly. Such hedges cover a maximum period of three years. The Group realises both income and expenditure in USD and aims to minimise the resulting currency exposure primarily by means of operational measures (alignment of income and expenditure flows).

Financing from financial institutions is mainly in EUR, CHF and USD and is recorded by Group companies in the relevant functional currency. An exception to this are USD financing arrangements relating to Phoenix Mecano AG and Phoenix Mecano Hong Kong Ltd. There are also residual purchase price liabilities from an acquisition in CNY of a subsidiary that draws up its balance sheet in EUR. In the case of the acquisition in CNY, the resulting currency risk has been reduced by means of appropriate currency hedges (via non-deliverable forward contracts) totalling CNY 80 million.

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

Currency risk as at 31 December 2013	EUR	CHF	USD	HUF	CNY	GBP
in 1 000 EUR						
Non-derivative financial instruments						
Trade receivables	2 504	0	1 224	305	6	
Cash and cash equivalents	687	13	5 300	321	7	
Trade payables	–148	–87	–1 951	–289	–118	
Financial liabilities			–3 263		–13 709	
Total	3 043	–74	1 310	337	–13 814	
Forward exchange transactions					9 596	
Net risk	3 043	–74	1 310	337	–4 218	

Currency risk as at 31 December 2012	EUR	CHF	USD	HUF	CNY	GBP
in 1 000 EUR						
Non-derivative financial instruments						
Trade receivables	2 642		1 062	120		
Cash and cash equivalents	1 380	7	1 915	192		
Trade payables	–123	–26	–1 585	–191		
Financial liabilities			–3 980		–15 956	–1 307
Total	3 899	–19	–2 588	121	–15 956	–1 307
Forward exchange transactions					11 563	
Net risk	3 899	–19	–2 588	121	–4 393	–1 307

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 as at 31 December 2013	CHF / EUR	CHF / USD	EUR / USD	EUR / HUF	EUR / CNY	USD / CNY	EUR / RON
in 1 000 EUR							
Change in result of the period (+ / –)	81	225	5	2 594	988	318	583

Sensitivity analysis as at 31 December 2012	CHF / EUR	CHF / USD	EUR / USD	EUR / HUF	EUR / CNY	USD / CNY	CHF / GBP
in 1 000 EUR							
Change in result of the period (+ / –)	274	189	92	12	1 252	745	131

The increased impact on the result of the period for the currency pairs EUR/HUF and EUR/RON arose from the decision to no longer recognise currency hedging as a cash flow hedge. As at 31 December 2012, equity would have been EUR 1.5 million lower if the exchange rate had been 10% higher and EUR 1.9 million higher if the exchange rate had been 10% lower, on account of forward exchange contracts classified as cash flow hedges.

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

Sensitivity analyses as at 31 December 2013 and 2012 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 2013 would have been EUR 0.3 million (previous year EUR 0.2 million) lower or higher, assuming all other variables had remained constant.

The impact on equity of a 50-basis point change in interest rates, given the bonds classified as financial assets held for sale at 31 December 2013 or 31 December 2012, would have been less than EUR 0.1 million, assuming all other variables had remained constant.

27 CAPITAL MANAGEMENT

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

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

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

Net indebtedness as at 31 December 2013 and 31 December 2012 was as follows:

in 1 000 EUR	Note No.	2013	2012
Long-term financial liabilities	16	22 941	39 357
Short-term financial liabilities	22	43 186	31 978
Interest-bearing liabilities		66 127	71 335
less current securities	11	7 266	7 796
less cash and cash equivalents	12	60 409	62 824
Net indebtedness		–1 548	715
Equity		254 237	250 694
Gearing		–	0.3%

28 CONTINGENT LIABILITIES

in 1 000 EUR	2013	2012
Sureties and guarantees	1 005	812
Commitments from bills of exchange	45	59
Total	1 050	871

29 COMMITMENTS TO PURCHASE TANGIBLE ASSETS

The purchase commitment for tangible assets as at 31 December 2013 was EUR 3.5 million (previous year EUR 4.4 million).

30 OPERATING LEASES, RENT AND LEASEHOLD RENT

in 1 000 EUR	2013	2012
Minimum commitments due within 1 year	3 056	3 218
Minimum commitments due within 1–5 years	5 570	5 738
Minimum commitments due after 5 years	5 782	6 298
Minimum operating leasing, rent and leasehold rent commitments	14 408	15 254
Minimum claims due within 1 year	191	205
Minimum claims due within 1–5 years	7	112
Minimum claims from rent/leasehold rent	198	317

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

31 SALES REVENUE

in 1 000 EUR	2013	2012
Gross sales	500 550	500 461
Revenue reductions	–5 198	–4 880
Sales revenue (Net sales)	495 352	495 581

Gross sales were at the same level as prior year (previous year: down by 5.5%). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by –1.1% and 0.8% respectively (previous year 1.7% and 0.7%).

32 OTHER OPERATING INCOME

in 1 000 EUR	2013	2012
Reimbursement from insurance	180	241
Gains on the disposal of intangible and tangible assets	301	227
Government subsidies	391	628
Other	2 093	1 977
Total	2 965	3 073

33 COST OF MATERIALS

in 1 000 EUR	2013	2012
Cost of raw and ancillary materials, merchandise for resale and external services	221 097	230 004
Incidental acquisition costs	8 178	8 346
Total	229 275	238 350

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

34 PERSONNEL EXPENSES

in 1 000 EUR	2013	2012 *
Wages and salaries	121 272	115 913
Social costs	24 146	24 089
Supplementary staff costs	5 914	5 489
Total	151 332	145 491

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

35 AMORTISATION OF INTANGIBLE ASSETS

in 1 000 EUR	2013	2012
Concessions, licences, similar rights and assets	4 897	5 711
Development services	399	352
Total	5 296	6 063

36 DEPRECIATION ON TANGIBLE ASSETS

in 1 000 EUR	2013	2012
Investment properties	24	12
Land and buildings	3 119	3 386
Machinery and equipment	12 537	12 159
Total	15 680	15 557

37 IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

in 1 000 EUR	Note No.	2013	2012
Reversal of impairment losses on intangible and tangible assets	4, 5	–24	–97
Impairment losses on other intangible assets	4	51	1 975
Impairment losses on tangible assets	5	144	3 065
Total		171	4 943

38 OTHER OPERATING EXPENSES

in 1 000 EUR	Note No.	2013	2012
External development costs		1 081	1 170
Establishment expenses		21 141	20 300
Rent, leasehold rent, leases		4 014	3 886
Administration expenses		8 063	7 133
Advertising expenses		4 053	4 248
Sales expenses		16 256	16 320
Losses from the disposal of intangible and tangible assets		155	313
Losses and value adjustments on inventories	8	1 487	2 793
Capital and other taxes		1 092	811
Other		5 976	6 137
Total		63 318	63 111

Total research and development costs, including internal costs, amounted to EUR 8.0 million (previous year EUR 6.4 million).

39 FINANCIAL INCOME

in 1 000 EUR	Note No.	2013	2012
Interest income from third parties		907	1 099
Fair value hedge gain (on underlying transaction)	17	0	16
Gain from financial instruments at fair value through profit or loss (trading derivative)	17	1 117	300
Exchange rate gains		1 829	1 325
Value adjustment on financial assets	7	0	0
Other financial income		1 269	1 258
Total		5 122	3 998

Other financial income includes the adjustment (recognised in the statement of income) of residual purchase price liabilities from acquisitions totalling EUR 1.3 million (previous year EUR 1.2 million).

40 FINANCIAL EXPENSES

in 1 000 EUR	Note No.	2013	2012 *
Interest expense		1 197	1 190
Interest expense for accrued interest on residual purchase price liability	24	769	755
Fair value hedge loss (from derivative financial instruments)	17	0	16
Loss from financial instruments at fair value through profit or loss (trading derivative)	17	290	112
Exchange rate losses		1 816	1 779
Other financial expense		4 430	1 483
Total		8 502	5 335

* Restated due to IAS 19, see explanation in the “Principles of consolidation and valuation”.

Other financial expense includes the adjustment (recognised in the statement of income) of residual purchase price liabilities from acquisitions totalling EUR 4.2 million (previous year EUR 1.4 million).

41 INCOME TAX

in 1 000 EUR	2013	2012 *
Current income tax	9 502	9 073
Deferred tax	–116	–484
Income tax	9 386	**8 589**
Reconciliation from theoretical to effective income tax:		
Result before tax	**31 778**	**26 662**
Theoretical income tax	**6 584**	**6 077**
Weighted income tax rate	**20.7%**	**22.8%**
Changes of tax rate deferred tax	–51	923
Tax-free income	–580	–378
Non-deductible expenses	2 621	1 595
Tax effect on losses in the reporting year	960	1 733
Tax effect of losses carried forward from previous years	–125	–546
Income tax relating to other periods	71	–1 196
Other	–94	381
Effective income tax	9 386	8 589
Effective income tax rate	**29.5%**	**32.2%**

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

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

The increase in non-deductible expenses in 2013 was mainly owing to an increase in the fair value of the residual purchase price liability (see note 24) not affecting tax.

The income from income tax relating to other periods in 2012 resulted largely from the disappearance of tax risks from earlier tax periods.

In addition to the deferred taxes presented above, EUR 0.01 million (previous year EUR 0.4 million) in deferred tax expenses linked to the cancellation of fluctuations in the fair value of cash flow hedges posted without affecting income were offset directly against equity (see notes 17 and 20).

42 EARNINGS PER SHARE

in 1 000 EUR	2013	2012 *
Result of the period attributable to shareholders of the parent company	22 255	18 079

Number	2013	2012
Number of shares		
Shares issued on 1 January	978 000	978 000
Treasury shares (annual average)	–19 465	–7 351
Shares outstanding	958 535	970 649
Basis for diluted earnings per share	958 535	970 649
Basis for undiluted earnings per share	958 535	970 649

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

43 OPERATING CASH FLOW

in 1 000 EUR	Note No.	2013	2012 *
Operating result		35 042	27 914
Amortisation of intangible assets	35	5 296	6 063
Depreciation on tangible assets	36	15 680	15 557
Impairment and reversal of impairment losses on intangible and tangible assets	37	171	4 943
Operating cash flow		56 189	54 477

* Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".

44 FREE CASH FLOW

in 1 000 EUR	Note No.	2013	2012
Cash flow from operating activities		42 349	62 148
Purchases of intangible assets	4	–2 059	–2 207
Purchases of tangible assets	5	–18 288	–23 229
Disinvestments in intangible assets		0	1
Disinvestments in tangible assets		1 036	802
Free cash flow (before financial investments)		23 038	37 515

45 ACQUISITIONS OF GROUP COMPANIES

The acquired assets and assumed liabilities break down as follows (2013: provisional):

	Fair value	
	2013	2012
in 1 000 EUR		
Custumer base	723	137
Other intangible assets	0	6 579
Tangible assets	3 326	430
Other non-current assets	0	7
Trade receivables	633	152
Other current assets	64	258
Cash and cash equivalents	366	53
Liabilities	–2 425	–1 575
Identifiable net assets	**2 687**	**6 041**
Minority interest	–537	–600
Goodwill from acquisitions	0	0
Purchase price	**–2 150**	**–5 441**
Residual purchase price liability	0	2 439
Advance payment from 2012	428	0
Cash and cash equivalents acquired	366	53
Change in funds	–1 356	–2 949

On 20 December 2012, the Phoenix Mecano Group signed a purchase agreement to acquire 80% of the shares in Bond Tact Ltd., Hong Kong. The company specialises in the manufacture of electromechanical precision components and has a production facility in Dongguan, China. As at the date of approval of the 2012 consolidated financial statements, the conditions for transfer of control under IFRS 3 were not yet fulfilled. The transaction (including the transfer of shares and fulfilment of the contract terms) was completed on 31 March 2013.

As expected, the acquired receivables totalling EUR 0.6 million were paid in full at the time of acquisition.

The acquired companies generated sales revenue with third parties of EUR 3.9 million in 2013 (post-acquisition). Their contribution to the Phoenix Mecano Group's result of the period was EUR –1.1 million. Had the companies been consolidated since 1 January 2013, sales revenue would have totalled EUR 501.9 million and consolidated result of the period EUR 22.1 million.

In the previous year, the Phoenix Mecano Group acquired the business operations of Leveringhaus KG, based in Obergünzburg, Germany, under an asset deal effective 1 January 2012. Germany-based company ATON Lichttechnik GmbH was established on 13 January 2012, together with a partner which transferred a subdivision into the company. The Phoenix Mecano Group originally held a 60% stake. It subsequently acquired the remaining 40% of the shares on 28 December 2012. On 10 February 2012, the Phoenix Mecano Group acquired full ownership of Integrated Furniture Technologies Ltd., based in Cheltenham, UK, together with a 50% stake in Robco Designs Ltd.

The acquired companies generated consolidated gross sales of EUR 1.9 million in 2012. Their contribution to the Phoenix Mecano Group's result of the period was EUR -2.8 million. Had the companies been consolidated since 1 January 2012, the additional impact on the consolidated gross sales and the consolidated result of the period would have been less than EUR 0.1 million.

46 TRANSACTIONS WITH RELATED PARTIES

in 1 000 EUR	2013	2012
Chairman of the Board of Directors	106	109
Delegate of the Board of Directors	35	36
Other members of the Board of Directors	113	115
Remuneration of the Board of Directors	**254**	**260**
Remuneration of the management	**2 043**	**2 658**
Remuneration of the Board of Directors and management	**2 297**	**2 918**
Social security contributions	151	219
Pension obligations	173	273
Total remuneration of the Board of Directors and management	2 621	3 410

The reduction in management remuneration is due to the retirement of one member and the decision of the Board of Directors on 5 June 2013 to reduce the number of Emanagement members to three with effect from 1 July 2013. The members who left the management at this time continue to work for the Phoenix Mecano Group.

For the first time in 2013, the compensation of the Delegate of the Board of Directors has been broken down into remuneration for his services on the Board and remuneration for his services as CEO and a member of the management. The previous year has been adjusted accordingly.

Transactions with associated companies are presented in notes 6, 9 and 21.

Detailed information on transactions with related parties is provided in the notes to the financial statements of Phoenix Mecano AG on page 166/167 (see note 17).

No significant transactions with other related parties outside the scope of consolidation took place in 2013 or 2012.

47 EVENTS AFTER THE BALANCE SHEET DATE

On 1 January 2014, the Phoenix Mecano Group acquired 100% of the shares in Hitec Special Measuring Systems B.V., based in Almelo, The Netherlands. Subsequently renamed PM Special Measuring Systems B.V., the company is a successful niche player in the field of high-precision measuring systems for electrical current. Its core product technology, known as zero-flux measurement, is used mainly in research laboratories as well as in high-voltage direct current (HVDC) transmission systems, which enable the highly efficient transmission of electricity across large distances. HVDC systems are also used to connect offshore wind turbines to the alternating current (AC) network and to connect AC networks with different frequencies (e.g. 50/60-Hz networks). The company is being integrated into the ELCOM/EMS division. With some 10 employees, it generated gross sales of approximately EUR 6 million in 2013.

The acquired assets and assumed liabilities break down provisionally as follows. The purchase price allocation will be finalised in 2014.

in EUR million	Fair value
Non-current assets	11.8
Current assets	2.2
Liabilities	–4.2
Net assets acquired	**9.8**
Acquisition costs of investment	**15.1**
Provisional goodwill	**5.3**

In January 2014, the Phoenix Mecano Group sold 15% of its investment in Integrated Furniture Technologies Ltd. At the same time, the purchaser was given the option of acquiring a further 5% of the shares in 2014 and the same percentage in 2015.

On 18 February 2014, the Phoenix Mecano Group entered into an agreement to acquire a 20% stake in Orion Technologies LLC, Florida, USA, with a call option to acquire additional shares. As at the date of approval of the consolidated financial statements at 31 December 2013, the conditions for the transfer of these shares were not yet fulfilled.

No other events occurred between 31 December 2013 and 28 March 2014 that would alter the book values of assets and liabilities or should be disclosed under this heading.

48 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

At its meeting on 28 March 2014, the Board of Directors of Phoenix Mecano AG released the 2013 consolidated financial statements for publication. These will be submitted to the Shareholders' General Meeting on 23 May 2014 with a recommendation for their approval.

49 DIVIDEND

The Board of Directors recommends to the Shareholders' General Meeting of 23 May 2014 that a dividend of CHF 15.00 per share (CHF is the statutory currency of Phoenix Mecano AG) be paid out (see Proposal for the appropriation of retained earnings on page 169). The total outflow of funds is expected to be CHF 14.4 million. The dividend paid out in 2013 was CHF 13.00 per share (previous year CHF 13.00). The outflow of funds in 2013 was CHF 12.5 million (previous year CHF 12.7 million).

Report of the statutory auditor

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

REPORT OF THE STATUTORY AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

As statutory auditor, we have audited the consolidated financial statements of Pheonix Mecano AG, presented on pages 80 to 155, which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes for the year ended 31 December 2013.

BOARD OF DIRECTORS' RESPONSIBILITY

The board of directors is responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

Zurich, 28 March 2014

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

KPMG AG

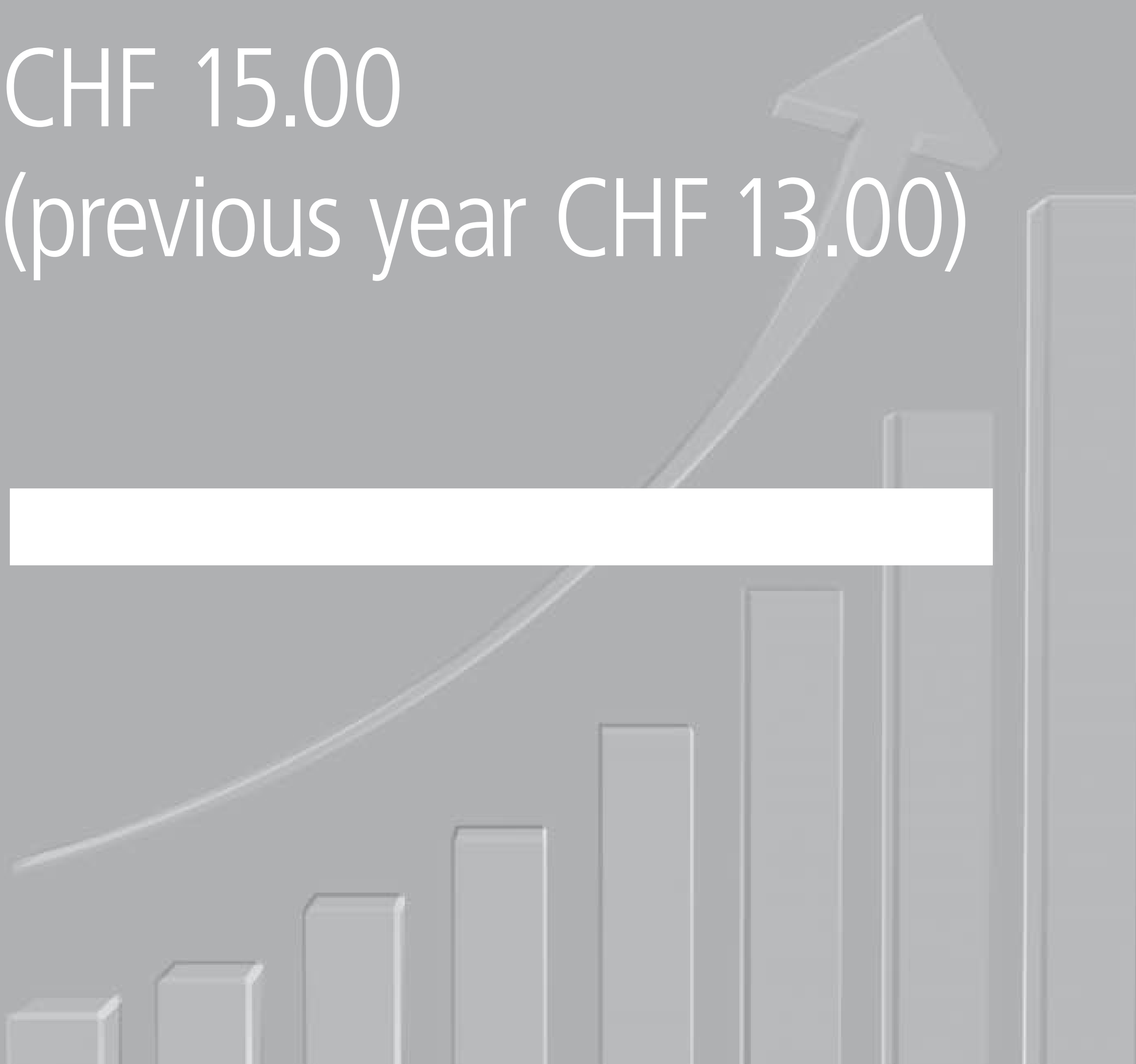
Five-year overview

	2013	2012	2011	2010	2009
in 1 000 EUR					
Consolidated balance sheet					
Total assets	395 558	389 961	389 796	381 433	301 100
Non-current assets	143 408	143 802	139 993	142 862	105 003
in % of total assets	36.3	36.9	35.9	37.5	34.9
Tangible assets	108 310	104 593	100 717	98 596	91 713
Current assets	252 150	246 159	249 803	238 571	196 097
in % of total assets	63.7	63.1	64.1	62.5	65.1
Inventories	109 908	110 271[2]	131 989[2]	131 531[2]	87 637[2]
Cash and cash equivalents	60 409	62 824	43 500	31 800	42 593
Equity	254 237	250 694[1]	246 472[1]	236 226	193 365
in % of total assets	64.3	64.3[1]	63.2[1]	61.9	64.2
Liabilities	141 321	139 267[1]	143 324[1]	145 207	107 735
in % of total assets	35.7	35.7[1]	36.8[1]	38.1	35.8
(Net liquidity)/Net indebtedness	–1 548	715	17 326	24 862	–3 774
in % of equity	–	0.3	7.0	10.5	–
Consolidated statement of income					
Gross sales	500 550	500 461	529 755	501 558	396 913
Sales revenue (net sales)	495 352	495 581	524 419	495 944	392 103
Total operating performance	500 114	501 429	524 938	509 572	397 652
Personnel expenses	151 332	145 491[1]	143 285	131 663	115 601
Amortisation of intangible assets	5 296	6 063	5 679	4 032	3 457
Depreciation on tangible assets	15 680	15 557	14 404	13 792	14 416
Result before interest and tax (operating result)	35 042	27 914[1]	36 101	52 592	13 543
Financial result	–3 264	–1 252[1]	–4 297	–1 745	320
Result before tax	31 778	26 662[1]	31 804	50 847	13 863
Income tax	9 386	8 589[1]	8 159	6 963	2 263
Result of the period	22 392	18 073[1]	23 645	43 884	11 600
in % of total assets	4.5	3.6	4.5	8.7	2.9
in % of equity	8.8	7.2	9.6	18.6	6.0
Consolidated statement of cash flow					
Cash flow from operating activities	42 349	62 148	44 617	29 361	46 718
Cash used in investing activities	–19 369	–28 109	–23 815	–35 985	–33 870
Purchases of tangible and intangible assets	20 347	25 436	20 873	19 643	12 095
Cash flow from financing activities	–24 584	–14 550	–9 117	–5 189	–9 632
Free cash flow	23 038	37 515	24 427	11 673	35 073

[1] Restated due to IAS 19, see explanation in the "Principles of consolidation and valuation".
[2] Change in allocation of advance payments, see explanation in the "Principles of consolidation and valuation".

Financial Statements 2013 | Phoenix Mecano AG

Proposal for a dividend increase: CHF 15.00 (previous year CHF 13.00)



Balance sheet as at 31 December 2013

Assets		2013	2012
in CHF	Note No.		
Non-current assets			
Financial assets			
Investments	1	169 944 369	166 504 724
Loans to Group companies	2	16 176 700	19 120 640
Total non-current assets		186 121 069	185 625 364
Current assets			
Receivables			
Financial receivables from Group companies	3	4 749 950	282 135
Other receivables		55	1 049
		4 750 005	283 184
Treasury shares		8 951 688	6 191 875
Cash and cash equivalents		716 402	370 176
Total current assets		14 418 095	6 845 235
Total assets		200 539 164	192 470 599
Equity and liabilities			
Equity			
Share capital	5	978 000	978 000
Statutory reserves		2 500 000	2 500 000
Reserve for treasury shares	6	9 507 160	7 102 003
Special reserves		88 994 949	88 994 949
Retained earnings	7	65 804 935	52 108 003
Total equity		167 785 044	151 682 955
Liabilities			
Provisions	8	5 456 400	4 667 050
Long-term liabilities			
Bank loans	9	9 250 000	11 500 000
Short-term liabilities			
Bank liabilities	9	15 322 500	16 638 750
Financial liabilities to Group companies	10	2 126 343	7 244 373
Liabilities to shareholders		343	16 233
Other liabilities		60 558	145 489
		17 509 744	24 044 845
Deferred income		537 976	575 749
Total liabilities		32 754 120	40 787 644
Total equity and liabilities		200 539 164	192 470 599

Statement of income 2013

in CHF	Note No.	2013	2012
Income			
Income from investments	12	29 925 442	15 384 055
Financial income	13	1 231 078	967 823
Other income	14	1 034	254 761
Total income		31 157 554	16 606 639
Expenses			
Financial expenses	15	–1 568 015	–1 166 435
Administration expenses		–971 711	–843 092
Other expenses		–15 000	–33 262
Income and capital taxes		–33 778	–43 123
Total expenses		–2 588 504	–2 085 912
Profit for the year		28 569 050	14 520 727

Notes to the financial statements 2013

GENERAL

The 2013 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	Investment in %
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
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, GB	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	1
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
WIENER, Plein & Baus, Corp.	Springfield, USA	Sales	USD	100	100
Phoenix Mecano S.E. Asia Pte Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano (India) Pvt. Ltd.	Pune, India	Production/Sales	INR	299 452	100
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China	Production/Sales	USD	3 925	100
Shenzhen ELCOM Co., Ltd.	Shenzhen, China	Production/Sales	CNY	8 000	100
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance/Sales	EUR	2 500	100
Phoenix Mecano Mazaka AŞ	Ankara, Turkey	Sales	TRY	4	1
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales	BRL	7 601	100
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance	BRL	1 062	1
Integrated Furniture Technologies Ltd.	Cheltenham, UK	Development	GBP	1	100
Phoenix Mecano Components (Taicang) Co., Ltd.	Taicang City, China	Production/Sales	USD	6 500	100
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Morocco	Production	MAD	1 000	100

The CHF 3.4 million change in the balance sheet value compared with the previous year is owing to capital increases at Phoenix Mecano Hong Kong Ltd. and Shenzhen ELCOM Co., Ltd. in China and the formation of Phoenix Mecano Maroc in Tétouan, Morocco.

An overview of all directly and indirectly held investments is given on pages 111 and 112.

2 LOANS TO GROUP COMPANIES

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

3 FINANCIAL RECEIVABLES FROM GROUP COMPANIES

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

4 TREASURY SHARES

The following is an overview of the sales of treasury shares made during the reporting year, excluding the share buy-back programme:

	Share purchases	Average price
	Number	in CHF
October	851	536.78
November	1 003	550.99
December	85	539.86
Total year	1 939	544.26

No sales were made in the other months. No purchases were made in 2013.

The share buy-back programme launched on 22 June 2012 was terminated prematurely by a decision of the Board of Directors on 20 September 2013 due to the increase in the payout ratio planned by the Board of Directors. As part of this programme, the following repurchases were made over a second trading line in 2013:

	Share purchases	Average price
	Number	in CHF
January	1 000	443.00
February	200	462.50
March	1 800	487.63
April	940	474.68
May	260	475.00
June	1 150	458.61
July	1 000	470.96
August	400	493.15
September	450	508.33
Total year	7 200	473.24

A total of 17 500 shares were repurchased under the buy-back programme in 2012 and 2013 at an average price of CHF 467.54.

At the balance sheet date, the company owned a total of 20 064 treasury shares (previous year 14 803), which are booked according to the strict lower-of-cost-or-market principle. These shares represent 2.1% of the overall share portfolio.

5 SHARE CAPITAL

The share capital is divided into 978 000 bearer shares with a par value of CHF 1.00 each. As at the balance sheet date, major shareholders held the following stakes in the share capital of Phoenix Mecano AG:

Name	Head office	2013	2012
in %			
Planalto AG	Luxembourg City, Luxembourg	34.0	34.0
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5	7.9*
Massachusetts Mutual Life Insurance Company (Ultimate parent company of OppenheimerFunds Inc. New York, USA)	Springfield, USA	< 3.0	8.9
Sarasin Investmentfonds AG	Basel, Switzerland	5.4*	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	3.5	*

* Stake not reported in the year indicated.

This information is based on reports by the shareholders mentioned above.

6 RESERVE FOR TREASURY SHARES

Articles 659a (2) and 671a of the Swiss Code of Obligations state that the company must set aside an amount equivalent to the cost of acquiring its own shares as a separate reserve. In 2013, this reserve for treasury shares was increased by CHF 2 405 157.

7 RETAINED EARNINGS

Financial year 2013 closed with a profit for the year of CHF 28 569 051. The retained earnings brought forward from the previous year totalled CHF 39 641 042. Taking into account the allocation to the reserve for treasury shares of CHF 2 405 157 (see note 6), the Shareholders' General Meeting of 23 May 2014 has at its disposal retained earnings totalling CHF 65 804 936. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 169.

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 1.8 million (previous year CHF 1.1 million), a provision of CHF 0.1 million for a legal dispute in Brazil (previous year CHF 0.1 million) and a provision for derivative financial instrument risks totalling CHF 0.1 million, used for currency hedging and structuring of external debts.

9 BANK LOANS/BANK LIABILITIES

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

	2013	2012
1 000 CHF		
By currency		
CHF	22 350	24 250
USD	2 223	3 889
Balance sheet value	24 573	28 139
By maturity		
in 1 year	15 323	16 639
in 2 years	3 500	3 500
in 3 years	4 750	3 500
in 4 years	1 000	3 500
in 5 years		1 000
Balance sheet value	24 573	28 139

10 FINANCIAL LIABILITIES TO GROUP COMPANIES

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

11 CONTINGENT LIABILITIES

	2013	2012
1 000 CHF		
Guarantees and letters of comfort	110 172	108 011

Contingent liabilities are given for subsidiaries, predominantly in favour of financial institutions. The actual book value of Group company liabilities was CHF 31.3 million (previous year CHF 37.7 million). In addition, Phoenix Mecano AG has entered into a joint guarantee with its Swiss subsidiaries for the purposes of registration for Group VAT taxation.

12 INCOME FROM INVESTMENTS

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

13 FINANCIAL INCOME

Financial income includes earnings from interest and commissions as well as gains from the sale of and appreciation in the value of treasury shares.

14 OTHER INCOME

This item includes net exchange rate gains of CHF 0.3 million.

15 FINANCIAL EXPENSE

This item comprises interest and securities expenses as well as a provision in the reporting year for derivative financial instrument risks totalling CHF 0.1 million and net exchange rate losses totalling CHF 0.8 million (exchange rate losses of CHF 1.8 million minus exchange rate gains of CHF 1.0 million).

16 NET RELEASE OF HIDDEN RESERVES

As in the previous year, the statement of income contains no net release of hidden reserves.

17 REMUNERATION AND PARTICIPATIONS

Remuneration of members of the Board of Directors and management The following remuneration was awarded by the Phoenix Mecano Group to serving corporate officers in 2013 and 2012:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2013
Ulrich Hocker	Chairman of the Board of Directors	131		11	142
Benedikt A. Goldkamp	Delegate of the Board of Directors	43		6	49
Dr Florian Ernst	Board member	53		5	58
Dr Martin Furrer	Board member	43		3	46
Beat Siegrist	Board member	43		3	46
Remuneration of the Board of Directors		313	0	28	341
Remuneration of the management		1 931	583	370	2 884
Remuneration of the Board of Directors and management		2 244	583	398	3 225
Highest individual management salary Benedikt A. Goldkamp	CEO	475	257	109	841

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2012
Ulrich Hocker	Chairman of the Board of Directors	131		11	142
Benedikt A. Goldkamp	Delegate of the Board of Directors	43		8	51
Dr Florian Ernst	Board member	53		5	58
Dr Martin Furrer	Board member	43		3	46
Beat Siegrist	Board member	43		3	46
Remuneration of the Board of Directors		313	0	30	343
Remuneration of the management		2 659	546	562	3 767
Remuneration of the Board of Directors and management		2 972	546	592	4 110
Highest individual management salary Benedikt A. Goldkamp	CEO	474	179	122	775

The reduction in management remuneration is due to the retirement of one member and the decision of the Board of Directors on 5 June 2013 to reduce the number of management members to three with effect from 1 July 2013. The members who left the management at this time continue to work for the Phoenix Mecano Group.

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 financial year accounted for under (accrued) expenses in the relevant financial statements. For the most part, payments are made subsequent to the balance sheet preparation; the variable remuneration actually paid may vary from the amounts set aside.

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

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

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

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

Share ownership by members of the Board of Directors and management and persons related to them The following shares were held in 2013 and 2012:

	Position	31.12.2013	31.12.2012
Number			
Ulrich Hocker	Chairman	8 798	8 798
Benedikt A. Goldkamp	Delegate	1 740	1 840
Dr Florian Ernst	Board member	10	10
Dr Martin Furrer	Board member	100	100
Beat Siegrist	Board member	400	400
Shares held by the Board of Directors		11 048	11 148
Dr Rochus Kobler	Member	200	200
Dr Joachim Metzger *	Member	–	15
René Schäffeler	Member	80	80
Shares held by the management		280	295

* Dr Metzger: until 30 June 2013.

In addition, Planalto AG, Luxembourg, which is owned by the Goldkamp family, holds a 34.0% stake (previous year 34.0%).

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 management and the standard contributions to pension funds, no significant transactions with related persons or companies took place.

18 RISK MANAGEMENT

The company is covered by the risk management policy of the Phoenix Mecano Group. The Board of Directors of Phoenix Mecano AG has ultimate responsibility for the Group's risk management. To this end it set up the Internal Auditing Department, which is responsible for developing and monitoring compliance with risk management principles. The Internal Auditing Department reports regularly to the Audit Committee of the Phoenix Mecano AG Board of Directors. The risk management principles that have been established are geared towards identifying and analysing the risks to which the Group is exposed, developing checks and balances and monitoring risks. The specific risks facing Phoenix Mecano AG have also been identified. 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.

More information on risk management in the Phoenix Mecano Group can be found in the notes to the consolidated financial statements.

19 EVENTS AFTER THE BALANCE SHEET DATE

In January 2014, Phoenix Mecano AG sold 15% of its investment in Integrated Furniture Technologies Ltd. At the same time, the purchaser was given the option of acquiring a further 5% of the shares in 2014 and the same percentage in 2015. No other events occurred between 31 December 2013 and 28 March 2014 that would alter the book values of Phoenix Mecano AG's assets and liabilities or should be disclosed under this heading.

There are no further matters requiring disclosure under Article 663b of the Swiss Code of Obligations.

Proposal for the appropriation of retained earnings

	CHF
Net income for the year 2013	28 569 050
Retained earnings brought forward 2012	39 641 042
Allocation to reserve for treasury shares	–2 405 157
Retained earnings	65 804 935

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

	CHF
Dividend of CHF 15.00 per share [1]	14 670 000
Carried forward to new account	51 134 935
Total	65 804 935

[1] Total dividends are calculated based on the 978 000 bearer shares. Dividends will not be paid on treasury shares held by the company at the time of the payout.

Report of the statutory auditor

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

REPORT OF THE STATUTORY AUDITOR ON THE FINANCIAL STATEMENTS

As statutory auditor, we have audited the accompanying financial statements of Pheonix Mecano AG, presented on pages 160 to 168, which comprise the balance sheet, income statement and notes for the year ended 31 December 2013.

BOARD OF DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

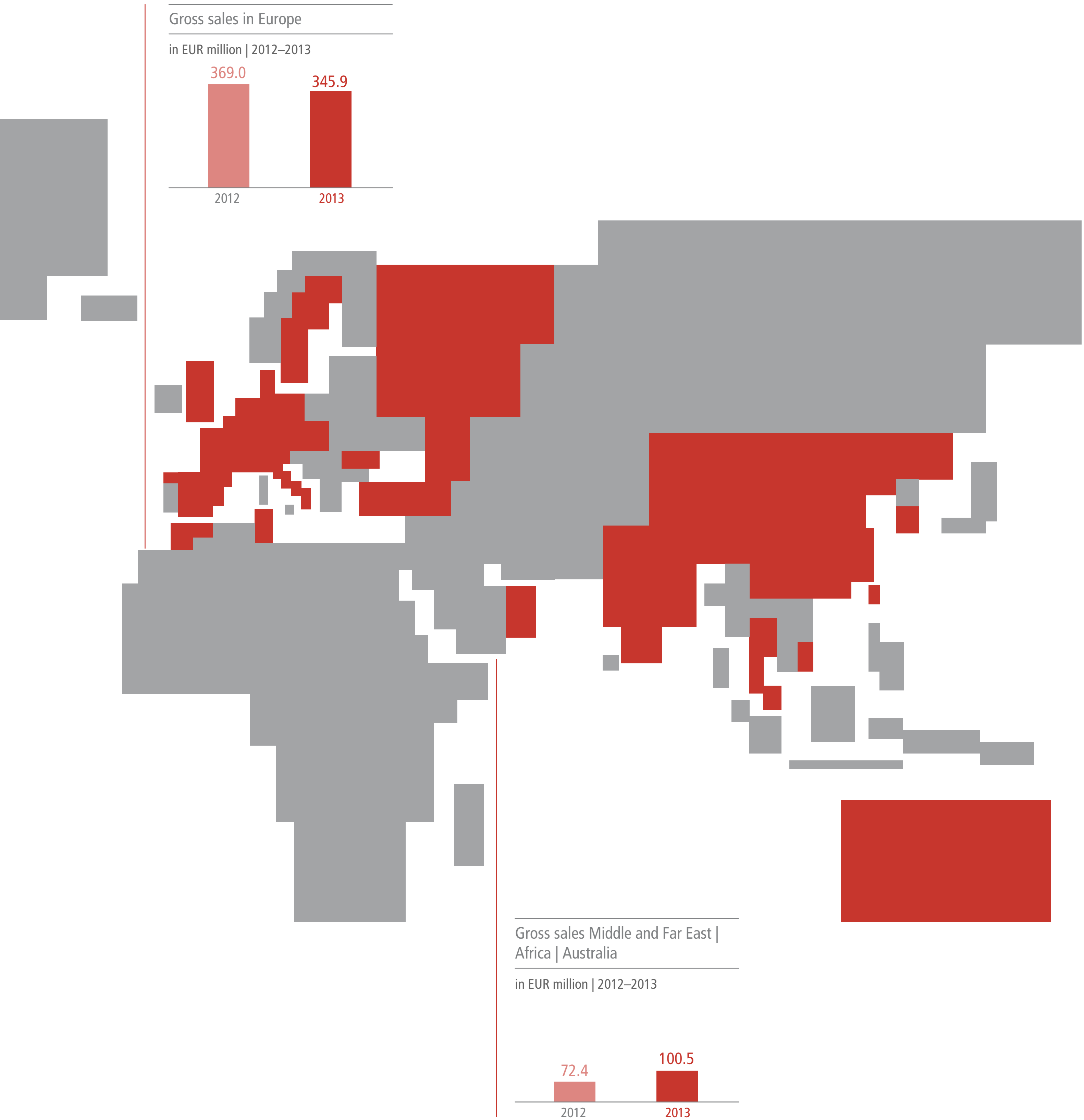
We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

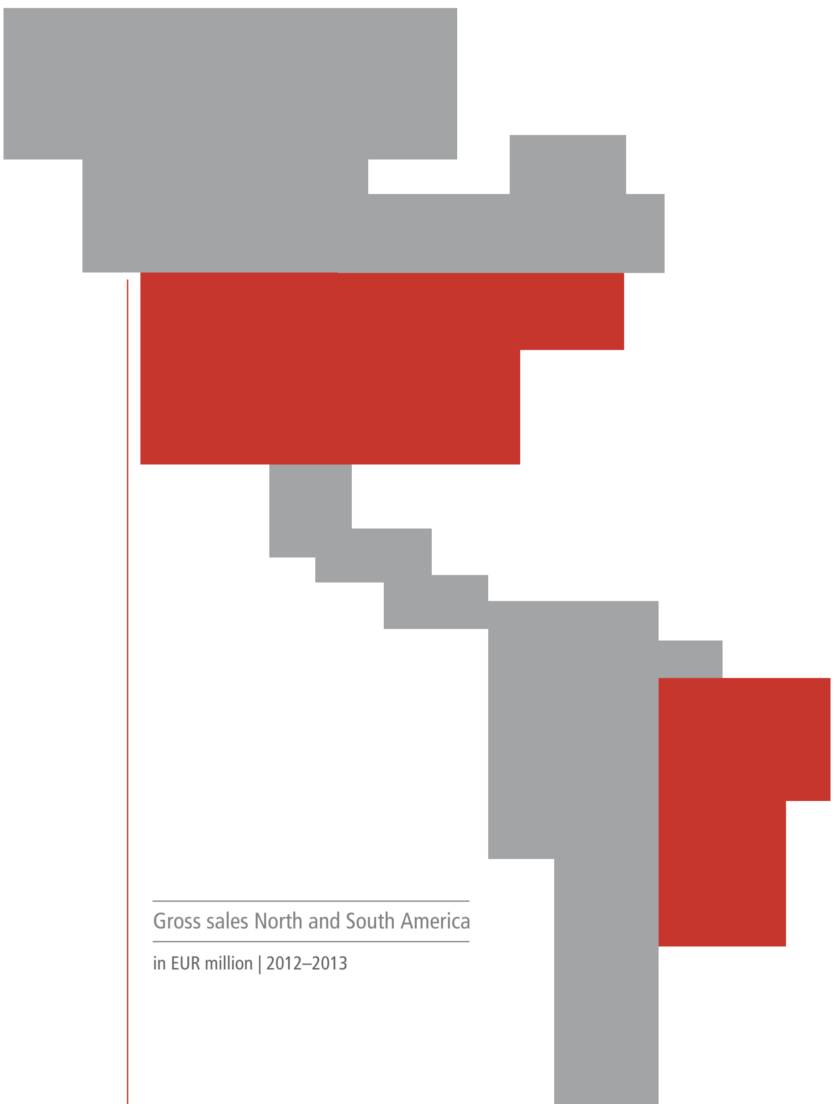
Zurich, 28 March 2014

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

KPMG AG

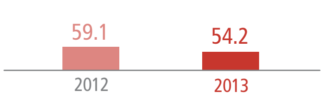
Our global presence





Gross sales North and South America

in EUR million | 2012–2013



EUROPE

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Switzerland
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United Kingdom

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People's Republic of China
Singapore
Taiwan
Thailand
United Arab Emirates
Vietnam

AFRICA

Morocco
Tunisia

AUSTRALIA

Australia

NORTH AND SOUTH AMERICA

USA
Brazil

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This annual report is also
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