PHOENIX MECANO

DEVELOPING TECHNOLOGY. DELIVERING VALUE.

Annual Report 2008

HIGHLIGHTS

> 1 000 000

KILOGRAMS OF COPPER
1.027 million kg of copper has been used in the manufacture of Phoenix Mecano products.

> 500 000

PRODUCT LINES
Phoenix Mecano's three divisions produce industrial enclosures, electronics components, linear actuators and complete system integrations.

> 50 000

CUSTOMERS WORLDWIDE
We work closely with our customers to develop tailor-made solutions.

> 4 900

EMPLOYEES WORLDWIDE
From our international facilities and production sites, we produce customised solutions for clients around the globe.

> 20

LANGUAGES WORLDWIDE
Phoenix Mecano has an impressive international presence and communicates with its customers in over 20 languages.

1

ENTERPRISE

Key figures of the Phoenix Mecano Group

	Units	2008	2007	2006	2005	2004
Key financial figures						
Gross sales[1]	EUR million	417.3	389.4	346.5	315.0	310.2
Change	%	7.2	12.4	10.0	1.5	–4.9
Operating cash flow[1, 2]	EUR million	59.3	55.1	51.7	44.7	46.7
Change	%	7.6	6.6	15.8	–4.2	5.4
in % of sales	%	14.2	14.1	14.9	14.2	15.0
Operating result[1, 2]	EUR million	42.8	38.8	35.8	27.5	27.9
Change	%	10.3	8.4	30.1	–1.5	24.2
in % of sales	%	10.3	10.0	10.3	8.7	9.0
Result before interest and tax[1]	EUR million	42.8	38.8	35.8	23.8	27.9
Change	%	10.3	8.4	50.7	–15.0	22.9
Result of the period	EUR million	30.6	30.0	27.8	–8.8	14.9
Change	%	2.0	7.9	415.1	–159.4	0.6
in % of sales	%	7.3	7.7	8.0	–2.8	4.8
in % of equity	%	16.0	16.4	16.7	–6.3	9.3
Total assets/capital	EUR million	294.0	287.6	263.7	285.0	311.1
Equity	EUR million	191.0	182.5	166.9	140.9	160.0
in % of total assets	%	65.0	63.5	63.3	49.4	51.4
Net indebtedness	EUR million	2.3	4.3	13.0	22.0	41.8
in % of equity	%	1.2	2.4	7.8	15.6	26.1
Cash flow from operating activities	EUR million	47.6	38.8	25.5	38.1	35.1
Free cash flow	EUR million	29.9	21.7	12.2	25.1	19.1
Purchases of tangible assets	EUR million	15.9	16.3	19.4	13.3	15.3
Employee numbers						
Number of employees[1] (Annual average)		4 946	4 891	4 194	3 753	3 915
Gross sales per employee[1]	EUR 1 000	84.4	79.6	82.6	83.9	79.2
Personnel expenses per employee[1]	EUR 1 000	24.2	22.9	24.8	25.7	24.5
Share indicators						
Share capital[3] (bearer shares at nominal CHF 1.00)	Number	1 069 500	1 069 500	1 069 500	1 100 000	1 100 000
Entitled to dividend[4]	Number	989 570	1 038 068	1 067 545	1 074 051	1 084 442
Operating result per share[1]	EUR	43.3	37.4	33.5	25.6	25.8
Result of the period per share	EUR	30.9	28.1	26.0	–8.2	13.7
Equity per share	EUR	193.0	175.8	156.4	131.2	147.5
Dividend/par value repayment	CHF	10.00[5]	9.00	6.00	4.00	4.00
Share price						
High		569	615	570	366	440
Low		300	474	360	280	310
Year-end price		317	530	534	340	335

[1] The figures for 2004–2008 refer to the continued operations, i.e. without the discontinued OMP product area.
[2] Before restructuring expenses and other exceptional charges.
[3] In line with a decision taken by the Shareholders' General Meeting of 26 June 2006, the share capital was reduced by CHF 30 500 from 15 September 2006 by eliminating 30 500 shares from the 2005/2006 share buyback programme.
[4] As at the balance sheet date, the company owns 79 930 own shares, which are not entitled to dividend.
[5] Proposal to the Shareholders' General Meeting of 5 June 2009.

Structure of the Phoenix Mecano Group

THE PHOENIX MECANO GROUP is a global player in the enclosures and industrial components segments, has a streamlined operating structure and is a leader in many markets. Geared towards the professional and cost-effective manufacture of niche products, it helps to ensure the smooth operation of processes and connections in the machine industry and industrial electronics. Its products are used in the mechanical engineering, measurement and control technology, medical technology, aerospace technology, alternative energy and home and hospital care sectors, amongst others.

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

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

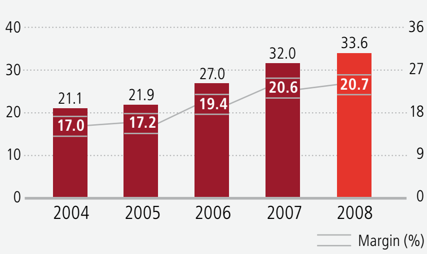
MECHANICAL COMPONENTS Aluminium profiles, pipe connection systems, linear drives and conveyor components enable sophisticated systems for use in machine and equipment construction. Reliable, high-performance linear actuators and drive units for use in the home and hospital care sector offer users a high level of comfort.

Companies: Rose Systemtechnik
Bopla Gehäuse Systeme
Kundisch

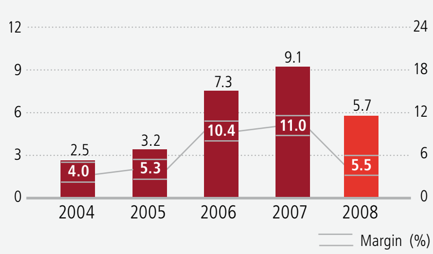
Companies: Datatel Elektronik
Götz-Udo Hartmann
Hartmann Codier
Hartmann Elektronik
Phoenix Mecano Digital Elektronik
PTR Messtechnik
WIENER

Companies: RK Rose + Krieger
Dewert Antriebs- und Systemtechnik

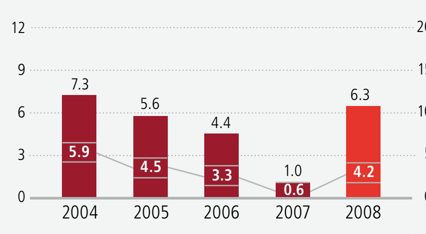
Operating result (in EUR million) **and margin**



Operating result (in EUR million) **and margin**



Operating result (in EUR million) **and margin**



Enclosures	2008	2007
EUR million		
Gross sales	162.6	155.6
Purchases of tangible assets	6.6	7.1
Operating result	33.6	32.0
Margin in %	20.7	20.6

ELCOM/EMS	2008	2007
EUR million		
Gross sales	103.3	82.4
Purchases of tangible assets	3.5	3.6
Operating result	5.7	9.1
Margin in %	5.5	11.0

Mechanical Components	2008	2007
EUR million		
Gross sales	150.4	150.4
Purchases of tangible assets	5.7	5.5
Operating result	6.3	1.0
Margin in %	4.2	0.6

VALUE FROM IDEAS

Phoenix Mecano is a leading technology company operating in the enclosures and industrial components sectors. By developing niche products, we have acquired a market and technological lead over our rivals which we intend to further expand.

Value creation has been a key part of our approach since the company was founded. Our corporate policy is based on regular dividends, an above-average capital base and a high cash flow which we invest in an innovative range of products and services, building new production sites and continually upgrading existing facilities. This allows our company to grow organically from within, supported by sound long-term acquisitions.

One of the preconditions for our sustainable growth is the choice of suitable markets: at an early stage we opted for a strategy of broad, international expansion, which we continue to pursue. As a result, we can now boast significant market shares in all international growth markets. We manufacture our products where our customers produce theirs, allowing them to focus on what they do best.

The cornerstone of our value-oriented business approach is product development in response to specific market needs. Our products are developed in close partnership with our customers; our solutions reflect their wishes and requirements, and our value as a company derives from these shared ideas.

CONTENTS


EXPERIENCE AND INNOVATION
FOR EXTREME DEMANDS.
Phoenix Mecano. Value from ideas.

Mounting global energy needs and major infrastructure projects offer new market opportunities for enclosure production. Alongside this, rising living standards in developing and emerging countries, most notably China and India, are spawning new technologies and a need for associated control equipment.

For example, high-quality enclosures are used in the construction of water supply and disposal facilities, as well as with renewable energies such as wind and photovoltaics and in oil and gas production, transportation and distribution.


EXPERIENCE AND INNOVATION
FOR EXTREME DEMANDS.
Phoenix Mecano. Value from ideas.

Ex-enclosure:
special features

- Aluminium Ex-d4 enclosure
- Operates in a wide range of temperatures
- Explosion-proof

OUR ENCLOSURES PROTECT VALUABLE EQUIPMENT IN THE TOUGHEST OF CONDITIONS.

Phoenix Mecano enclosures protect sensitive electrical and electronics components, thereby safeguarding processes and operations. For example, they prevent dust, damp and even mechanical factors from affecting control equipment, and stop water and dust from entering sewage plants, drilling platforms and mines. What's more, they operate in all temperatures, from Siberian cold to Saharan heat.

Our enclosures are made from a wide range of materials including polyester, polycarbonate and ABS, all of them highly durable in extreme applications. Milling and press-working techniques mean that our products can be adapted and tailored to individual customer needs.

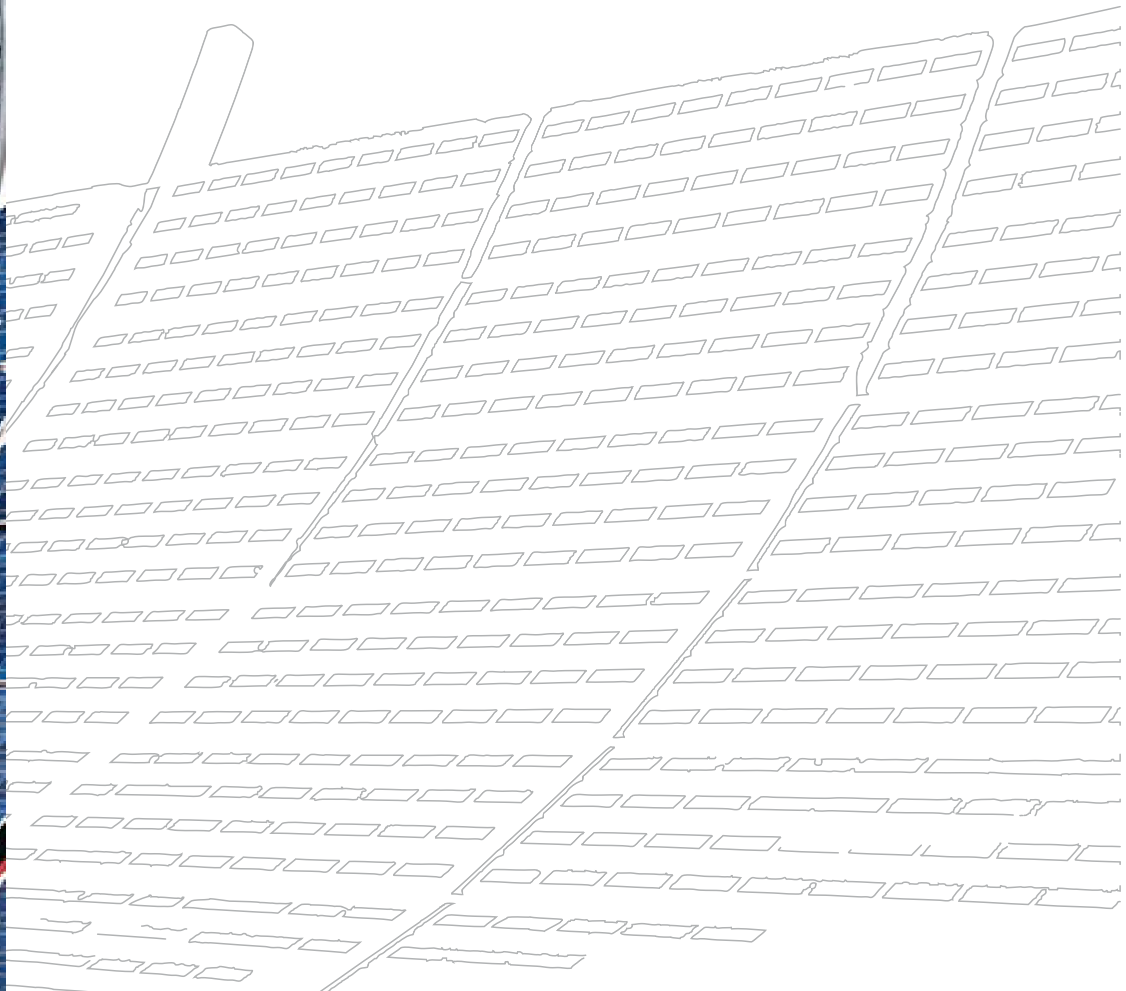
KNOW-HOW AND TECHNOLOGICAL PROGRESS FOR NEW MARKETS.

Phoenix Mecano. Value from ideas.

Solar power will be a key component of future energy supply – and not only due to the limited availability of fossil fuels. There is also broad political support for sustainable, worldwide growth in photovoltaic energy – as evidenced by the Kyoto Protocol, for example.

Global discussions on climate protection have created a more stable framework for the industry. Many countries have developed programmes to promote renewable energies. As well as Germany (currently the world's largest solar market), the US, Eastern European and other markets hold out the potential for future growth.

All this means that solar power will be a prominent feature in the sustainable energy mix of the future.



KNOW-HOW AND TECHNOLOGICAL PROGRESS FOR NEW MARKETS.

Phoenix Mecano. Value from ideas.

AC choke:
special features

- Perfect sinusoidal output current
- Very small stray magnetic field
- Efficiency > 98 %
- Small-size, high-performance

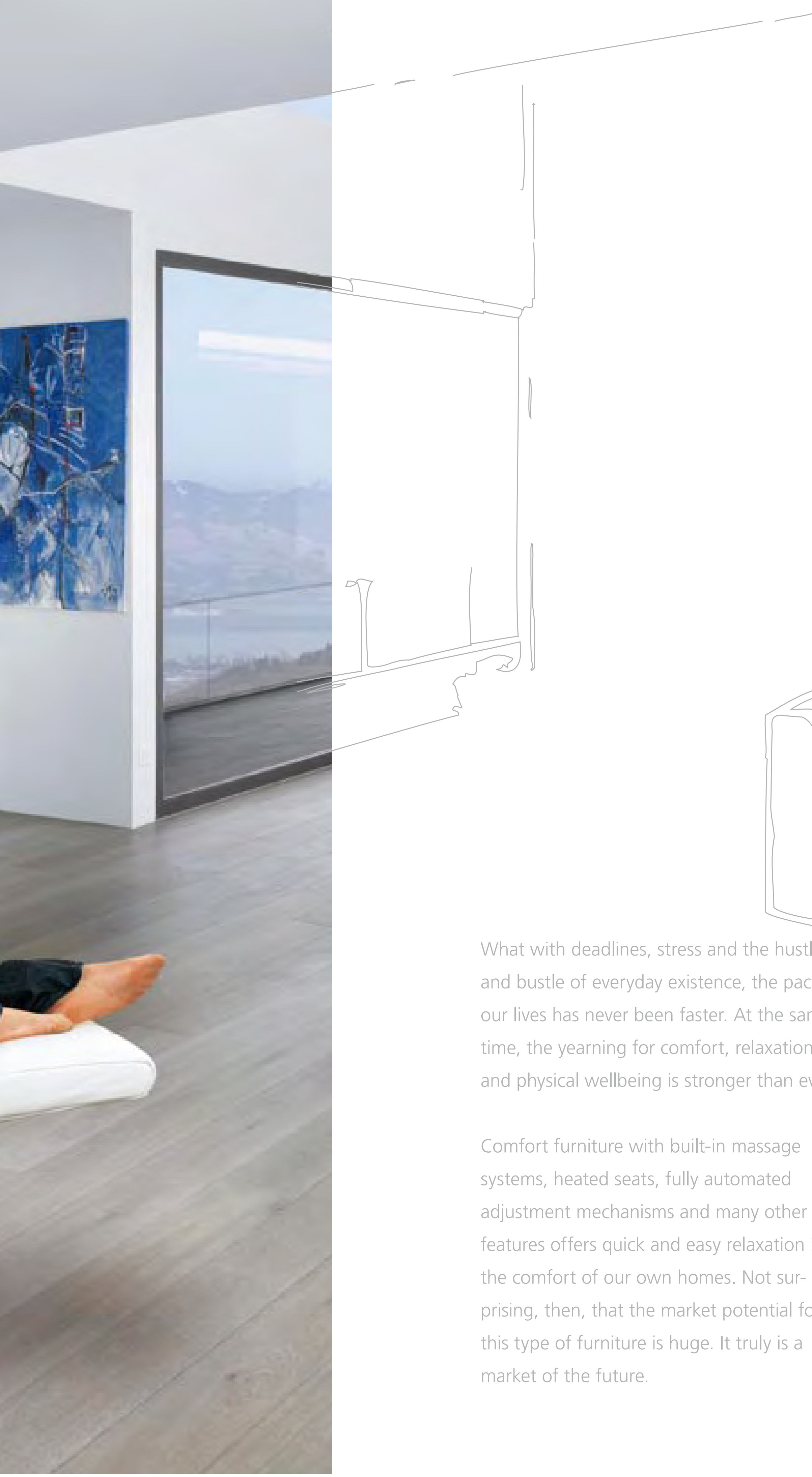
TOROIDAL TRANSFORMERS: MAXIMUM EFFICIENCY, OPTIMUM OUTPUT.

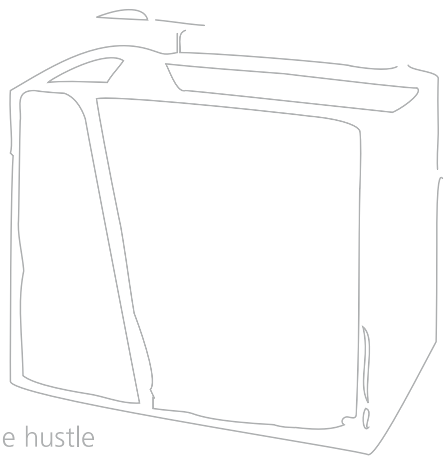
A solar power system is only as good as its inverter, which converts the direct current from the solar cells into the alternating current required for the grid. The inverter is the heart of every solar panel, and its quality determines the output of the system.

Solar power systems are as varied as the buildings on which they are mounted. Phoenix Mecano supplies toroidal transformers, transformer blocks and components (chokes and filters) for use in inverters, meeting a wide range of requirements in terms of performance and design. The company's highly efficient transformers and components give its customers a real advantage in an extremely competitive market.

RELIABLE SOLUTIONS FOR ERGONOMICS AND COMFORT.

Phoenix Mecano. Value from ideas.





What with deadlines, stress and the hustle and bustle of everyday existence, the pace of our lives has never been faster. At the same time, the yearning for comfort, relaxation and physical wellbeing is stronger than ever.

Comfort furniture with built-in massage systems, heated seats, fully automated adjustment mechanisms and many other features offers quick and easy relaxation in the comfort of our own homes. Not surprising, then, that the market potential for this type of furniture is huge. It truly is a market of the future.


RELIABLE SOLUTIONS FOR
ERGONOMICS AND COMFORT.
Phoenix Mecano. Value from ideas.

ELEGANCE T hand-held controller: special features

- Large memory
- Individual comfort settings for heating, massage, etc.
- LED display
- Optional soft-touch surface
- Illuminated keypad
- Easy to use

OUR MECHANICAL COMPONENTS MEET CUSTOMERS' INDIVIDUAL DEMANDS IN TERMS OF CONVENIENCE AND RELIABILITY.

The hand-held controller is the only Phoenix Mecano drive component that customers see as well as feel, so when developing the new series user-friendliness and design were key.

As well as the latest generation of drives, the new series features a variety of options including remote control with soft-touch surface, an illuminated keypad and built-in torch, massage programmes and heated-seat functions.

KEY EVENTS IN 2008

JANUARY

1 January 2008
Phoenix Mecano takes over Datatel Elektronik (D),
a manufacturer of high-quality transformers, mainly for use in solar inverters. The deal marks its entry into the growth market of photovoltaics.

1 January 2008
Phoenix Mecano acquires a 70 % stake in SL System- & Lineartechnik (D)
as a distribution partner for the Mechanical Components division.

FEBRUARY

15 February 2008
The Phoenix Mecano Group announces above-average performance in financial year 2007,
with record sales and increases in operating result and result of the period.

MARCH

28 March 2008
Datatel Elektronik (D) starts manufacturing transformers
at Phoenix Mecano's plant in Kecskemét, Hungary.

APRIL

22 April 2008
Results for Q1 2008 show continued growth,
with increases in incoming orders, operating result and result of the period.

MAY

31 May 2008
Phoenix Mecano takes over German group WIENER.
The acquisition represents a strategic addition to the ELCOM/EMS product range, with scope for valuable synergies with the backplanes and electronic packaging business of subsidiary Hartmann Elektronik (D).

JUNE

6 June 2008
The Shareholders' General Meeting of Phoenix Mecano AG
votes to raise the dividend by 50% from CHF 6 to CHF 9.

Key events and acquisitions

Quarterly results/Business development

JULY

31 July 2008
The Group acquires a 70 % stake in Mazaka Ltd. (Turkey), an exclusive distribution partner for Mechanical Components products in the booming Turkish market.

AUGUST

8 August 2008
Results reveal an uninterrupted upward trend in H1 2008, with increases in gross sales, operating result, operating cash flow and result of the period.

13 August 2008
The share buy-back programme worth up to CHF 30 million launched on 15 October 2007 is wound up. A total of 58,500 shares were bought back, corresponding to 5.47 % of the share capital.

SEPTEMBER

29 September 2008
New share buy-back programme
Phoenix Mecano embarks on a new share buy-back programme worth up to CHF 15 million in a bid to reduce its capital. The company plans to continue expanding by making targeted acquisitions.

OCTOBER

2 October 2008
Change in personnel announced at Phoenix Mecano
Long-standing COO Dr Werner Karlen will leave the company on 1 February 2009 to take on a new challenge.

22 October 2008
Foundation stone laid for fourth site expansion at Phoenix Mecano (India) Ltd. in Pune.
The new premises will be used by subsidiary RK Rose + Krieger (D) for production and sales.

NOVEMBER

4 November 2008
Record result reflects continued growth.
Phoenix Mecano saw double-digit increases in gross sales, operating result and operating cash flow in Q3. All three divisions contributed to the growth.

DECEMBER

16 December 2008
Phoenix Mecano announces plans to take over Eiden & Schmidt Messtechnik (D), a long-standing product distribution and system partner for RK Rose + Krieger (D). The move will mean Phoenix Mecano is better placed to act as a system supplier for automation solutions.

BENEDIKT A. GOLDKAMP,
DELEGATE OF THE BOARD OF DIRECTORS

ULRICH HOCKER,
CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders,

It has been a year of ups and downs, but our Group has developed strongly once again. The policy of expansion into growth markets has paid off. Our new acquisition in the emerging photovoltaic sector – transformer specialist Datatel – saw its sales increase by almost 200 % from € 7.5 million to over € 20 million. Mechanical engineering, medical technology, aerospace technology and wind-turbine manufacturers appreciate the quality of our components and the service provided by our global sales network. Our explosion-proof enclosures for use in oil & gas production and processing facilities are now qualified by many large equipment manufacturers and are used around the globe from Canada to Siberia, Qatar to Australia.

Solid financing, despite acquisitions

Now that the economic tide has turned, the care we took to maintain a solid balance sheet structure in the good times, whilst also making sound acquisitions, has proved a real advantage. At the end of 2008, the Phoenix Mecano Group had a marginal net debt of only € 2.3 million, despite financing organic growth and acquisitions. While some investors may find this overly cautious, it is a definite bonus in the current climate of global financial crisis. An equity ratio of 65 % combined with negligible goodwill (0.5 % of total assets) constitutes an effective safety net against the potential market turbulence our Group is likely to experience in 2009. As a result, we are able to push steadily ahead with our long-term strategy, even in the current environment, and further enhance our market position counter-cyclically.

65 %
equity ratio constitutes an effective safety net against potential market turbulence

External growth and portfolio adjustment

The acquisitions undertaken in 2008 have made a significant contribution to our Group's further development. WIENER, for example, manufactures radiation-tolerant power supply systems for sensitive electronic measuring equipment at research facilities such as the CERN particle accelerator in Geneva. Its incorporation into the Group has permanently enhanced our ability to deliver technically demanding niche solutions in the field of power supply systems and backplanes.

A major step in the Group's further development was taken in February 2009 when we had the opportunity to buy the comfort furniture and ergonomic desk drive businesses of insolvent group OKIN. This has strengthened the global presence of our Mechanical Components division, with well established, high-quality products and an even more comprehensive offering for our customers.

We also used the past year to make improvements in the Mechanical Components division, aimed at boosting its flagging profitability. The product portfolio in continued segments was streamlined and the performance of the sales network enhanced. Start-up business Elodrive was sold midway through the year due to a poor profit outlook. Thanks to this package of measures, we succeeded in massively improving our margin and meeting our long-term profitability target for the division by the second half of 2008.

In the ELCOM/EMS division, the amalgamation of two operational facilities means that we will be better placed, in terms of cost base, to cope with mounting competition in an increasingly tough market environment.

Thank you to our employees

The extreme volatility of the market has required a huge amount of flexibility from our employees. The first half of the year was characterised by major expansion. Then, following a period of uncertainty in Q3, the economy entered a sharp downturn towards the close of the year. The demands placed on us by these extremes of circumstance could not have been more varied, but our team rose to the challenge admirably. The commitment and motivation of our staff is not something we take for granted; they require us to act responsibly, including in the difficult market conditions we currently face.

Consistent dividend policy

Like so many others, our share price was affected by the turbulence on the stock markets. However, we have been economical over the past year and have managed to build up solid reserves. A consistent, shareholder-friendly dividend policy has always been one of our key concerns, so we are delighted to be able to offer the Shareholders' General Meeting a dividend increase for the third year in succession. This time the proposed increase is 11 %, to CHF 10.00 per share. Thanks to our share buyback programmes, we have also been able to successfully consolidate our earnings per share. Consequently, while the Group's net earnings rose by 2 %, final earnings per share are up by a prodigious 10 %.

+11 %
dividend increase to
CHF 10 per share

Our strategy is based on three pillars:

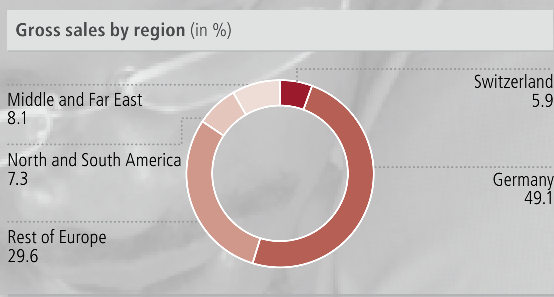
- Organic growth
- Targeted bolt-on acquisitions
- Geographical diversification

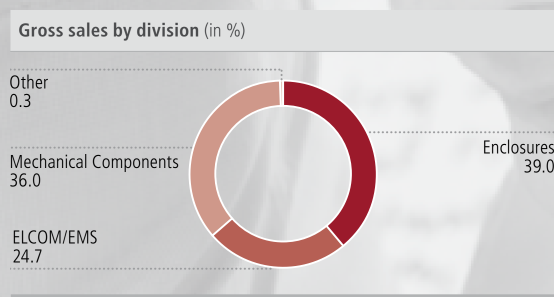
Looking ahead

The current economic climate is extremely challenging. Economists are revising their forecasts for 2009 on a weekly basis, and we too are unable to make any reliable predictions for the year ahead. As a company, Phoenix Mecano has always been successful at adapting to fluctuating market conditions. In addition, we have naturally implemented a raft of measures this year to mitigate the effects of the economic crisis. These include purchasing initiatives, flexible working time arrangements such as selective short-time working at various sites, strict capital expenditure controls and measures to improve the management of our current assets. Our financing is secure thanks to a conservative equity policy. Despite all this, we prefer to focus on the future. Market position, customer proximity, innovation and adaptability are more important now than ever. In all these respects, Phoenix Mecano is extremely well placed. This is our firmly held belief and also the reason why, despite adverse conditions, we look to the future with optimism.

Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors





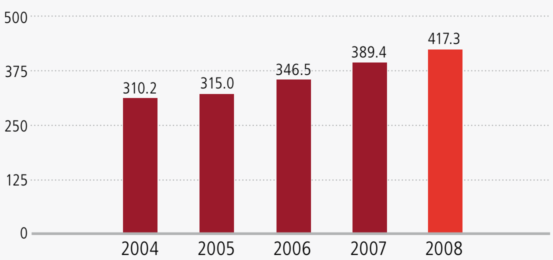
RECORD SALES

Phoenix Mecano Group continues to grow.

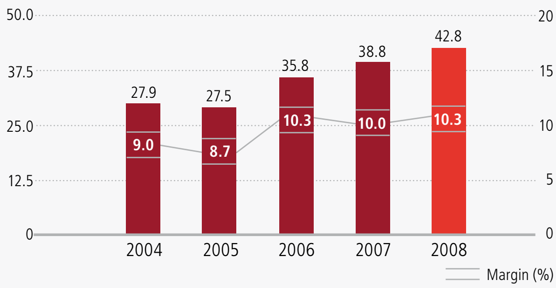
Overview of the financial year

The Phoenix Mecano Group increased its gross sales by 7.2 % in 2008 to EUR 417.3 million. Operating result grew by 10.3 % to EUR 42.8 million, and a double-digit operating margin was achieved once again. The equity ratio stood at 65.0 % and net indebtedness at EUR 2.3 million. Phoenix Mecano is well prepared to weather a difficult economic environment over the longer term.

Gross sales (in EUR million)[1]



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



[1] The 2004–2008 figures relate to continued operations.
[2] Before restructuring expenses and other exceptional charges.

Business activities

Overall, the first three quarters of 2008 offered attractive opportunities for growth. However, in Q4 the predicted economic slowdown kicked in, with an intensity that took most market players by surprise.

In terms of individual sectors, oil & gas and alternative energies saw pleasing rates of growth. In the oil & gas sector, Phoenix Mecano was able to benefit from this growth thanks to the steady expansion of its product and service offering in explosion-proof enclosures and stainless-steel enclosures for wind turbines over recent years. In the alternative energy sector, the acquisition of Datatel at the start of the year enabled the Group to enter the growth market of photovoltaics. Datatel produces special toroidal transformers, chokes and enclosures for solar inverters. Its main customer is the global market leader in solar inverters, which it supplies from two production sites in Germany and Hungary. These inverters are used around the world in photovoltaic systems of all shapes and sizes, from roof-mounted units on private buildings to solar power plants, and in conjunction with both crystalline and thin-film modules. Phoenix Mecano broke into another promising niche market when it acquired the WIENER Group midway through the year. WIENER specialises in producing power supply systems and backplanes for research applications, particularly in nuclear physics. However, its products also find application in the medical technology, astronomy and safety engineering sectors, and operate reliably even when subjected to major disturbance such as strong magnetic fields or gamma radiation. As a result, they enable highly sensitive measuring instruments and sensors to function properly under extreme operating conditions.

Sensing an impending economic slowdown, we stress-tested our portfolio activities in late 2007. This resulted in two sites in Germany being amalgamated to cut costs and exploit synergies. Start-up business Elodrive, which produces high-quality actuators for use in ventilation and water technology applications, was sold in 2008, as its forecasted return was smaller and less immediate than originally anticipated.

Strategy and goals

Phoenix Mecano combines two strategic approaches, implemented across all three divisions. This is difficult for our rivals to copy, since they are typically niche players without the critical mass our Group enjoys.

It therefore offers us sustainable competitive advantages: Firstly, the Group has systematically built up its manufacturing expertise at low-cost production sites over the past 15 years. Thanks to this prolonged development and our great wealth of experience, we are now in a position to manage more complex production processes and high-level construction projects at very reasonable cost. Secondly, the Group has a global network of sales companies with their own engineering expertise and processing capacities, which allows us to adapt our standard products to local, customer-specific requirements. As a result, our customers often perceive us as a flexible local partner for small and medium-sized enterprises (SMEs). It is these SMEs that underpin our global, highly diversified customer base.

This structure sets us apart from other potential competitors. Those who only offer customised components and solutions lack our range of low-cost standard products and need to develop every product from scratch, with all the costs that this entails, while those that only manufacture bulk products, such as standard parts, lack the potential to create added value for their customers by offering them tailored solutions, which makes them vulnerable to their competitors. In practice, this means that we have our own low-cost production sites in Hungary, Romania, Tunisia, India and China, which manufacture Phoenix Mecano products for the principal economic regions and also, to an extent, for the whole world market, according to our strict quality standards.

Our global network of Group-owned sales companies enables us to provide consultancy services, customised engineering/product modification and rapid delivery to local markets. In addition, our sales companies can offer mechanical processing, press-working, finishing, assembly and testing services to customer specifications. This additional value creation at local and customer level is a cornerstone of our business model, which has been developed, tried and tested over many years.

Long-term outlook

As a dedicated component supplier and technology partner of strong-growth companies in future-oriented sectors, we can successfully manage and diversify the risks associated with our business whilst at the same time tapping into the growth potential of many emerging markets. In this regard, return on assets is the most important long-term factor governing our activities, and is also used to measure and incentivise management performance. Our outlook is a long-term one, although we attach great value to assessing and achieving our short-term goals, as these offer regular opportunities to assess our position and rectify errors. We see the increasing globalisation within our markets as both an opportunity and a challenge. The burgeoning economies of Asia offer us potential new supply and sales markets, whilst also spawning new rivals that challenge us to constantly review and improve the competitiveness of our business model. In the coming years, these markets will offer us – as they do already – scope for high growth rates and a focus for investment.

Recent years have witnessed a surge in the cost of raw materials – copper, aluminium, steel and petroleum-based plastic resins –, which our strong market position has enabled us to pass on, in part, to our customers. However, some cost increases have to be offset each year through productivity improvements. Through constant upgrades to our machinery and equipment and ongoing improvements in staff skills and qualifications, we are able to pull this off time and time again. We use integrated currency management to offset currency fluctuations, taking care that inflows of particular currencies, such as sales in the dollar area, are if possible balanced out by corresponding outflows, such as the purchase of initial products from Asia on a dollar basis.

Sales and profitability

Sales up by 7 %

The Phoenix Mecano Group's consolidated gross sales for 2008 climbed by 7.2 % from EUR 389.4 million to EUR 417.3 million. Corrected for differences in foreign-exchange rates, the increase in sales totalled 7.9 %.

Financial year 2008 was characterised, amongst other things, by several changes to the scope of consolidation.

The ELCOM/EMS division was strengthened by the acquisition of German company Datatel Elektronik GmbH, which manufactures high-quality toroidal transformers and modules, primarily for use in solar inverters, and of the WIENER Plein & Baus Group, with sites in Germany and the USA, which focuses on the development, manufacture and sale of electronic devices, mainly power supply systems. In the Mechanical Components division, the Group acquired a 70 % stake in RK System & Lineartechnik GmbH as a distribution partner in southern Germany, and another 70 % stake in Mazaka A.S., as a distribution partner for the division in Turkey. Also in 2008, the Phoenix Mecano Group relinquished its investments in Elodrive Germany and USA, a company producing high-quality actuators for louvre and valve control systems. The impact of consolidation on gross sales in 2008 was 7 %.

In Europe, sales rose by 8.1 %. An impressive 22 % sales increase was achieved in France, with double-digit growth rates in all three divisions. In the Group's core market, Germany, sales climbed by 12.8 %, mainly as a result of acquisitions. A 10.2 % drop in sales was recorded in Italy due to reduced sales of drives for the care sector. The proportion of overall sales realised in Europe was 84.7 % (previous year 83.9 %). Strong sales growth was generated in the principal Asian markets, especially Japan, where sales in the Mechanical Components division recovered well after investment delays in the previous two years due to the introduction of new care legislation. The 11.2 % decline in sales in North and South America was mainly owing to negative currency effects, as well as falling sales in the US care sector.

The Group's sales growth was driven by the Enclosures and ELCOM/EMS divisions; sales revenue from the Mechanical Components division was unchanged from the previous year. The Enclosures division saw its sales rise by 4.5 %, ELCOM/EMS by 25.4 % (as a result of acquisitions). Following its acquisition at the start of 2008, Datatel Elektronik GmbH had a very successful year, almost tripling its sales in the solar technology segment.

Consolidated incoming orders for the Phoenix Mecano Group totalled EUR 403.8 million, compared with EUR 392.8 million the previous year – a rise of 2.8 %. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 96.8 %, mainly due to the drastic economic slowdown in Q4.

Gross sales by region[1]	2008	2007	
	TEUR	TEUR	Change in %
Switzerland	24 582	22 875	7.5
Germany	204 837	181 591	12.8
UK	15 315	15 538	–1.4
France	22 504	18 440	22.0
Italy	13 805	15 371	–10.2
Benelux	22 999	23 685	–2.9
Rest of Europe	49 292	49 256	0.1
North and South America	30 253	34 080	–11.2
Middle and Far East	33 674	28 546	18.0
Total	**417 261**	**389 382**	**7.2**

Gross sales by division[1]	2008	2007	
	TEUR	TEUR	Change in %
Enclosures	162 561	155 619	4.5
ELCOM/EMS	103 270	82 357	25.4
Mechanical Components	150 420	150 406	0.0
Other	1 010	1 000	1.0
Total	**417 261**	**389 382**	**7.2**

Operating result by division[1]	2008	2007	
	TEUR	TEUR	Change in %
Enclosures	33 614	31 986	5.1
ELCOM/EMS	5 712	9 073	–37.0
Mechanical Components	6 302	958	557.8
Other	–2 839	–3 217	11.8
Total	**42 789**	**38 880**	**10.3**

[1] The figures relate to continued operations.

Net operating assets by division[1]	2008	2007	
	TEUR	TEUR	Change in %
Enclosures	67 794	63 703	6.4
ELCOM/EMS	51 004	47 777	6.8
Mechanical Components	82 201	84 259	–2.4
Other	–827	–2 659	68.9
Total	**200 172**	**193 080**	**3.7**

Profitability by division[1]	2008	2007	
	in %	in %	Change in % points
Enclosures	49.6	50.2	–0.6
ELCOM/EMS	11.2	19.0	–7.8
Mechanical Components	7.6	1.1	6.5

Purchases of tangible assets[1]	2008	2008	2007	2007
	TEUR	%	TEUR	%
By type of asset				
Land and buildings	1 430	9.0	1 946	11.9
Machinery and equipment	7 668	48.1	8 213	50.2
Tools	2 887	18.1	4 029	24.7
Advance payments and construction in progress	3 951	24.8	2 150	13.2
Total	**15 936**	**100.0**	**16 338**	**100.0**
By division				
Enclosures	6 645	41.7	7 142	43.7
ELCOM/EMS	3 497	21.9	3 632	22.2
Mechanical Components	5 705	35.8	5 525	33.8
Other	89	0.6	39	0.3
Total	**15 936**	**100.0**	**16 338**	**100.0**

[1] The figures relate to continued operations.

Operating margin of 10.3 %

Operating result rose by 10.3 % in 2008 (previous year 8.4 %) from EUR 38.8 million to EUR 42.8 million, taking the operating margin into double digits once again (10.3 % compared with 10.0 % the previous year). The companies acquired in 2008 contributed EUR 2.3 million to the result. The increase in operating result was generated in the Enclosures division (up 5.1 %) and the Mechanical Components division (up from EUR 1.0 million to EUR 6.3 million). In the ELCOM/EMS division, operating result was affected by one-off costs associated with the closure and relocation of an operational facility, extending into the low seven-figure range. The major economic slowdown in Q4 2008 also left its mark on the division's income statement.

Use of materials as a percentage of gross sales rose from 43.0 % to 44.0 %, mainly due to the new Datatel product area, whose use of materials is above the Group average. Excluding Datatel, the rate of use of materials actually fell slightly, primarily owing to an improvement in gross margin in the Mechanical Components division.

Personnel expenses rose by 6.8 % in 2008, roughly in proportion with sales growth. This includes one-off costs for a social plan related to the closure and relocation of an operational facility in the ELCOM/EMS division. Average staff numbers over the year increased slightly, from 4 891 to 4 946. In India and China, just under 130 new jobs were created, mainly in the Enclosures division. Meanwhile, the number of ELCOM/EMS staff in Tunisia fell, following improvements in productivity.

Whilst depreciation on tangible assets fell by EUR 0.8 million, amortisation of intangible assets rose by EUR 1.0 million. This rise was the result of additional intangible assets of EUR 6.7 million associated with the acquisitions completed in 2008.

Other operating expenses declined by a total of 1.2 % thanks to lower advertising expenditure, impairment losses on intangible and tangible assets and losses and value adjustments on inventories, and despite increased energy and lease costs and value adjustments on receivables.

Increase in profit for the period

The financial result was hit by negative currency effects and the loss resulting from the disposal of investments in Elodrive Germany and USA. It fell from EUR –1.8 million to EUR –3.6 million, although the underlying net interest result improved slightly from EUR –0.9 million to EUR –0.8 million.

In 2007, the corporate tax cut in Germany meant that deferred tax liabilities totalling EUR 1.4 million could be released, with a corresponding effect on the statement of income. Due to the disappearance of this one-off positive tax effect, the tax rate rose in 2008 to 21.9 % (previous year 19.1 %).

The aforementioned special items within the financial result and tax costs led to an under-proportional increase in the result of the period (from continued and discontinued operations): it rose by 2.1 % in 2008, from EUR 30.0 million to EUR 30.6 million.

Asset and capital structure

Stable asset structure

Purchases of tangible assets in the reporting year totalled EUR 15.9 million, compared with EUR 16.3 million the previous year. The sharp increase in construction in progress from EUR 2.2 million to EUR 4.0 million is due to a construction project for the Enclosures division in Hungary and a plant extension in India.

Net operating assets rose slightly (3.7 %), from EUR 193.1 million to EUR 200.2 million. Excluding acquisitions and the divestment of Elodrive, it remained largely stable.

Extremely sound financial position

The share buyback programme worth over CHF 30 million, which had been launched the previous year, was completed in August 2008. On 29 September 2008, the Board of Directors announced a new share buyback programme worth up to CHF 15 million. Under these two buyback programmes, own shares worth a total of EUR 14.2 million were bought back in 2008. Despite these buybacks and an increase in the dividend from CHF 6 to CHF 9, the equity ratio went up from 63.5 % to 65.0 %.

At the same time, the Group's net indebtedness was further reduced in the reporting year from EUR 4.3 million to EUR 2.3 million. The acquisitions completed in the reporting year were financed wholly from the Group's own funds. The associated outflow of funds in 2008 was EUR 5.0 million.

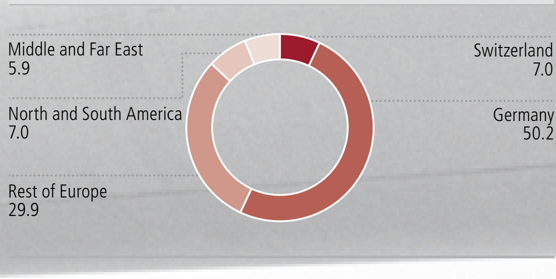
As a result of the above, the Group has an extremely sound capital structure with which to confront the difficult global economic climate in 2009. This structure also offers it the financial leeway needed to exploit opportunities in these difficult times. One example of this is the acquisition of parts of the insolvent OKIN Group in February 2009, which has helped to strengthen the Phoenix Mecano Group's position within the Mechanical Components division. OKIN develops, produces and sells electrical drive solutions for the comfort and office furniture sectors.

Outlook

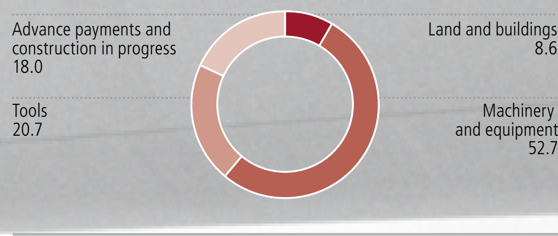
The economic environment has become much more volatile and altogether more challenging since Q4 2008, with no signs of a recovery so far in 2009. The diversity of sectors in which the Phoenix Mecano Group operates is of limited benefit in this regard, since most sectors worldwide have now been affected by the slowdown. That being said, the Group is well prepared to weather an economic downturn, even a fairly long-term one, and to emerge stronger from the economic crisis. Measures have already been taken at a number of locations to adjust capacity to reduced demand. These include cuts in temporary staff and working time accounts as well as the introduction of shorter working hours at some sites.

Making a forecast for 2009 is extremely difficult. Despite integration costs linked to the acquisition of OKIN, Phoenix Mecano anticipates a positive operating result and result of the period this year.

Gross sales by region (in %)



Purchases of tangible assets (in %)

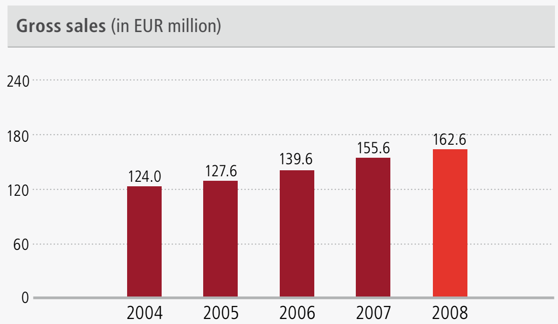


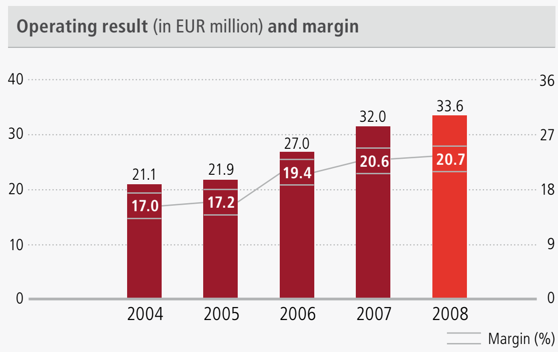
SALES AND PROFITS UP

Enclosures grows in new markets.

Overview of the financial year: Enclosures

Sales rose by 4.5 % to EUR 162.6 million. Completion of a EUR 1.3 million project in Russia contributed to this pleasing growth in sales. Operating margin and return on assets remained high. The focus for capital expenditure was the aluminium enclosures programme.





Sales and orders

The Enclosures division saw its gross sales rise by 4.5 % in 2008 (5.3 % when corrected for differences in foreign-exchange rates). With the exception of the UK and North America, all the division's major sales markets contributed to this growth. Revenues in these two markets suffered from the weakening of the GBP and USD against the EUR. In the division's core market, Germany, sales were up by 2.3 %. Double-digit growth rates were achieved in France, Eastern Europe, South America and various Asian markets, most notably China.

Above-average growth of around 30 % was recorded once again in explosion-proof and stainless-steel enclosures. These enclosures are used primarily in the oil & gas sector, for which the Group now has a global sales network. The biggest single project in this sector – supplying a refinery in Russia – generated a sales volume of EUR 1.3 million. Thanks to the healthy economic situation prevailing in the mechanical engineering industry in the first months of 2008, revenues from aluminium enclosures and associated carriers and control panels also increased.

Sales of plastic enclosures remained at the previous year's level, despite the economic downturn from summer 2008. Systems technology and the input unit product line experienced above-average development.

The sandwich keyboard business posted a 3.7 % increase in sales. The successful expansion of development resources allowed the division to strengthen its position in the customer-project segment and land two major project contracts in the medical technology and measurement technology sectors. In addition, the proportion of sales accounted for by control systems rose significantly as a result of touch projects.

The division's incoming orders in the reporting year were up 3.1 % on the previous year, at EUR 162.3 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) stood at 99.8 %, despite a worsening economic climate in the second half of 2008.

Result

The division's operating result rose by 5.1 % in 2008 to EUR 33.6 million, just over-proportionally to the growth in sales. The operating margin remained largely unchanged, at 20.7 % (previous year 20.6 %). The division's costs during the reporting year increased largely in proportion to the growth in sales, except for depreciation, which remained unchanged.

Gross sales by region		2008	2008	2007	2007
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	3.2	11 440	7.0	11 086	7.1
Germany	2.3	81 652	50.2	79 785	51.3
UK	-8.0	5 841	3.6	6 346	4.1
France	12.5	5 574	3.4	4 953	3.2
Italy	0.9	6 052	3.7	5 998	3.9
Benelux	3.0	12 419	7.7	12 054	7.7
Rest of Europe	6.1	18 609	11.5	17 535	11.3
North and South America	-7.2	11 334	7.0	12 216	7.8
Middle and Far East	70.7	9 640	5.9	5 646	3.6
Total	**4.5**	**162 561**	**100.0**	**155 619**	**100.0**

Purchases of tangible assets	2008	2008	2007	2007
	TEUR	%	TEUR	%
Land and buildings	573	8.6	1 055	14.8
Machinery and equipment	3 504	52.7	3 710	51.9
Tools	1 376	20.7	1 396	19.6
Advance payments and construction in progress	1 192	18.0	981	13.7
Total	**6 645**	**100.0**	**7 142**	**100.0**

Asset and capital structure

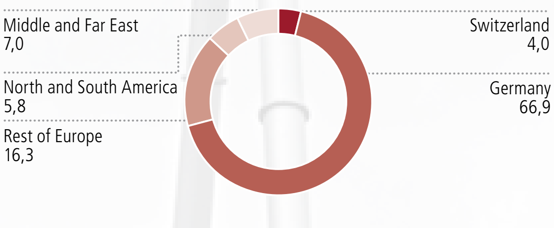
The slight decline in the division's capital expenditure volume compared with the previous year was due to reduced expenditure on land and buildings. The previous year's total included a construction project in India. On the other hand, the payments/construction in progress item includes expenditure on an expansion project in Hungary related to aluminium enclosure processing. Aluminium enclosure production in India was further expanded in 2008, and additional capital expenditure is planned for this area in 2009. Capital expenditure on tools includes, amongst other items, investment in a new aluminium enclosures programme, ALUSTYLE, which elicited much interest at the ELECTRONICA industrial fair in Munich.

The division's net operating assets increased by 6.9 % in the reporting year, to EUR 67.8 million. At 49.6 %, the return on capital expenditure (ROCE) remained largely unchanged from the previous year (50.2 %).

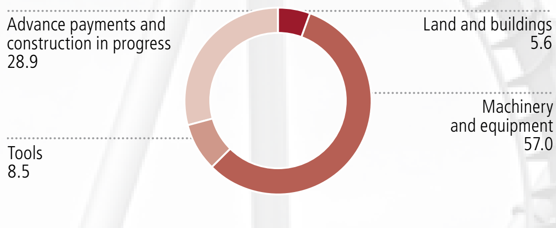
Employees

The annual average number of staff employed by the division rose by 95 to 1 634. The extra employees were taken on in India and China, where manufacturing and sales operations were expanded. Per capita sales fell slightly from EUR 101 000 to EUR 99 000.

Gross sales by region (in %)



Purchases of tangible assets (in %)

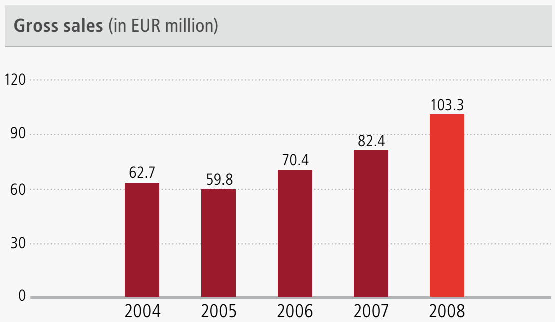


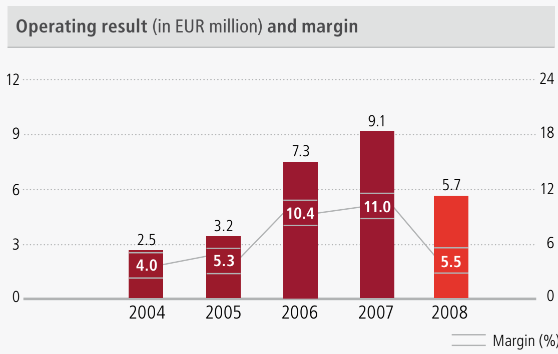
GROWTH AND STRUCTURAL ADJUSTMENT

ELCOM/EMS – Successful entry into the photovoltaic market.

Overview of the financial year: ELCOM/EMS

The division's market position was bolstered by the acquisition of Datatel Elektronik and the WIENER Group. Its sales increase was driven mainly by the strong development of the photovoltaic sector. One-off restructuring measures and the development of manufacturing capacity affected the operating result.





Sales and orders

The ELCOM/EMS division generated sales of EUR 103.3 million in 2008, with a minimal currency impact of +0.2 %. This figure is 25.4 % higher than the previous year. The impact of consolidation was 31.2 %. In France and North and South America, sales grew organically by 10.4 % and 5.0 % respectively. In the remaining markets, some sales in traditional product areas declined. The main reason for this was the significant reduction in Electronic Manufacturing Services orders for the automotive industry in the division's core market of Germany.

The start of 2008 saw the takeover of Datatel Elektronik, with head office in Langenhagen, Germany. Datatel manufactures high-quality toroidal transformers and, as from this year, chokes and filters for transformerless inverters. It supplies the high-potential photovoltaic segment and perfectly complements our subsidiary Götz-Udo-Hartmann GmbH, with which it works closely. In response to strong growth (Datatel virtually tripled its sales in 2008), a second transformer production facility was opened in Hungary. Acquired in summer 2008, the WIENER Plein & Baus Group has sites in Germany and the USA and produces and sells mainly power supply systems for particle accelerator instrumentation used in medical technology and astro-/high energy physics. This makes it an ideal complement to our subsidiary Hartmann Elektronik, which manufactures multilayer backplanes.

The traditional segment of rotary coding and microswitches managed to sustain the high level of sales recorded the previous year. The integration of MCT Group, acquired in 2007, was completed in 2008 with the closure of an operational facility in Germany. In the highly competitive terminal-blocks market, the new AK4551 plug connector heralded a fresh approach to modern industrial design. The expanded sales structures for spring contacts had a positive influence on the sales trend in this segment. In the inductive components segment, a number of development projects for high-quality applications were completed, in the photovoltaic, hybrid and ventilation technology sectors, amongst others. Thanks to stronger sales activities in the backplanes segment, project successes were achieved in India, Scandinavia and Eastern Europe, in particular. Its involvement in the Galileo satellite system provided clear proof of the effectiveness and reliability of Hartmann Elektronik's products. In the Electronic Manufacturing Services area of Phoenix Mecano Digital Elektronik, sales shortfalls in the automotive sector were only partially offset by increased activity in other sectors, particularly industrial applications.

The strategy of supplying electronic modules, enclosures, control panel and connection leads in a single package is picking up steam thanks to the integration of MCT's cable assembly business into this area. The coin validation systems business increased its sales by 78.4 % and is now an established market player. The development of a novel coin-handling system for barrier-free payment systems in public-transport ticket machines provided the business with another unique selling point.

The ELCOM/EMS division saw its incoming orders increase by 14.7 % in the reporting year, to EUR 95.1 million. The sharp economic downturn in Q4 caused the book-to-bill ratio (incoming orders as a percentage of gross sales) to fall to 92.1 %.

Sales

Due to exceptional circumstances, the division's operating result fell by 37.0 % to EUR 5.7 million. The main reason for this was the restructuring of MCT, with the closure of a site in Germany and the integration into Hartmann Codier and Phoenix Mecano Digital Elektronik, resulting in an improved cost structure for the division. The creation of manufacturing capacity for Datatel Elektronik at the Hungarian plant and reorganisation projects at Hartmann Codier also led to one-off exceptional charges. In addition, a slump in Electronic Manufacturing Services sales left its mark on the division's income statement.

Gross sales by region		2008	2008	2007	2007
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	10.0	4 139	4.0	3 763	4.6
Germany	38.4	69 123	66.9	49 956	60.7
UK	– 12.2	1 037	1.0	1 181	1.4
France	15.0	2 437	2.4	2 120	2.6
Italy	–9.5	2 376	2.3	2 626	3.2
Benelux	–17.6	975	1.0	1 183	1.4
Rest of Europe	–0.3	9 952	9.6	9 978	12.1
North and South America	33.8	5 982	5.8	4 470	5.4
Middle and Far East	2.4	7 249	7.0	7 080	8.6
Total	**25.4**	**103 270**	**100.0**	**82 357**	**100.0**

Asset and capital structure

The ELCOM/EMS division spent EUR 3.5 million on tangible assets in 2008, including EUR 0.8 million on an expansion of manufacturing capacity for Datatel Elektronik. Advance payments and construction in progress includes an extension to a plastics injection moulding plant and sales facilities at Hartmann Codier, costing EUR 0.5 million. Replacement investments accounted for most of the other capital expenditure.

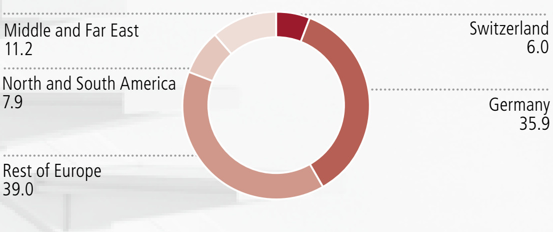
Purchases of tangible assets	2008	2008	2007	2007
	TEUR	%	TEUR	%
Land and buildings	194	5.6	422	11.6
Machinery and equipment	1 995	57.0	2 071	57.0
Tools	297	8.5	332	9.2
Advance payments and construction in progress	1 011	28.9	807	22.2
Total	**3 497**	**100.0**	**3 632**	**100.0**

Net operating assets increased under-proportionally to the growth in sales by 6.8 %. Adjusted for consolidation effects, a reduction of 10.5 % was achieved thanks to various measures aimed at optimising the use of capital. Consequently, the return on capital employed (ROCE) remained in double digits (11.2 % compared with 19.0 % the previous year).

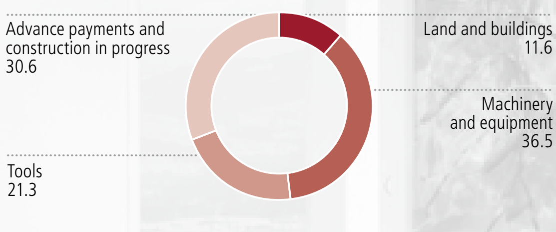
Employees

Including the new companies, the annual average number of staff employed was 1 969, down 56 on the previous year. The reduction is owing to improved productivity at Tunisian production plants in 2008. The division's per capita sales increased by EUR 11 000 to EUR 52 000.

Gross sales by region (in %)



Purchases of tangible assets (in %)



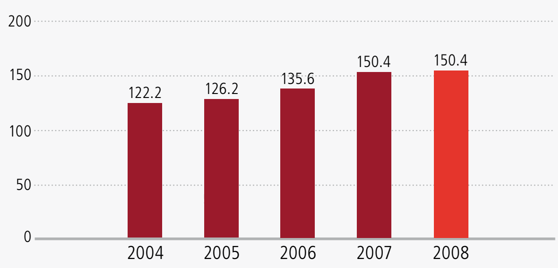
SUCCESSFUL TURNAROUND

Mechanical Components generates higher return.

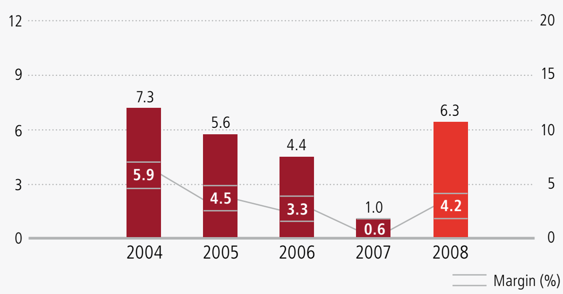
Overview of the financial year: Mechanical Components

Double-digit sales growth in the industrial sector offset losses in the drive technology segment. Thanks to successful restructuring measures, both the margin and the return on assets rose significantly.

Gross sales (in EUR million)



Operating result (in EUR million) **and margin**



Sales and orders

Following double-digit growth the previous year, the Mechanical Components division succeeded in sustaining its sales in 2008, despite a negative currency impact of –1.3 %. The impact of consolidation was 1.0 %. The biggest sales growth in absolute terms was in France (EUR 3.1 million), thanks to successes in the care sector. The division also performed very well in the Swiss market, increasing its sales by 12.2 %. In its core market, Germany, sales growth totalled 4.3 % (organic growth 1.3 %). A difficult market environment in North America and southern Europe, particularly for drive technology, led to some relatively heavy losses. In North America, part of the decline in sales was owing to currency effects.

Rose + Krieger's industrial business achieved above-average growth in solar technology, but sales also developed nicely in other sectors such as mechanical engineering and packaging technology. For example, a variety of Rose + Krieger components were used in a project in which vehicle interiors are simulated to calculate the most ergonomically advantageous positions. Height-adjustable workbenches and tables are also increasingly popular, reflecting the trend towards 'healthy' workplaces. All in all, the industrial sector saw almost double-digit organic growth. The acquisition of a 70 % stake in German company RK System & Lineartechnik further enhanced the division's system engineering expertise.

Dewert, which operates in the bed and armchair drives segment, posted a mid-single-digit decline in sales in the reporting year, following almost double-digit sales growth in 2007. The demand for low-cost drives among furniture manufacturers fell particularly sharply in 2008, although raised bed systems and seating furniture also experienced a downturn. On the other hand, sales in the care and hospital applications sector rose slightly. Expansion of the hospital and care product range through additions to the high-end segment created a positive impact. MEGAMAT 4, one of the quietest drives on the market, was launched in collaboration with a leading overseas nursing-bed manufacturer. The acquisition in 2008 of a 70 % stake in sales company Mazaka (Turkey) produced a consolidation impact of well under 1 %. Mazaka also holds out new prospects for other product areas in the growing Turkish market. Elodrive, a start-up operating in the heating, air-conditioning and ventilation technology segment, was sold on 1 October 2008 as part of efforts to refocus on core business. The company generated sales of EUR 3.5 million prior to being sold, compared with EUR 3.9 million for the whole of 2007.

Gross sales by region		2008	2008	2007	2007
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	12.2	9 003	6.0	8 026	5.3
Germany	4.3	54 062	35.9	51 850	34.5
UK	5.3	8 437	5.6	8 011	5.3
France	27.5	14 493	9.6	11 367	7.6
Italy	–20.3	5 377	3.6	6 747	4.5
Benelux	–8.1	9 605	6.4	10 448	6.9
Rest of Europe	–4.7	20 731	13.8	21 743	14.5
North and South America	–27.2	11 927	7.9	16 394	10.9
Middle and Far East	6.1	16 785	11.2	15 820	10.5
Total	**0.0**	**150 420**	**100.0**	**150 406**	**100.0**

Purchases of tangible assets	2008	2008	2007	2007
	TEUR	%	TEUR	%
Land and buildings	663	11.6	469	8.5
Machinery and equipment	2 080	36.5	2 393	43.3
Tools	1 214	21.3	2 301	41.6
Advance payments and construction in progress	1 748	30.6	362	6.6
Total	**5 705**	**100.0**	**5 525**	**100.0**

The division's incoming orders were down 4.0 % on the previous year, at EUR 145.4 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 96.7 %. In the drive technology sector in particular, customers seem to be taking a more short-term approach to material planning.

Result

The operating result of the Mechanical Components division rose by a substantial EUR 5.3 million to EUR 6.3 million. This increase is attributable to the package of measures launched in 2007 and completed in 2008, aimed at boosting profitability.

The optimisation measures helped to enhance purchasing and logistics, while strengthening and partial restructuring of the sales channels, combined with an attractive product range and savings from the divestment of Elodrive, contributed to the improvement in result.

Asset and capital structure

Capital expenditure in 2008 was slightly higher than the previous year, at EUR 5.7 million. Work began on a new building for the division's industrial business in India. Capital expenditure on machinery was mostly aimed at meeting stringent quality requirements. Capital expenditure on tools and most of the advance payments were incurred in connection with the division's product offensive.

Improved purchasing and logistics processes also had a knock-on effect on the net operating assets, which were reduced by 2 %. As a result, the return on capital employed (ROCE) improved, jumping from 1.1% to 7.6 %.

Employees

The annual average number of staff employed by the division was 1 289, slightly more than the previous year. Per capital sales fell by a negligible EUR 1 000 to EUR 117 000.

Other

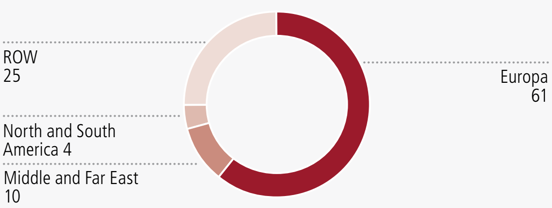
Included here is the technical gas business of Brazilian subsidiary IPES Industria de Produtos e Equipamentes de Solda Ltda.

"Other" also includes operating costs incurred by the holding, management and finance companies, which are not directly allocated to the individual operating divisions. These costs resulted in a negative operating result of EUR 2.8 million (previous year EUR 3.2 million).

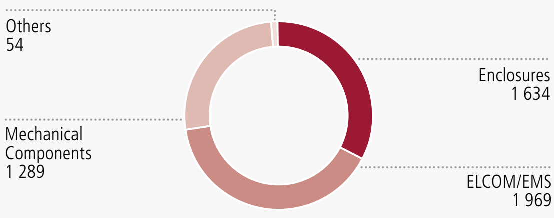
Sustainability Report

A balance between environmental, social and economic aspects, fair and respectful cooperation that reaches across national borders and cultural boundaries, a long-term HR plan and strategic trainee development: the Phoenix Mecano Group's approach is based on integrated sustainability.

Employees by region (in %)



Employees by division



Ever since it went public, Phoenix Mecano has always given priority to ensuring the lasting, sustainable success of the company instead of aiming to maximise profits on a quarterly basis. Any company that thinks in this way must also think and act in a socially responsible and environmentally friendly manner.

The term 'sustainability' is often taken to refer solely to ecological factors, but in reality a company's approach to social aspects is just as important. This becomes all the more clear in times of economic hardship.

Employees as ambassadors

The Phoenix Mecano Group employs some 4 950 people on five continents – they are the real factor behind the company's success. Each staff member has experience, knowledge and energy of the kind needed to achieve set goals on a daily basis. Many employees serve as an interface with customers and partners and they are all ambassadors of their company.

Phoenix Mecano supports them both in this function and in their personal commitments and encourages open communication both internally and externally. Both these factors serve to improve work processes and the quality of products and services, as well as promoting safety at work and ultimately boosting employees' identification with 'their' company and 'their' group of companies.

Phoenix Mecano treats all members of its staff respectfully and fairly. Cultural factors and differences between sites and subsidiaries are of course observed. Naturally, the company offers all employees fair and competitive wages, bonuses and social security contributions. In addition, the company strives to provide a safe, motivating work environment and corresponding working conditions. Regardless of borders, the company offers its employees various possibilities for individual continuing training and opportunities for in-house development.

Furthermore, through its transfer of knowledge and creation of new, challenging jobs in various countries, the company is helping to promote economic development. At the same time, Phoenix Mecano expects social as well as technical skills from its managerial staff. Anyone occupying a leadership position must serve as a model, lead the way by setting a decent example and ensure that the rights of all employees are protected. We believe that all individuals should be treated with respect, regardless of their status, skin colour, religion or age. At the same time, Phoenix Mecano also expects its employees to consciously refrain from personal commitments that might run counter to the company's interests.

Sustainable trainee development Phoenix Mecano's staff includes a large number of young people who are completing established professional training courses within its subsidiaries. For instance, Group subsidiary Rose Sytemtechnik has been awarded the Trainee Development Certificate by the German Federal Employment Agency. Rose, which produces industrial enclosures, provides training in eleven different professions. 34 of its 337 employees are trainees, equivalent to a training rate of 10 %. The company plans to offer 39 training positions in 2009.

Important factors for intensive trainee development include the concept of having a dedicated learning workshop with state-of-the-art tools and CNC machines, promotion of internships and solid cooperation with secondary schools in the region. All of this helps to determine suitability for the job well in advance, thereby fostering long-term job satisfaction.

Phoenix Mecano's subsidiary Bopla Gehäuse Systeme has opted for a very similar approach: the company gives school pupils the opportunity to experience economic and professional activities first-hand before they even gain their school leavers' qualifications. Visits to the company give school pupils an insight into how it works, and they can then build on this impression by doing work experience there. Another interesting activity offered by Bopla is its 'applicant fair' in Bünde, Germany, where the company practises job application strategies with school pupils.

Recognised environmental maxims

Phoenix Mecano only offers products that are socially and environmentally state-of-the-art and make careful use of natural resources. We are committed to the protection of human rights, fair working conditions, equal treatment and environmental protection. We manufacture our products using environmentally friendly technologies and processes, always striking the right balance between legitimate environmental, human and economic needs.

As regards the environment, we foster and maintain a climate of openness and strive to engage in dialogue with our employees and partners: we and our subsidiaries actively cooperate with suppliers and business partners and our employees are regularly informed, trained and motivated with a view to implementing our own environmental protection principles properly and meeting statutory and official requirements as effectively as possible. We have defined a clear approach with operational goals, we regularly document our progress and we also carry out internal and external audits. In fact, we view statutory requirements as minimum requirements. In keeping with our approach, the annual management appraisal at our subsidiary Hartmann Codier includes assessment of the suitability of the company's environmental policy. Hartmann Codier received ISO 9001 certification as early as 1994 and gears its quality policy in all domains towards this. In addition, implementation of the environmental approach to comply with ISO 14001 has been documented since 2005.

One concrete example of our efforts to protect the environment is our use of environmentally friendly packaging material, which helps to save resources. Bopla Gehäuse Systeme has adopted this approach and now only uses multi-use packaging – that is, wire mesh boxes, Euro-palettes or special transport containers that are taken back by the dispatch company. Bopla only uses corrugated cardboard boxes bearing the RESY symbol. No advertising is printed on the boxes and the interlayers for palettes or boxes are made of paper or cardboard of the same type, which can then be put back into circulation easily.

More transparency, more environmental protection Following the successful implementation of the European ROHS (Restriction of Hazardous Substances) Directive on the adoption of more environmentally friendly materials and production processes, Phoenix Mecano also successfully put the major project REACH (Registration Evaluation Authorisation of Chemicals) into practice. Industrial companies like Phoenix Mecano are required, as 'downstream users', to have the chemicals used in their products and production processes analysed in detail by the manufacturer and/or importer based on a system of modulation by tonnage and then to declare them.

These transparency requirements create a more responsible approach to chemicals throughout the lifetime of industrial products. Where necessary, recommendations on safe handling and testing strategy have also been published. This gives end users greater certainty about what materials they are coming into contact with and any problems that these might pose.

Decentralised structure ensures customer proximity

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

A series of like-minded SMEs have joined together in the Phoenix Mecano Group, which is why the organisation is deliberately geared towards decentralisation. This gives them leeway to consider the legal framework conditions applying to the social context and to environmental protection. Consequently, requirements emanating from Switzerland or Germany only have a place here if principles such as corporate values and missions are involved. When planning its production facilities, Phoenix Mecano primarily takes into account regional opportunities and openings to compete.

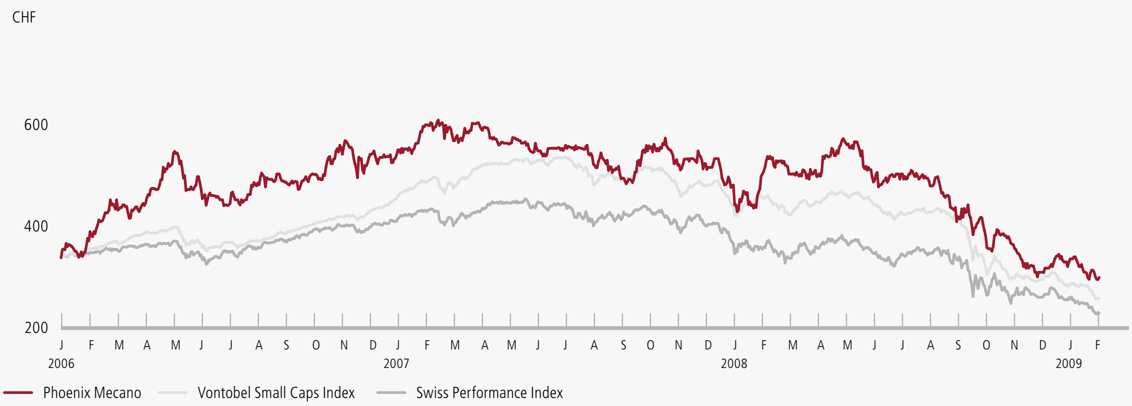
Employees – key figures at a glance

	2008	2007	Change Number/ 1 000 EUR
Personnel (average for year)	4 946	4 891	55
By division (number)			
Enclosures	1 634	1 539	95
ELCOM/EMS	1 969	2 025	–56
Mechanical Components	1 289	1 271	18
Other	54	56	–2
By region			
Switzerland	142	142	–
Germany	1 522	1 455	67
Rest of Europe	1 375	1 375	–
North and South America	175	182	–7
Middle and Far East	473	333	140
ROW	1 259	1 404	–145
Personnel expenses in EUR 1 000	24.2	22.9	1.3
Gross sales per employee in EUR 1 000	84.4	79.6	4.8

Share information

The new share buyback programme launched in October 2008, worth up to CHF 15 million, is continuing as planned. As at 31 December 2008, Phoenix Mecano had bought back shares with a total value of CHF 4.0 million.

Market trend Phoenix Mecano 1 January 2006–28 February 2009 compared with the Vontobel Small Caps Index and SPI



Share capital

Phoenix Mecano AG's share capital of CHF 1 069 500 is divided up into 1 069 500 bearer shares with a par value of CHF 1.00 each. There are no restrictions on ownership or voting rights. The share capital has not been increased since the company went public in 1988. Phoenix Mecano AG's corporate policy dictates that growth should be funded out of the company's own capital resources.

Share buyback programme

On 29 September 2008, the Board of Directors announced a new share buyback programme worth CHF 15 million as a means of effecting a capital decrease. This will last until 6 October 2009 at the latest. As at 31 December 2008, 11 130 shares had been bought back under the share buy-back programme.

The 2007/2008 share buyback programme, which was also launched to decrease capital, ended in August 2008. A total of 58 500 shares were bought back under this programme.

Dividend policy and proposal

Phoenix Mecano AG strives to achieve a distribution rate of 15–25 % of sustained net profit. As a growth-oriented enterprise, the company relies upon the steady growth of its capital base. The Board of Directors will propose to the Shareholders' General Meeting of 5 June 2009 that the dividend be increased from CHF 9.00 to CHF 10.00. The proposed dividend for financial year 2008 corresponds to around 22 % of the result of the period.

Average trading volumes in 2008

On average, 666 Phoenix Mecano shares were traded per day.

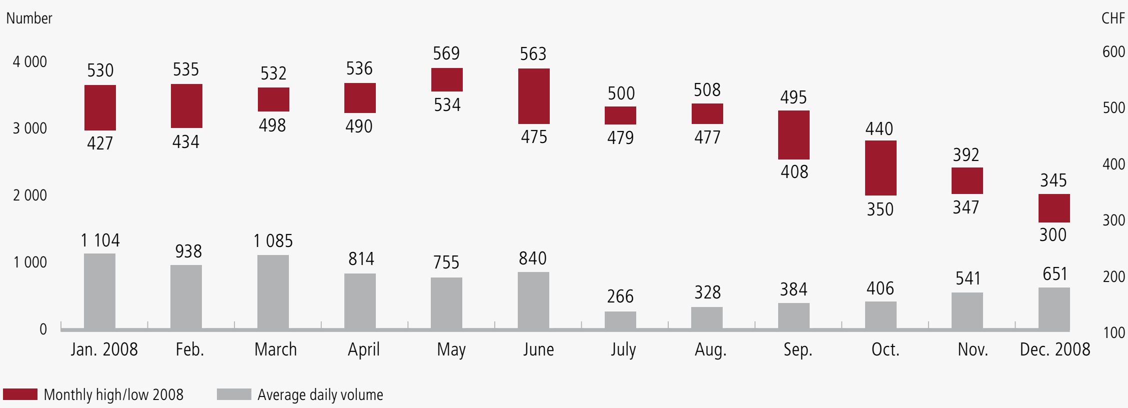
Opting-out

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

Opting-up

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

Monthly highs and lows 2008, average daily volume



Ticker symbols

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

Information for shareholders

Annual report	annually, in April
Balance sheet press conference	28 April 2009
Financial analysts' meeting	28 April 2009
First quarter results	28 April 2009
Shareholders' General Meeting	05 June 2009
First half of 2009	11 August 2009
Detailed report on first half of 2009	28 August 2009
Third quarter results (9 months)	03 November 2009

Further information for investors is available from:

Benedikt A. Goldkamp, CEO
Phone +41/43 255 42 55
info@phoenix-mecano.com

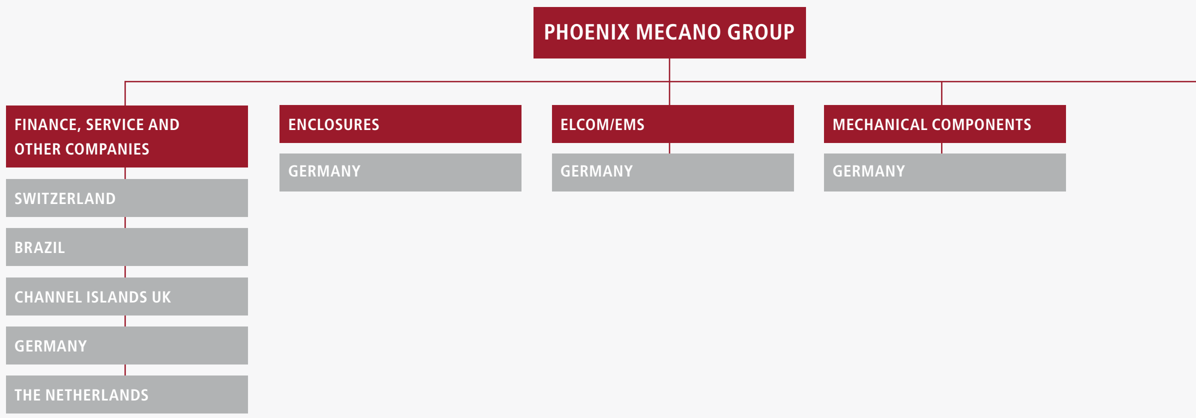
Share indicators at a glance

		2008	2007	2006	2005	2004
Number of shares						
Share capital (bearer shares with a par value of CHF 1.00)	Number	1 069 500	1 069 500	1 069 500	1 100 000	1 100 000
Own shares	Number	79 930	31 432	1 955	25 949	15 558
Shares entitled to dividend	Number	989 570	1 038 068	1 067 545	1 074 051	1 084 442
Information per share						
Operating result per share[1]	EUR	43.3	37.4	33.5	25.6	25.8
Result of the period per share[1]	EUR	30.9	28.9	26.0	– 8.2	13.7
Equity per share[1]	EUR	193.0	175.8	156.4	131.2	147.5
Free cash flow per share[1]	EUR	30.2	20.9	11.5	23.4	17.6
Dividend/Par value repayment	CHF	10.00[4]	9.00	6.00	4.00	4.00
Stock market price						
High	CHF	569	615	570	366	440
Low	CHF	300	474	360	280	310
Year-end price	CHF	317	530	534	340	335
Key figures for shares						
Dividend yield[2]	%	3.2	1.7	1.1	1.2	1.2
Payout ratio[3]	%	20	19	15	n/a	19
Price/profit ratio 31 December		6.5	11.2	13.0	n/a	15.8

[1] Based on shares entitled to dividend as at 31 December.
[2] Dividend in relation to year-end price.
[3] Dividend (shares entitled to dividend only) in relation to result of the period.
[4] Proposal to the Shareholder's General Meeting of 5 June 2009.

Corporate governance

Phoenix Mecano attaches a great deal of importance to corporate governance, which it takes to mean corporate management that is aware of its responsibilities, transparent and geared towards creating lasting value.



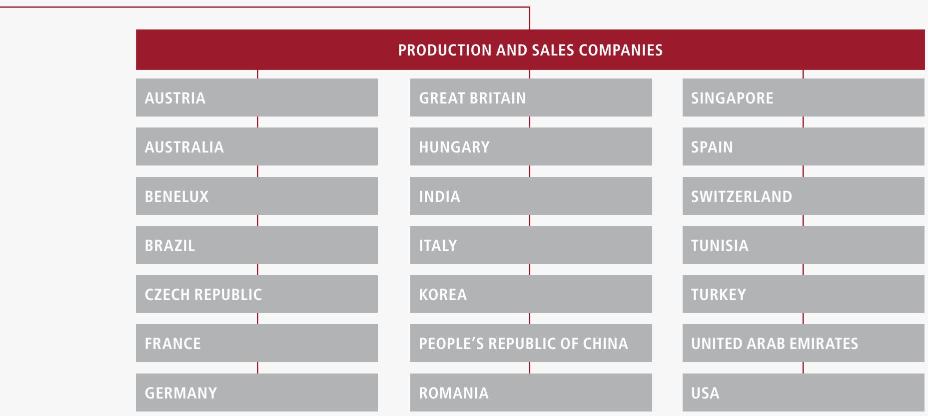
Phoenix Mecano pursues a sustainable management and corporate policy. Its open information and communication culture helps to boost confidence among all stakeholders.

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

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

Group structure and shareholders

Group structure Phoenix Mecano is a leading technology enterprise in the enclosures and industrial components sectors and has significant market shares in all international growth markets. It manufactures enclosures, electronics components, linear actuators and complete system integrations in three technical divisions. Its products are used principally but not exclusively in the machine industry, industrial electronics and the home and hospital care sector – its target markets. The Group is divided into three divisions. Within these divisions, parent companies responsible for product management operate with the help of global production sites and sales companies. In Switzerland, Phoenix Mecano has three production facilities. Phoenix Mecano Management AG has its head office in Kloten, from where it runs the Group's operations. The Group's holding and Phoenix Mecano Komponenten AG, which distributes the various products manufactured by Phoenix subsidiaries in Switzerland, have their head office in Stein am Rhein, while Phoenix Mecano Komponenten AG has an operational facility in Niederdorf, Baselland. The Group's overall structure has always been very lean. Operational responsibility lies largely with the divisional managers and the managing directors of the individual subsidiaries, who together make up the management (also referred to as the Executive Committee). The Group's operational structure is presented on pages 44 and 45. No investments are quoted.



Major shareholders

	2008	2007
In %		
Planalto AG, Luxembourg	30.9	30.9
Tweedy, Browne Company LLC, New York	7.9	8.8
UBS Fund Management (Switzerland) AG, Basel	4.9	5.6
OppenheimerFunds Inc., New York	4.6*	4.6
Sarasin Investmentfonds AG, Basel	3.9*	3.9

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

* Stake not reported in 2008.

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

Capital structure

Capital/shares and participation certificates As at 31 December 2008, Phoenix Mecano AG's share capital consisted of 1 069 500 fully paid-up bearer shares (securities no. Bearer 218781; Reuters: PHOZ; Telekurs/Telerate: PM) with a par value of CHF 1.00. All shares, apart from those owned by the company, fully entitle the bearer to vote and receive a dividend. As at the balance sheet date, the company owned 79 930 bearer shares. There are no nominal shares or participation certificates.

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

Change in capital 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 from 15 September 2006 by eliminating 30 500 shares from the 2005–06 share buyback programme. The share capital was then divided up into 1 069 500 bearer shares with a par value of CHF 1.00.

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

Convertible bonds and options There are no convertible bonds and no options.

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

As at 31 December 2008 the Board of Directors comprised the following members:

Ulrich Hocker (D)

Chairman of the Board of Directors (since 2003)
Board of Directors since 1988
Lawyer, Düsseldorf (Germany)

Born 1950. Trained as a banker. Law degree, attorney at law. From 1985, manager at the Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW), Germany's largest shareholder organisation, and the publishing house Das Wertpapier. Chief Manager of the Deutsche Schutzvereinigung für Wertpapierbesitz e. V. since 1994.

Benedikt A. Goldkamp (D)

Delegate of the Board of Directors
Member of the Board of Directors since 2000
Delegate of the Board of Directors since 1 July
CEO; Dipl. Finanzwirt, MBA Duke University, Lufingen (Switzerland)

Born 1969, gained a degree in financial consultancy, followed by a Master's in Business Administration. 1996–1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998–2000 Managed the Group's own production facility in Hungary and several Group-internal restructuring projects. Has been a member of the management and Board of Directors of Phoenix Mecano AG since 2000.

Dr Florian Ernst (CH)

Member of the Board of Directors since 2003
Dipl. Wirtschaftsprüfer
Dr oec. HSG, 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. Since 2008 he has been working for Deutsche Bank in Zurich in the field of private equity.

Dr Martin Furrer (CH)

Member of the Board of Directors since 2003
Lawyer
Dr iur., MBA INSEAD, 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 & Company in Zurich. Has been back working as a lawyer for Baker & McKenzie in Zurich since 1997, specialising in private equity, mergers & acquisitions, capital market law and restructuring. Has been a partner at Baker & McKenzie since 2002.

Beat Siegrist (CH)

Member of the Board of Directors since 2003
President of the Satisloh Group and Member of the Executive Committee at Essilor, Paris, and of the Board of Directors at Schweiter Technologies, Horgen
Dipl.-Ing. ETH, MBA Fontainebleau, 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 to 2008. Since 2008 has been Managing Director of the Satisloh Group and a Member of the Executive Committee at Essilor, the world's largest manufacturer of ophthalmic lenses, with sales of CHF 5 billion.

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 2008.

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

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

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

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

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

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

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

Membership of management or supervisory boards

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

Permanent management and advisory posts

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

Official and political posts

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

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

Membership of management or supervisory boards

- Schweiter Technologies, Horgen, Switzerland (Member of the Board of Directors)

No other members of the Board of Directors have any relevant activities or 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 organisation The Board of Directors is deliberately kept small and usually performs its duties as a body. The Audit Committee first set up in 2003 is responsible for external audits in particular. In that task it is supported by the Internal Auditing department. The Audit Committee is chaired by Dr Florian Ernst in his capacity as a non-executive member of the Board of Directors. Another member of the Audit Committee is the Chairman of the Board of Directors, Ulrich Hocker. The CEO and CFO also attend Audit Committee meetings. The Committee held two three-hour meetings in 2008.

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.

Tools for monitoring and informing the management
The Board of Directors may use several tools to ensure that it performs its duties vis-à-vis the management to the fullest extent. For instance the company has a modern management information system which includes all Phoenix Mecano Group companies and enables it to gain a quick and reliable picture of the income and assets of the Group, divisions or individual companies at any time. Reporting takes place monthly. Regular meetings with members of the management complement the information possessed by members of the Board of Directors and their own basis for decision-making.

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 Member of the Audit Committee	1988	2003	2009	No
Benedikt A. Goldkamp	Delegate	2000	2001	2009	Yes
Dr Florian Ernst	Member Chairman of the Audit Committee	2003	2003	2009	No
Dr Martin Furrer	Member	2003	2003	2009	No
Beat Siegrist	Member	2003	2003	2009	No

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

Key events in 2008 were the integration of acquired companies Datatel (D), WIENER Group (Germany and USA), RK System & Lineartechnik (D) and Mazaka (Turkey) and the divestment of Elodrive, which has facilities in Germany and the USA.

Management

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

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

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

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

As at 31 December 2008, the management comprised the following members:

Benedikt A. Goldkamp (D)
Delegate of the Board of Directors/CEO
Dipl. Finanzwirt, MBA, Lufingen (Switzerland)
(see under Board of Directors on page 37 of this report)

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

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

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

Philip J. Brown (GB)
Member of the Executive Committee since 2007
Incorporated Engineer (IEng), MBA,
Frederick (MD, USA)
Born 1961. Worked for 11 years as chief engineer in the British navy. From 1988 he occupied a variety of posts, most recently as managing director of the UK subsidiary of a global industrial controls manufacturer. He was Managing Director of Phoenix Mecano UK between 1997 and 2005 and has been President and CEO of Phoenix Mecano (USA) since 2005.

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

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

Dr Werner Karlen (CH)
COO/Chairman of the Executive Committee
Dipl. Ing. ETH, Dr oec. HSG,
Embrach (Switzerland)
Born 1967. Graduated as dipl. Ing. ETH and Dr oec. HSG. Several years of experience as plant engineer at ABB Kraftwerk AG, as project manager at McKinsey & Co (1996–2000) and as COO at Biella-Neher AG (2000–2002). Joined Phoenix Mecano in May 2002 and has been responsible for its operational management since January 2003 as Chairman of the Executive Committee.
Dr Werner Karlen is leaving the company on 1 February 2009 to take up new professional challenges elsewhere.

Remuneration, participation and loans

Content and assessment procedure The remuneration of the members of the Board of Directors except for the Delegate of the Board of Directors is set out in Article 18 of the articles of incorporation. This states that, in return for their work, the members of the Board of Directors receive a remuneration independent of retained earnings. The Delegate of the Board of Directors and the members of the Executive Committee (management) are paid in accordance with their individual employment contracts. The annual remuneration level is determined based on income and return on capital targets. In individual cases qualitative targets are agreed (this does not apply to the CEO and CFO). The variable part of their remuneration usually accounts for between 20 % and 40 % of the total, and in individual cases may exceed this.

From 2009, this model will be expanded to include a new long-term component. Under the new system, variable remuneration for divisional managers over a three-year period will only be paid if total return on assets for the relevant division is higher than 15 % (12 % in individual cases). If the minimum rate of return is not achieved over a three-year period, the divisional manager will lose entitlement to variable remuneration and will not receive any substitute for this. There are no participation programmes for members of the Board of Directors and/or the Executive Committee. Accordingly, during the year under review no shares, convertible loans, options, participation certificates, or such like were issued or awarded to members of the Board of Directors, management or employees.

More information can be found in the Phoenix Mecano AG financial report on page 104.

Remuneration of serving members of the Group's bodies	2008
TEUR	
Chairman of the Board of Directors	82
Delegate of the Board of Directors	605
Other members of the Board of Directors	81
Remuneration of the Board of Directors	**768**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**1 845**
Remuneration of the Board of Directors and the Executive Committee	**2 613**
Social security contributions	202
Pension payments	205
Total remuneration of the Board of Directors and the Executive Committee	**3 020**

Remuneration of former members of the Group's bodies The Phoenix Mecano Group's consolidated statement of income for 2008 includes no remuneration for former members of the Group's bodies who left in the preceding period or before.

Share ownership		31 Dec. 2008
Name	Position	
Ulrich Hocker	Chairman of the BD	8 604
Benedikt A. Goldkamp	Delegate of the BD	1 305
Dr Florian Ernst	Member of the BD	10
Dr Martin Furrer	Member of the BD	100
Beat Siegrist	Member of the BD	400
Share ownership Board of Directors		**10 419**
Dr Werner Karlen	Chairman of the Executive Committee	350
Ralph Gamper	Director	130
Maximilian Kleinle	Director	50
Dr Joachim Metzger	Director	91
René Schäffeler	Director	50
Share ownership Executive Committee		**671**

Share allocations during the reporting year No shares were allocated.

Options No options were organised.

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

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

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

Shareholders' participation rights

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

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

Statutory quorums Unless the law or the company's articles of incorporation stipulate that decisions be taken by a qualified majority, the Shareholders' General Meeting takes decisions by means of an absolute majority of the votes cast, irrespective of the number of shareholders present or the number of votes. In the event of an equal number of votes, the Chairman has the casting vote, except in elections where the final decision will be taken by lots if need be. The adoption and amendment of the articles of incorporation and any decisions entailing an amendment of the articles of incorporation must be approved by three quarters of the votes cast, irrespective of the number of shareholders present or the number of votes.

Convening the Shareholders' General Meeting/Inclusion of items on the agenda The Shareholders' General Meeting (GM), the company's top body, is headed by the Chairman. Invitations to the GM are issued at least 20 days in advance of the meeting by means of a single announcement in the company's publications. The invitation must contain the agenda of the meeting and the proposals by the Board of Directors and shareholders who called for the convocation of a Shareholders' General Meeting or the discussion of an agenda item. Pursuant to a decision taken by the GM of 7 June 2002, shareholders representing shares with a par value of CHF 100 000 may demand the inclusion of an item on the agenda.

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

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

Change of control and protective measures

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

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

Auditors

Terms of mandate and term in office of the auditor in charge Pursuant to a decision by the Shareholders' General Meeting of 6 June 2008, KPMG Ltd, Zurich, were appointed as auditors for the financial statements of Phoenix Mecano AG and Group auditors of the consolidated financial statements of the Phoenix Mecano Group for a period of one year. KPMG AG, Zurich, were first appointed as new auditors and Group auditors by a decision of the Shareholders' General Meeting of 26 May 2006; Mr Roger Neininger was appointed auditor in charge at the same time.

Auditors' fees/additional fees	2008
TEUR	
Total auditors' fees	764
Total additional fees	393
Total	**1 157**

Instruments for supervising and monitoring the audit Phoenix Mecano has a dedicated full-time Internal Auditing department and a Board of Directors Audit Committee. The external auditors attend an Audit Committee meeting at least once a year. They inform the Audit Committee, both orally and in writing, of the outcome of the Group audit and the audit of the financial statements of Phoenix Mecano AG.

Specific observations relating to the audit are presented to the Board of Directors in the form of a management letter.

Information policy

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

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

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

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

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

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

Group operational structure

GROUP HEAD OFFICE

Switzerland
Phoenix Mecano AG
CH-8260 Stein am Rhein

FINANCE, SERVICE AND OTHER COMPANIES

Switzerland
Phoenix Mecano Management AG
CH-8302 Kloten
Managing directors:
B. A. Goldkamp, R. Schäffeler
Dr W. Karlen (until 1 February 2009)

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

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

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

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

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

ENCLOSURES

D. B. Schaadt

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

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

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

ELCOM/EMS

M. Kleinle

Germany
Hartmann Codier GmbH
D-91083 Baiersdorf
Managing directors:
M. Kleinle, P. Scherer

MCT Moderne Contact Technologie GmbH
D-91244 Reichenschwand
Managing directors:
M. Kleinle, P. Scherer

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

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

Datatel Elektronik GmbH
D-30853 Langenhagen
Managing director:
K. H. Goos

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

Plein & Baus GmbH
D-51399 Burscheid
Managing director:
M. Plein

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

MECHANICAL COMPONENTS

B. A. Goldkamp

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

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

PRODUCTION AND SALES COMPANIES

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

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

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

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

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

Czech Republic
LEONHARDY MCT s.r.o.
CZ-37701 Jindřichův Hradec
Managing directors:
M. Kleinle, P. Scherer

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

Germany
RK Rose + Krieger GmbH
System & Lineartechnik
D-88698 Bermatingen
Managing directors:
N. Liebhart, M. Pelz

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

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

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

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

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

Korea
Phoenix Mecano Korea Co. Ltd.
Seoul 153-863
Managing director:
L. Ki

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

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

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:
C. Aranda-Hutchinson

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

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

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

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

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

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

Turkey
Mazaka AS
TR-06520 Cankaya, Ankara
Managing directors:
Y. Eren, B. Cihangiroglu

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

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

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

HIGHLIGHTS

417.3 **MILLION EURO GROSS SALES**
7 % increase

191.0 **MILLION EURO EQUITY**
65 % of total of balance sheet

42.8 **MILLION EURO OPERATING RESULT**
Double-digit growth rate

29.9 **FREE CASH FLOW**
Up by 38 %

10.3 **% OPERATING MARGIN**
Double digits once again

1 **SUCCESS STORY**

VALUE FROM IDEAS.

2008 was another record year for Phoenix Mecano: our gross sales grew for the 4th year running. The result also rose significantly once again, as did equity and free cash flow.

The positive development of all of these figures not only shows that our strategy is sustainable – it is also solid proof that we are able to create value for our company and our shareholders, even in these troubled times.

FINANCIAL REPORT

Consolidated balance sheet as at 31 December 2008
Phoenix Mecano Group

Assets		2008	2007
TEUR	Note		
Non-current assets			
Goodwill	3	1 336	277
Other intangible assets	4	10 557	4 682
Tangible assets	5	90 148	89 331
Investments in associated companies	6	668	716
Other financial assets	7	801	89
Derivative financial instruments	19	301	664
Deferred tax assets	22	2 671	2 741
Total non-current assets		**106 482**	**98 500**
Current assets			
Inventories	8	90 889	86 059
Trade receivables	9	42 856	48 474
Derivative financial instruments	19	610	1 000
Income tax receivables		3 402	1 070
Other receivables	10	5 103	4 533
Current securities	11	1 357	2 566
Cash and cash equivalents	12	39 155	42 381
Deferred charges and prepaid expenses		835	852
Assets held for sale	13	3 353	2 208
Total current assets		**187 560**	**189 143**
Total assets		**294 042**	**287 643**

Equity and liabilities		2008	2007
TEUR	Note		
Equity			
Share capital	14	665	665
Own shares	15	– 24 529	– 10 252
Retained earnings		216 281	191 515
Profits/losses from IAS 39		– 171	851
Translation differences		– 2 124	– 719
Equity attributable to shareholders of the parent company		**190 122**	**182 060**
Minority interest	16	923	455
Total equity		**191 045**	**182 515**
Liabilities			
Liabilities from financial leasing	17	182	227
Other long-term financial liabilities	18	19 892	25 386
Derivative financial instruments	19	203	0
Long-term provisions	20, 21	9 276	7 576
Deferred tax liabilities	22	5 808	4 770
Long-term liabilities		**35 361**	**37 959**
Trade liabilities	23	11 446	12 887
Short-term financial liabilities	24	22 713	21 996
Derivative financial instruments	19	183	134
Short-term provisions	20, 21	8 378	7 855
Income tax liabilities		11 839	9 886
Other liabilities	25	10 543	10 834
Deferred income		1 003	801
Liabilities directly attributable to assets held for sale	13	1 531	2 776
Short-term liabilities		**67 636**	**67 169**
Total liabilities		**102 997**	**105 128**
Total equity and liabilities		**294 042**	**287 643**

Consolidated statement of income 2008

TEUR	Note	2008	2007
Continued operations			
Gross sales	33	417 261	389 382
Revenue reductions		– 4 733	– 4 243
Net sales		**412 528**	**385 139**
Changes in inventories		1 700	– 70
Own work capitalised		1 018	1 245
Other operating income	34	2 620	4 215
Total operating performance		**417 866**	**390 529**
Cost of materials	35	– 183 671	– 167 501
Personnel expenses	36	– 119 898	– 112 231
Amortisation of intangible assets	37	– 2 752	– 1 763
Depreciation on tangible assets	38	– 13 767	– 14 559
Other operating expenses	39	– 54 989	– 55 675
Operating expenses		**– 375 077**	**– 351 729**
Result before interest and tax (operating result)		**42 789**	**38 800**
Result from associated companies		202	169
Financial income	40	4 014	3 470
Financial expenses	41	– 7 766	– 5 414
Financial result		– 3 550	– 1 775
Result before tax		**39 239**	**37 025**
Income tax	42	– 8 640	– 7 080
Result of the period from continued operations		**30 599**	**29 945**
Discontinued operations			
Result of the period from discontinued operations	43	**– 16**	**13**
Result of the period		**30 583**	**29 958**
of which			
Shareholders in the parent company		30 453	29 752
Minority shareholders		130	206
Earnings per share			
From continued and discontinued operations			
Earnings per share – undiluted (in EUR)	44	30.32	28.06
Earnings per share – diluted (in EUR)	44	30.32	28.06
From continued operations			
Earnings per share – undiluted (in EUR)	44	30.34	28.05
Earnings per share – diluted (in EUR)	44	30.34	28.05

Consolidated statement of cash flow 2008

TEUR	Note	2008	2007
Continued and discontinued operations			
Result of the period from continued operations		30 599	29 945
Result of the period from discontinued operations		– 16	13
Income tax from continued operations		8 640	7 080
Result before tax		**39 223**	**37 038**
Amortisation of intangible assets	4	2 752	1 763
Depreciation on tangible assets	5	13 767	14 559
Losses/(gains) from the disposal of intangible and tangible assets	34, 39	– 22	– 509
Impairment losses/(reversal of impairment losses) on intangible and tangible assets	4, 5	370	1 386
Losses and value adjustments on inventories	8	1 608	3 132
Result from associated companies	6	– 202	– 169
Other non-cash expenses/(income)		1 233	– 954
Increase/(decrease) in long-term provisions		954	128
Net interest expenses/(income)	40, 41	804	909
Interest paid		– 2 260	– 2 191
Income tax paid		– 10 350	– 5 290
Operating cash flow before changes in working capital		**47 877**	**49 802**
(Increase)/decrease in inventories		– 4 791	– 9 427
(Increase)/decrease in trade receivables		6 016	– 3 178
(Increase)/decrease in other receivables, deferred charges and prepaid expenses		148	843
(Decrease)/increase in trade payables		– 2 121	– 2 484
(Decrease)/increase in short-term provisions		725	524
(Decrease)/increase in other liabilities and deferred income		– 212	2 727
Cash flow from operating activities		**47 642**	**38 807**
Capital expenditure			
Intangible assets	4	– 2 164	– 1 954
Tangible assets	5	– 15 936	– 16 338
Financial assets		0	– 8
Current securities		– 33	0
Acquisition of Group companies	47	– 4 978	– 1 116
Disinvestments			
Intangible assets		15	366
Tangible assets		338	796
Financial assets		153	1 112
Current securities		1 165	5 331
Disposal of Group companies	48	– 389	0
Interest received		1 441	1 372
Dividends received		250	0
Cash used in investing activities		**– 20 138**	**– 10 439**
Dividends paid (including minority interest)		– 5 727	– 3 915
Capital increase from minority shareholders		0	18
(Purchase)/sale of own shares		– 14 262	– 9 524
Issue of financial liabilities		3 270	20 354
Repayment of financial liabilities		– 13 860	– 17 489
Cash flow from financing activities		**– 30 579**	**– 10 556**
Translation differences in cash and cash equivalents		– 151	– 108
Change in cash and cash equivalents		**– 3 226**	**17 704**
Cash and cash equivalents as at 1 January	12	42 381	24 677
Cash and cash equivalents as at 31 December	12	39 155	42 381
Change in cash and cash equivalents		**– 3 226**	**17 704**

Consolidated statement of changes in equity 2008

TEUR	Note	Share capital	Own shares
Equity as at 31 December 2006		**665**	**–652**
Fluctuations in fair value of financial assets			
Realised results of financial assets			
Fluctuations in fair value of cash flow hedges			
Realised results of cash flow hedges			
Deferred taxes not affecting income			
Translation differences			
Income and expenses recognised directly in equity		**0**	**0**
Result of the period			
Total recognised income and expenses for the period		**0**	**0**
Capital increase			
Change in own shares	15		–9 600
Dividends paid			
Equity as at 31 December 2007		**665**	**–10 252**
Fluctuations in fair value of financial assets			
Realised results of financial assets			
Fluctuations in fair value of cash flow hedges			
Realised results of cash flow hedges			
Deferred taxes not affecting income			
Translation differences			
Income and expenses recognised directly in equity		**0**	**0**
Result of the period			
Total recognised income and expenses for the period		**0**	**0**
Change in scope of consolidation			
Capital increase			
Change in own shares	15		–14 277
Dividends paid			
Equity as at 31 December 2008		**665**	**–24 529**

	Retained earnings	Profits/(losses) cash flow hedge from IAS 39	Profits/(losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders in the parent company	Minority interest	Total equity
	165 576	**1 679**	**72**	**–641**	**166 699**	**243**	**166 942**
			–15		–15		–15
			–205		–205		–205
		–2 366			–2 366		–2 366
		1 528			1 528		1 528
		158			158		158
				–78	–78	13	–65
	0	**–680**	**–220**	**–78**	**–978**	**13**	**–965**
	29 752				**29 752**	**206**	**29 958**
	29 752	**–680**	**–220**	**–78**	**28 774**	**219**	**28 993**
					0	18	18
	77				–9 523		–9 523
	–3 890				–3 890	–25	–3 915
	191 515	**999**	**–148**	**–719**	**182 060**	**455**	**182 515**
			–35		–35		–35
					0		0
		–2 454			–2 454		–2 454
		1 227			1 227		1 227
		240			240		240
				–1 405	–1 405	–104	–1 509
	0	**–987**	**–35**	**–1 405**	**–2 427**	**–104**	**–2 531**
	30 453				**30 453**	**130**	**30 583**
	30 453	**–987**	**–35**	**–1 405**	**28 026**	**26**	**28 052**
						417	417
					0	50	50
	15				–14 262		–14 262
	–5 702				–5 702	–25	–5 727
	216 281	**12**	**–183**	**–2 124**	**190 122**	**923**	**191 045**

Segment information 2008

	Enclosures		ELCOM/EMS	
By division	**2008**	**2007**	**2008**	**2007**
TEUR				
Gross sales to third parties	**162 561**	**155 619**	**103 270**	**82 357**
Gross sales between divisions	498	502	4 204	4 988
Impairment losses on intangible and tangible assets included in the result before interest and tax	–63	–4	–195	–301
Amortisation of intangible assets and depreciation on tangible assets	–5 809	–5 861	–5 096	–4 523
Result before interest and tax continued operations	**33 614**	**31 986**	**5 712**	**9 073**
Financial result				
Result before tax				
Income tax				
Result of the period continued operations				
Investments in intangible and tangible assets continued operations	**7 582**	**7 794**	**3 593**	**3 856**
Operating assets continued operations	81 507	78 455	61 877	55 555
Assets held for sale[1]				
Cash and cash equivalents				
Other assets				
Total assets				
Operating liabilities continued operations	13 713	14 752	10 873	7 778
Liabilities directly attributable to discontinued operations[1]				
Financial and other liabilities				
Total liabilities				
Net operating assets continued operations	**67 794**	**63 703**	**51 004**	**47 777**

	Europe		Rest of world		Total	
By region	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
TEUR						
Gross sales continued operations	353 334	326 756	63 927	62 626	417 261	389 382
Operating assets continued operations	202 348	194 822	38 366	38 068	240 714	232 890
Investments in intangible and tangible assets continued operations	15 703	15 304	2 397	2 988	18 100	18 292

[1] See notes 13 and 43

Mechanical Components		Other/Elimination		Total continued operations	
2008	2007	2008	2007	2008	2007
150 420	**150 406**	**1 010**	**1 000**	**417 261**	**389 382**
32	22	–4 734	–5 512	0	0
–205	–1 192			–463	–1 497
–5 424	–5 688	–190	–250	–16 519	–16 322
6 302	**958**	**–2 839**	**–3 217**	**42 789**	**38 800**
				–3 550	–1 775
				39 239	**37 025**
				–8 640	–7 080
				30 599	**29 945**
6 814	**6 570**	**111**	**72**	**18 100**	**18 292**
95 271	98 039	2 059	841	240 714	232 890
				3 353	2 208
				39 155	42 381
				10 820	10 164
				294 042	**287 643**
13 070	13 780	2 886	3 500	40 542	39 810
				1 531	2 776
				60 924	62 542
				102 997	**105 128**
82 201	**84 259**	**–827**	**–2 659**	**200 172**	**193 080**

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 the leader in many of its markets. The Group's main activities are presented under Segment Information. Phoenix Mecano AG has its head office in Stein am Rhein, Switzerland, and has been listed on the Swiss exchange (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 2008, which in turn are based on the standard accounting, valuation and organisation criteria that are applied uniformly throughout the Group.

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

Application of new accounting standards

The following new IFRS/IAS standards and IFRIC interpretations were applied for the first time on 1 January 2008:

- IFRIC 11 (IFRS 2: Group and Treasury Share Transactions)
- IFRIC 12 (Service Concession Arrangements)
- IFRIC 14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)
- Amendments to IAS 39 and IFRS 7 (Reclassification of Financial Assets)
- Amendments to IFRIC 9 and IAS 39 (Embedded Derivatives)

The application of other new or revised IFRS/IAS standards and IFRIC interpretations had no major impact on the 2008 consolidated financial statements.

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

Standard/Interpretation			Entry into force	Planned implementation by Phoenix Mecano
IFRIC 13	Customer Loyalty Programmes	1	1 July 2008	Financial year 2009
IAS 1 rev.	Presentation of Financial Statements	2	1 January 2009	Financial year 2009
IAS 23 rev.	Borrowing Costs	1	1 January 2009	Financial year 2009
IFRS 8	Operating Segments	2	1 January 2009	Financial year 2009
Amendment to IFRS 2	Shared-based Payment – Vesting Conditions and Cancellations	1	1 January 2009	Financial year 2009
Amendments to IAS 32	Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	3	1 January 2009	Financial year 2009
Amendments to IFRS 1	First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements after IFRS	1	1 January 2009	Financial year 2009
IFRS 3 rev.	Business Combinations	1	1 July 2009	Financial year 2010
IAS 27 rev.	Consolidated and Separate Financial Statements after IFRS	1	1 July 2009	Financial year 2010
General amendments to IFRS standards		3	1 January 2009 1 July 2009	Financial years 2009/2010
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	3	1 July 2009	Financial year 2010
IFRIC 15	Agreements for the Construction of Real Estate	3	1 January 2009	Financial year 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1	1. October 2008	Financial year 2009
IFRIC 17	Distributions of Non-cash Assets to Owners	1	1 July 2009	Financial year 2010
IFRS 1 rev.	First-time Adoption of International Financial Reporting Standards – Improved Structure	1	1 January 2009	–

[1] No or negligible impact expected on Phoenix Mecano's consolidated financial statements.
[2] Main impact expected to be additional disclosures in Phoenix Mecano's consolidated financial statements.
[3] Impact on Phoenix Mecano's consolidated financial statements cannot yet be determined with sufficient certainty.

Scope of consolidation

The consolidated financial statements cover all companies over which Phoenix Mecano AG exercises direct or indirect control. 'Control' means exercising a decisive influence on financial and operational activity with a view to deriving corresponding benefit. This is the case where Phoenix Mecano AG directly or indirectly holds over 50 % of the voting rights in a company or where its management of the company is contractually guaranteed or exercised in practice.

The integrated Group companies are combined using the full consolidation method. 100 % of all assets and liabilities, as well as income and expenditure, are included in the consolidated financial statements, with the exception of items that are eliminated during consolidation. Minority interests in equity are posted separately as a sub-item under equity. The minority share in the income is shown separately in the consolidated statement of income as a part of the result of the period. Newly acquired participating interests are included in the consolidated financial statements from the date on which control was acquired, while companies disposed of during the reporting year are excluded from the date on which control was relinquished.

Associated companies

Investments in associated companies, in which Phoenix Mecano has a voting share of between 20 % and 50 % or exerts a significant influence in some other way, as with joint ventures (50 % interests, which Phoenix Mecano controls jointly with partners), are included in the consolidated financial statements in accordance with the equity method. This means that these interests are shown in the balance sheet as a proportion of equity and the proportional annual results are shown in the statement of income.

Capital consolidation

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

Currency conversion

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

The items contained in a Group company's 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 fixed assets arising from trading between companies within the Group are eliminated so as not to affect income. Unrealised losses on transactions within the Group are also eliminated, unless the transaction indicates an impairment of the transferred asset.

Segment information

The segment information is presented primarily by division and secondarily by region (Europe and Rest of World).

The Phoenix Mecano Group is divided into three divisions:

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

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

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

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

Goodwill

Goodwill (see above under Capital consolidation) is tested for impairment annually and, if there are any indications of a reduction in value, it is also tested during the period. Devaluation losses occurring as a result are reported in income under Other operational expenses. Appreciation is not included.

Other intangible assets

Capitalised development costs Development costs for new products, which satisfy the criteria for capitalisation specified by IAS 38 (in particular there must be the prospect of a net income), are capitalised at acquisition or manufacturing cost (without factoring in financing costs) and written off over the respective useful life, which must not exceed five years. Otherwise, research and development costs are debited directly to the statement of income.

Concessions, licences, similar rights and assets Other intangible assets are valued at acquisition cost less cumulative depreciation and, where appropriate, additional devaluation losses resulting from impairment. The depreciation is performed on a straight-line basis over the estimated useful life of the asset, which must not exceed eight years, in accordance with standard Group practice.

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

Tangible assets

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

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

The useful lives of assets are estimated as follows:

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

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

Leased assets

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

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

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

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

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

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

The other investments under 20% shown under other financial assets are posted at fair value. Resulting changes in value are posted under equity without affecting operating income and only transferred to the statement of income in the event of sale (treated as financial assets held for sale in accordance with IAS 39). If the fair value cannot be reliably determined, the evaluation is done at acquisition costs. Any reductions in value (impairment) are taken into account through corresponding devaluations (affecting net income) of the amount still likely to be realised. Such reductions in value are not cancelled.

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

Inventories
Inventories are reported at acquisition or production cost, which must not exceed the realisable net value (lowest value principle). The value of the costs is determined in the same way throughout the Group by means of the weighted average method. The production costs include all material costs, production wages and pro rata manufacturing overheads, but no financing costs. Appropriate value adjustments are made for risks of inventory obsolescence wherever necessary, based on corresponding analyses of scope or coverage.

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

Current securities

Securities are valued at fair value, both on initial recognition and subsequently. This corresponds to the market price in effect on the balance sheet date. Fluctuations in the market value of securities are recorded in equity and only included in the statement of income when the security in question is sold (treated as financial assets held for sale in accordance with IAS 39). Any reductions in value (impairment) are taken into account through corresponding devaluations which affect net income. Impairment on equity instruments is not cancelled. Accumulated interest on bonds is deferred.

Cash and cash equivalents

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

Assets held for sale

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

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

Financial liabilities

Upon initial recognition, financial liabilities are recorded at fair value less transaction costs. In subsequent periods they are valued at amortised costs. Any discrepancy between the disbursement amount (less transaction costs) and the repayable amount is amortised throughout the term using the effective interest method and reported in income.

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

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

Provisions

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

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

Employee benefits

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

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

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

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

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

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

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

Employee participation plans There are no employee participation plans.

Trade payables and other liabilities

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

Equity

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

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

Derivative financial instruments

All derivative financial instruments are valued at fair value in accordance with IAS 39 and are stated separately in the Group balance sheet. For instruments traded in an active market, the fair value corresponds to the market value on the balance sheet date; for other instruments, it corresponds to the value determined on the basis of mathematical models (however, such instruments are not currently used). Book gains and losses from derivative financial instruments are dealt with as described below.

Hedging transactions which meet the requirements of IAS 39 regarding hedge accounting are governed by the relevant provisions set out in that standard. In the case of a fair value hedge, i.e. the hedging of an existing underlying transaction, the changes in market value from both the underlying transaction and the hedging transaction are recognised in the financial result as income/expense and the underlying hedged transaction is valued at fair value. In the case of a cash flow hedge, i.e. the hedging of future cash flows, the change in market value from the hedging transaction is shown in equity without affecting net income. As soon as the hedged transaction has taken place, the cumulative gains and losses are carried over into the statement of income. As part of its risk policy, the Group also hedges interest and currency risks that are not treated as hedge accounting as defined by IAS 39. Changes in the market value of derivative financial instruments used in this way are recognised directly in the financial result as income/expense.

Realisation of income

Sales are realised upon service delivery and transfer of ownership or risk to the customer. Interest income is limited to the correct accounting period. Dividend income from securities is recorded at the time of payment.

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

Government subsidies

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

Income tax

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

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

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

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

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

Statement of cash flow

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

Assumptions and estimations

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

The most important assumptions and estimations are set out below:

Intangible and tangible assets These are tested for impairment annually. The anticipated cash flow generated by the use or disposal of the assets in question is estimated in order to ascertain whether impairment applies. Especially where company property is concerned, impairment is linked to unfavourable locations, product-specific manufacturing plants and tools and capitalised development services associated with a wide range of uncertainties. For the book values of intangible and tangible assets, see notes 4 and 5.

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

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

Provisions Guarantee provisions are calculated based on estimates of potential future guarantees and on past experience. There is a higher guarantee risk for products of Dewert Antriebs- und Systemtechnik GmbH (D), which is active in the healthcare and hospital field. Individual Group companies are exposed to litigation. On the basis of current available knowledge, an assessment of the potential consequences of these court cases was conducted and provisions were constituted where necessary. For the book values of provisions, see note 20.

Pension obligations Pension obligations from defined benefit plans are determined based on statistical and actuarial calculations made by external assessors, which in turn are based on a wide range of assumptions (about salary trend, pension trend, life expectancy and so on). For the book values of the pension obligations posted on the balance sheet, see note 21.

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

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

Notes to the consolidated financial statements 2008

1 Currency exchange rates

	Balance sheet		Statements of income and cash flow	
	2008	2007	2008	2007
EUR for				
1 CHF	0.671	0.604	0.631	0.609
1 GBP	1.045	1.361	1.259	1.462
1 USD	0.717	0.686	0.683	0.731
100 HUF	0.377	0.396	0.398	0.398
1 RON	0.248	0.280	0.273	0.301
1 TND	0.555	0.563	0.561	0.578
1 SGD	0.500	0.477	0.482	0.485
1 CNY	0.105	0.094	0.099	0.096
1 BRL	0.310	0.386	0.378	0.376
1 INR	0.015	0.017	0.016	0.018
1 AUD	0.505	0.601	0.577	0.612

2 Scope of consolidation

In 2008 and 2007, the scope of consolidation changed as follows:

Changes			
Date	Company	Change	Division
2008			
01.01.2008	Datatel Elektronik GmbH	Acquisition	ELCOM/EMS
01.01.2008	RK Rose + Krieger GmbH System & Lineartechnik	Acquisition	Mechanical Components
01.01.2008	MCT Beteiligungs-GmbH	Merger with IFINA Beteiligungsgesellschaft mbH	Other
31.05.2008	Plein & Baus GmbH	Acquisition	ELCOM/EMS
01.07.2008	Elodrive AG	Merger with Phoenix Mecano Beteiligungen AG	Other
31.07.2008	WIENER Plein & Baus Corp.	Acquisition	ELCOM/EMS
31.07.2008	Mazaka A.S.	Acquisition	Mechanical Components
30.09.2008	Phoenix Mecano Components Shanghai Co. Ltd.	Merger with Mecano Components (Shanghai) Co. Ltd.	Mechanical Components
01.10.2008	Elodrive USA Inc.	Sale	Mechanical Components
01.10.2008	Elodrive GmbH	Sale	Mechanical Components
30.11.2008	Phoenix Mecano Digital Tunisie S.a.r.l.	Foundation	ELCOM/EMS
2007			
01.01.2007	MCT Moderne Contact Technologie GmbH	Acquisition	ELCOM/EMS
01.01.2007	MCT Beteiligungs-GmbH	Acquisition	Other
01.01.2007	Leonhardy-MCT s.r.l.	Acquisition	ELCOM/EMS
20.03.2007	Rose Systemtechnik Middle East FZE	Foundation	Enclosures
01.08.2007	Phoenix Mecano Elektronic GmbH	Merger with IFINA Beteiligungsgesellschaft mbH	Other
31.10.2007	Phoenix Mecano Hartu S.a.r.l.	Foundation	ELCOM/EMS
21.12.2007	Compact S.R.L.	Liquidation (not affecting statement of income)	Other

The following companies were fully consolidated as at 31 December 2008:

Fully consolidated companies

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake %
Phoenix Mecano AG	Stein am Rhein, Switzerland	Finance	CHF	1 070	n/a
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100
Phoenix Mecano Beteiligungen AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production/Sales	CHF	2 000	100
Rose Systemtechnik GmbH	Porta Westfalica, Germany	Production/Sales	EUR	1 053	100
Bopla Gehäuse Systeme GmbH	Bünde, Germany	Production/Sales	EUR	750	100
Kundisch GmbH + Co. KG	Villingen-Schwenningen, Germany	Production/Sales	EUR	300	100
Rose Gehäusetechnik GmbH	Eberswalde Finow, Germany	Production	EUR	300	100
Hartmann Codier GmbH	Baiersdorf, Germany	Production/Sales	EUR	300	100
MCT Moderne Contact Technologie GmbH	Reichenschwand, Germany	Production/Sales	EUR	800	100
PTR Messtechnik GmbH + Co. KG	Werne, Germany	Production/Sales	EUR	300	100
Götz Udo Hartmann GmbH + Co. KG	Grävenwiesbach, Germany	Production/Sales	EUR	300	100
Datatel Elektronik GmbH	Langenhagen, Germany	Production/Sales	EUR	26	100
RK Rose + Krieger GmbH	Minden, Germany	Production/Sales	EUR	496	100
RK Rose + Krieger GmbH System & Lineartechnik	Bermatingen, Germany	Production/Sales	EUR	51	100
Dewert Antriebs- und Systemtechnik GmbH	Kirchlengern, Germany	Production/Sales	EUR	1 000	100
Hartmann Elektronik 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
IFINA Beteiligungsgesellschaft mbH	Porta Westfalica, Germany	Finance	EUR	4 000	100
AKOM Agentur für Marketing GmbH	Porta Westfalica, Germany	Finance	EUR	26	100
Götz Udo Hartmann GmbH	Grävenwiesbach, Germany	Finance	EUR	26	100
Hartmann Codier Verwaltungs-GmbH	Baiersdorf, Germany	Finance	EUR	25	100
Kundisch Verwaltungs-GmbH	Villingen-Schwenningen, Germany	Finance	EUR	26	100
PTR Messtechnik Verwaltungs-GmbH	Werne, Germany	Finance	EUR	26	100
Phoenix Mecano S.a.r.l.	Fontenay sur Bois, France	Sales	EUR	620	100
Phoenix Mecano Ltd.	Aylesbury, UK	Sales	GBP	300	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands	Finance	USD	1 969	100
Phoenix Mecano S.r.l.	Inzago, 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 Espana S.A.	Zaragoza, Spain	Sales	EUR	60	90
PM Komponenten B.V.	Doetinchem, Netherlands	Sales	EUR	20	100
PM International B.V.	Doetinchem, Netherlands	Finance	EUR	4 500	100
PM Komponenten N.V.	Deinze, Belgium	Sales	EUR	100	100
Phoenix Mecano Kecskemét KFT	Kecskemét, Hungary	Production/Sales	EUR	2 560	100
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania	Production	EUR	750	100
Leonhardy-MCT s.r.l.	Jindřichův Hradec, Czech Republic	Production	CZK	1 000	100

Fully consolidated companies (continued)

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake %
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
WIENER Plein & Baus Corp.	Springfield, USA	Sales	USD	100	100
Phoenix Mecano Comercial e Tecnica Ltda.	Sao Paolo, Brazil	Sales	BRL	5 192	100
IPES Industria de Produtos e Equipamentos de Solda Ltda.	Manaus, Brazil	Production/Sales	BRL	3 922	100
Phoenix Mecano S. E. Asia Pte. Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano Korea Co., Ltd	Seoul, South Korea	Sales	KRW	370 000	75
Phoenix Mecano (India) Ltd.	Pune, India	Production/Sales	INR	242 820	99
Mecano Components (Shanghai) Co. Ltd.	Shanghai, China	Production/Sales	CNY	17 544	100
Shenzhen ELCOM Trading Co. Ltd.	Shenzhen, China	Purchasing/Sales	CNY	2 000	100
Mazaka A.S.	Ankara, Turkey	Sales	TRY	430	70
Rose Systemtechnik Middle East FZE	Sharjah, UAE	Sales	AED	150	100
Phoenix Mecano Australia Pty Ltd	Tullamarine Victoria, Australia	Sales	AUD	150	70
Hartu S.a.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano Hartu S.a.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano Tunisie S.a.r.l.	Borj-Cedria, Tunisia	Production	TND	100	100
Phoenix Mecano ELCOM S.a.r.l.	Djebel El Ouest, Tunisia	Production	TND	500	100
Phoenix Mecano Digital Tunisie S.a.r.l.	Borj-Cedria, Tunisia	Production	TND	100	100

3 Goodwill

	2008	2007
TEUR		
Acquisition costs 1 January	**277**	**277**
Changes in scope of consolidation	1 059	0
Acquisition costs 31 December	**1 336**	**277**
Accumulated amortisation 1 January	**0**	**0**
Accumulated amortisation 31 December	**0**	**0**
Net values as at 31 December	**1 336**	**277**

The goodwill of EUR 1.3 million (previous year EUR 0.3 million) relates to the Enclosures (EUR 0.277 million) and ELCOM/EMS (EUR 1.059 million) divisions. After allocation of acquisition purchase prices in accordance with IFRS 3, goodwill totalled EUR 1.1 million. The recoverability of this goodwill was tested using a five-year plan for the relevant cash flow-generating entity. A discount rate (WAAC) of 10 % was applied to determine the cash value (utility value). Zero growth was assumed after the projection period. The recoverability was also tested using sensitivity analyses.

4 Other intangible assets

TEUR	Note	Development costs	Concessions, licences, similar rights and assets	Advance payments and development costs in progress	Total
Acquisition costs 31 December 2006		**16 013**	**16 097**	**1 363**	**33 473**
Changes in scope of consolidation			342		342
Translation differences		– 1	– 52	– 54	– 107
Acquisitions		441	743	770	1 954
Disposals			– 581		– 581
Reclassification		145	660	– 805	0
Acquisition costs 31 December 2007		**16 598**	**17 209**	**1 274**	**35 081**
Accumulated amortisation 31 December 2006		**14 391**	**14 358**	**0**	**28 749**
Changes in scope of consolidation			197		197
Translation differences		1	– 48		– 47
Scheduled amortisation	37	747	1 016		1 763
Impairment losses	39	164	56		220
Appreciations					0
Disposals		– 1	– 482		– 483
Reclassification					0
Accumulated amortisation 31 December 2007		**15 302**	**15 097**	**0**	**30 399**
Net values 31 December 2007		**1 296**	**2 112**	**1 274**	**4 682**
Acquisition costs 31 December 2007		**16 598**	**17 209**	**1 274**	**35 081**
Changes in scope of consolidation		– 2 449	6 662		4 213
Translation differences			– 52		– 52
Acquisitions		334	1 082	748	2 164
Disposals		– 796	– 369		– 1 165
Reclassification		909	212	– 1 121	0
Acquisition costs 31 December 2008		**14 596**	**24 744**	**901**	**40 241**
Accumulated amortisation 31 December 2007		**15 302**	**15 097**	**0**	**30 399**
Changes in scope of consolidation		– 2 449	16		– 2 433
Translation differences			31		31
Scheduled amortisation	37	664	2 088		2 752
Impairment losses	39	87	3		90
Appreciations					0
Disposals		– 796	– 359		– 1 155
Reclassification					0
Accumulated amortisation 31 December 2008		**12 808**	**16 876**	**0**	**29 684**
Net values 31 December 2008		**1 788**	**7 868**	**901**	**10 557**

Concessions, licences, similar rights and assets includes primarily the customer base gained from acquisitions (see note 47), as well as software licences and distribution rights and patents and other intangible rights and assets paid for.

Other intangible assets worth EUR 0.1 million (previous year EUR 0.0 million) were subject to reservation of title as at the balance sheet date.

Depreciation per capital asset of intangible assets, mainly for development projects, was performed within the framework of the annual impairment tests on cash flow-generating entities at the balance sheet date, since these projects did not develop as originally planned. The five-year plans for the relevant cash flow-generating entity were used as a basis. A pre-tax discount rate (WAAC) of 10 % was applied to determine the cash value (utility value). A zero growth rate was assumed after the projection period. The breakdown by division of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on intangible assets of EUR 0.1 million (previous year EUR 0.2 million) are included under Other operating expenses (see note 39).

5 Tangible assets

TEUR	Note	Land and buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition costs 31 December 2006		**81 676**	**159 666**	**2 428**	**243 770**
Changes in scope of consolidation		2 666	2 625	344	5 635
Translation differences		– 613	– 634	– 9	– 1 256
Acquisitions		1 946	12 242	2 150	16 338
Disposals		– 1 306	– 8 131	– 25	– 9 462
Reclassification		635	2 102	– 2 737	0
Acquisition costs 31 December 2007		**85 004**	**167 870**	**2 151**	**255 025**
Accumulated depreciation 31 December 2006		**31 695**	**124 999**	**21**	**156 715**
Changes in scope of consolidation		991	1 961		2 952
Translation differences		– 260	– 512		– 772
Scheduled depreciation	38	2 390	12 169		14 559
Impairment losses	39		1 277		1 277
Appreciations		– 108	– 3		– 111
Disposals		– 1 120	– 7 806		– 8 926
Reclassification					0
Accumulated depreciation 31 December 2007		**33 588**	**132 085**	**21**	**165 694**
Net values 31 December 2007		**51 416**	**35 785**	**2 130**	**89 331**
Acquisition costs 31 December 2007		**85 004**	**167 870**	**2 151**	**255 025**
Changes in scope of consolidation		18	– 2 674		– 2 656
Translation differences		605	490	2	1 097
Acquisitions		1 430	10 555	3 951	15 936
Disposals		– 268	– 12 885	– 45	– 13 198
Reclassification		758	1 475	– 2 233	0
Reclassification as held for sale	13	– 2 520			– 2 520
Acquisition costs 31 December 2008		**85 027**	**164 831**	**3 826**	**253 684**
Accumulated depreciation 31 December 2007		**33 588**	**132 085**	**21**	**165 694**
Changes in scope of consolidation		15	– 2 905		– 2 890
Translation differences		375	457		832
Scheduled depreciation	38	2 410	11 357		13 767
Impairment losses	39	184	189		373
Appreciations	34	– 93			– 93
Disposals		– 234	– 12 632	– 21	– 12 887
Reclassification					0
Reclassification as assets held for sale	13	– 1 260			– 1 260
Accumulated depreciation 31 December 2008		**34 985**	**128 551**	**0**	**163 536**
Net values 31 December 2008		**50 042**	**36 280**	**3 826**	**90 148**

Land and buildings are divided into developed and undeveloped land with a book value of EUR 8.8 million (previous year EUR 8.4 million) and factory and administration buildings with a balance sheet value of EUR 41.2 million (previous year EUR 43.0 million).

The balance sheet value of capitalised leased financial assets (machinery) was EUR 0.3 million, compared with EUR 0.2 million the previous year.

The fire insurance value of the tangible assets amounted to EUR 214.2 million on the balance sheet date compared to EUR 208.7 million the previous year (not including fire insurance value of assets held for sale).

Land and buildings with a book value of EUR 13.2 million (previous year 13.7 million) were mortgaged to cover debts, not including property posted on the balance sheet under Assets held for sale (see note 13). The amount of the corresponding credit taken up totalled EUR 3.3 million (previous year EUR 4.5 million). Non-current assets to a balance sheet value of EUR 0.1 million (previous year EUR 0.3 million) were subject to reservation of title on the balance sheet date.

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

The breakdown by division of impairment losses and reversal of impairment losses is clear from the segment information provided. Impairment losses on tangible assets, amounting to EUR 0.4 million (previous year EUR 1.3 million), are posted under Other operating expenses (see note 39). Appreciation on tangible assets, which came to EUR 0.1 million (previous year EUR 0.1 million), is included under Other operating income (see note 34).

6 Investments in associated companies

TEUR	Investment in %	2008	2007
Update of investments in associated companies			
AVS-Phoenix Mecano GmbH, Vienna (A)	50		
As at 1 January		**716**	**547**
Result		202	169
Dividends paid		−250	0
As at 31 December		**668**	**716**
Financial figures AVS-Phoenix Mecano GmbH			
Non-current assets		3	6
Current assets		1 608	1 783
Liabilities		275	358
Income		5 009	5 209
Expenses		4 604	4 872

Phoenix Mecano products are sold in Austria through the joint venture AVS-Phoenix Mecano GmbH (A). Purchases of goods by Group companies totalled EUR 3.4 million (previous year EUR 3.6 million).

7 Other financial assets

TEUR	Note	2008	2007
Loans		1 297	1 309
Counter-guarantee requirement for pension obligations		629	0
Current portion of long-term financial assets	10	– 64	– 299
Value adjustments		– 1 061	– 921
Balance sheet value		**801**	**89**
By currency			
EUR		801	89
Balance sheet value		**801**	**89**
By maturity			
in 2 years		519	63
in 3 years		0	13
none		282	13
Balance sheet value		**801**	**89**

	2008	2007
Interest rate in %		
EUR	**5.0**	5.0

The loans are fixed rate.

The counter-guarantee requirement for the pension obligation is secured by liens in favour of the employees concerned.

TEUR	Note	2008	2007
Update of value adjustment on other financial assets			
As at 1 January		**921**	**916**
Change	41	140	5
As at 31 December		**1 061**	**921**

8 Inventories

TEUR	2008	2007
Raw and ancillary materials	59 256	58 782
Work in progress	5 368	5 254
Finished goods and merchandise for resale	32 853	30 140
Advance payments	846	460
Value adjustments	– 7 434	– 8 577
Balance sheet value	**90 889**	**86 059**

Value adjustments were determined based on marketability and range of the stocks. Value adjustments and losses on inventories totalling EUR 1.6 million (previous year EUR 3.1 million) are included in the statement of income under Other operating expenses (see note 39). The decrease in value adjustments is due to the disposal of Group companies.

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2008 and 2007.

9 Trade receivables

TEUR	2008	2007
Trade receivables	45 842	50 641
Receivables due from associated companies	52	68
Value adjustments	– 3 038	– 2 235
Balance sheet value	**42 856**	**48 474**

TEUR	2008	2007
By currency		
CHF	3 354	1 444
EUR	30 379	37 339
USD	3 091	3 317
HUF	178	703
Other currencies	5 854	5 671
Balance sheet value	**42 856**	**48 474**

	2008	2007
TEUR		
Regional breakdown		
Europe	32 720	40 221
Rest of world	10 136	8 253
Balance sheet value	**42 856**	**48 474**

	2008	2007
TEUR		
Update of value adjustment		
Individual value adjustments		
As at 1 January	**1 296**	**1 618**
Change	238	–322
As at 31 December	**1 534**	**1 296**
Flat value adjustments		
As at 1 January	**939**	**563**
Change	565	376
As at 31 December	**1 504**	**939**
Total	**3 038**	**2 235**

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

	2008		2007	
TEUR	Gross	Value adjustment	Gross	Value adjustment
Gross values	45 894		50 709	
Gross value of receivables subject to individual value adjustments	–2 032		–1 587	
Total	**43 862**		**49 122**	
of which:				
Not due	31 932	0	37 103	0
Overdue 1-30 days	8 122	0	7 738	0
Overdue 31-60 days	1 487	0	1 861	0
Overdue 61-90 days	556	142	819	0
Overdue 91-180 days	633	271	850	203
Overdue for more than 180 days	1 132	1 091	751	736
Total	**43 862**	**1 504**	**49 122**	**939**

The decrease in trade receivables is primarily due to the shorter payment term of 50 days (previous year 53 days) and the fact that sales in the fourth quarter of 2008 were lower than the same period the previous year.

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

Receivables not due or 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

		2008	2007
TEUR	Note		
Tax receivables from VAT and other taxes		2 644	1 894
Current portion of long-term financial assets	7	64	299
Financial receivables		883	958
Other		1 512	1 382
Balance sheet value		**5 103**	**4 533**

Financial receivables include deposits receivable from agreements providing for part-time work for older employees in Germany, which are listed in EUR and yield an interest rate of 2.5 %. These deposits are secured by liens in favour of the employees concerned.

11 Current securities

	2008	2007
TEUR		
Financial assets held for sale		
Bonds and bond funds	1 357	2 566
Balance sheet value	**1 357**	**2 566**
By currency		
EUR	1 324	2 566
Other currencies	33	0
Balance sheet value	**1 357**	**2 566**
By maturity		
in 1 year	941	1 191
in 2 years	0	893
after 5 years	213	211
none	203	271
Balance sheet value	**1 357**	**2 566**

	2008	2007
%		
Effective interest rate bonds		
EUR	4.1	3.7
Other currencies	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

	2008	2007
TEUR		
Means of payment		
Cash at bank and in postal accounts	6 922	6 987
Cash on hand and cheques	94	88
Total	**7 016**	**7 075**
Other cash and cash equivalents		
Fixed-term deposits (up to 3 months)	32 139	35 306
Balance sheet value	**39 155**	**42 381**
By currency		
CHF	1 054	753
EUR	34 488	37 943
USD	813	1 257
HUF	96	66
Other currencies	2 704	2 362
Balance sheet value	**39 155**	**42 381**

	2008	2007
Interest rate in %		
CHF	0.2	0.1
EUR	2.3	3.7
USD	1.5	3.2
HUF	0.5	0.5

13 Assets held for sale

		2008	2007
TEUR	Note		
Tangible assets		3 262	2 012
Trade receivables		5	95
Other assets		86	101
Assets held for sale		**3 353**	**2 208**
Financial liabilities	29	0	1 626
Provisions		475	413
Trade payables		55	170
Other liabilities		1 001	567
Liabilities directly attributable to assets held for sale		**1 531**	**2 776**
Net value		**1 822**	**–568**

The assets held for sale and their associated liabilities mainly relate to OMP S.r.l. (I), which is currently in liquidation. The substantial fixed asset still unsold on 31 December 2008 is a production and administration building in Italy, due to be sold in 2009. This land was valued based on an estimate by an external assessor, taking into account specific factors. The provisions relate to tax risks and other liquidation costs and are based on estimates. The advance payment of EUR 1.0 million is shown under Other liabilities.

The EUR 1.3 million change in tangible assets for 2008 relates to a building belonging to MCT Moderne Contact Technologie GmbH (D), which is being put up for sale following closure and relocation of the associated business operation. The building was mortgaged to cover loans totalling EUR 0.6 million.

14 Share capital

The share capital is fully paid up and divided into 1069 500 bearer shares with a nominal value of CHF 1.00. The conversion into Euro is effected at the historical exchange rate of 0.622. There is no authorised or contingent capital.

The principal shareholders of Phoenix Mecano AG are:

		2008	2007
%			
Name	Head office		
Planalto AG	Luxembourg City, Luxembourg	30.9	30.9
Tweedy, Browne Company LLC	New York, USA	7.9	8.8
UBS Fund Management (Switzerland) AG	Basel, Switzerland	4.9	5.6
OppenheimerFunds Inc.	New York, USA	4.6*	4.6
Sarasin Investmentfonds AG	Basel, Switzerland	3.9*	3.9

*Stake not reported in 2008.

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

15 Own shares

	Number of shares		Acquisition costs	
	2008	2007	2008	2007
			TEUR	TEUR
As at 1 January	**31 432**	**1 955**	**10 252**	**652**
Share purchases	1 175	9 335	369	3 003
Share sales	–757	–1 408	–245	–392
Share buybacks (2nd trading line) – 2007/2008	36 950	21 550	11 611	6 989
Share buybacks (2nd trading line) – 2008/2009	11 130	0	2 542	0
As at 31 December	**79 930**	**31 432**	**24 529**	**10 252**

On 29 September 2008, the Board of Directors announced a share buyback programme worth up to CHF 15 million and lasting until 6 October 2009 at the latest. Under the 2008–09 share buyback programme, a total of 11 130 shares were bought back in the period ending 31 December 2008.

The share buyback programme for 2007–08 ended in August 2008.

Detailed information on the purchases and sales effected in 2008 can be found on page 101 of the notes to the financial statements of Phoenix Mecano AG (note 4).

16 Minority interests

The principal minority interests are:

	2008	2007
%		
Phoenix Mecano Australia Pty. Ltd.	30	30
Mazaka A.S.	30	*
Phoenix Mecano S.E. Asia Pte. Ltd. (Singapore)	25	25
Phoenix Mecano Korea Co. Ltd.	25	25
Sistemas Phoenix Mecano Espana S.A.	10	10

* Company taken over in 2008.

17 Liabilities from financial leasing

		2008	2007
TEUR	Note		
Minimum leasing commitments			
Minimum leasing commitments due within 1 year		100	120
Minimum leasing commitments due within 1-5 years		218	287
Total		**318**	**407**
Less future interest charge		–51	–71
Present value of lease obligations		**267**	**336**
Less current portion	24	–85	–109
Balance sheet value (long-term portion)		**182**	**227**
By currency			
EUR		170	198
SGD		12	26
AUD		0	3
Balance sheet value (long-term portion)		**182**	**227**
By maturity			
in 2 years		78	104
in 3 years		63	98
in 4 years		28	25
in 5 years		13	0
Balance sheet value		**182**	**227**

The average interest rate for liabilities from financial leasing was 9.3 % (previous year 10.4 %).

18 Other long-term financial liabilities

		2008	2007
TEUR	Note		
Liabilities to financial institutions		26 769	32 697
Purchase price balance liabilities		2 317	0
Current portion of long-term financial liabilities	24	–9 194	–7 311
Balance sheet value		**19 892**	**25 386**
By currency			
CHF		4 362	5 436
EUR		15 527	19 936
Other currencies		3	14
Balance sheet value		**19 892**	**25 386**
By maturity			
in 2 years		6 551	8 014
in 3 years		8 391	6 452
in 4 years		2 745	7 436
in 5 years		1 434	1 397
after 5 years		771	2 087
Balance sheet value		**19 892**	**25 386**
		2008	**2007**
Interest rates in %			
CHF		3.4	3.4
EUR		4.7	4.7

For some of the companies acquired in 2008, agreements were made to pay the balance of the purchase price at a later date (see note 47).

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

In principle, all of the other long-term financial liabilities are fixed rate. Two receiver swaps were used to secure variable interest rates on 2/3 of the volume (see note 19).

There are no covenants.

19 Derivative financial instruments

	Contract value		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2008	2007	2008	2007	2008	2007
TEUR						
Forward exchange contracts by currency						
CHF	0	1 970	0	0	0	16
USD	0	1 292	0	102	0	0
HUF	20 740	12 648	374	1 357	203	0
RON	2 100	2 300	0	0	146	118
Total	**22 840**	**18 210**	**374**	**1 459**	**349**	**134**
Forward exchange contracts by maturity						
in 1 year			374	959	146	134
in 2 years			0	500	203	0
Total			**374**	**1 459**	**349**	**134**
of which classified as:						
Cash flow hedge			374	1 357	349	118
Trading			0	102	0	16
Total			**374**	**1 459**	**349**	**134**
Interest rate change contracts by currency						
EUR	19 000	25 000	537	205	37	0
Total	**19 000**	**25 000**	**537**	**205**	**37**	**0**
Interest rate change contracts by maturity						
in 1 year			236	41	37	0
in 2 years			246	94	0	0
in 3 years			47	50	0	0
in 4 years			8	17	0	0
in 5 years			0	3	0	0
Total			**537**	**205**	**37**	**0**
of which classified as:						
Fair value hedge			537	204	0	0
Trading			0	1	37	0
Total			**537**	**205**	**37**	**0**
Net balance sheet value by maturity						
Total long-term			301	664	203	0
Total short-term			610	1 000	183	134
Net balance sheet value			**911**	**1 664**	**386**	**134**

The forward exchange purchases of HUF and RON for EUR are treated as a cash flow hedge and are used for partial hedging of the planned operating expenses in Hungary and Romania respectively. The timing and amounts of future cash flows from forward exchange contracts can be seen in the maturity table in note 28. The corresponding hedges were effective in the reporting period.

Two receiver swaps totalling EUR 17 million (previous year EUR 23 million) were used to secure variable interest rates on two underlying fixed-rate loans. These interest rate change contracts in EUR are treated as a fair value hedge. All other derivative financial instruments in the consolidated financial statements to 31 December 2008 and 31 December 2007 are held for trading purposes.

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

20 Provisions

	Provisions for long-term employee benefits		Guarantee provisions	Other provisions	2008 Total	2007 Total
TEUR	Pension obliga-tions	Other				
Provisions as at 1 January	**3 612**	**3 875**	**2 666**	**5 278**	**15 431**	**13 450**
Changes in scope of consolidation	637	10	– 74	33	606	873
Translation differences		7	13	– 58	– 38	– 64
Usage	– 146	– 498	– 1 209	– 3 947	– 5 800	– 4 833
Releases	– 20	– 209	– 468	– 1 232	– 1 929	– 1 214
Reclassification		– 1		1	0	0
Allocations	531	442	1 515	6 896	9 384	7 219
Provisions as at 31 December	**4 614**	**3 626**	**2 443**	**6 971**	**17 654**	**15 431**
Due within 1 year	213	596	1 830	5 739	8 378	7 855
Due over 1 year	4 401	3 030	613	1 232	9 276	7 576

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

Other provisions include provisions for short-term payments to employees (e.g. indemnities and salary bonuses) totalling EUR 4.6 million (previous year EUR 2.9 million), and provisions for lawsuit risks and other conceivable risks or contingent obligations. The increase in 2008 is primarily due to staff severance pay resulting from the closure and relocation of business operations. A provision was also made for a long-term rental contract related to the sale of Elodrive GmbH.

21 Pension obligations

TEUR	Note	2008	2007
Financial position of defined benefit pension plans as at 31 December 2008 and 2007			
Present value of defined benefit obligations **As at 1 January**		**10 539**	**12 112**
Service costs		909	925
Interest expense		434	442
Capital		252	219
Pension payments		– 773	– 1 954
Actuarial (gains)/losses		255	– 1 233
Transfers		637	258
Translation differences		883	– 230
As at 31 December		**13 136**	**10 539**

		2008	2007	2006	2005
TEUR	Note				
Market value of plan assets					
As at 1 January		**7 274**	**7 917**		
Expected return		228	233		
Employer contributions		441	414		
Employee contributions		397	359		
Capital		252	219		
Pension payments		–590	–1 808		
Actuarial gains/(losses)		67	154		
Translation differences		857	–214		
As at 31 December		**8 926**	**7 274**		
Net balance sheet value pension obligations					
Present value of defined benefit obligations financed using a pension fund		–9 293	–7 321		
Fair value of plan assets		8 926	7 274		
		–367	**–47**		
Present value of defined benefit obligations not financed using a pension fund		–3 843	–3 218		
Non-reported actuarial (gains)/losses		–404	–347		
Net balance sheet value of defined benefit plans (provision)	20	**–4 614**	**–3 612**		
Pension expense					
Service costs		909	925		
Interest expense		434	442		
Expected return		–228	–233		
Employee contributions		–397	–359		
Amortisation of actuarial gains/losses		262	0		
Pension expense for defined benefit plans		**980**	**775**		
Pension expense for defined contribution plans		**333**	**341**		
Pension expense		**1 313**	**1 116**		
Actuarial assumptions					
Weighted discount rate		4.0%	4.0%		
Expected return on plan assets		3.0%	3.0%		
Weighted expected rate of salary increase		1.8%	1.8%		
Weighted expected rate of pension increase		0.8%	0.8%		
Funding of defined benefit pension obligations					
Plan assets		8 926	7 274	7 917	7 743
Pension plan obligations		13 136	10 539	12 112	12 298
Funding difference		–4 210	–3 265	–4 195	–4 555
of which reported in the balance sheet as provisions		–4 614	–3 612	–3 202	–3 073
Experience adjustment of plan assets and benefit obligations					
Actuarial and experience adjustment of plan assets		70	154	0	0
Actuarial and experience adjustment of benefit obligations		–53	978	–70	–354

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

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

The expected outflow of funds for employer contributions from defined benefit plans in 2009 is EUR 0.4 million.

Other long-term employee benefits

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

22 Deferred tax

	2008	2007
TEUR		
Deferred tax assets on:		
Non-current assets	790	1 210
Inventories	1 925	2 041
Receivables	254	187
Provisions	679	706
Other	239	191
Deferred tax assets on temporary differences	**3 887**	**4 335**
Deferred tax on losses carried forward	12 170	16 613
Total deferred tax assets	**16 057**	**20 948**
Netting with deferred tax liabilities	– 1 541	– 1 956
Value adjustments on deferred taxes on losses carried forward	– 11 845	– 16 251
Balance sheet value	**2 671**	**2 741**
Deferred tax liabilities on:		
Non-current assets	– 5 518	– 4 693
Inventories	– 1 475	– 1 599
Receivables	– 114	– 146
Provisions	– 131	– 139
Other	– 111	– 149
Total deferred tax liabilities	**– 7 349**	**– 6 726**
Netting with deferred tax assets	1 541	1 956
Balance sheet value	**– 5 808**	**– 4 770**
Net position deferred tax	**– 3 137**	**– 2 029**
Trend of deferred tax **As at 1 January**	**– 2 029**	**– 6 050**
Changes of tax rate recognised in the statement of income	194	1 406
Translation differences	– 84	– 199
Change in scope of consolidation	– 1 979	– 150
Reduction/(increase) in value adjustments not affecting income	240	158
Change in temporary differences recognised in the statement of income	521	2 806
As at 31 December	**– 3 137**	**– 2 029**
Non-capitalised tax losses carried forward Up to 1 year	5 986	6 860
1–2 years	9 447	5 986
2–3 years	1 325	9 447
3–4 years	4 568	1 325
4–5 years	1 078	4 593
Over 5 years	27 366	43 564
Total	**49 770**	**71 775**

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 50 million (previous year EUR 72 million), a value adjustment of the resulting tax savings of EUR 11.8 million (previous year EUR 16.3 million) was made on the balance sheet date. This particularly applies to all tax losses carried forward linked to discontinued activities. The decrease in non-capitalised tax losses carried forward is mainly due to use, the maturity of discontinued operations and the sale of one of the Group's companies. Of the tax losses carried forward maturing at over 5 years, EUR 12.0 million (previous year EUR 13.3 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period.

The deferred tax liabilities include deferred tax totalling EUR 0.0 million (previous year EUR 0.3 million) on fluctuations in fair value on cash flow hedges posted without affecting income.

Valuation differences on investments in fully consolidated companies on which no deferred tax has been calculated totalled EUR 37.3 million (previous year EUR 37.0 million).

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

23 Trade payables

	2008	2007
TEUR		
Trade payables	11 411	12 883
Liabilities to associated companies	35	4
Balance sheet value	**11 446**	**12 887**
By currency CHF	323	715
EUR	8 162	9 794
USD	1 485	996
HUF	277	204
Other currencies	1 199	1 178
Balance sheet value	**11 446**	**12 887**

24 Short-term financial liabilities

		2008	2007
TEUR	Note		
Liabilities to financial institutions		13 422	14 564
Other		12	12
Current portion of liabilities from financial leasing	17	85	109
Current portion of liabilities from other financial obligations	18	9 194	7 311
Balance sheet value		**22 713**	**21 996**
By currency CHF		9 067	6 166
EUR		10 410	13 197
USD		2 523	2 481
Other currencies		713	152
Balance sheet value		**22 713**	**21 996**
By maturity in < 3 months		11 615	11 799
in 3–6 months		5 260	5 195
in 6–12 months		5 838	5 002
Balance sheet value		**22 713**	**21 996**
Interest rates in % CHF		1,4	3,4
EUR		4,9	5,1
USD		1,6	5,6
Other currencies		7,0	7,8

25 Other liabilities

	2008	2007
TEUR		
Social security liabilities	1 096	1 079
Liabilities to employees	3 987	3 717
Liabilities arising from VAT and other taxes	3 678	4 438
Other	1 782	1 600
Balance sheet value	**10 543**	**10 834**

26 Categories of financial instruments

As at 31 December 2008 and 31 December 2007, the book values of financial assets and liabilities (including long-term fixed-interest financial liabilities) correspond approximately to the IFRS fair value (difference of EUR 0.2 million and EUR 0.1 million).

		2008	2007
TEUR	Note		
Other financial assets	7	801	89
Trade receivables	9	42 856	48 474
Other receivables (excluding VAT and other taxes)	10	2 459	2 639
Cash and cash equivalents (excluding cash on hand)	12	39 061	42 293
Loans and receivables		**85 177**	**93 495**
Current securities	11	1 357	2 566
Financial assets held for sale		**1 357**	**2 566**
Derivative financial instruments (not used for hedging)	19	0	102
Financial assets at fair value through profit or loss		**0**	**102**
Liabilities from financial leasing	17	– 182	– 227
Financial liabilities	18, 24	– 42 605	– 47 382
Trade payables	23	– 11 446	– 12 887
Other liabilities (excluding social security, employees, VAT and other taxes)	25	– 1 782	– 1 600
Liabilities at amortised cost		**– 56 015**	**– 62 096**
Derivative financial instruments (not used for hedging)	19	– 37	0
Financial liabilities at fair value through profit or loss		**– 37**	**0**

27 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 Board of Directors and the Board of Directors of Phoenix Mecano AG.

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

28 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. Because currency management is centralised, exchange rate differences are shown in the financial result.

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

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

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

Credit risk Credit risk is the risk of incurring financial loss when a counterparty to a financial instrument fails to meet its contractual obligations. Credit risks are most likely to be associated with long-term loans, trade receivables and investments in debt securities (e.g. bonds) and cash or cash equivalents. The Group minimises the credit risk associated with cash and cash equivalents by only doing business with reputable financial institutions and by dealing with a range of such institutions rather than just one.

Investments in debt securities must be investment grade (this usually means a rating of at least BBB). They are suitably diversified in order to minimise risk.

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

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

		2008	2007
TEUR	Note		
Other financial assets	7	801	89
Derivative financial instruments	19	911	1 664
Trade receivables	9	42 856	48 474
Other receivables (excluding tax receivables from VAT and other taxes)	10	2 459	2 639
Current securities (excluding shares/equity funds)	11	1 357	2 566
Cash and cash equivalents (excluding cash on hand)	12	39 061	42 293
Total		**87 445**	**97 725**

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 2008, unused credit lines with major banks totalled EUR 41.7 million (previous year EUR 36.5 million).

Maturity analysis of financial liabilities as at 31 December 2008

TEUR	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
Non-derivative financial instruments							
Trade payables	11 446	– 11 446	– 11 273	– 106	– 67		
Other liabilities[1]	1 782	– 1 782	– 1 782				
Financial liabilities (excluding financial leasing)	42 520	– 45 276	– 11 690	– 5 791	– 5 509	– 21 173	– 1 113
Liabilities from financial leasing (long- and short-term)	267	– 297	– 28	– 24	– 45	– 200	
Total	**56 015**	**– 58 801**	**– 24 773**	**– 5 921**	**– 5 621**	**– 21 373**	**– 1 113**
Derivative financial instruments							
Interest rate swap classified as:							
Fair value hedge	– 537	537		110	126	301	
Trading	37	– 37	– 37				
Forward exchange transaction classified as:							
Cash flow hedge: outflow of funds		– 22 840	– 3 210	– 3 210	– 7 420	– 9 000	
Cash flow hedge: inflow of funds	– 25	22 865	3 336	3 301	7 431	8 797	
Total	**55 490**	**– 58 276**	**– 24 684**	**– 5 720**	**– 5 484**	**– 21 275**	**– 1 113**

Maturity analysis of financial liabilities as at 31 December 2007

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

[1] Excluding social security liabilities, liabilities to employees and VAT or other tax liabilities.

Contingent liabilities (see note 30) may also represent an outflow of funds.

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

Currency risk Although it generates 67 % of its turnover in the Euro area (2007: 67 %) and a significant portion of its expenditure is in EUR, the Phoenix Mecano Group operates internationally and is therefore exposed to a foreign currency risk. Aside from EUR, transactions are conducted principally in HUF, CHF and USD. Foreign currency risks arise from expected future transactions and from assets and liabilities recorded in the balance sheet, where these are not in the functional currency of the respective Group company. To hedge such risks from expected future transactions, the Phoenix Mecano Group concludes forward exchange contracts with reputable counterparties as and when necessary, or uses foreign currency options. This hedging relates mainly to planned expenditure in local currency (in companies whose functional currency is not the same as the local currency) at major production locations – primarily Hungary – and occasionally in USD and CHF, with hedges declining as a proportion of the planned currency exposure the further ahead the transaction is due to take place. The extent of the items to be hedged is reviewed regularly. Such hedges cover a maximum period of three years. The Group realises both income and expenditure in USD and aims to minimise the resulting currency exposure primarily by means of operational measures (alignment of income and expenditure flows).

Financing from financial institutions is mainly in EUR, CHF and USD and is recorded by Group companies in the relevant functional currency. An exception to this is a USD financing arrangement relating to Phoenix Mecano AG.

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

Currency risk as at 31 December 2008

Non-derivative financial instruments				
TEUR	EUR	CHF	USD	HUF
Trade receivables	1 573	0	378	178
Cash and cash equivalents	266	8	131	96
Trade payables	– 450	– 44	– 1 267	– 277
Financial liabilities	0	0	– 2 151	0
Total	**1 389**	**– 36**	**– 2 909**	**– 3**
Forward exchange transactions	0		0	
Net risk	**1 389**	**– 36**	**– 2 909**	**– 3**

Currency risk as at 31 December 2007

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

Based on the above-mentioned currency risks, the following sensitivity analysis for the main currency pairs shows how the result of the period would be affected if the exchange rates were to alter by 10 %. All other variables, in particular interest rates, are assumed to remain unchanged. Significantly greater effects on the statement of income may arise from price movements relating to ongoing foreign currency transactions during the financial year.

Sensitivity analysis

TEUR	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF
2008: Change in result of the period (approx.)	39	214	73	0
2007: Change in result of the period (approx.)	127	218	151	57

On 31 December 2008, equity would have been EUR 1.6 million (2007: EUR 1.3 million) lower if the exchange rate had been 10 % higher and EUR 2.0 million (2007: EUR 1.6 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 liabilities to financial institutions. The Group uses interest rate options and swaps to hedge and/or structure external debts. In addition, it partially hedges interest rate risks on financial assets.

Sensitivity analysis 2008 and 2007 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 2008 and 2007 would have been EUR 0.1 million higher or lower, 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 2008 or 31 December 2007, would have been less than EUR 0.1 million, assuming all other variables had remained constant.

29 Capital management

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

To this end, the Group aims to maintain a long-term equity ratio of at least 40 %. The dividend policy of the Phoenix Mecano Group specifies a payout ratio of 15–25 % of sustainable net profit. Capital increases should be avoided as far as possible in order to prevent profit dilution. Where appropriate, the Group uses share buybacks as a means of adjusting its capital structure and reducing capital costs.

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

Net indebtedness as at 31 December 2008 and 31 December 2007 was as follows:

		2008	2007
TEUR	Note		
Liabilities from financial leasing	17	182	227
Other long-term financial liabilities	18	19 892	25 386
Short-term financial liabilities	24	22 713	21 996
Financial liabilities directly attributable to assets held for sale	13	0	1 626
Interest-bearing liabilities		**42 787**	**49 235**
less current securities	11	1 357	2 566
less cash and cash equivalents	12	39 155	42 381
Net indebtedness		**2 275**	**4 288**
Equity		191 045	182 515
Gearing ratio in %		**1.2**	**2.3**

30 Contingent liabilities

	2008	2007
TEUR		
Sureties and guarantees	747	342
Commitments from bills of exchange	30	20
Total	**777**	**362**

31 Commitments to purchase tangible assets

The purchase commitment for tangible assets as at 31 December 2008 was EUR 4.8 million (previous year EUR 2.1 million).

32 Operating leases, rent and leasehold rent

	2008	2007
TEUR		
Minimum commitments due within 1 year	2 037	1 981
Minimum commitments due within 1–5 years	3 700	3 514
Minimum commitments due after 5 years	4 775	4 562
Minimum operating leasing, rent and leasehold rent commitments	**10 512**	**10 057**
Minimum claims due within 1 year	157	150
Minimum claims due within 1–5 years	439	572
Minimum claims due after 5 years	55	215
Minimum claims from rent/leasehold rent	**651**	**937**

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

33 Gross sales

	2008	2007
TEUR		
Gross sales from continued operations	417 261	389 382
Total	**417 261**	**389 382**

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

Gross sales from continued operations were up 7.2 % on the previous year (previous year 12.4 %). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by –0.7 % and 7.0 % respectively (previous year –1.0 % and 3.0 % respectively).

34 Other operating income

	2008	2007
TEUR		
Reimbursement from insurance	532	428
Gains on the disposal of intangible and tangible assets	268	752
Impairment losses on tangible assets	93	111
Government subsidies	157	214
Other	1 570	2 710
Total	**2 620**	**4 215**

The negative goodwill generated from the purchase of the MCT Group is included under Other (see note 47) in 2007.

35 Cost of materials

	2008	2007
TEUR		
Cost of raw and ancillary materials, merchandise for resale and external services	178 686	162 272
Incidental acquisition costs	4 985	5 229
Total	**183 671**	**167 501**

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

36 Personnel expenses

	2008	2007
TEUR		
Wages and salaries	96 960	90 525
Social costs	19 680	18 574
Supplementary staff costs	3 258	3 132
Total	**119 898**	**112 231**

37 Amortisation of intangible assets

	2008	2007
TEUR		
Concessions, licences, similar rights and assets	2 088	1 016
Development services	664	747
Total	**2 752**	**1 763**

38 Depreciation on tangible assets

	2008	2007
TEUR		
Land and buildings	2 410	2 390
Machinery and equipment	11 357	12 169
Total	**13 767**	**14 559**

39 Other operating expenses

TEUR	Note	2008	2007
External development costs		559	633
Establishment expenses		16 939	16 493
Rent, leasehold rent, leases		2 671	2 328
Administration expenses		6 148	6 107
Advertising expenses		3 661	3 970
Sales expenses		14 844	14 862
Losses from the disposal of intangible and tangible assets		236	243
Impairment losses on intangible and tangible assets	4, 5	463	1 497
Losses and value adjustments on inventories	8	1 608	3 132
Capital and other taxes		709	664
Other		7 151	5 746
Total		**54 989**	**55 675**

The total development costs from continued operations, including internal costs, amounted to EUR 5.0 million (previous year EUR 5.4 million).

The increase under Other is mainly attributable to increased value adjustments on receivables.

40 Financial income

TEUR	Note	2008	2007
Interest income from third parties		1 368	1 150
Fair value hedge gain (from derivative financial instruments)	19	332	204
Gain from financial assets at fair value through profit or loss (trading derivative)	19	16	239
Gain from financial assets held for sale transferred from equity (securities)		0	225
Exchange rate gains		2 232	1 589
Other financial income		66	63
Total		**4 014**	**3 470**

41 Financial expenses

TEUR	Note	2008	2007
Interest expense		2 172	2 059
Fair value hedge loss (on underlying transaction)	19	332	204
Loss from financial assets at fair value through profit or loss (trading derivative)	19	38	62
Loss from financial assets held for sale transferred from equity (securities)		102	0
Exchange rate losses		3 850	3 048
Value adjustment on financial assets	7	140	5
Other financial expense		1 132	36
Total		**7 766**	**5 414**

The increase under Other financial expense is primarily due to loss arising from the disposal of Group companies (see note 48).

42 Income tax

		2008	2007
TEUR			
Current income tax		9 355	11 292
Deferred tax		–715	–4 212
Income tax continued operations		**8 640**	**7 080**
Transfer from theoretical to effective income tax			
Result before tax continued operations		39 395	37 025
Result before tax discontinued operations		–16	13
Result before tax		**39 379**	**37 038**
Theoretical income tax		**9 088**	**8 686**
Weighted income tax rate	in %	**23.1**	**23.5**
Changes of tax rate deferred tax		–194	–1 406
Tax-free income		–187	–276
Non-deductible expenses		853	484
Tax losses for the actual year not capitalised		539	765
Use of non-capitalised tax losses carried forward from previous years		–1 040	–858
Income tax relating to other periods		–526	–69
Other		107	–246
Effective income tax		**8 640**	**7 080**
Effective income tax rate	in %	**21.9**	**19.1**

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

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

The tax income from changes of tax rate on deferred tax in 2007 related mainly to the reduction in deferred tax liabilities in Germany as a consequence of the 2008 corporate tax reform.

43 Result of the period from discontinued operations

	2008	2007
TEUR		
Financial result OMP product area	11	–7
Result relating to discontinuation of operations	–27	20
Result of the period discontinued operations	**–16**	**13**

The result of the period from discontinued operations relates to OMP S.r.l. (I), which is in liquidation.

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

Cash flow from operations concerning discontinued activities was positive, totalling EUR 0.5 million (previous year EUR 0.5 million). A balance of EUR 0.1 million (previous year EUR 0.1 million) accrued from investments and disinvestments (cash used in investing activities). Cash flow from financing activities totalled EUR –2.2 million (previous year EUR –1.2 million).

44 Earnings per share

	2008	2007
TEUR		
Result **Result of the period attributable to shareholders of the parent company** (basis for earnings per share continued and discontinued operations)	**30 453**	**29 752**
Result of the period from discontinued operations	– 16	13
Result of the period from continued operations attributable to shareholders of the parent company (basis for earnings per share continued operations)	**30 469**	**29 739**
Number of shares Shares issued on 1 January	1 069 500	1 069 500
Own shares (annual average)	–65 226	–9 195
Shares outstanding	1 004 274	1 060 305
Basis for diluted earnings per share	**1 004 274**	**1 060 305**
Basis for undiluted earnings per share	**1 004 274**	**1 060 305**

45 Operating cash flow

		2008	2007
TEUR	Note		
Operating result		42 789	38 800
Amortisation of intangible assets	37	2 752	1 763
Depreciation on tangible assets	38	13 767	14 559
Operating cash flow from continued operations		**59 308**	**55 122**

46 Free cash flow

	2008	2007
TEUR		
Cash flow from operating activities	47 642	38 807
Purchases of intangible assets	–2 164	– 1 954
Purchases of tangible assets	– 15 936	– 16 338
Disinvestments in intangible assets	15	366
Disinvestments in tangible assets	338	796
Free cash flow (before financial investments)	**29 895**	**21 677**

The free cash flow before financial investments also takes account of the discontinued operations (see note 43).

47 Acquisition of Group companies

	2008		2007	
TEUR	Book value	Fair value	Book value	Fair value
Other intangible assets	30	6 708	45	145
Tangible assets	948	1 022	2 522	2 683
Other current assets	5 647	5 708	3 768	3 883
Cash and cash equivalents	1 632	1 632	117	117
Liabilities	–4 922	–6 856	–4 011	–4 291
Minority interest	–140	–417	0	0
Identifiable net assets	**3 195**	**7 797**	**2 441**	**2 537**
Goodwill/(negative goodwill) from acquisition		1 059		–1 304
Purchase price including transaction costs		**–8 856**		**–1 233**
Purchase price balance payment		2 246		0
Cash and cash equivalents acquired		1 632		117
Change in funds		**–4 978**		**–1 116**

On 1 January 2008, the Phoenix Mecano Group acquired full ownership of transformer manufacturer Datatel Elektronik GmbH, based in Langenhagen (D). Part of the purchase price depends on future results and will only be paid in 2010. The company produces high-quality toroidal transformers, specially designed and built for use in solar inverters and has been integrated into the ELCOM/EMS division.

On 1 January 2008, the Phoenix Mecano Group acquired a 70 % stake in the systems house SL System & Lineartechnik GmbH, based in Bermatingen (D), as a distribution partner in south Germany for the Mechanical Components division. A call option for the remaining 30 % was agreed and will be exercised between 2010 and 2013.

On 31 May 2008, the Group acquired full ownership of Plein & Baus GmbH, based in Burscheid (D), which is a leading technology company in enclosures and industrial components. Part of the purchase price depends on future results and will only be paid in 2011.

On 31 July 2008, the Phoenix Mecano Group purchased a 70 % stake in Mazaka A.S., based in Ankara (Turkey), as a Turkish distribution partner for the Mechanical Components division.

On 31 July 2008, the Group acquired full ownership of WIENER Plein & Baus Corp., based in Springfield (USA), which was the sales company of Plein & Baus GmbH (taken over by the Group on 31 May 2008). Part of the purchase price depends on future results and will only be paid in 2011.

These companies had gross sales of EUR 28.1 million in 2008 and their contribution to the Phoenix Mecano Group's result of the period was EUR 1.6 million. Had all companies been consolidated since 1 January 2008, the Group's sales and result for the period would have been higher by EUR 2.8 million and EUR 0.2 million respectively.

The Phoenix Mecano Group acquired full ownership of the MCT Group, which is active in the plug connector and connection technology sector, on 1 January 2007. The group of companies acquired contributed EUR 10.5 million to sales and EUR 2.2 million (including negative goodwill) to profit in 2007.

48 Disposal of Group companies

	2008	2007
TEUR		
Other intangible assets	30	0
Tangible assets	482	0
Other non-current assets	1 499	0
Cash and cash equivalents	389	0
Liabilities	–1 525	0
	875	**0**
Translation differences on shares	73	0
Loss from disposal of Group companies	–948	0
Sales price	**0**	**0**
Disposal of cash and cash equivalents	–389	0
Change in funds	**–389**	**0**

On 1 October 2008, the Group sold all of its shares in Elodrive GmbH (D) and Elodrive USA Inc., which manufacture high-quality drives for ventilation damper and valve control. Sales totalled EUR 3.5 million in 2008.

49 Transactions with related parties

	2008	2007
TEUR		
Chairman of the Board of Directors	82	80
Delegate of the Board of Directors	605	605
Other members of the Board of Directors	81	78
Remuneration of the Board of Directors	**768**	**763**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**1 845**	**1 614**
Remuneration of the Board of Directors and the Executive Committee	**2 613**	**2 377**
Social security contributions	202	184
Pension obligations	205	172
Total remuneration of the Board of Directors and Executive Committee	**3 020**	**2 733**

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

Detailed information on transactions with related parties is provided in the notes to the financial statements of Phoenix Mecano AG on page 104 (note 20).

No significant transactions with other related parties outside the scope of consolidation took place in 2008 or 2007.

50 Events after the balance sheet date

Under an asset deal effective from 1 January 2009, the Phoenix Mecano Group acquired the business operations of Eiden & Schmidt GmbH Messtechnik, a measurement technology company based in Marpingen, Germany. The company is a long-standing distribution and system partner of RK Rose + Krieger GmbH (Minden, Germany), a Group subsidiary in the Mechanical Components division. The business area, which is being carried on under the name RK Schmidt Systemtechnik GmbH, employed 16 staff and generated gross sales of around EUR 2 million in 2008.

On 5 February 2009, the Phoenix Mecano Group acquired the comfort/office furniture drive solutions business of insolvent Germany-based company OKIN GmbH as part of an asset deal. This business will continue to operate under the name OKIN Motion Technologies GmbH. The Group also purchased all shares in OKIN GmbH's production and sales companies in Hungary and the USA and acquired a 67 % stake in its activities in Sweden. The businesses acquired generated consolidated sales of approximately EUR 70 million in 2008.

The provisional cost of the two acquisitions, including transaction costs of EUR 0.4 million, is EUR 20.3 million. The acquired assets and assumed liabilities are provisionally as follows:

TEUR	Book value	Fair value
Non-current assets	5 898	5 898
Current assets	20 569	20 569
Liabilities	– 4 994	– 4 994
Net assets acquired	**21 473**	**21 473**

Of this, the following amounts relate to OKIN companies: provisional acquisition costs EUR 18.9 million, non-current assets EUR 4.7 million, current assets EUR 20.3 million and liabilities EUR 5.0 million.

This results in a provisional negative goodwill of EUR 1.1 million.

No other events occurred between 31 December 2008 and 24 March 2009 that would alter the book values of assets and liabilities or should be disclosed under this heading.

51 Approval of the consolidated financial statements

At its meeting on 24 March 2009, the Board of Directors of Phoenix Mecano AG released the 2008 consolidated financial statements for publication. These will be submitted to the Shareholders' General Meeting on 5 June 2009 with a recommendation for their approval.

52 Dividend

The Board of Directors recommends to the Shareholders' General Meeting of 5 June 2009 that a dividend of CHF 10.00 (CHF is the statutory currency of Phoenix Mecano AG) per share be paid out (see Proposal for the appropriation of retained earnings on page 106). The total outflow of funds is expected to be CHF 10.7 million. The dividend paid out in 2008 was CHF 9.00 (previous year CHF 6.00) per share. The outflow of funds in 2008 was CHF 9.0 million (previous year CHF 6.4 million).

The Board of Directors also requests that the Shareholders' General Meeting authorise a capital decrease to the value of the total amount generated by the buybacks in the 2007–08 and 2008–09 share buyback programmes at the time of the invitation to the Shareholders' General Meeting (which must take place at least 20 days prior to the Meeting).

Report of the Statutory Auditor on the Consolidated Financial Statements

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

As statutory auditor, we have audited the consolidated financial statements of Phoenix Mecano AG, presented on pages 48 to 94, which comprise the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes for the year ended 31 December 2008.

Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and 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 2008 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 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.

KPMG AG

Roger Neininger	Thomas Keusch
Licensed Audit Expert	Licensed Audit Expert
Auditor in Charge	

Zurich, 24 March 2009

Five-year overview

	2008	2007	2006	2005	2004
EUR million					
Consolidated balance sheet					
Total assets/capital	294.0	287.6	263.7	285.0	311.1
Non-current assets	106.5[1]	98.5[1]	97.0[1]	93.2[1]	116.5
in % of total assets	36.2	34.2	36.8	32.7	37.4
Tangible assets	90.1[1]	89.3[1]	87.1[1]	83.3[1]	103.5
Current assets	187.6[1]	189.1[1]	166.7[1]	191.8[1]	194.6
in % of total assets	63.8	65.8	63.2	67.3	62.6
Inventories	90.9[1]	86.1[1]	78.1[1]	61.3[1]	80.4
Cash and cash equivalents	39.2	42.4	24.7	35.1	30.7
Equity	191.0	182.5	166.9	140.9	160.0
in % of total assets	65.0	63.5	63.3	49.4	51.4
Liabilities	103.0	105.1	96.8	144.1	151.1
in % of total assets	35.0	36.5	36.7	50.6	48.6
Net indebtedness	2.3	4.3	13.0	22.0	41.8
in % of equity	1.2	2.3	7.8	15.6	26.1
Consolidated statement of income					
Gross sales	417.3	389.4	351.5	343.9	348.7
Gross sales from continued operations	417.3	389.4	346.5	315.0	310.2
Total operating performance	417.9[2]	390.5[2]	347.2[2]	312.7[2]	308.1[2]
Personnel expenses	119.9[2]	112.2[2]	104.1[2]	96.6[2]	96.0[2]
Amortisation of intangible assets	2.8[2]	1.8[2]	2.2[2]	3.0[2]	4.3[2]
Depreciation on tangible assets	13,8[2]	14.6[2]	13.7[2]	14.2[2]	14.4[2]
Operating result before restructuring expenses	42.8[2]	38.8[2]	35.8[2]	27.5[2]	27.9[2]
Restructuring expenses	0.0[2]	0.0[2]	0.0[2]	– 3.8[2]	0.0[2]
Result before interest and tax	42.8[2]	38.8[2]	35.8[2]	23.8[2]	27.9[2]
Financial result	-3.6[2]	-1.8[2]	– 4.6[2]	– 2.5[2]	– 2.2[2]
Result before tax	39.2[2]	37.0[2]	31.2[2]	21.2[2]	25.7[2]
Income tax	-8.6[2]	-7.1[2]	– 4.3[2]	– 4.8[2]	– 3.3[2]
Result of the period from continued operations	30.6	29.9	26.9	16.4	22.5[2]
Result of the period from discontinued operations	0.0[3]	0.0[3]	0.9[3]	– 25.3[3]	– 7.6[3]
Result of the period	30.6	30.0	27.8	– 8.8	14.9
in % of gross sales	7.3	7.7	7.9	– 2.6	4.3
in % of equity	16.0	16.4	16.7	– 6.3	9,.3
Consolidated statement of cash flow					
Cash flow from operating activities	47.6	38.8	25.5	38.1	35.1
Cash used in investing activities	-20.1	-10.4	4.5	– 12.9	– 28.5
Purchases of tangible assets	15.9	16.3	19.4	13.3	15.3
Cash flow from financing activities	-30.6	-10.6	– 40.0	– 21.1	– 4.8
Free cash flow	29.9	21.7	12.2	25.1	19.1

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

Balance sheet as at 31 December 2008 Phoenix Mecano AG

Assets		2008	2007
CHF	Note		
Non-current assets **Financial assets**			
Investments	1	152 516 668	149 855 500
Loans to Group companies	2	11 739 498	19 070 421
Total non-current assets		**164 256 166**	**168 925 921**
Current assets **Receivables**			
Financial receivables from Group companies	3	4 868 660	4 453 905
Other receivables		536	162 521
		4 869 196	**4 616 426**
Own shares	4	25 337 810	16 683 193
Cash and cash equivalents		581 303	56 349
Total current assets		**30 788 309**	**21 355 968**
Total assets		**195 044 475**	**190 281 889**

Equity and liabilities		2008	2007
CHF	Note		
Equity			
Share capital	5	1 069 500	1 069 500
Statutory reserves		2 500 000	2 500 000
Reserve for own shares	6	39 308 244	16 683 193
Special reserves	6	88 994 949	111 620 000
Retained earnings	7	30 650 722	19 110 455
Total equity		**162 523 415**	**150 983 148**
Liabilities			
Provisions	8	4 500 000	4 500 000
Long-term liabilities			
Bank loans	9	5 000 000	7 500 000
Short-term liabilities			
Bank liabilities	9	16 707 000	13 611 000
Financial liabilities to Group companies	10	5 389 633	12 047 550
Liabilities to shareholders		11 969	7 982
Other liabilities	11	674 993	1 362 691
		22 783 595	**27 029 222**
Deferred income		237 465	269 519
Total liabilities		**32 521 060**	**39 298 742**
Total equity and liabilities		**195 044 475**	**190 281 889**

Statement of income 2008

CHF	Note	2008	2007
Income			
Income from investments	14	34 983 760	20 049 049
Financial income	15	1 457 249	1 729 204
Other income	16	506 715	44 089
Total income		**36 947 724**	**21 822 342**
Expenses			
Financial expenses	17	– 15 697 452	– 1 260 677
Administration expenses		– 582 474	– 750 232
Other expenses	18	– 47 045	– 410 622
Income and capital taxes		– 44 936	– 80 139
Total expenses		**– 16 371 907**	**– 2 501 670**
Profit for the year		**20 575 817**	**19 320 672**

Notes to the financial statements 2008

General

The 2008 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 %
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	Finance	USD	1 969	100
PM International B.V.	Doetinchem, 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
Phoenix Mecano S. E. Asia Pte. Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano (India) Ltd.	Pune, India	Production/Sales	INR	242 820	99
Mecano Components (Shanghai) Co. Ltd.	Shanghai, China	Production/Sales	CNY	17 544	100
Shenzhen Elcom Trading Co. Ltd.	Shenzhen, China	Purchasing/Sales	CNY	2 000	100
Phoenix Mecano Comercial e Técnica Ltda.	Sao Paulo, Brazil	Production	BRL	5 192	100
IPES Industria de Produtos e Equipamentos de Solda Ltda.	Manaus, Brazil	Production/Sales	BRL	3 922	100
WIENER Plein & Baus Corp. (USA)	Springfield Ohio, USA	Sales	USD	100	100

The change in the balance sheet value compared with the previous year is due to capital increases at Mecano Components (Shanghai) Co. Ltd. (China) and Phoenix Mecano (India) Pvt. Ltd. and the acquisition of all shares in WIENER Plein & Baus Corp. (USA). During the reporting year, Phoenix Mecano Components Shanghai Co. Ltd. (China) was merged with Mecano Components (Shanghai) Co. Ltd. (China) and Elodrive AG with Phoenix Mecano Beteiligungen AG.

An overview of all directly and indirectly held investments is given on pages 66 and 67.

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

4 Own shares

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

	Number	Share purchases Average price CHF	Number	Share purchases Average price CHF
January	870	520.34		
February	55	465.00	107	520.78
March	0		0	
April	0		0	
May	0		521	545.93
June	0		129	558.02
July	0		0	
August	50	501.50	0	
September	200	409.58	0	
October	0		0	
November	0		0	
December	0		0	
Total year	**1 175**	**498.09**	**757**	**544.43**

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

	Number	Share purchases Average price CHF
January	9 616	462.32
February	8 634	488.75
March	12 300	525.41
April	2 200	505.32
May	1 100	549.55
June	1 700	507.71
July	1 200	493.75
August	200	503.00
Total year	**36 950**	**497.98**

This share buyback programme was terminated in August 2008, once the planned buyback volume of CHF 30 million had been reached.

In September 2008, the Board of Directors decided to launch another share buyback programme worth up to CHF 15 million. Under this programme, the following buybacks were made over a second trading line in the period ending 31 December 2008:

	Number	Share purchases Average price CHF
October	1 090	407.96
November	4 310	389.23
December	5 730	332.58
Total year	**11 130**	**361.90**

At the balance sheet date the company owned 79 930 own bearer shares (previous year 31 432), which are booked according to the 'lowest value' principle, i.e. at the lower of the acquisition cost or the market value. They represent 7.5 % of the share portfolio. No subsidiaries owned shares in Phoenix Mecano AG.

5 Share capital

The share capital is divided into 1 069 500 bearer shares with a par value of CHF 1.00. As at the balance sheet date, major shareholders held the following stakes in the share capital of Phoenix Mecano AG:

		2008	2007
%			
Name	Head office		
Planalto AG	Luxembourg City, Luxembourg	30.9	30.9
Tweedy, Browne Company LLC	New York, USA	7.9	8.8
UBS Fund Management (Switzerland) AG	Basel, Switzerland	4.9	5.6
OppenheimerFunds Inc.	New York, USA	4.6*	4.6
Sarasin Investmentfonds AG	Basel, Switzerland	3.9*	3.9

*Stake not reported in 2008.

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

6 Own share reserve/special reserves

Articles 659a (2) and 671a of the Swiss Code of Obligations state that the company must set aside an amount equivalent to the acquisition value as a reserve. In 2008, CHF 22 625 051 was taken from freely available special reserves for this purpose.

7 Retained earnings

The retained earnings brought forward from the previous year totalled CHF 10 074 905. The 2008 financial year closed with a profit for the year of CHF 20 575 817. Altogether, this places retained earnings totalling CHF 30 650 722 at the disposal of the Shareholders' General Meeting of 5 June 2009. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 106.

The Board of Directors also requests that the Shareholders' General Meeting authorise a capital decrease to the value of the total amount generated by the buybacks in the 2007–08 and 2008–09 share buyback programmes at the time of the invitation to the Shareholders' General Meeting (which must take place at least 20 days prior to the Meeting).

8 Provisions

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

9 Bank loans/bank liabilities

Long-term bank loans covers financing in CHF. As at 31 December 2008, there was one loan amounting to CHF 5 million. It is due for repayment in 2011. The short-term bank liabilities include CHF and USD loans.

10 Financial liabilities to Group companies

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

11 Other liabilities

Other liabilities include withholding tax liabilities from the share buyback totalling CHF 0.7 million (previous year CHF 1.3 million).

12 Derivative financial instruments

At the balance sheet date, there were no open items relating to derivative financial instruments. In 2008, EUR/CHF forward exchange transactions amounting to CHF 3.3 million became due. As at 31 December 2007, these were reported with a negative replacement value of CHF 27 000.

13 Contingent liabilities

	2008	2007
TCHF		
Guarantees and letters of comfort	**120 169**	**117 039**

Contingent liabilities are given for subsidiaries in favour of financial institutions. The actual book value of Group company liabilities was CHF 35.8 million (previous year CHF 53.0 million).

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

14 Income from investments

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

15 Financial income

Financial income includes earnings from interest, commissions and securities.

16 Other income

As in the previous year, other income in the reporting year includes income from licences. In addition, net exchange rate gains of CHF 0.5 million were made during the reporting year (gains of CHF 4.1 million minus losses of CHF 3.6 million).

17 Financial expenses

This item contains interest and securities expenses and a value correction of CHF 14.0 million on own shares.

18 Other expenses

This item includes reporting costs and, for the previous year, licence expenses. Net exchange rate losses of CHF 0.4 million and allocations of value adjustments are also reported for the previous year.

19 Net release of hidden reserves

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

20 Remuneration and participations

Remuneration of members of the Board of Directors and Executive Committee The following remuneration was awarded to serving corporate officers in 2008:

Name	Position	Fixed remuneration TCHF	Variable remune-ration TCHF	Social security and pension TCHF	Total remune-ration TCHF
Ulrich Hocker	Chairman of the BD	130		11	141
Benedikt A. Goldkamp	Delegate of the BD	420	540	167	1 127
Dr Florian Ernst	Member of the BD	43		3	46
Dr Martin Furrer	Member of the BD	43		3	46
Beat Siegrist	Member of the BD	43		3	46
Remuneration of the Board of Directors		**679**	**540**	**187**	**1 406**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)		2 116	810	457	3 383
Total remuneration of the Board of Directors and Executive Committee		**2 795**	**1 350**	**644**	**4 789**

The following remuneration was awarded to serving corporate officers in 2007:

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

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

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 2008 financial year accounted for in the financial statements to 31 December 2008. For the most part, payments are made subsequent to the balance sheet preparation; the variable remuneration actually paid may vary from the amounts set aside.

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

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

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

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

Share ownership		31.12.2008	31.12.2007
Name	Position		
Ulrich Hocker	Chairman of the BD	8 604	8 594
Benedikt A. Goldkamp	Delegate of the BD	1 305	1 138
Dr Florian Ernst	Member of the BD	10	10
Dr Martin Furrer	Member of the BD	100	100
Beat Siegrist	Member of the BD	400	400
Share ownership by the Board of Directors		**10 419**	**10 242**
Dr Werner Karlen	Chairman of the EC	350	450
Ralph Gamper	Director	130	30
Maximilian Kleinle	Director	50	0
Dr Joachim Metzger	Director	91	77
René Schäffeler	Director	50	20
Share ownership by the Executive Committee		**671**	**577**

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

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

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

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

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

22 Events after the balance sheet date

No events occurred between 31 December 2008 and 24 March 2009 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 2008	20 575 817
Allocation to reserve for own shares	−22 625 051
Release of special reserve for allocation to reserve for own shares	22 625 051
Retained earnings brought forward 2007	10 074 905
Retained earnings	**30 650 722**

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

	CHF
Dividend of CHF 10.00 per share[1]	10 695 000
Carried forward to new account	19 955 722
Total	**30 650 722**

[1] Total dividends are calculated based on the 1 069 500 bearer shares. Dividends will not be paid on own shares held by the company at the time of the payout.

Report of the Statutory Auditor on the Financial Statements

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

As statutory auditor, we have audited the financial statements of Phoenix Mecano AG, presented on pages 98 to 105, which comprise the balance sheet, income statement and notes for the year ended 31 December 2008.

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 2008 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.

KPMG AG

Roger Neininger Licensed Audit Expert Auditor in Charge	Thomas Keusch Licensed Audit Expert

Zurich, 24 March 2009

HIGHLIGHTS

> 500 000

PRODUCTS WORLDWIDE
Phoenix Mecano's three divisions produce technical enclosures, electronic components, linear actuators and complete system integrations.

> 4 900

EMPLOYEES WORLDWIDE
From our international facilities and production sites, we produce customised solutions for clients around the globe.

> 50

LOCATIONS WORLDWIDE
Phoenix Mecano is present at over 50 locations in 25 countries worldwide.

> 20

LANGUAGES WORLDWIDE
Phoenix Mecano has an impressive international presence and communicates with its customers in over 20 languages.

1

ENTERPRISE

VALUE FROM IDEAS.

For some years now, our successful growth strategy has been based on a global network of sales companies and production sites in 25 countries. Very early on, we recognised the value of having local branches that are close to our customers abroad. That's why we are constantly expanding.

Our diverse international customer base is primarily made up of small and medium-sized enterprises. Thanks to our engineering expertise and development capacities, we are able to tailor products to customers' needs on site, working quickly and flexibly, which makes us an ideal partner.

INTERNATIONAL PRESENCE

Phoenix Mecano Group locations around the world

Sales and production

1 **Australia:** Victoria
2 **Austria:** Vienna
3|4 **Benelux:** Deinze, Belgium (3)
Doetinchem, The Netherlands (4)
5|6 **Brazil:** São Paulo (5)
Manaus (6)
7 **Czech Republic:** Jindřichův Hradec
8 **France:** Fontenay sur Bois
9 **Germany:** Baiersdorf, Bermatingen, Bünde, Burscheid, Eberswalde, Grävenwiesbach, Kirchlengern, Langenhagen, Minden, Porta Westfalica, Stuttgart, Villingen-Schwenningen, Werne, Wutha-Farnroda
10 **Great Britain:** Aylesbury
11 **Hungary:** Kecskemét
12 **India:** Pune
13 **Italy:** Inzago
14 **Korea:** Seoul
15|16 **People's Republic of China:**
Shanghai (15)
Shenzhen (16)

17 **Romania:** Sibiu
18 **Russia:** Moscow
19 **Singapore:** Singapore
20 **Spain:** Zaragoza
21 **Switzerland:** Stein am Rhein
22 **Taiwan:** Taipei
23 **Thailand:** Bangkok
24 **Tunisia:** Ben Arous, Borj-Cedria, Djebel El Quest-Zaghouan
25 **Turkey:** Ankara
26 **United Arab Emirates:** Sharjah
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Products of the Phoenix Mecano Group

ENCLOSURES

Ex-control station used as a control unit in the oil and gas industry

ROSE

MECHANICAL COMPONENTS

Power lift with expanded function range, primarily for medical technology applications

RK ROSE+KRIEGER

ENCLOSURES

Plastic enclosure housing a display and control unit

BOPLA

MECHANICAL COMPONENTS

The new generation of double drives for adjusting beds

DEWERT

ENCLOSURES

Sandwich keyboard using copper technology: a top-quality, high-tolerance product ideal for medical, measurement technology and safety engineering applications

KUNDISCH

ELCOM/EMS

CompactPCI system platforms
for control units
and industrial computers

HARTMANN ELEKTRONIK

ELCOM/EMS

Spring contacts in plastic
frames for use in interface
technology and as battery
charging contacts

PTR

ELCOM/EMS

Customised light guides for
status display on the latest
generation of servo drives
and controls

HARTMANN

ELCOM/EMS

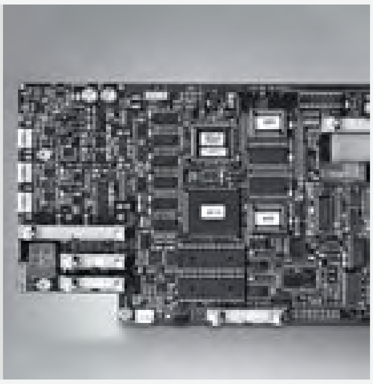
Iron powder core choke for
suppressing interference on
inverters with high current
loads and low internal
capacitance

GÖTZ-UDO
HARTMANN

ELCOM/EMS

Pump CPU – Dionex Softron:
These boards are used in
analysers, especially in
liquid chromatography and
extraction systems. Core
segments: pharmaceuticals
and biotechnology.

PHOENIX MECANO
DIGITAL ELEKTRONIK



ELCOM/EMS

NIM crate with VME power
supply. The remote-controlled
power supply recognises
the connected electronics
and automatically adjusts its
voltage to the required levels.

WIENER
A Phoenix Mecano Company

ELCOM/EMS

Toroidal transformer
for demanding control
applications

DATATEL
A Phoenix Mecano Company

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