PHOENIX MECANO

Hungary | Kecskemèt

Individuality. Precision. Reliability.
Annual Report 2009

India | Pune

Singapore | Singapore

Highlights

2009 was a highly challenging year, but Phoenix Mecano achieved a satisfactory profit and free cash flow whilst also strategically exploiting consolidation opportunities. Our top priorities in order to maintain and expand our strong market position are preserving our industrial expertise, rapid response and delivery capabilities and ongoing investment in product innovations. **Individuality. Precision. Reliability.**

Assuming stable market conditions, the Phoenix Mecano Group anticipates sales of photovoltaic components totalling approximately EUR 80 million in 2010 – equivalent to growth of around 160%.

~80 **million EUR Planned sales of photovoltaic components**

Thanks to its excellent cash flow, even during the economic crisis, Phoenix Mecano achieved a net cash position in 2009 for the first time in the company's 35-year history.

3.8 **million EUR Net cash position**

Phoenix Mecano is continuing its consistent dividend policy. We will propose to the Shareholders' General Meeting of 28 May 2010 the same dividend as last year, i.e. CHF 10.00 per share.

10.00 **CHF Dividend per share**

Key figures
of the Phoenix Mecano Group

	Units	2009	2008	2007	2006	2005
Key financial figures						
Gross sales [1]	EUR million	396.9	417.3	389.4	346.5	315.0
Change	%	–4.9	7.2	12.4	10.0	1.5
Operating cash flow [1]	EUR million	31.4	59.3	55.1	51.7	44.7 [2]
Change	%	–47.0	7.6	6.6	15.8	–4.2
in % of sales	%	7.9	14.2	14.1	14.9	14.2
Operating result [1]	EUR million	13.5	42.8	38.8	35.8	27.5 [2]
Change	%	–68.5	10.3	8.4	30.1	–1.5
in % of sales	%	3.4	10.3	10.0	10.3	8.7
Result before interest and tax [1]	EUR million	13.5	42.8	38.8	35.8	23.8
Change	%	–68.5	10.3	8.4	50.7	–15.0
Result of the period	EUR million	11.6	30.6	30.0	27.8	–8.8
Change	%	–62.1	2.0	7.9	415.1	–159.4
in % of sales	%	2.9	7.3	7.7	8.0	–2.8
in % of equity	%	6.0	16.0	16.4	16.7	–6.3
Total assets/capital	EUR million	301.1	294.0	287.6	263.7	285.0
Equity	EUR million	193.4	191.0	182.5	166.9	140.9
in % of total assets	%	64.2	65.0	63.5	63.3	49.4
Net indebtedness	EUR million	–3.8	2.3	4.3	13.0	22.0
in % of equity	%	–2.0	1.2	2.4	7.8	15.6
Cash flow from operating activities	EUR million	46.7	47.6	38.8	25.5	38.1
Free cash flow	EUR million	35.1	29.9	21.7	12.2	25.1
Purchases of tangible assets	EUR million	10.9	15.9	16.3	19.4	13.3
Employee numbers						
Number of employees [1] (annual average)		4 719	4 946	4 891	4 194	3 753
Gross sales per employee [1]	EUR 1 000	84.1	84.4	79.6	82.6	83.9
Personnel expenses per employee [1]	EUR 1 000	24.5	24.2	22.9	24.8	25.7
Share indicators						
Share capital [3, 4] (bearer shares with a par value of CHF 1.00)	Number	988 000	1 069 500	1 069 500	1 069 500	1 100 000
Shares entitled to dividend [5]	Number	968 798	989 570	1 038 068	1 067 545	1 074 051
Operating result per share [1]	EUR	13.9	43.3	37.4	33.5	25.6
Result of the period per share	EUR	12.0	30.9	28.9	26.0	–8.2
Equity per share	EUR	199.6	193.0	175.8	156.4	131.2
Free cash flow per share	EUR	36.2	30.2	20.9	11.5	23.4
Dividend	CHF	10.00 [6]	10.00	9.00	6.00	4.00
Share price						
High	CHF	420	569	615	570	366
Low	CHF	235	300	474	360	280
Year-end price	CHF	394	317	530	534	340

1 The figures for 2005–2007 refer to continued operations, i.e. without the discontinued OMP product area.

2 Before restructuring expenses and other exceptional charges.

3 Pursuant to a decision by the Shareholders' General Meeting of 26 May 2006, the share capital was reduced by CHF 30 500 with effect from 15 September 2006 by cancelling 30 500 shares from the 2005/2006 share buyback programme.

4 Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, the share capital was reduced by CHF 81 500 with effect from 28 September 2009 by cancelling 81 500 shares from the 2007/2008 and 2008/2009 share buyback programmes.

5 As at the balance sheet date, the company owned 19 202 own shares, which are not entitled to dividend.

6 Proposal to the Shareholders' General Meeting of 28 May 2010.

Structure
of the Phoenix Mecano Group

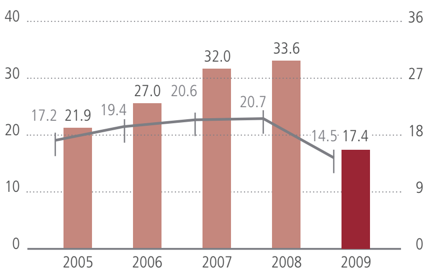
The Group Phoenix Mecano is a global player in the enclosures and industrial components segments, has a streamlined operating structure and is a leader in many markets. Geared towards the professional and cost-effective manufacture of niche products, it helps to ensure the smooth operation of processes and connections in the machine industry and industrial electronics. Its products are used in the mechanical engineering, measurement and control technology, alternative energy, medical technology, aerospace technology 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 applications. High-quality membrane keyboards offer a reliable human/machine interface, even under extreme conditions.

Companies: Bopla Gehäuse Systeme
Kundisch (picture)
Rose Systemtechnik

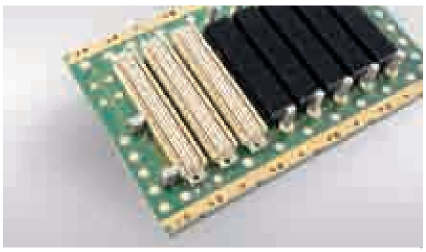
Operating result and margin

in EUR million (— margin in %)



Enclosures	2009	2008
EUR million		
Gross sales	120.4	162.6
Purchases of tangible assets	2.9	6.6
Operating result	17.4	33.6
Margin in %	14.5	20.7

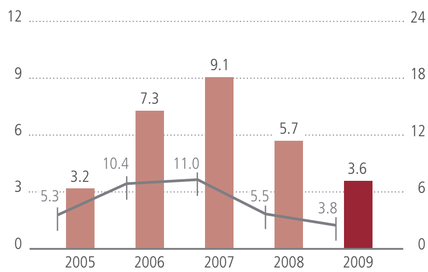
ELCOM / EMS Intelligent concepts provide solutions for increasingly complex tasks associated with coding switches and plug connectors, inductive components and toroidal transformer, circuit board equipment, backplanes and the development of customised electronic applications right down to complete subsystems.



Companies: Datatel Elektronik
Götz-Udo Hartmann
Hartmann Codier
Hartmann Elektronik (picture)
Phoenix Mecano Digital Elektronik
PTR Messtechnik
WIENER, Plein + Baus

Operating result and margin

in EUR million (— margin in %)



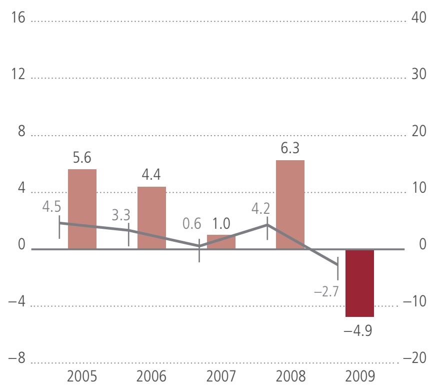
ELCOM / EMS	2009	2008
EUR million		
Gross sales	94.8	103.3
Purchases of tangible assets	2.1	3.5
Operating result	3.6	5.7
Margin in %	3.8	5.5

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

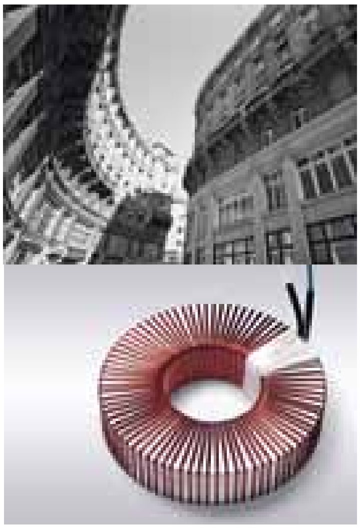
Companies: Dewert Antriebs- und Systemtechnik
Okin Motion Technologies (picture)
RK Rose + Krieger

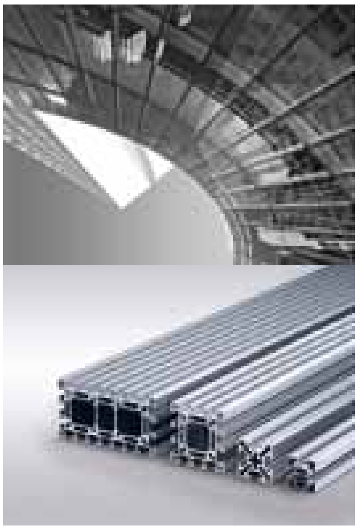
Operating result and margin

in EUR million (— margin in %)



Mech. Components	2009	2008
EUR million		
Gross sales	180.4	150.4
Purchases of tangible assets	5.9	5.7
Operating result	−4.9	6.3
Margin in %	−2.7	4.2





Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors

Dear shareholders,

Your company, the Phoenix Mecano Group, performed well in a difficult economic climate in 2009. The mechanical engineering and industrial electronics markets, in which the Group has built up a strong market position over more than 30 years, were placed under extreme pressure by the global economic crisis. Uncertainty about the future, combined with tougher financing conditions, prompted many customers to reduce their stocks over the past year. In addition, a lot of capital expenditure, even necessary replacements of ageing plant and machinery, has been put on hold. In today's globalised economy, in which nobody fully understands the many and varied interdependencies within value-creation chains, such a climate will inevitably lead to a self-reinforcing downward spiral for a certain period of time. However, such a situation was never going to last long, and sure enough some initial signs of recovery emerged in the second half of 2009.

The high equity ratio is an effective safety net against any market turbulence: the company did not need to radically reduce its capacity or lay off large numbers of staff, which would inevitably have resulted in the loss of key expertise.

64 % **Equity ratio**

Strong balance sheet and flexible adjustment in response to the crisis

Despite the growth of past years, including a number of acquisitions, Phoenix Mecano entered the economic crisis with virtually no net debt and a very high equity ratio of 64.2 %. Consequently, the company did not have to radically reduce its capacity or lay off staff, measures which inevitably result in a loss of key expertise. Naturally, however, Phoenix Mecano – like other companies – was forced to identify areas where it could make savings. A very useful tool in this respect proved to be short-time work, which allowed many of our subsidiaries in Switzerland and Germany to cope with the heavy slump in demand without resorting to compulsory redundancies.

Acquisition opportunities in a weak market environment

It is no secret that periods of economic crisis invariably generate new opportunities. To make the most of such opportunities, companies need a clear strategy, the necessary financial strength and also a degree of audacity and self-belief in the midst of the crisis. For Phoenix Mecano, such an opportunity arose with the insolvency of its long-standing rival Okin in January 2009. Like Dewert, a subsidiary of Phoenix Mecano for many years (in the Mechanical Components division), Okin manufactured linear drives for the electrical adjustment of ergonomic comfort, healthcare and office furniture and medical products. From the insolvency estate, Phoenix Mecano was able to acquire the necessary assets for the manufacture and sale of furniture drives. This also included production and sales companies as well as an extensive portfolio of industrial patents. A large proportion of its staff were also transferred to Phoenix Mecano. Thanks to a clear integration plan and our management team's many years of experience in the sector, we quickly succeeded in establishing Okin on a new footing, restoring customer confidence in the company's performance and so laying the foundations for future growth. As part of a master plan, Phoenix Mecano's own activities in the sector, grouped together under the Dewert brand, were restructured. As a result, Dewert now focuses exclusively on the growth markets of the hospital and care industry, while all comfort and office furniture business is carried out under the Okin brand. This clear market orientation and the new-found synergies in purchasing, product development and the worldwide sales and service network have created a new market leader in Europe, the USA and Asia.

Organic growth in photovoltaic components

Even in the midst of the global economic and financial crisis, a number of markets developed strongly. The renewable energies market in particular is experiencing a long-term growth trend, which has barely faltered despite difficult financing conditions. Phoenix Mecano broke into this dynamic growth market in 2008 by acquiring Datatel, a manufacturer of toroidal transformers for solar inverters. Now, in addition to toroidal transformers, other Phoenix Mecano products such as chokes, enclosures and coding switches are being used in solar inverters. The extremely attractive growth opportunities in this sector look set to continue in 2010. The decision taken at the start of the year to expand production facilities in Hungary and Tunisia will enable the Group to further develop this increasingly important pillar of its business. We expect inverter components to generate sales of up to EUR 80 million this year, compared with around EUR 20 million in 2008.

Even in the current environment, therefore, our soundly financed and strategically well positioned company continues to seize new opportunities in order to generate value-added and growth for you, our valued shareholders.

2010 Growth year

In the dynamic growth market of renewable energies, Phoenix Mecano foresees potential sales of EUR 80 million in 2010.

Dividend

Our very high equity ratio of 64.2 %, our excellent cash flow even during the economic crisis – which saw Phoenix Mecano achieve a net cash position in 2009 for the first time in its 35-year history –, and the much improved business outlook for 2010 mean that we can continue to apply our consistent dividend policy. We will therefore propose a dividend of CHF 10.00 per share to the Shareholders' General Meeting, the same amount as last year.

Thank you to our employees

Our committed and loyal employees have played a decisive role in ensuring that the Phoenix Mecano Group has so far survived the dramatic market downturn relatively unscathed. It hardly need be said that the lack of predictability, the restrictions associated with short-time working and the pressure to make savings have placed a huge strain on our staff. The fact that our organisation's customary quality and reliability has not suffered under these conditions is remarkable in itself. However, on top of this, instances of growth potential have been systematically exploited and the long-term efficiency of our processes further enhanced. For this achievement, all employees of the Phoenix Mecano Group deserve our very special thanks.

Outlook

There are increasing signs that the worst of the economic crisis – the most severe since the 1930s – may be over in some of the Phoenix Mecano Group's target markets. However, a few key segments in which Phoenix Mecano has traditionally had a firm grounding, such as mechanical engineering and measurement and control technology, are still some way off a return to normality. Fortunately, the medical and furniture technology and renewable energy sectors are becoming significantly more important to the Group and provide a welcome balance to the weakness of the market in the cyclical sectors. There are now definite signs of recovery in 2010. Thanks to the Group's stronger position at Dewert/Okin and in the photovoltaic sector, we anticipate that sales and results from 2011 onwards could top those of the bumper years 2007 and 2008, assuming that a significant upturn occurs. For 2010, we currently expect sales to rise by at least 10 % and net result to climb to at least EUR 20 million.

Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors

Company information

Phoenix Mecano is a global technology enterprise active in the enclosures and industrial components sectors. Working with and for our customers, we develop innovative and detailed technical solutions. We have established a successful global presence through our cutting-edge products and customer-driven service, and have taken some important steps to ensure that we emerge stronger than ever from the economic crisis.
Individuality. Precision. Reliability.

Consolidated incoming orders rose by 0.9 % in financial year 2009 to EUR 407.5 million from EUR 403.8 million the previous year.

407.5 million EUR Incoming orders

The Phoenix Mecano Group's consolidated gross sales fell by 4.9 % in 2009 from EUR 417.3 million to EUR 396.9 million. Growth accelerated in the second half of the year. In Q4 2009, gross sales were 17 % higher than in Q4 2008.

396.9 million EUR Gross sales

The operating profit declined by 68 % from EUR 42.8 million to around EUR 13.5 million. This was owing to reduced business volume caused by the economic crisis as well as planned integration and restructuring costs of around EUR 5 million relating to the acquisition of Okin.

13.5 million EUR Operating result

The high equity ratio is an effective safety net against any market turbulence: the company did not need to radically reduce its capacity or lay off large numbers of staff, which would inevitably have resulted in the loss of key expertise.

64 % Equity ratio

Phoenix Mecano Group

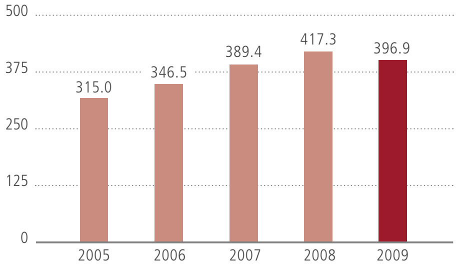
Profitability maintained despite the crisis.

Upturn in growth expected.

In an extremely difficult economic climate, the Phoenix Mecano Group's consolidated gross sales fell by 4.9 % to EUR 396.9 million. Due to the lower volume of business as well as integration and restructuring costs associated with the acquisition of parts of insolvent former competitor Okin, the operating result decreased by 68.3 % to EUR 13.5 million. This led to an operating margin of 3.4 %, compared with 10.3 % the previous year. The equity ratio stood at 64.2 %. For the first time ever, net indebtedness was zero at the balance sheet date. Phoenix Mecano is well positioned to operate successfully in a volatile market environment.

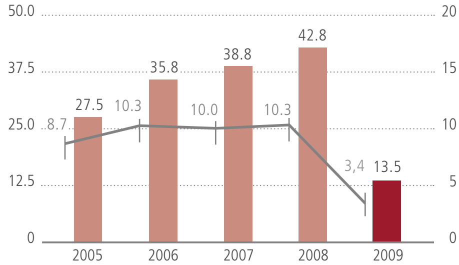
Gross sales

in EUR million



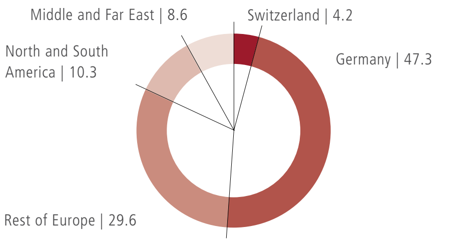
Operating result and margin

in EUR million (— Margin in %)



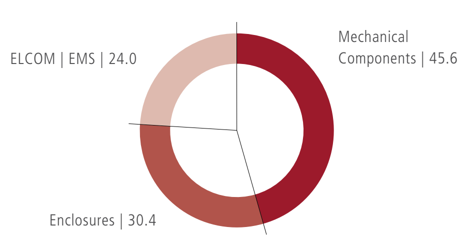
Gross sales by region

in %



Gross sales by division

in %



Business activities

Our divisions experienced a marked slowdown in economic activity from Q4 2008, which intensified in the first half of 2009. In retrospect, Q2 marked the low point of the economic downturn. The prompt introduction of cost-cutting measures had an immediate impact, allowing the Group to remain in profit despite the massive slump in sales (down 27 %) in the first half of the year. Business bottomed out in Q3, and by Q4 there were already signs of a slight upturn. Rigorous management of the cost base allowed the Group to significantly improve its income once again, despite a much lower level of sales. Short-time working proved a particularly useful tool in this difficult year, as it allowed cost savings to be made while preserving the indispensable expertise of the Group's employees. By contrast, significant staff cuts were unavoidable at the sites in Tunisia, Hungary and India.

Our activities in the mechanical engineering and industrial electronics markets, especially the Enclosures division, the ELCOM/EMS division excluding photovoltaic activities and the Rose + Krieger business in the Mechanical Components division, were very badly hit by the decline in the market. The furniture, healthcare and medical technology sector (Dewert/Okin) proved comparatively resistant, while the photovoltaic sector (Datatel) actually grew again, by approximately 37 %.

Acquisition with long-term potential

The financial crisis also had some positive spin-offs for Phoenix Mecano, such as the acquisition of parts of long-standing competitor Okin. Okin produces linear drives for motor-driven adjustable comfort furniture, beds and ergonomic workstations. The company, which had been managed by financial investors for some years, went into receivership in January 2009. The business acquired from Okin makes a perfect addition to the portfolio of our subsidiary Dewert. The two-year integration process offers attractive scope for synergies and has so far seen its planned milestones achieved on time. Under the umbrella of the Phoenix Mecano Group, Dewert's furniture products were combined with the Okin business and have been marketed exclusively under the Okin brand name since mid-2009. The medical technology and healthcare business is being run under the Dewert brand. The resulting entities are well represented – and technological leaders – in all major world markets. Following completion of the integration process in 2010, we anticipate a positive profit contribution from the acquisition. The markets served by Dewert/Okin have attractive growth potential in the medium and long term, since they will benefit from a number of 'megatrends', namely ageing populations in industrial countries, higher life expectancies and a greater need for care.

The higher volumes associated with the Dewert/Okin alliance will allow us to achieve the critical mass needed to support independent production units in the three market regions of Europe, Asia and America. This will meet our customers' desire for short delivery times as well as the environmental goal of reduced transportation.

Dynamic growth in photovoltaic components

With the acquisition of Datatel in early 2008, Phoenix Mecano broke into the rapidly expanding market of solar inverter components. The Group manufactures and sells transformers, chokes, enclosures, electronic components and assemblies for solar inverters. Following organic growth of some 200 % in the year of the acquisition, sales in this area rose again in 2009 by around 37 % to over EUR 30 million. Assuming stable market conditions, we expect to achieve triple-digit growth again in 2010, with sales rising to approximately EUR 80 million. This dynamic growth places major demands on the flexibility of our production plants in Hungary and Tunisia, so alongside the planned increase in output we are also expanding our factory space this year by around 10 000 m². The cost of the additional investment is expected to be in the high single millions.

Continuation of successful long-term strategy

We also anticipate growth in other Phoenix Mecano markets. Through new products and the development of technical consultancy and sales competency within our own, worldwide network of sales companies, we have created conditions that should enable us to participate over-proportionally in a recovery of the global industrial electronics market. Our strong balance sheet and sound market position have allowed us to come through the recession without large-scale cutbacks to our skills base or capacity. We are unaffected by the credit crunch currently afflicting many of our competitors. The challenge now is to exploit this competitive advantage.

Only in the traditional mechanical engineering sector is the market outlook still gloomy, with financing constraints preventing end customers from engaging in major expansion investment. The most likely scenario here is a market recovery in 2011.

Our strategy is to focus on high-quality technical components and assemblies for systems, machinery and equipment, and we have no plans to change it. We believe that a sound industrial strategy is one that can ideally be maintained over multiple economic cycles; after all, industrial value is not created overnight. But for companies that succeed in acting and investing anti-cyclically, attractive growth in the industrial sector is perfectly possible, even in the current economic environment.

Sales and profitability

Sales down due to economic conditions

The Phoenix Mecano Group's consolidated gross sales fell by 4.9 % in 2009, from EUR 417.3 million to EUR 396.9 million. Corrected for differences in foreign-exchange rates, sales were down by 4.8 %. Corrected for changes in scope, sales were down by 18.7 %.

For the Phoenix Mecano Group, financial year 2009 was characterised, firstly, by the global economic crisis, which had a major impact, particularly in the key segments of mechanical engineering and the electrical industry, and secondly by the acquisition of parts of the insolvent Okin Group, a competitor in the field of drive solutions for healthcare and comfort furniture. In February 2009, as part of an asset deal, the Phoenix Mecano Group acquired business areas from the insolvent Okin Antriebstechnik GmbH, Germany, as well as all of the shares in Okin America Inc., Okin Hungary Gépgyártó Kft. and Okin Scandinavia AB. Under another asset deal in 2009, the Group acquired the business operations of German company Eiden & Schmidt GmbH Messtechnik, a long-standing sales and system partner for the products of Phoenix Mecano subsidiary RK Rose + Krieger GmbH (D). These acquisitions strengthened the Mechanical Components division.

Gross sales by region		2009	2008
	Change in %	TEUR	TEUR
Switzerland	–32.8	16 511	24 582
Germany	–8.0	188 507	204 837
UK	–1.7	15 061	15 315
France	1.3	22 786	22 504
Italy	–15.4	11 676	13 805
Benelux	–5.3	21 790	22 999
Rest of Europe	–9.4	44 636	49 292
North and South America	35.9	41 121	30 253
Middle and Far East	3.4	34 825	33 674
Total	–4.9	**396 913**	**417 261**

Gross sales by division		2009	2008
	Change in %	TEUR	TEUR
Enclosures	–26.0	120 376	162 561
ELCOM/EMS	–8.2	94 822	103 270
Mechanical Components	19.9	180 352	150 420
Total for all divisions (segments)	–5.0	395 550	416 251
Reconciliation [1]	35.0	1 363	1 010
Total	**–4.9**	**396 913**	**417 261**

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

In Europe, sales decreased by 9.2 % (20.2 % excluding changes in the scope of consolidation). Only in France did sales increase slightly, as a result of acquisitions. The proportion of overall sales realised in Europe was 80.9 % (previous year 84.7 %). This decline is attributable to the acquisition-related growth in sales in the USA and a pleasing increase in sales in Asia. Double-digit sales increases were recorded in South Korea and Malaysia due to successes in the oil and gas business and in Japan due to higher healthcare sales by the Mechanical Components division.

The Enclosures division, which generates a substantial share of its sales in the capital goods sector, was heavily affected by the economic crisis and saw its sales drop by 26.0 %. Thanks to dynamic sales growth in solar inverter transformers and chokes in the second half of the year, the ELCOM/EMS division was able to limit its decline in sales to 8.2 % in 2009. The sales of the Mechanical Components division rose by 19.9 %, as a result of the acquisitions mentioned above. In organic terms, however, sales were down (by 16.9 %). In all three divisions, the decline in industrial markets in Europe and the USA had a correspondingly negative impact on sales development.

Consolidated incoming orders for the Phoenix Mecano Group totalled EUR 407.5 million, compared with EUR 403.8 million the previous year – a rise of 0.9 %. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 102.7 %, compared with 96.8 % the previous year. This positive value is attributable to the rise in incoming orders in the second half of 2009.

Positive operating result due to rigorous cost management

Operating result fell by 68.3 % in 2009 (following a 10.3 % increase the previous year) from EUR 42.8 million to EUR 13.5 million. This produced an operating margin of 3.4 %, compared with 10.3 % the previous year. The companies acquired in 2009 reduced the operating result by EUR 6.8 million, primarily due to planned integration and restructuring costs relating to the acquisition of Okin. All three divisions saw their result decrease, although all achieved a positive result thanks to stringent cost management (excluding the effect of acquisitions in the Mechanical Components division). The Group's operating result in H2 2009 was EUR 9.8 million, compared with EUR 3.7 million in H1. This pleasing improvement reflects the improved order situation and the savings generated through cost-cutting measures.

13.5 million EUR EBIT

Thanks to stringent cost management, all three divisions achieved positive results in 2009.

Use of materials as a percentage of gross sales rose from 44.0 % to 49.1 %. This was owing to Okin and to Datatel's renewable energies products, whose use of materials is above the Group average. In the reporting year, greater pricing pressure on the sales side was offset by savings on the purchasing side.

Operating result by division	Change in %	2009 TEUR	2008 TEUR
Enclosures	–48.2	17 428	33 614
ELCOM/EMS	–36.5	3 626	5 712
Mechanical Components	–177.3	–4 871	6 302
Total for all divisions (segments)	–64.5	16 183	45 628
Reconciliation [1]	7.0	–2 640	–2 839
Total	**–68.3**	**13 543**	**42 789**

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

Profitability by division	Change in % points	2009 %	2008 %
Enclosures	–19.2	30.4	49.6
ELCOM/EMS	–4.0	7.2	11.2
Mechanical Components	–13.1	–5.5	7.6

Personnel expenses fell by 3.6 % in 2009, only slightly under-proportionally to sales. This was due to the early introduction of cost-cutting measures, including the widespread implementation of short-time working as well as compulsory redundancies at some sites. Average staff numbers over the year fell from 4 946 to 4 719. Without the acquisitions that took place in 2009, staff numbers would have been around 380 lower.

Depreciation on tangible assets rose by EUR 0.6 million (+4.7 %) and amortisation of intangible assets by EUR 0.7 million (+25.6 %). This increase was mainly the result of additional intangible and tangible assets of EUR 6.0 million associated with the acquisitions completed in 2009.

Other operating expenses increased slightly by 1.2 %. While establishment expenses were reduced by EUR 1.3 million (7.6 %) and advertising and sales expenses by EUR 2.9 million (15.6 %), impairment losses on intangible and tangible assets – for which tests to determine the recoverable amount in the current economic climate showed an impairment – as well as losses and value adjustments on inventories, increased (by EUR 2.0 million each).

Profit for the period of EUR 11.6 million

The positive financial result of EUR 0.3 million (compared with EUR –3.5 million the previous year) was achieved mainly through positive currency effects and income from the revaluation of the purchase price balance liability from the companies acquired in 2008. The underlying net interest result remained virtually unchanged at EUR –0.9 million.

At 16.3 % (previous year 22.0 %), the income tax rate in 2009 was below the multi-year average. This was owing to countervailing tax results in individual countries being taxed at different rates and the disappearance of tax risks from earlier periods.

These effects led to a reduction in the result of the period which was slightly under-proportional to the operating result. The result of the period fell by 62.1 % in 2009, from EUR 30.6 million to EUR 11.6 million.

Profit for the period was down EUR 19 million on the previous year.

11.6 **million EUR Result of the period**

Asset and capital structure

Restraint on capital expenditure

Purchases of tangible assets in the reporting year totalled EUR 10.9 million, compared with EUR 15.9 million the previous year. On account of the economic situation, a very cautious approach was taken towards new capital expenditure. The big increase under land and buildings is due to a building extension in Stein am Rhein, which opened last autumn.

Overall, the net assets of the three divisions fell slightly by 2.6 %, from EUR 201.0 million to EUR 195.8 million, due to the restraint on capital expenditure and an inventory decrease.

Purchases of tangible assets	2009	2009	2008	2008
	TEUR	%	TEUR	%
By type of asset				
Land and buildings	2 912	26.6	1 430	9.0
Machinery and equipment	4 900	44.8	7 668	48.1
Tools	1 735	15.8	2 887	18.1
Advance payments and construction in progress	1 396	12.8	3 951	24.8
Total	**10 943**	**100.0**	**15 936**	**100.0**
By division				
Enclosures	2 901	26.5	6 645	41.7
ELCOM/EMS	2 053	18.8	3 497	21.9
Mechanical Components	5 853	53.5	5 705	35.8
Total for all divisions (segments)	10 807	98.8	15 847	99.4
Reconciliation [1]	136	1.2	89	0.6
Total	**10 943**	**100.0**	**15 936**	**100.0**

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

Net operating assets by division		2009	2008
	Change in %	TEUR	TEUR
Enclosures	–15.4	57 348	67 794
ELCOM/EMS	–3.4	49 247	51 004
Mechanical Components	8.6	89 242	82 201
Total for all divisions (segments)	–2.6	195 837	200 999
Reconciliation [1]	75.2	–2 472	–9 954
Total	**1.2**	**193 365**	**191 045**

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

Zero net indebtedness

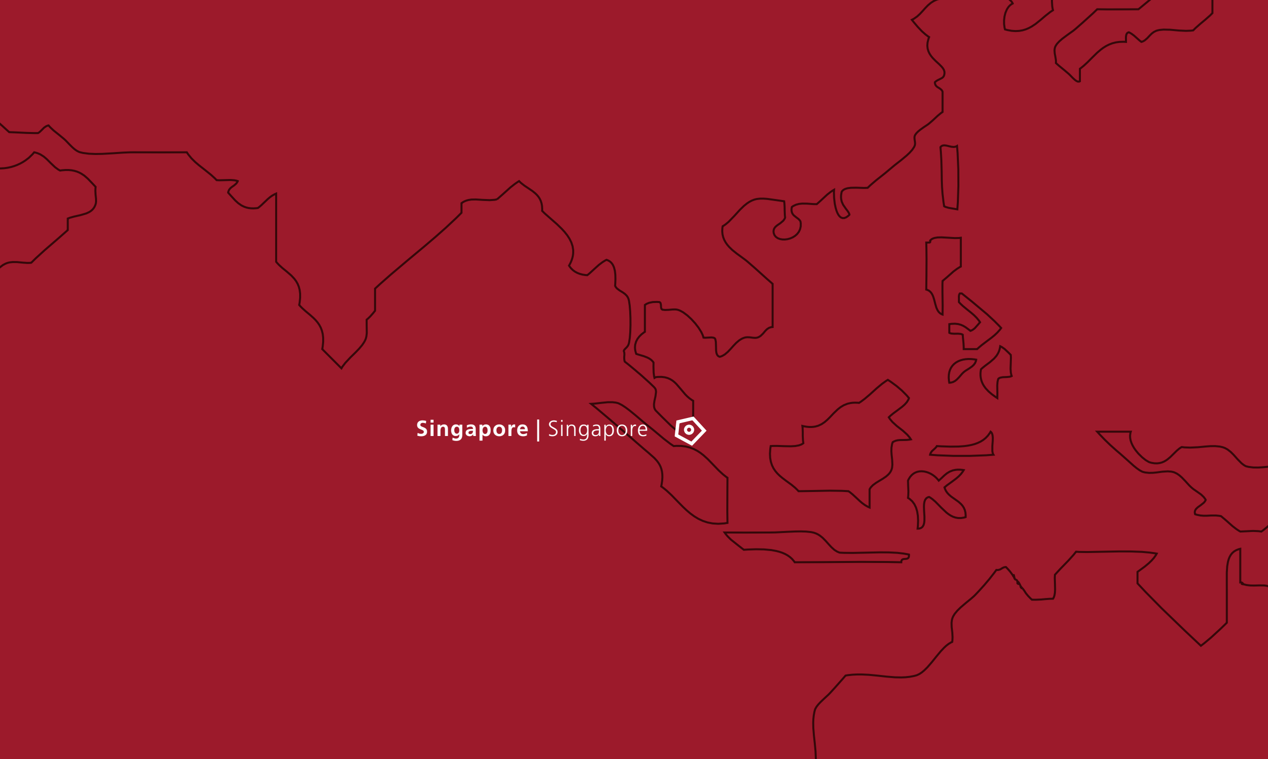
Under a share buyback programme announced in September 2008, own shares worth EUR 4.7 million were acquired in 2009. Despite these buybacks and an increase in the dividend from CHF 9.00 to CHF 10.00, the equity ratio remained virtually unchanged at 64.2 %.

As at 31 December 2009, the Group's cash and cash equivalents and current securities exceeded its total interest-bearing liabilities for the first time. In the previous year, net indebtedness still stood at EUR 2.3 million. The net cash position was achieved despite an outflow of funds of EUR 19.8 million for the acquisitions completed in 2009.

In light of the above, the Group has an extremely sound capital structure with which to confront the still challenging economic climate of 2010 – a structure that also offers it leeway for further acquisition-based growth.

Outlook

Caution remains the order of the day, as the effects of the global financial crisis continue to cast their shadow. That said, we are seeing increasing positive signs of a tentative, yet broad-based, recovery of the industrial markets. Only the consumer-based furniture sector in Europe, the medical and healthcare technology sector (which is reliant on public investment) and the traditional mechanical engineering industry are still dragging their feet. Whether an economic recovery can be sustained, given the debt problems faced by many countries, is hard to assess. However, we have made a good start to 2010 and therefore anticipate organic growth of at least 10 % as well as an over-proportional increase in operating result and net result.



«**The high quality**
of our customised solutions
ensures **customer confidence**
within the Asian markets.»

T. J. Ou | Managing Director
Phoenix Mecano S.E. Asia Pte. Ltd.

Further information

Phoenix Mecano S.E. Asia Pte. Ltd., Asia headquarters

- Founded in 1995
- Supplies companies in a wide range of industrial sectors
- Regional sales and marketing
- Customer service and technical support
- Logistics and centralised stock-keeping
- Number of employees: 45
- Tangible assets purchased since company was founded: EUR 0.5 million

Certifications

- ISO 9001:2000 quality management system
- ATEX-certified by the PTB (Physikalisch-Technische Bundesanstalt): 2007

Individuality. Precision. Reliability.

Phoenix Mecano S.E. Asia Pte. Ltd. has expanded rapidly by opening sales offices in Korea and Taiwan. The new outlets are geared to direct marketing and sale of the entire product range, with a focus on customer proximity.

Electro-polished standard steel field bus junction box.

This product application can be used on on-shore and off-shore projects.

Phoenix Mecano Ex enclosures are suitable for a variety of applications in potentially explosive atmospheres in the oil and gas industry.

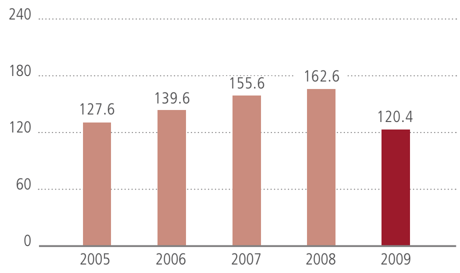
Phoenix Mecano Enclosures

Double-digit EBIT margin.
Leading market position ensures high profitability.

Owing to the global financial crisis, which has hit the capital goods sector – and therefore the Enclosures division – very hard, sales declined by 26 %. However, the operating margin and return on assets remained in double digits thanks to systematic cost management. Capital expenditure was low.

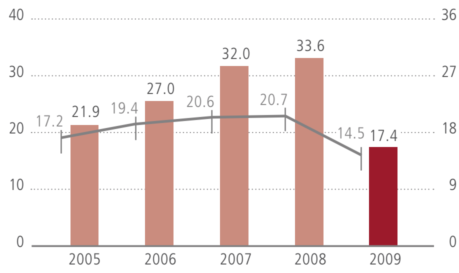
Gross sales

in EUR million



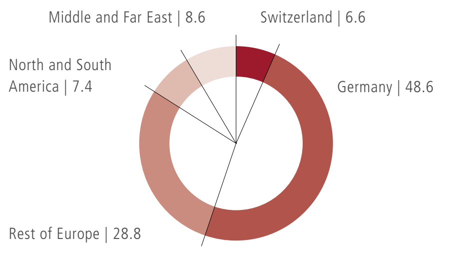
Operating result and margin

in EUR million (— Margin in %)



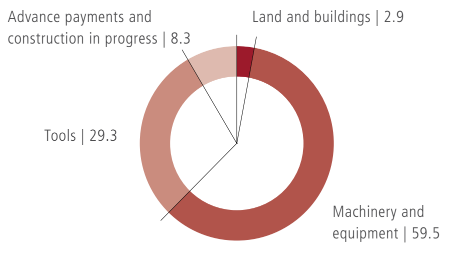
Gross sales by region

in %



Purchases of tangible assets

in %



Overview of the financial year: Sales and profitability

Sales

The Enclosures division saw its gross sales fall by 26.0 % in 2009 (26.2 % when corrected for differences in foreign exchange rates). Sales in Asia developed positively, increasing by 7.4 %, with the Chinese, South Korean and Malaysian markets doing particularly well. By contrast, all European and North American markets experienced double-digit falls in sales. In Germany and Switzerland especially, the division was hit by a massive drop in demand for capital goods.

Sales of industrial enclosures, including control panels and carriers, fell by 25.4 % in 2009. The key market segments of mechanical and electrical engineering were particularly badly affected. Project delays also affected the oil and gas business. The following market segments were less affected by the economic slump: railway technology and medical technology, renewable energies and systems-related business. A number of new products – ALUSTYLE, CIRCUM and INTERTEGO – experienced some initial success.

The membrane keyboards business saw sales decline by 30.8 %, primarily due to a reduction in orders by major customers in the mechanical engineering, control systems and automation sectors. However, market shares were won by new projects using copper technology in keyboards and additional touch and lamination features in solar and medical technology.

In contrast to the falls in sales in the European and North American markets, sales in Asia – primarily China, South Korea and Malaysia – increased by 7.4 %.

+7.4 % **Sales**

Orders

The division's incoming orders in the reporting year were down 28.1 % on the previous year, at EUR 116.7 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) stood at 97.0 %. The economic slowdown that began in late 2008 initiated a downward trend that continued until the middle of 2009. The end of the summer saw the start of a slight upturn which, with the usual fluctuations, continued into the new year.

Result

The division's operating result fell by 48.2 % in 2009, to EUR 17.4 million, due to the significant reduction in its volume of business. This reduction was curbed by the prompt introduction and consistent implementation of cost-cutting measures, including short-time working schemes and staff cuts or hiring freezes at the German parent companies and at production companies worldwide. Personnel expenses in the division were reduced by 14.0 % and other operating expenses by 19.9 %. The rate of use of materials remained stable and depreciation increased slightly. The operating margin was 14.5 %, compared with 20.7 % the previous year.

Gross sales by region	2009	2009	2008	2008
Change in sales in %	Sales TEUR	Share of sales in %	Sales TEUR	Share of sales in %
Switzerland –30.0	8 003	6.6	11 440	7.0

Gross sales by region	Change in sales in %	2009 Sales TEUR	2009 Share of sales in %	2008 Sales TEUR	2008 Share of sales in %
Switzerland	–30.0	8 003	6.6	11 440	7.0
Germany	–28.3	58 549	48.6	81 652	50.2
UK	–27.5	4 233	3.5	5 841	3.6
France	–13.9	4 801	4.0	5 574	3.4
Italy	–31.3	4 155	3.5	6 052	3.7
Benelux	–21.0	9 812	8.2	12 419	7.7
Rest of Europe	–37.9	11 548	9.6	18 609	11.5
North and South America	–21.2	8 926	7.4	11 334	7.0
Middle and Far East	7.4	10 349	8.6	9 640	5.9
Total	**–26.0**	**120 376**	**100.0**	**162 561**	**100.0**

Operating result	Change in %	2009 TEUR	Margin %	2008 TEUR	Margin %
Operating result	–48.2	17 428	14.5	33 614	20.7

Net operating assets	Change in %	2009 TEUR	Profitability in %	2008 TEUR	Profitability in %
Net operating assets	–15.4	57 348	30.4	67 794	49.6

Purchases of tangible assets	2009 TEUR	2009 in %	2008 TEUR	2008 in %
Land and buildings	85	2.9	573	8.6
Machinery and equipment	1 727	59.5	3 504	52.7
Tools	850	29.3	1 376	20.7
Advance payments and construction in progress	239	8.3	1 192	18.0
Total	**2 901**	**100.0**	**6 645**	**100.0**

Asset and capital structure

A cautious approach to capital expenditure was adopted in 2009 and no construction projects were undertaken. The purchase of replacement tools was stepped up in India. There was additional capital expenditure on tools for the new products mentioned above.

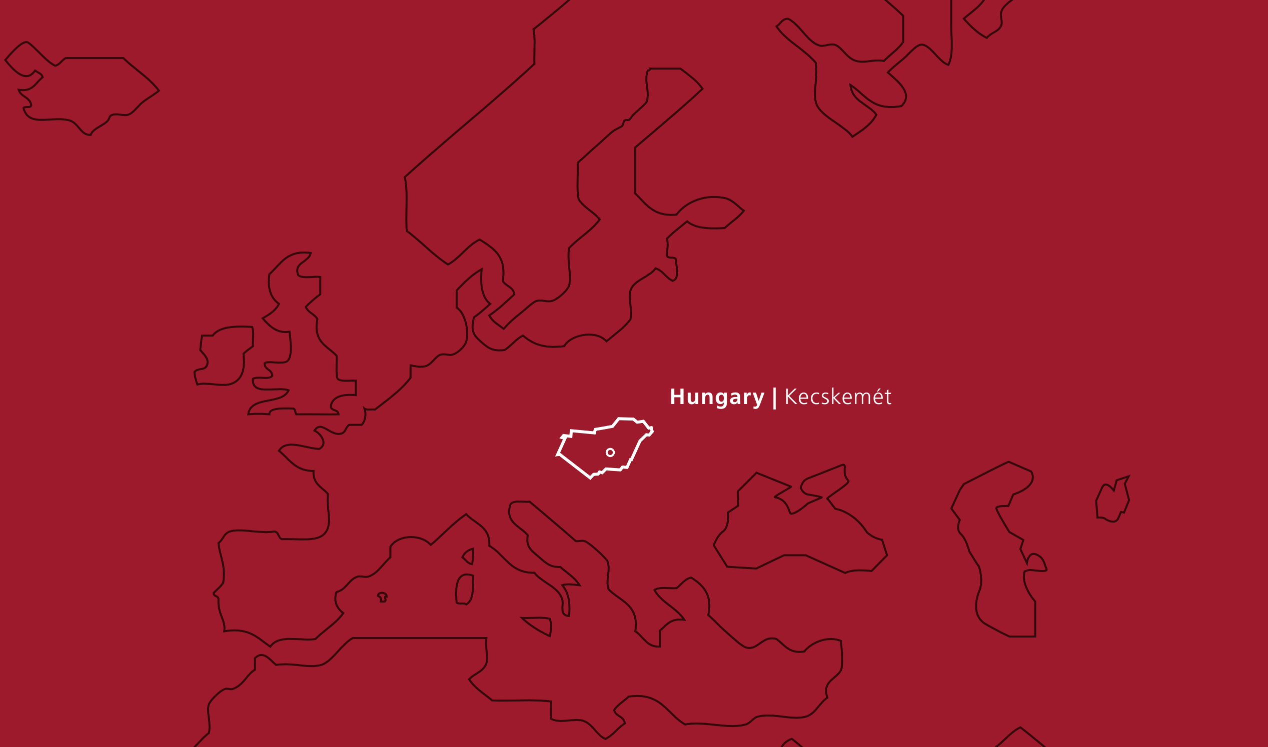
Due to the low level of capital expenditure and a 26.2 % reduction in the operating net current assets, it was possible to keep the return on capital employed (ROCE) at a high level of 30.4 %.

The profitability of net operating assets remained high.

30.4 % **Profitability**

Employees

The annual average number of staff employed by the division fell by 13.9 % to 1 407. Most of this decrease occurred in the Group's various production locations, primarily India and Hungary, although staff numbers in Germany also fell, by just under 10 %. Per capital sales declined from EUR 99 000 to EUR 85 000.



«**High skill levels** combined with our ongoing staff training form a bedrock for **dynamic growth**.»

Ch. Porde (left) and Dr Z. Nagy | Managing Directors
Phoenix Mecano Kecskemét Kft.

Further information

Phoenix Mecano Kecskemét Kft.

- Founded in 1993
- Manufactures for all three divisions of the Phoenix Mecano Group
- Covers a broad range of technologies including injection moulding, machining, painting, winding technology and a variety of complex assembly services
- In-house R&D division and state-of-the-art quality testing lab
- Number of employees: 1 046
- Tangible assets purchased since company was founded: EUR 35.5 million

Certifications

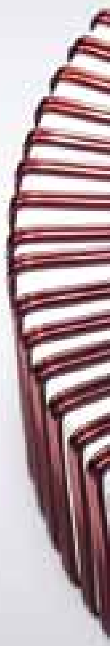
- ISO 9001:2000 quality management system
- ISO 14001:2004 environmental management system

Individuality. Precision. Reliability.

Phoenix Mecano Kecskemét Kft. is a Group leader when it comes to productivity and low staff turnover. With customer satisfaction being the key objective, high quality and social/environmental standards are critical to sustainable success.

Toroidal transformer for solar inverter.

Precision windings ensure maximum efficiency (> 98 %) and outstanding quality.



Phoenix Mecano inverter components are used in conjunction with virtually all module technologies.

Phoenix Mecano ELCOM/EMS

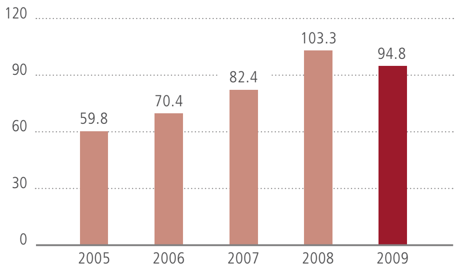
Streamlined structures and product innovations.

Growth in renewable energies.

The division responded to a difficult year economically by launching an offensive based around new products and the further development of existing products. The closure of a production facility in the Czech Republic further concentrated and optimised manufacturing capacity. The renewable energies segment is becoming increasingly important for the whole division.

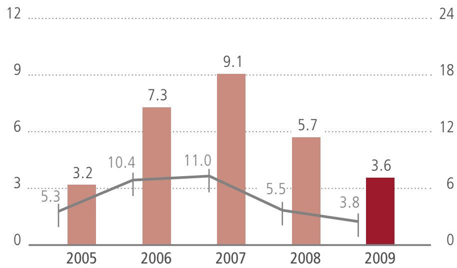
Gross sales

in EUR million



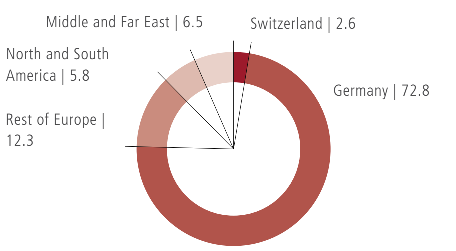
Operating result and margin

in EUR million (— Margin in %)



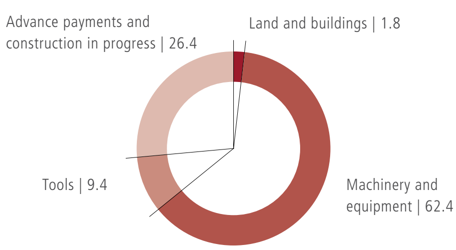
Gross sales by region

in %



Purchases of tangible assets

in %



Overview of the financial year: Sales and profitability

Sales

The ELCOM/EMS division saw its sales decline by 8.2 % in 2009, to EUR 94.8 million, with a minimal currency impact of 0.2 %. The impact of consolidation was 2.1 %. In Germany, sales remained virtually unchanged thanks to increased sales activity in the renewable energies sector. Outside Germany, the division suffered significant falls in sales due to the heavy decline of the industrial markets. Worst hit were electromechanical components (coding and micro-switches, terminal blocks, spring contacts), whose sales were down by 27.7 %. Competition for standard products intensified. However, the division broke into other areas of business as a partner for customised solutions (e.g. terminal blocks combined with cable assemblies). Its new spring contact blocks are used as interfaces for car phones and are built into new Porsche and Audi models. The power quality products of Götz-Udo Hartmann and Datatel increased their sales by 19.6 % to EUR 38.1 million. The main reason for this rise was the very buoyant demand for transformers and chokes for use in solar inverters and wind turbines in the second half of the year. This market segment is currently developing at a very fast rate. The division’s flexibility and expertise allow it to react quickly with new products and specific developments to existing products. Sales in the electronic packaging business, represented by Hartmann Elektronik, WIENER Plein & Baus and Phoenix Mecano Digital Elektronik, were down by 2.7 % on the previous year. Things improved slightly in H2, when some major customers were won back after switching their business to competitors in the Far East. In addition, the railway technology segment benefited from investment stimulus packages in the sector. In Germany, a skilled, internal sales network was set up and the US sales branch acquired additional staff, significantly boosting efforts to win new customers. Thanks to the integration of the former MCT cable assembly and overmoulding business, Phoenix Mecano Digital Elektronik successfully positioned itself on the market as a system supplier, partially offsetting the slump in business from regular customers. Hartmann Elektronik and WIENER Plein & Baus together developed a universal fan control system with TCP/IP Ethernet, CANbus and USB interface, which is already being used in both firms’ products.

The division felt the effects in the capital goods industry, although this was stabilised by the accelerated growth in renewable energies.

94.8 **million EUR Sales**

Orders

Consolidated incoming orders for the ELCOM/EMS division totalled EUR 98.7 million in the reporting year, compared with EUR 95.1 million the previous year. This represents an increase of 3.8 %. As a result, the book-to-bill ratio (incoming orders as a percentage of gross sales) stood at 104.1 %, reflecting the improved business situation towards the end of the year.

Gross sales by region	Change in sales in %	2009 Sales TEUR	2009 Share of sales in %	2008 Sales TEUR	2008 Share of sales in %
Switzerland	–39.5	2 503	2.6	4 139	4.0
Germany	–0.1	69 061	72.8	69 123	66.9
UK	–14.9	883	0.9	1 037	1.0
France	–30.5	1 694	1.8	2 437	2.4
Italy	–29.8	1 668	1.8	2 376	2.3
Benelux	–29.6	686	0.8	975	1.0
Rest of Europe	–33.1	6 660	7.0	9 952	9.6
North and South America	–8.2	5 494	5.8	5 982	5.8
Middle and Far East	–14.8	6 173	6.5	7 249	7.0
Total	**–8.2**	**94 822**	**100.0**	**103 270**	**100.0**

Operating result	Change in %	2009 TEUR	Margin %	2008 TEUR	Margin %
Operating result	–36.5	3 626	3.8	5 712	5.5

Net operating assets	Change in %	2009 TEUR	Profitability in %	2008 TEUR	Profitability in %
Net operating assets	–3.4	49 247	7.4	51 004	11.2

Purchases of tangible assets	2009 TEUR	2009 in %	2008 TEUR	2008 in %
Land and buildings	36	1.8	194	5.6
Machinery and equipment	1 282	62.4	1 995	57.0
Tools	194	9.4	297	8.5
Advance payments and construction in progress	541	26.4	1 011	28.9
Total	**2 053**	**100.0**	**3 497**	**100.0**

Result

The division's operating result fell by 36.5 % to EUR 3.6 million. Though benefiting from the various restructuring measures of previous years, the division was not able to fully offset the low levels of demand. Consequently, the introduction of short-time working was inevitable at many sites. In addition, the result was affected by one-off costs associated with the development of production capacity in Hungary and the closure of a manufacturing plant in the Czech Republic.

Asset and capital structure

Purchases of tangible assets dropped from EUR 3.5 million to EUR 2.1 million in 2009. The bulk of the investment was in production machinery for the manufacture of transformers and chokes. A new pad printing machine at PTR Messtechnik allows the company to meet customers' needs more effectively. Thanks to the latest generation of SMD technology for use in pick & place and electronics testing facilities, Phoenix Mecano Digital Elektronik is able to offer demanding industrial control assemblies that meet the highest quality standards. Replacement investments accounted for most of the remaining capital expenditure.

Net operating assets decreased by 3.4 % to EUR 49.2 million. Bottlenecks in the external supply of materials were felt repeatedly in the last quarter. The ELCOM/EMS division reacted to this by increasing its stocks of critical goods, in order to safeguard its own delivery reliability. The return on capital employed (ROCE) fell by four percentage points to 7.2 %.

The profitability of net operating assets fell by four percentage points in the reporting year.

7.2 % **Profitability**

Employees

The annual average number of staff employed by the division in the reporting year fell from 1 969 to 1 702. There were staff cuts in Tunisia, but the ELCOM/EMS division created additional jobs in Hungary through the expansion of manufacturing capacity. The division's per capita sales rose again from EUR 52 000 to EUR 55 000.

S. Shukla | Managing Director
Phoenix Mecano (India) Ltd.

«Our local expertise and close collaboration with customers allow us to supply **customised solutions** while keeping **delivery times short.**»

Further information

Phoenix Mecano (India) Ltd.

› Founded in Mumbai in 1994
› Production unit: Pirangut, Pune, opened in 2004
› Serves the domestic market and exports specialised products worldwide
› Number of employees: 240
› Tangible assets purchased since company was founded: EUR 3.7 million

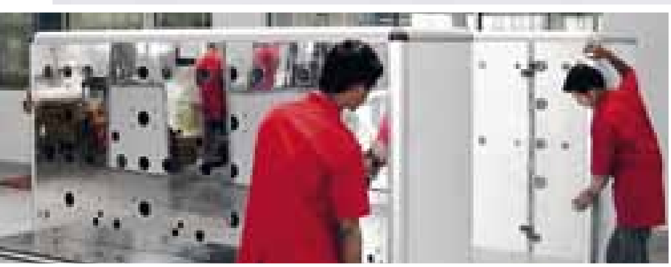
Certifications

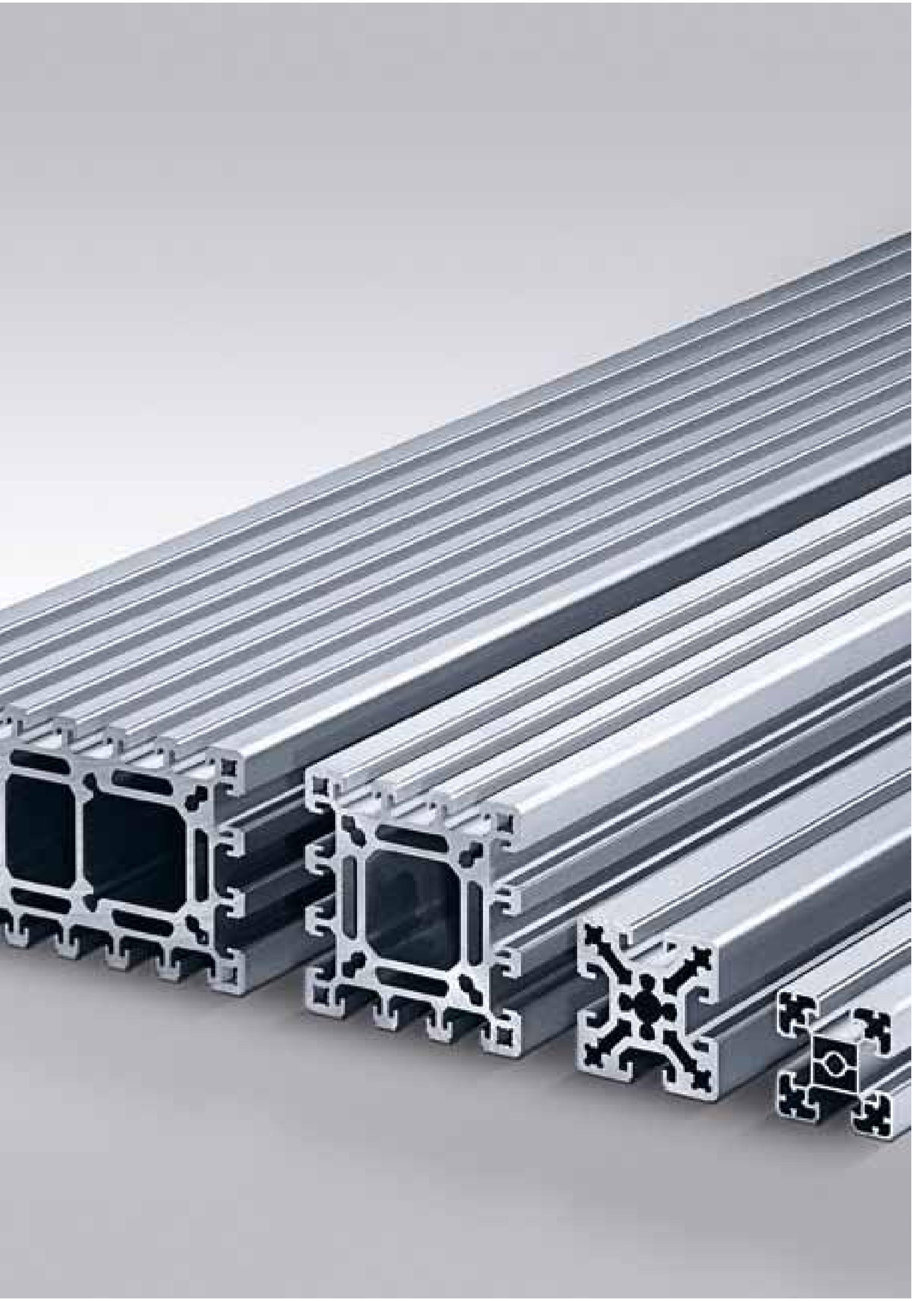
› ISO 9001 quality management system, 2001 version: 2007
› ATEX-certified by the PTB (Physikalisch-Technische Bundesanstalt): 2007

Individuality. Precision. Reliability.

Responsiveness to customer needs, technical expertise, flexible delivery and customer proximity underpin the success of Phoenix Mecano (India) Ltd. We use local suppliers and service providers wherever possible, whilst always complying with the Group's global quality standards.

High-precision aluminium profiles for the construction of workstations, special machinery and a variety of automation applications.





Example of a custom-built machine enclosure made from aluminium profiles

Phoenix Mecano Mechanical Components

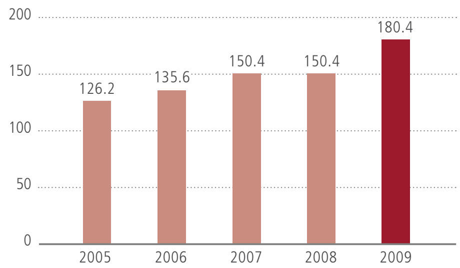
Opportunity in the crisis.

Market position strengthened through acquisition and restructuring.

Through the acquisition of the drive solutions business for comfort and healthcare furniture of its insolvent competitor Okin, the Mechanical Components divisions improved its market position in this segment and increased its sales by 19.9 %. The planned integration and restructuring costs for Okin led to a negative operating result.

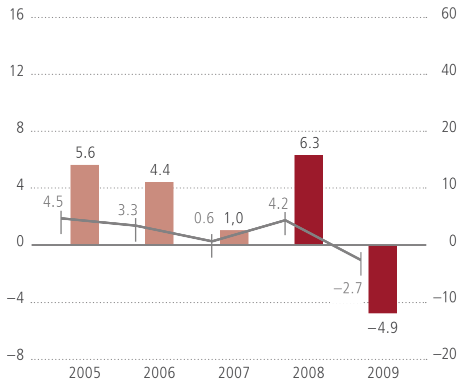
Gross sales

in EUR million



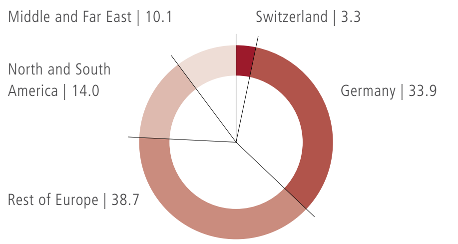
Operating result and margin

in EUR million (— Margin in %)



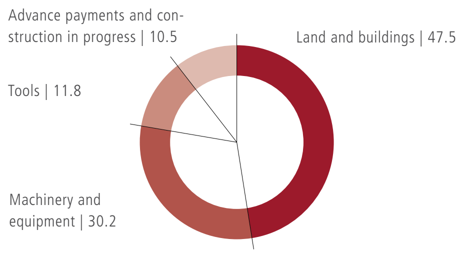
Gross sales by region

in %



Purchases of tangible assets

in %



Overview of the financial year: Sales and profitability

Sales

The sales of the Mechanical Components division rose by 19.9 % in the reporting year. Corrected for differences in foreign-exchange rates, the increase in sales was 20.5 %. Changes in the scope of consolidation made a big contribution to this rise. In organic terms, however, sales declined by 16.9 % due to economically conditioned falls in sales in the European markets and in North America. By contrast, an organic growth in sales was recorded in Asia, mainly owing to successes in the healthcare sector. As a result of acquisitions, the sales volume in North America more than doubled. The percentage of sales generated outside Europe rose accordingly, from 19.1 % to 24.2 %.

At the start of 2009, the business operations of Eiden & Schmidt GmbH Messtechnik in Marpingen, Germany, were taken over as part of an asset deal. The company is a long-standing sales and system partner for the division's industrial products. Under an asset deal effective from 5 February 2009, the Phoenix Mecano Group acquired the drive solutions business for comfort and office furniture of insolvent German company Okin Antriebstechnik GmbH. Also acquired were 100 % of the shares in Okin's production and sales companies in Hungary, the USA and Sweden. The move ensures that the division is actively involved in the consolidation process within this fiercely competitive growth sector.

The division's industrial business was hit by the global economic downturn in 2009 and declined markedly due to market conditions, in both the assembly systems and the linear adjustment and positioning systems businesses. The market bottomed out in May/June and has since recovered slightly. Despite the difficult economic situation, the development of new products and further development of existing products continued apace. Among the projects successfully completed were the construction of a large staircase and frame platform for Shanghai airport and the development of a special linear positioning system used in the manufacture of plastic bottles.

Sales of linear drives for the hospital, healthcare and comfort furniture sector were not hit quite so hard by the economic crisis. 2009 saw some initial project successes with patient lifts and a number of new projects completed thanks to the successful fitting of innovative microprocessor control systems with FurniBus technology and the intelligent membrane keyboard operating system MediTouch. Its acquisition of parts of Okin allowed the division to expand its global market position in the healthcare and comfort furniture sector. Following the integration of Okin, Dewert now focuses wholly on the medical technology and healthcare market. As a well established brand, Okin serves the comfort furniture segment, largely via the division's existing sales channels. Factoring in the acquired sales from Okin, the linear adjustment and positioning systems business saw its overall sales rise by 36.7 %.

Changes in the scope of consolidation caused the division's sales to grow to EUR 180 million.

+20.5 % **Sales**

Gross sales by region		2009	2009	2008	2008
	Change in sales %	Sales TEUR	Share of sales %	Sales TEUR	Share of sales %
Switzerland	–33.3	6 005	3.3	9 003	6.0
Germany	12.6	60 897	33.9	54 062	35.9
UK	17.9	9 945	5.5	8 437	5.6
France	12.4	16 291	9.0	14 493	9.6
Italy	8.9	5 853	3.2	5 377	3.6
Benelux	17.6	11 292	6.3	9 605	6.4
Rest of Europe	27.5	26 428	14.7	20 731	13.8
North and South America	112.4	25 338	14.0	11 927	7.9
Middle and Far East	9.0	18 303	10.1	16 785	11.2
Total	19.9	**180 352**	**100.0**	**150 420**	**100.0**

Operating result		2009	Margin	2008	Margin
	Change in %	TEUR	%	TEUR	%
Operating result	–177.3	–4 871	–2.7	6 302	4.2

Net operating assets		2009	Profitability	2008	Profitability
	Change in %	TEUR	in %	TEUR	in %
Net operating assets	8.6	89 242	–5.5	82 201	7.7

Purchases of tangible assets	2009	2009	2008	2008
	TEUR	in %	TEUR	in %
Land and buildings	2 780	47.5	663	11.6
Machinery and equipment	1 766	30.2	2 080	36.5
Tools	691	11.8	1 214	21.3
Advance payments and construction in progress	616	10.5	1 748	30.6
Total	**5 853**	**100.0**	**5 705**	**100.0**

Orders

The division’s incoming orders were up 31.1 % on the previous year, at EUR 190.7 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 105.8 %.

Result

The Mechanical Components division suffered an operating loss of EUR 4.9 million in 2009, compared with an operating profit of EUR 6.3 million the previous year. One of the main reasons for this was the negative contribution to the result of acquisitions in 2009 which totalled EUR 6.5 million. Of this around EUR 5 million was special costs for the integration of Okin.

In addition, the lower volume of industrial business contributed to a decline in the division’s result. This fall in result was limited by appropriate cost-cutting measures.

Asset and capital structure

Capital expenditure in 2009 was virtually unchanged from the previous year at EUR 5.9 million. The biggest capital expenditure project in 2009 was the construction of a new building at the Stein am Rhein site in Switzerland, costing EUR 1.9 million. Following completion of this project, the production of electric cylinders was relocated from Niederdorf, Switzerland, to Stein am Rhein.

As a result of acquisitions, the division's net operating assets increased by 8.6 % to EUR 89.2 million.

Employees

The annual average number of staff employed by the division was 1 556, up 267 on the previous year. Excluding acquisitions, there was a fall of just under 10 %, mainly due to staff cuts at the main production site in Hungary. Per capita sales fell by a negligible EUR 1 000 to EUR 116 000.

Incoming orders for the Mechanical Components division increased by 31.1 % compared with the previous year.

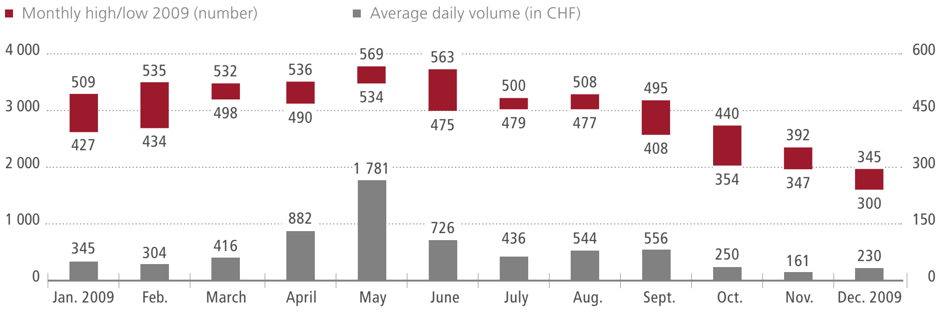
190.7 **million EUR Incoming orders**

Share information

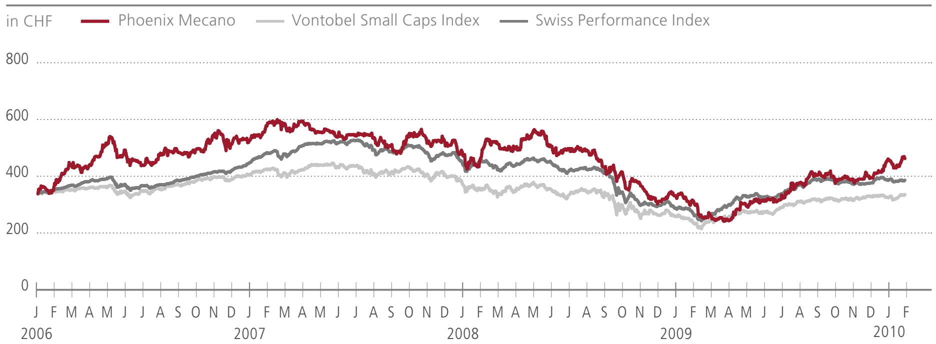
Share buyback programme completed. **Proposed dividend for 2009: CHF 10.00**

Phoenix Mecano AG's share capital comprises 988 000 bearer shares with a par value of CHF 1.00. Since its initial public offering in 1988, Phoenix Mecano has prioritised the interests of long-term investors. As has always been the case, all shares are bearer shares and there are no restrictions on ownership or voting rights. Capital that is not required for internal growth is returned to shareholders in the form of dividends, par value repayments and share buybacks.

Monthly highs and lows in 2009 and average daily volume



Phoenix Mecano share price, 1 January 2006–26 February 2010, compared with the Vontobel Small Caps Index and SPI



Dividend policy and share information

Share capital

Phoenix Mecano AG's share capital of CHF 988 000 is divided up into 988 000 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.

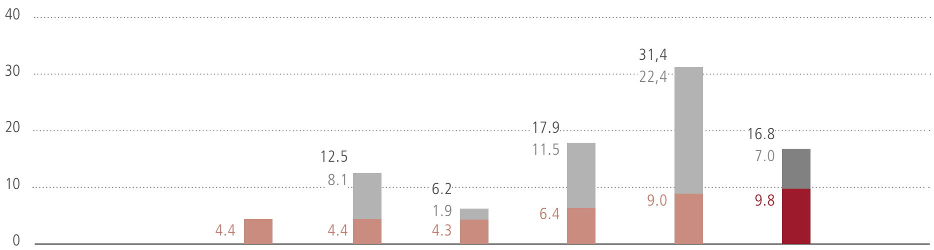
Share buyback programmes

On 29 September 2008, the Board of Directors announced a new share buyback programme worth up to CHF 15 million as a means of effecting a capital decrease. The programme ended on 6 October 2009. Between 2007 and 2009, a total of 58 500 and 33 000 shares were bought back under two share buyback programmes.

Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, 81 500 bought-back shares were cancelled and the share capital reduced accordingly.

Dividend payout and return of capital to shareholders

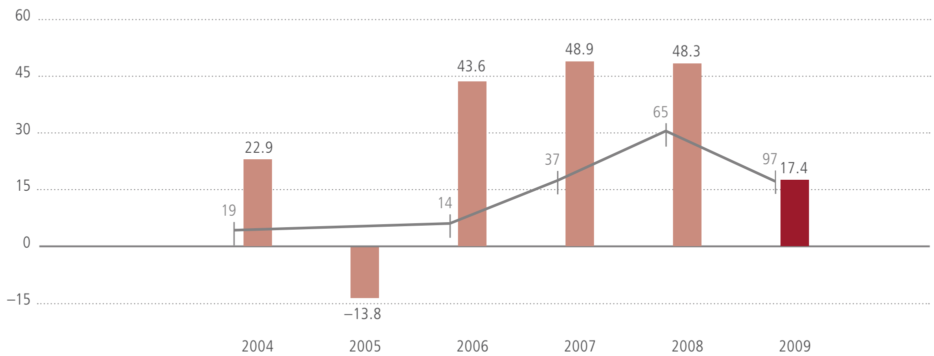
in millions of CHF ■ Dividend ■ Share buyback



	2004	2005	2006	2007	2008	2009	Total
in millions of CHF							
Dividend	4.4	4.4	4.3	6.4	9.0	9.8	38.3
Share buyback	n/a	8.1	1.9	11.5	22.4	7.0	50.9
Total	**4.4**	**12.5**	**6.2**	**17.9**	**31.4**	**16.8**	**89.2**

Result of the period

■ Net result (in millions of CHF) — Payout ratio (in %)



The Board of Directors proposes that the Shareholders' General Meeting of 28 May 2010 decrease the share capital to the value of the remaining 10 000 shares bought back between May and October 2009.

Year of buyback	Cancelled shares	Average repurchase price of cancelled shares	Shares outstanding
	Number	CHF	Number
2005/2006	30 500	327.18	1 069 500
2007/2008	58 500	510.74	1 011 000
2008/2009	23 000	336.42	988 000

Dividend policy and proposal

Phoenix Mecano AG strives to achieve a medium-term average payout ratio of 15 – 25 % of sustainable result of the period. 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 28 May 2010 an unchanged dividend of CHF 10.00. This is due to the very high equity ratio of 64 %, the excellent cash flow and the much improved business outlook for 2010. The proposed dividend for financial year 2009 corresponds to around 55 % of the result of the period.

Average trading volume in 2009

On average, 549 Phoenix Mecano shares were traded each day.

Opting out

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

Opting up

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

Information for shareholders

18 February 2010	7:00 a.m	Media release	› Provisional figures for financial year 2009
27 April 2010	7:00 a.m	Media release	› Financial year 2009 › Q1 2010 › Publication of 2009 annual report
27 April 2010	9:30 a.m	Media conference	› Financial year 2009 › Q1 2010
Hotel Widder Rennweg 7 8001 Zurich	11:30 a.m	Financial analysts' conference	› Financial year 2009 › Q1 2010
28 May 2010 Hotel Chlosterhof Oehningerstrasse 2 8260 Stein am Rhein	3:00 p.m	Shareholders' General Meeting	
13 August 2010	7:00 a.m	Media release	› Half-yearly results 2010
27 August 2010	7:00 a.m	Detailed report	› Half-yearly results 2010
2 November 2010	7:00 a.m	Media release	› Q3 2010

Share indicators at a glance

	Unit	2009	2008	2007	2006	2005
Number of shares						
Share capital [1, 2] (bearer shares with a par value of CHF 1.00)	Number	988 000	1 069 500	1 069 500	1 069 500	1 100 000
Own shares	Number	19 202	79 930	31432	1 955	25 949
Shares entitled to dividend [3]	Number	968 798	989 570	1 038 068	1 067 545	1 074 051
Information per share						
Operating result per share [3]	EUR	13.9	43.3	37.4	33.5	25.6
Result of the period per share [3]	EUR	12.0	30.9	28.9	26.0	–8.2
Equity per share [3]	EUR	199.6	193.0	175.8	156.4	131.2
Free cash flow per share [3]	EUR	36.2	30.2	20.9	11.5	23.4
Dividend	CHF	10.00 [6]	10.00	9.00	6.00	4.00
Share price						
High	CHF	420	569	615	570	366
Low	CHF	235	300	474	360	280
Year-end price	CHF	394	317	530	534	340
Share key figures						
Dividend yield [4]	%	2.5	3.2	1.7	1.1	1.2
Payout ratio [5]	%	55.0	20	19	15	n/a
Price/profit ratio 31 December		21.8	6.5	11.2	13.0	n/a

1 Pursuant to a decision by the Shareholders' General Meeting of 26 May 2006, the share capital was reduced by CHF 30 500 with effect from 15 September 2006 by cancelling 30 500 shares from the 2005/2006 share buyback programme.
2 Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, the share capital was reduced by CHF 81 500 with effect from 28 September 2009 by cancelling 81 500 shares from the 2007/2008 and 2008/2009 share buyback programmes.
3 Based on shares entitled to dividend as at 31 December.
4 Dividend in relation to year-end price.
5 Dividend (shares entitled to dividend only) in relation to result of the period.
6 Proposal to the Shareholders' General Meeting of 28 May 2010.

Analyst coverage (as at 31 December 2009)

Our business performance is regularly monitored by the following analysts:

UBS AG	joern.iffert@ubs.com
Bank Vontobel	serge.rotzer@vontobel.ch
Helvea	amigliorini@helvea.com
Zürcher Kantonalbank	richard.frei@zkb.ch
Neue Zürcher Bank	thomas.baumann@nzb.ch

Ticker symbols

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

Further information for investors is available from

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

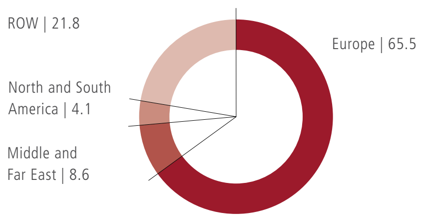
Sustainability

Success through **social and environmental responsibility.**

The Phoenix Mecano Group's approach is based on integrated sustainability: 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.

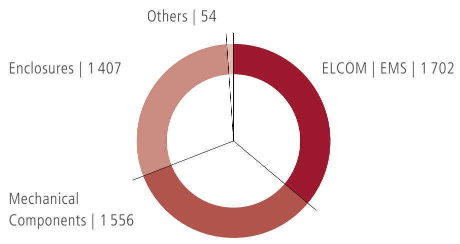
Employees by region

in %



Employees by division

number



Sustainable success

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 act in a socially responsible and environmentally conscious manner. A Code of Conduct has been introduced to ensure compliance with applicable legislation and international standards.

Code of Conduct

As a listed company, Phoenix Mecano, together with its global subsidiaries, has a particular duty to abide by legislation and international codes of conduct. Furthermore, breaches of legislation and regulations may harm the reputation of the company and thereby adversely affect the company's share price, undermine the trust of customers, suppliers, business partners, authorities and the general public and consequently put jobs at risk. It is for that reason that the Board of Directors and Group's management have introduced the Code of Conduct.

The members of the Board of Directors and Executive Committee and the managing directors of the individual subsidiaries must act as role models and be seen to apply the principles contained in the Code of Conduct.

Compliance with legislation, regulations and guidelines

All employees of the Phoenix Mecano Group must comply with all applicable legislation, regulations and internal guidelines. Among other things, this means:

- Anti-trust laws and competition and fair trading legislation must be complied with.
- Insider trading (i.e. disseminating or exploiting insider information) is prohibited.
- Fraudulent activities are prohibited. Employees must ensure that transparent and legally compliant financial accounting and reporting take place in their area of activities. In addition, all employees must handle Phoenix Mecano Group property carefully. Confidential data and documents must not be transferred to third parties without authorisation.
- Bribery, corruption and donations to political parties are prohibited. Employees must neither offer nor accept unreasonable financial benefits. Actions giving rise to conflicts of interest are prohibited.

All employees can report breaches to their superior or the next level of management, or, in case of doubt, to the Group's CEO. Major breaches may have disciplinary as well as legal consequences, and could even result in dismissal.

Social responsibility

Employees as ambassadors

The Phoenix Mecano Group employs some 4 719 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.

2009 was a difficult year, but our dedicated staff with their indispensable expertise helped to ensure that our customary quality and reliability were maintained whilst also optimising our long-term efficiency. Short-time working in Germany and Switzerland enabled cost savings to be made without the need for compulsory redundancies. However, significant staff cuts were unavoidable at the sites in Tunisia, Hungary and India.

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.

Vision

As a global player in the components sector, Phoenix Mecano develops detailed technical solutions with and for its customers, enabling them to convert ideas into marketable products. In our capacity as a specialised partner we meet our clientele's most stringent requirements with regard to technology, service and a customer-oriented approach, constantly assisting them by supplying anything from components to full systems which can help them enhance their potential for creating value added even further.

Mission

Our success hangs on that of our customers. Close cooperation, constant communication and intensive exchanges of well targeted ideas are our main precepts. We support our customers as best as we can, making full use of our employees' know-how.

Phoenix Mecano is particularly committed to its shareholders. Since going public in 1988 on the Zurich stock exchange, the precursor of today's SIX, we have paid special attention to treating all our shareholders equally, implementing a clear dividend policy and pursuing a long-term refinancing and growth strategy.
We communicate openly with all interested parties and engage in regular contacts with the media and analysts. Any other information requirements are met via the Internet.

Our decentralised, market- and customer-oriented structure places high demands on our employees. We encourage them to adopt an entrepreneurial attitude, give them room for manoeuvre based on clear, agreed objectives, and reward their creation of lasting value.

Values

Reliability vis-à-vis all interested parties is a prerequisite for credibility. Every day we work on putting these maxims into practice, with the management setting an example by fulfilling a responsible leadership function.

Naturally, the same also applies to the Board of Directors. Phoenix Mecano has recognised the importance of good corporate governance. This is only reflected to a minor extent in the information included in the annual report at the bidding of the SIX. Good corporate governance constitutes the basis for self-esteem and for the company's reputation, both internally and externally. In the first instance, good corporate governance has to be practised.

Ever since going public, Phoenix Mecano has cultivated the philosophy of shareholder value, based on the original, far-sighted definition of the term. In this respect nothing has changed where compliance with these maxims is concerned.

Profitability and growth are key requirements for maintaining competitiveness and value added and for creating new jobs both at home and abroad. We are constantly seeking potential for growth and greater efficiency. Recognised potential is immediately exploited in a bid to retain and enhance our market position and competitive edge.

The sustainability factor is underpinned by dealing thoughtfully with our natural resources. Phoenix Mecano is all in favour of corporate responsibility and, by using appropriate technologies and procedures, endeavours to strike the best possible balance between justified environmental, human and economic requirements.

Mission statement

Market leadership
Phoenix Mecano has gained a leading position worldwide with its innovative products. Phoenix Mecano aims to maintain and extend the lead already attained.

Scope
Phoenix Mecano operates at the interface between man and machinery. It has a reputation for distinctive solutions acknowledged by the market to set new trends.

Initiative
It has a decentralised structure which facilitates quick decisions. It responds to market requirements, market changes and market opportunities before the competition. It strives to prevail over its rivals and over complacency within its own ranks.

Growth
Phoenix Mecano is committed to steady growth while maintaining a solid financial foundation.

Employees – key figures at a glance

	Change Number / EUR 1 000	2009	2008
Personnel (average for year)	–227	4 719	4 946
By division (number)			
Enclosures	–227	1 407	1 634
ELCOM/EMS	–267	1 702	1 969
Mechanical Components	267	1 556	1 289
Others	–	54	54
By region			
Switzerland	–14	128	142
Germany	–91	1 431	1 522
Rest of Europe	159	1 534	1 375
North and South America	17	192	175
Middle and Far East	–67	406	473
ROW	–231	1 028	1 259
Personnel expenses in EUR 1 000	0.3	24.5	24.2
Gross sales per employee in EUR 1 000	–0.3	84.1	84.4

Environmental responsibility

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.

Dewert Antriebs- und Systemtechnik (since 2009) and PTR Messtechnik (since 1999) apply a sustainable environmental management system (EMS) based on DIN ISO 14001. This enables the planning, control, monitoring and improvement of all process-related environmental protection measures as well as environmentally-focused operations and personnel management.

In Hungary, Phoenix Mecano Kecskemét Kft. operates in line with the ISO 9001:2000 quality management system and the ISO 14001:2004 environmental management system, thereby meeting quality and environmental objectives whilst ensuring maximum customer satisfaction.

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.

Local value creation

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.

Corporate governance

Responsible, value-driven 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 Group

Finance, service and other companies	Enclosures	ELCOM/EMS	Mechanical Components	Production and sales companies	
Switzerland	Germany	Germany	Germany	Australia	People's Republic of China
Brazil				Austria	Romania
Channel Islands GB				Benelux	Singapore
Germany				Brazil	Spain
The Netherlands				Denmark	Sweden
				France	Switzerland
				Germany	Tunisia
				Great Britain	Turkey
				Hungary	United Arab Emirates
				India	USA
				Italy	
				Korea (South Korea)	

Sustainable corporate policy

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

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 technical enclosures, electronics components, linear actuators and complete system integrations in three technical divisions. Its products are used principally but not exclusively in the machine industry, industrial electronics and the home and hospital care sector – its target markets. The Group is split into three divisions: Enclosures, ELCOM / EMS and Mechanical Components. Within these divisions, parent companies responsible for product management operate with the help of global production sites and sales companies. In Switzerland, Phoenix Mecano is present at two locations: Kloten, from where Phoenix Mecano Management AG runs the Group's operations, and Stein am Rhein, which is home to the headquarters of the Group's holding company as well as to Phoenix Mecano Komponenten AG, which distributes the various products manufactured by Phoenix Mecano subsidiaries in Switzerland, and the purchasing company Phoenix Mecano Trading AG. The Group's overall structure has always been very lean. Operational responsibility lies largely with the divisional managers and the managing directors of the individual subsidiaries, who are represented in the management (also referred to as the Executive Committee). The Group's operational structure is presented in detail on pages 58 / 59. None of the shareholdings is listed.

Significant shareholders	2009	2008
in %		
Planalto AG, Luxembourg	33.4	30.9
Tweedy, Browne Company LLC, New York	7.9*	7.9
UBS Fund Management (Switzerland) AG, Basel	3.1	4.9
Oppenheimer Funds Inc., New York	4.6*	4.6*
Sarasin Investmentfonds AG, Basel	5.4	3.9*

This information is based on reports by the shareholders mentioned above.
* Stake not reported in 2009.

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 2009, Phoenix Mecano AG's share capital was fully paid up and consisted of 988 000 bearer shares (securities No. Inh. 218781; Reuters: PM.S; Telekurs / Telerate: PM) with a par value of CHF 1.00. All shares, apart from those owned by the company, fully entitle the bearer to vote and receive a dividend. As at the balance sheet date, the company owned 19 202 own bearer shares. There are no nominal shares and no participation or dividend-right certificates.

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

Changes in capital Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, 81 500 bought-back shares were cancelled from the 2007/2008 and 2008/2009 share buyback programmes and the share capital reduced from CHF 1 069 500 to CHF 988 000, with effect from 28 September 2009. The share capital was then re-divided into 988 000 bearer shares with a par value of CHF 1.00 each.

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 cancelling 30 500 shares from the 2005/2006 share buy-back programme.

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

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

Board of Directors

The Board of Directors is the company's senior management body and comprises at least four members. The Board of Directors met four times in 2009.

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

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

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

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

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

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

Activities in governing and supervisory bodies
- Deutsche Telekom AG, Bonn, Germany (Member of the Supervisory Board)
- E.ON AG, Düsseldorf, Germany (Member of the Supervisory Board)
- Feri Finance AG, Bad Homburg, Germany (Deputy Chairman of the Supervisory Board)
- Gartmore SICAV, Luxembourg (Member of the Board of Directors)

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

Official functions 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:

Activities in governing and supervisory bodies
- Schweiter Technologies, Horgen, Switzerland (Member of the Board of Directors)

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

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

As at 31 December 2009 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.



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

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.

Internal organisational structure The Board of Directors is deliberately kept small and usually performs its duties collectively. The Audit Committee first set up in 2003 is primarily responsible for monitoring external audits. In that task it is supported by the Internal Auditing department. The Audit Committee is chaired by Dr Florian Ernst in his capacity as a non-executive member of the Board of Directors. Dr Ernst is a certified auditor and has the necessary knowledge and experience of finance and accounting. Another member of the Audit Committee is the Chairman of the Board of Directors, Ulrich Hocker. The CEO and CFO also attend Audit Committee meetings. The Committee held two three-and-a-half hour meetings in 2009.

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

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

In 2002, a Group-wide risk management system and dedicated, full-time Internal Auditing department were set up. The latter is accountable to the Board of Directors and reports directly to it. Both institutions proved invaluable and were duly developed further. A quality assessment conducted by an external auditor (KPMG AG) 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 issues in 2009 were the integration of acquired companies and a review of the internal control systems at various Group companies.

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	2012	No
Benedikt A. Goldkamp	Delegate	2000	2001	2012	Yes
Dr Florian Ernst	Member Chairman of the Audit Committee	2003	2003	2012	No
Dr Martin Furrer	Member	2003	2003	2012	No
Beat Siegrist	Member	2003	2003	2012	No

Management

The management comprises the Delegate of the Board of Directors and the company's heads of division. 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 vested interests The members of the management do not perform any duties in governing or supervisory bodies of any major Swiss or foreign corporate bodies, institutions or foundations, nor do they fulfil any management or consultancy functions on a permanent basis.

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

Remuneration, shareholdings and loans

Content and method of determining compensation The compensation of 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 shall receive a fixed compensation independent of retained earnings. This is paid annually in cash after the Shareholders' General Meeting. The remuneration paid to the members of the Board of Directors is assessed by the Chairman and Delegate of the Board of Directors.

All components of the compensation of the Delegate of the Board of Directors are decided on annually by the Chairman of the Board of Directors. The Delegate of the Board of Directors determines the compensation of the Executive Committee annually.

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 compensation comprises a fixed remuneration (including benefits in kind) and a variable remuneration, as well as social security and pension payments. The fixed remuneration is determined based on job profile, qualifications and market conditions. The annual fixed compensation level is determined based on income and return on capital targets. In some cases qualitative targets are agreed. For the CEO and CFO, the variable compensation is based on the Group's result of the period less a minimum return on equity. Variable remuneration typically accounts for between 20 % and 40 % of the total, and in some cases may exceed this.

In 2009, this model was expanded to include a long-term component. Under the new system, variable remuneration for Executive Committee members and managing directors of subsidiaries with divisional responsibility over a three-year period will only be paid if the respective division's return on capital employed (ROCE) is higher than 15 % (12 % in some cases). If the minimum rate of return is not achieved within a three-year period, the entitlement to variable remuneration is lost without substitution.

There is no provision for severance pay for serving members of the Board of Directors and Executive Committee.




As at 31 December 2009, 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 48 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).

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

Maximilian Kleinle (D)
Member of the Executive Committee since 2004. Dipl. Ing. (FH), Schaffhausen (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 an executive director since 2004.

Philip J. Brown (GB)
Member of the Executive Committee since 2007. Incorporated Engineer (IEng). MBA. Frederick (MD, USA). Born 1961. Worked for eleven 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.

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

René Schäffeler (CH)
Member of the Executive Committee since 2000. CFO. 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 an executive director and CFO since 2000. In this post he is responsible for finances, group accounting, controlling and taxes.

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.

Neither external consultants not benchmark studies are consulted when setting compensation.

More information can be found in the Phoenix Mecano AG Financial Report on pages 130/131.

Total compensation of serving members of the Group's bodies over two years:

Remuneration of serving members of the Group's bodies	2009	2008
TEUR		
Chairman of the Board of Directors	86	82
Delegate of the Board of Directors	385	605
Other members of the Board of Directors	85	81
Remuneration of the Board of Directors	**556**	**768**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**1 663**	**1 845**
Remuneration of the Board of Directors and the Executive Committee	**2 219**	**2 613**
Social security contributions	159	202
Pension payments	187	205
Total remuneration of the Board of the Directors and the Executive Committee	**2 565**	**3 020**

Compensation of former members of the Group's bodies The Phoenix Mecano Group's consolidated statement of income for 2009 includes no compensation for former members of the Group's bodies who left in the preceding period or before.

Share allocations during the reporting year No shares were allocated.

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 related to them.

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

Highest total compensation The highest total compensation is listed in the section entitled "Remuneration of serving members of the Group's bodies" (see table above; further information can be found in the Phoenix Mecano AG Financial Report on page 130).

Share ownership		31 Dec. 2009	31 Dec. 2008
Ulrich Hocker	Chairman	8 624	8 604
Benedikt A. Goldkamp	Delegate	1 820	1 305
Dr Florian Ernst	Member	10	10
Dr Martin Furrer	Member	100	100
Beat Siegrist	Member	400	400
Share ownership Board of Directors		**10 954**	**10 419**
Dr Werner Karlen*	Chairman	–	350
Ralph Gamper	Member	330	130
Maximilian Kleinle	Member	50	50
Dr Joachim Metzger	Member	91	91
René Schäffeler	Member	80	50
Share ownership Executive Committee		**551**	**671**

* Dr Werner Karlen left the Phoenix Mecano Group on 1 February 2009.

Shareholders' participation

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

Shareholders may 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 a tie, the Chairman has the casting vote, except in elections, where the final decision will be taken by lots if need be. The adoption and amendment of the Articles of Incorporation and any decisions entailing an amendment of the Articles of Incorporation must be approved by three quarters of the votes cast, irrespective of the number of shareholders present or the number of votes.

Convocation of the Shareholders' General Meeting / Inclusion of items on the agenda The Shareholders' General Meeting (GM), the company's top body, is headed by the Chairman. Invitations to the GM are issued at least 20 days in advance of the meeting by means of a single announcement in the company's publications. The invitation must contain the agenda of the meeting and the proposals by the Board of Directors and shareholders who called for the convocation of a Shareholders' General Meeting or the inclusion of an item on the agenda. 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.

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

Changes of control and defence measures

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

Clauses on changes of control Phoenix Mecano does not have any change-of-control clauses, nor are there any agreements about contract extensions or severance payments in the event of a hostile takeover.

Statutory auditors

Duration of the mandate and term of office of the auditor in charge By a decision of the Shareholders’ General Meeting of 5 June 2009, KPMG AG, Zurich, were appointed as statutory auditors for the accounting and financial statements of Phoenix Mecano AG and as Group auditors of the consolidated financial statements of the Phoenix Mecano Group for a period of one year. KPMG AG, Zurich, first assumed the mandate as statutory and Group auditors in 2006; the auditor in charge, Mr Roger Neininger, has also been in office since the 2006 Shareholders’ General Meeting. The auditor in charge is replaced every seven years.

Auditors’ fees In the reporting year, KPMG received fees totalling EUR 762 000 for auditing the financial statements and consolidated financial statements.

Additional fees KPMG received additional fees of EUR 273 000 in the reporting year: EUR 256 000 for tax consultancy and EUR 17 000 for legal advice and auditing of the capital decrease.

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

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

Auditors' fees / additional fees	2009	2008
TEUR		
Total auditors' fees	762	764
Total additional fees	273	393
Total	**1 035**	1 157

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 pages 34 to 37. Extensive information is available on the Internet at www.phoenix-mecano.com, from where the annual report and up-to-date media information can be downloaded. It goes without saying that interested parties can also obtain information about other strategic, market-related or financial aspects of the Group's activities. Ad hoc disclosures are published on the following pages:

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

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

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

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, Brazil
Managing director:
H. Deschoolmeester

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

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

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

ELCOM/EMS

B. A. Goldkamp

Germany
Datatel Elektronik GmbH
D-30853 Langenhagen
Managing directors:
B. A. Goldkamp, K. H. Goos

Götz-Udo Hartmann GmbH + Co. KG
D-61279 Grävenwiesbach
Managing directors:
B. A. Goldkamp, K. H. Goos

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

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

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

Plein & Baus GmbH
D-51399 Burscheid
Managing directors:
A. Köster, M. Plein

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

Mechanical Components

B. A. Goldkamp

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

Okin Motion Technologies GmbH
D-51429 Bergisch Gladbach
Managing directors:
B. A. Goldkamp, Dr J. Gross, M. Kleinle

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

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:
D. Weber

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

RK Schmidt Systemtechnik GmbH
D-66646 Marpingen-Alsweiler
Managing director:
J. U. Schmidt

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

Great Britain
Phoenix Mecano Ltd.
GB-Aylesbury, HP19 3RY
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 (South Korea)
Phoenix Mecano Korea Co. Ltd.
Seoul 153-863
Managing director:
T. J. Ou

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

Shenzhen Elcom Trading Co. Ltd.
Shenzhen
Managing director:
P. Scherer

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

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

Scandinavia
Okin Scandinavia AB
S-360 44 Ingelstad
Managing director:
P. Nilsson

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

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

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
Phoenix Mecano Mazaka AŞ
TR-06520 Balgat-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:
A. Ruben

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

Financial Report

Despite the difficult economic climate, 2009 was a profitable year for Phoenix Mecano. The Phoenix Mecano Group's gross sales fell by 4.9 % from EUR 417.3 million to EUR 396.9 million. The company has a solid financial base. Its equity ratio is 64 %. At the balance sheet date, it had zero net indebtedness for the first time ever. Q4 2009 saw an upturn in business development, and this positive trend is expected to continue in 2010.
Individuality. Precision. Reliability.

The Phoenix Mecano Group's consolidated gross sales fell by 4.9 % in 2009 from EUR 417.3 million to EUR 396.9 million. Gross sales in Q4 2009 were 17 % higher than in 2008.

396.9 **million EUR Gross sales**

The operating result declined by 68 % from EUR 42.8 million to around EUR 13.5 million. This was due to a reduction in business volume caused by the economic crisis as well as planned integration and restructuring costs of around EUR 5 million related to the acquisition of Okin.

13.5 **million EUR Operating result**

The positive financial result of EUR 0.3 million (compared with EUR –3.5 million the previous year) was achieved mainly through positive currency effects and income from the revaluation of the purchase price balance liability from companies acquired in 2008.

11.6 **million EUR Result of the period**

Consolidated balance sheet as at 31 December 2009
Phoenix Mecano Group

Assets		2009	2008
TEUR	Note		
Non-current assets			
Goodwill	3	1 012	1 336
Other intangible assets	4	8 632	10 557
Tangible assets	5	91 713	90 148
Investments in associated companies	6	541	668
Other financial assets	7	74	801
Derivative financial instruments	19	816	301
Deferred tax assets	22	2 215	2 671
Total non-current assets		**105 003**	**106 482**
Current assets			
Inventories	8	88 158	90 889
Trade receivables	9	47 194	42 856
Derivative financial instruments	19	955	610
Income tax receivables		3 113	3 402
Other receivables	10	7 487	5 103
Current securities	11	4 543	1 357
Cash and cash equivalents	12	42 593	39 155
Deferred charges and prepaid expenses		854	835
Assets held for sale	13	1 200	3 353
Total current assets		**196 097**	**187 560**
Total assets		**301 100**	**294 042**

Equity and liabilities		2009	2008
TEUR	Note		
Equity			
Share capital	14	615	665
Own shares	15	–4 024	–24 529
Retained earnings		196 379	216 281
Profits/losses from IAS 39		721	–171
Translation differences		–1 481	–2 124
Equity attributable to shareholders of the parent company		**192 210**	**190 122**
Minority interest	16	1 155	923
Total equity		**193 365**	**191 045**
Liabilities			
Liabilities from financial leasing	17	110	182
Other long-term financial liabilities	18	19 439	19 892
Derivative financial instruments	19	0	203
Long-term provisions	20, 21	10 931	9 276
Deferred tax liabilities	22	4 905	5 808
Long-term liabilities		**35 385**	**35 361**
Trade payables	23	15 349	11 446
Short-term financial liabilities	24	23 813	22 713
Derivative financial instruments	19	57	183
Short-term provisions	20, 21	9 283	8 378
Income tax liabilities		10 456	11 839
Other liabilities	25	12 357	10 543
Deferred income		1 035	1 003
Liabilities directly attributable to assets held for sale	13	0	1 531
Short-term liabilities		**72 350**	**67 636**
Total liabilities		**107 735**	**102 997**
Total equity and liabilities		**301 100**	**294 042**

Consolidated statement of income 2009

TEUR	Note	2009	2008
Gross sales	33	396 913	417 261
Revenue reductions		–4 810	–4 733
Net sales		**392 103**	**412 528**
Changes in inventories		–26	1 700
Own work capitalised		776	1 018
Other operating income	34	4 799	2 620
Total operating performance		**397 652**	**417 866**
Cost of materials	35	–194 978	–183 671
Personnel expenses	36	–115 601	–119 898
Amortisation of intangible assets	37	–3 457	–2 752
Depreciation on tangible assets	38	–14 416	–13 767
Other operating expenses	39	–55 657	–55 016
Operating expenses		**–384 109**	**–375 104**
Result before interest and tax (operating result)		**13 543**	**42 762**
Result from associated companies		73	202
Financial income	40	4 202	4 077
Financial expenses	41	–3 955	–7 818
Financial result		320	–3 539
Result before tax		**13 863**	**39 223**
Income tax	42	–2 263	–8 640
Result of the period		**11 600**	**30 583**
of which			
Shareholders in the parent company		11 505	30 453
Minority shareholders		95	130
Earnings per share			
Earnings per share – undiluted (in EUR)	43	11.85	30.32
Earnings per share – diluted (in EUR)	43	11.85	30.32

Consolidated statement of comprehensive income 2009

TEUR	Note	2009	2008
Result of the period		**11 600**	**30 583**
Other result			
Fluctuations in fair value of financial assets		52	–35
Fluctuations in fair value of cash flow hedges		986	–2 454
Realised results of cash flow hedges		36	1 227
Translation differences attributable to the parent company		643	–1 405
Translation differences attributable to minority interest		87	–104
Deferred tax	22	–182	240
Other result (after tax)		**1 622**	**–2 531**
Comprehensive income		**13 222**	**28 052**
of which			
Shareholders in the parent company		13 040	28 026
Minority shareholders		182	26

Consolidated statement of cash flow 2009

TEUR	Note	2009	2008
Result of the period		11 600	30 583
Income tax		2 263	8 640
Result before tax		**13 863**	**39 223**
Amortisation of intangible assets	4	3 457	2 752
Depreciation on tangible assets	5	14 416	13 767
Losses/(gains) from the disposal of intangible and tangible assets	34, 39	–92	–22
Impairment losses/(reversal of impairment losses) on intangible and tangible assets	4, 5	2 487	370
Losses and value adjustments on inventories	8	3 617	1 608
Result from associated companies	6	–73	–202
Other non-cash expenses/(income)		–1 715	1 233
Increase/(decrease) in long-term provisions		1 589	954
Net interest expenses/(income)	40, 41	859	804
Interest paid		–1 414	–2 260
Income tax paid		–3 915	–10 350
Operating cash flow before changes in working capital		**33 079**	**47 877**
(Increase)/decrease in inventories		13 638	–4 791
(Increase)/decrease in trade receivables		685	6 016
(Increase)/decrease in other receivables, deferred charges and prepaid expenses		–1 247	148
(Decrease)/increase in trade payables		570	–2 121
(Decrease)/increase in short-term provisions		–63	725
(Decrease)/increase in other liabilities and deferred income		56	–212
Cash flow from operating activities		**46 718**	**47 642**

TEUR	Note	2009	2008
Capital expenditure			
Intangible assets	4	–1 152	–2 164
Tangible assets	5	–10 943	–15 936
Financial assets		–183	0
Current securities		–4 094	–33
Acquisition of Group companies	46	–19 824	–4 978
Disinvestments			
Intangible assets		2	15
Tangible assets		448	338
Financial assets		258	153
Current securities		953	1 165
Disposal of Group companies	47	0	–389
Interest received		465	1 441
Dividends received		200	250
Cash used in investing activities		**–33 870**	**–20 138**
Dividends paid (including minority interest)		–6 464	–5 727
Capital increase from minority shareholders		50	0
Purchase of own shares		–4 771	–14 522
Sale of own shares		283	260
Issue of financial liabilities		16 503	3 270
Repayment of financial liabilities		–15 233	–13 860
Cash flow from financing activities		**–9 632**	**–30 579**
Translation differences in cash and cash equivalents		222	–151
Change in cash and cash equivalents		**3 438**	**–3 226**
Cash and cash equivalents as at 1 January	12	39 155	42 381
Cash and cash equivalents as at 31 December	12	42 593	39 155
Change in cash and cash equivalents		**3 438**	**–3 226**

Consolidated statement of changes in equity 2009

TEUR	Note	Share capital	Own shares	Retained earnings
Equity as at 31 December 2007		**665**	**–10 252**	**191 515**
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				
Translation differences				
Deferred taxes not affecting income				
Total other result (after tax)		**0**	**0**	**0**
Result of the period				**30 453**
Total comprehensive income		**0**	**0**	**30 453**
Change in scope of consolidation				
Capital increase				
Change in own shares	15		–14 277	15
Dividends paid				–5 702
Total equity transactions with owners		**0**	**–14 277**	**–5 687**
Equity as at 31 December 2008		**665**	**–24 529**	**216 281**
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				
Translation differences				
Deferred taxes not affecting income				
Total other result (after tax)		**0**	**0**	**0**
Result of the period				**11 505**
Total comprehensive income		**0**	**0**	**11 505**
Change in scope of consolidation				
Capital decrease	15	–50		–24 680
Change in own shares	15		20 505	–263
Dividends paid				–6 464
Total equity transactions with owners		**–50**	**20 505**	**–31 407**
Equity as at 31 December 2009		**615**	**–4 024**	**196 379**

Profits/(losses) cash flow hedge from IAS 39	Profits/(losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	Total equity
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
		–1 405	–1 405	–104	–1 509
240			240		240
–987	**–35**	**–1 405**	**–2 427**	**–104**	**–2 531**
			30 453	**130**	**30 583**
–987	**–35**	**–1 405**	**28 026**	**26**	**28 052**
				417	417
			0	50	50
			–14 262		–14 262
			–5 702	–25	–5 727
0	**0**	**0**	**–19 964**	**442**	**–19 522**
12	**–183**	**–2 124**	**190 122**	**923**	**191 045**
	52		52		52
			0		0
986			986		986
36			36		36
		643	643	87	730
–182			–182		–182
840	**52**	**643**	**1 535**	**87**	**1 622**
			11 505	**95**	**11 600**
840	**52**	**643**	**13 040**	**182**	**13 222**
				50	50
			–24 730		–24 730
			20 242		20 242
			–6 464		–6 464
0	**0**	**0**	**–10 952**	**50**	**–10 902**
852	**–131**	**–1 481**	**192 210**	**1 155**	**193 365**

Consolidated segment information 2009

TEUR	Enclosures 2009	Enclosures 2008	ELCOM/EMS 2009	ELCOM/EMS 2008
Gross sales to third parties	**120 376**	**162 561**	**94 822**	**103 270**
Gross sales between divisions	394	498	3 962	4 204
Impairment losses on intangible and tangible assets	–102	–63	–700	–195
Amortisation of intangible assets and depreciation on tangible assets	–6 019	–5 809	–4 922	–5 096
Result before interest and tax (operating result)	**17 428**	**33 614**	**3 626**	**5 712**
Financial result				
Result before tax				
Income tax				
Result of the period				
Investments in intangible and tangible assets	**3 221**	**7 582**	**2 044**	**3 593**
Segment assets	71 238	81 507	59 975	61 877
Assets held for sale				
Cash and cash equivalents				
Other assets				
Total assets	**71 238**	**81 507**	**59 975**	**61 877**
Segment liabilities	13 890	13 713	10 728	10 873
Liabilities directly attributable to assets held for sale				
Financial and other liabilities				
Total liabilities	**13 890**	**13 713**	**10 728**	**10 873**
Net operating assets	**57 348**	**67 794**	**49 247**	**51 004**

By region

TEUR	Gross sales to third parties 2009	Gross sales to third parties 2008	Long-term assets (tangible and intangible assets) 2009	Long-term assets (tangible and intangible assets) 2008
Switzerland	16 511	24 582	6 443	4 925
Germany	188 507	204 837	54 273	58 362
UK	15 061	15 315	145	197
France	22 786	22 504	635	697
Italy	11 676	13 805	1 762	138
Benelux	21 790	22 999	1 167	1 248
Rest of Europe	44 636	49 292	21 372	20 681
North and South America	41 121	30 253	5 410	5 248
Middle and Far East	34 825	33 674	10 150	10 545
Total	**396 913**	**417 261**	**101 357**	**102 041**

	Mechanical Components		Total segments		Reconciliation		Total Group	
	2009	2008	2009	2008	2009	2008	2009	2008
	180 352	**150 420**	**395 550**	**416 251**	**1 363**	**1 010**	**396 913**	**417 261**
	16	32	4 372	4 734	–4 372	–4 734	0	0
	–1 625	–205	–2 427	–463	–60	0	–2 487	–463
	–6 466	–5 424	–17 407	–16 329	–466	–190	–17 873	–16 519
	–4 871	**6 302**	**16 183**	**45 628**	**–2 640**	**–2 866**	**13 543**	**42 762**
							320	–3 539
							13 863	**39 223**
							–2 263	–8 640
							11 600	**30 583**
	6 654	**6 814**	**11 919**	**17 989**	**176**	**111**	**12 095**	**18 100**
	109 018	95 271	240 231	238 655	2 700	2 059	242 931	240 714
					1 200	3 353	1 200	3 353
					42 593	39 155	42 593	39 155
					14 376	10 820	14 376	10 820
	109 018	**95 271**	**240 231**	**238 655**	**60 869**	**55 387**	**301 100**	**294 042**
	19 776	13 070	44 394	37 656	4 450	2 886	48 844	40 542
					0	1 531	0	1 531
					58 891	60 924	58 891	60 924
	19 776	**13 070**	**44 394**	**37 656**	**63 341**	**65 341**	**107 735**	**102 997**
	89 242	**82 201**	**195 837**	**200 999**	**–2 472**	**–9 954**	**193 365**	**191 045**

By product group

	Gross sales to third parties	
TEUR	2009	2008
Industrial enclosures	109 470	146 790
Membrane keyboards	10 906	15 771
Enclosures	**120 376**	**162 561**
Electro-mechanical components	36 960	51 097
Power quality	38 103	31 868
Electronic packaging	19 759	20 305
ELCOM/EMS	**94 822**	**103 270**
Industrial assembly systems	23 567	35 687
Linear adjustment and positioning systems	156 785	114 733
Mechanical Components	**180 352**	**150 420**
Reconciliation	**1 363**	**1 010**
Total	**396 913**	**417 261**

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 2009, 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 from 1 January 2009:

- IAS 1 rev. – Presentation of Financial Statements
- IAS 23 rev. – Borrowing Costs
- IFRS 8 – Operating Segments
- IFRIC 12 – Service Concession Arrangements
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 18 – Transfers of Assets from Customers (as from 1 July 2009)
- Amendments to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations
- Amendments to IFRS 7 – Financial Instruments: Disclosures
- Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations arising on Liquidation
- Amendments to IFRIC 9 / IAS 39 – Embedded Derivatives

The application of the new or revised IFRS/IAS standards and IFRIC interpretations only had an impact on the presentation and scope of the notes to the financial statements but had no major impact on accounting and valuation. Application of the amendments to IAS 1 resulted in additional disclosure of the statement of comprehensive income. Under IFRS 8, reportable operating segments must be determined by the management approach. Internal reporting (which is based on the recognition and valuation principles used for the consolidated financial statements) to the chief operating decision maker (CODM) and the analysis of result already followed the management approach, so no adjustment to the reportable operating segments was necessary as a result of the application of IFRS 8. The segment information has been expanded to meet the additional disclosure requirements imposed by the standard.

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
IFRS 3 rev.	Business Combinations	1	1 July 2009	Financial year 2010
IAS 27 rev.	Consolidated and Separate Financial Statements (IFRS)	1	1 July 2009	Financial year 2010
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Exposures Qualifying for Hedge Accounting	1	1 July 2009	Financial year 2010
IFRIC 17	Distributions of Non-cash Assets to Owners	1	1 July 2009	Financial year 2010
Amendments to IFRSs in 2008	Amendment to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations	1	1 July 2009	Financial year 2010
General amendments to IFRS standards (April 2009)		1	1 July 2009 1 January 2010	Financial year 2010
Amendment to IFRS 2	Accounting for Group Cash-settled Share-based Payment Transactions	1	1 January 2010	Financial year 2010
Amendment to IAS 32	Financial Instruments: Presentation – Classification of Rights Issues	3	1 February 2010	Financial year 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	3	1 July 2010	Financial year 2011
IAS 24 (rev. 2009)	Related Party Disclosures	2	1 January 2011	Financial year 2011
Amendments to IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement	3	1 January 2011	Financial year 2011
IFRS 9	Financial Instruments: Classification and Measurement	3	1 January 2013	Financial year 2013

[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.

Change to 2008 statement of income

In 2005, the Board of Directors of Phoenix Mecano AG decided to withdraw from the customised switchgear cabinets and electronic packaging solutions business (OMP product area). OMP S.r.l. was placed into liquidation. The assets assignable to the OMP product area which had not been sold as at 31 December 2005 were classified as assets held for sale. Similarly, the liabilities of the product area were recognised separately as liabilities directly attributable to assets held for sale. In the following years, the liquidation was almost completed except for the sale of the associated building. Active attempts were made to sell the building, and on each occasion the transaction was expected to be completed within a year. However, due to the current state of the property market and the failure of a preliminary contract with a potential buyer, the sale of this building is no longer expected to take place within the next 12 months. Consequently, this asset is no longer classified as held for sale. Expenses and income relating to the liquidation of OMP are no longer posted separately under discontinued operations. The 2008 statement of income has been adjusted to take account of this changed accounting. Altogether, the statement of income, statement of cash flow and notes 39, 40, 41, 42, 43 and 44 for 2008 have been altered.

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

Segment information

The segment information is presented in accordance with internal reporting and follows the management approach. A segment review in the light of IFRS 8 did not result in any adjustments.

The Phoenix Mecano Group is divided into three divisions:

- **Enclosures** (enclosures made of aluminium, plastic and glass-fibre reinforced polyester, machine control boards and suspension systems for protecting electronics in an array of industrial applications, membrane keyboards)
- **ELCOM/EMS** (coding switches, inductive components, transformers, plug connectors, backplanes, power supply systems, circuit board equipment, the development of customised electronic applications right down to complete subsystems)
- **Mechanical Components** (aluminium profile assembly systems, linear positioning systems, industrial terminals and linear drives for mechanical engineering and electrically adjustable furniture for the home and hospital care sector)

These form the basis for the segment reporting. In addition, individual business areas that are not allocated directly to the above three divisions are included under “Reconciliation”, as are central management and financial functions. Also recorded under Reconciliation are asset and liability items that are not allocated to the divisions (Cash and cash equivalents, Other assets and Financial and other liabilities).

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 payables, other liabilities (minus interest liabilities) and deferred income per business division. The remaining asset and liability items are recorded under Reconciliation.

Goodwill

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

Other intangible assets

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

Concessions, licences, similar rights and assets These other intangible assets are valued at acquisition cost less accumulated depreciation and, where appropriate, additional impairment losses. The depreciation rates are determined on a straight-line basis over the estimated useful life of the asset, which must not exceed eight years, in accordance with standard Group practice. Financing costs are capitalised in accordance with IAS 23.

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

Tangible assets

Tangible assets are stated in the balance sheet at no more than the acquisition or manufacturing cost, less accumulated depreciation and where appropriate less additional impairment losses. The straight-line method of depreciation is applied over the depreciation periods specified in the useful life categories used by the whole Group. Where components of larger assets have different useful lives, these are written off as separate items. Financing costs are capitalised in accordance with IAS 23.

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

Leased assets

As a rule, lease contracts are only included in the balance sheet as financial lease contracts if the risks and rewards associated with ownership belong largely to the Group company when the contract is concluded. They are 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 (the higher of the fair value less costs to sell and the value in use) 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 value in use corresponds to the cash value of the expected future cash flow of the respective asset.

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

Investments in associated companies

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

Other financial assets

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

The other investments under 20 % shown under Other financial assets are posted at fair value. Resulting changes in value are posted under equity 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 valuation is made at acquisition costs. Any reductions in value (impairment) are taken into account through corresponding devaluations (affecting net income) of the amount still likely to be recovered. Such impairment is not reversed.

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

Inventories

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

Receivables

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

Current securities

Securities are 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 the statement of comprehensive income 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 reversed. Accumulated interest on bonds is deferred.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, in bank and in postal accounts, together with cheques. It also includes 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. Residual purchase price obligations from acquisitions are revalued at the balance sheet date and recorded at fair value.

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

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

Provisions

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

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

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

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

Government subsidies

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

Income tax

Income tax covers both current and deferred income taxes. 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 certain. For this to be the case, consistently positive results must have been achieved and be expected to continue in the foreseeable future. If there are taxable temporary differences and offsettable tax losses carried forward at the same company, the two amounts are offset against one another.

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

Statement of cash flow

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

Assumptions and estimations

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

The most important assumptions and estimations are set out below:

Intangible 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 currently available knowledge, an assessment of the potential consequences of these court cases was conducted and provisions were constituted where necessary. For the book values of provisions, see note 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 2009

1 Currency exchange rates

	Balance sheet		Statements of income and cash flow	
	2009	2008	2009	2008
Euro for				
1 CHF	0.674	0.671	0.662	0.631
1 GBP	1.126	1.045	1.123	1.259
1 USD	0.698	0.717	0.720	0.683
100 HUF	0.371	0.377	0.357	0.398
1 RON	0.236	0.248	0.237	0.273
1 SEK	0.098	n/a	0.094	n/a
1 TND	0.534	0.555	0.542	0.561
1 SGD	0.496	0.500	0.495	0.482
1 CNY	0.102	0.105	0.105	0.099
1 BRL	0.400	0.310	0.363	0.378
1 INR	0.015	0.015	0.015	0.016
1 AUD	0.627	0.505	0.566	0.577

2 Scope of consolidation

In 2009 and 2008 the scope of consolidation changed as follows:

Change

Date	Company	Change	Division
2009			
01.01.2009	MCT Moderne Contact Technologie GmbH	Merger with IFINA Beteiligungsgesellschaft mbH	Reconciliation
01.01.2009	RK Schmidt Systemtechnik GmbH	Acquisition of business operations of Eiden & Schmidt GmbH Messtechnik	Mechanical Components
05.02.2009	Okin Motion Technologies GmbH	Acquisition	Mechanical Components
05.02.2009	Okin Hungary Gépgyártó Kft.	Acquisition	Mechanical Components
05.02.2009	Okin Scandinavia AB	Acquisition	Mechanical Components
05.02.2009	Okin America Inc.	Acquisition	Mechanical Components
27.10.2009	Phoenix Mecano ApS	Foundation	Mechanical Components
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	Reconciliation
31.05.2008	Plein & Baus GmbH	Acquisition	ELCOM/EMS
01.07.2008	Elodrive AG	Merger with Phoenix Mecano Beteiligungen AG	Reconciliation
31.07.2008	WIENER, Plein & Baus Corp.	Acquisition	ELCOM/EMS
31.07.2008	Phoenix Mecano Mazaka AŞ	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

The following companies were fully consolidated as at 31 December 2009:

Fully consolidated companies

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake in %
Phoenix Mecano AG	Stein am Rhein, Switzerland	Finance	CHF	988	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
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
RK Schmidt Systemtechnik GmbH (formerly Hartmann Codier Verwaltungs-GmbH)	Alsweiler, Germany	Production/Sales	EUR	500	90
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
Okin Motion Technologies GmbH	Bergisch Gladbach, Germany	Production/Sales	EUR	25	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
Kundisch Beteiligungs-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 s/Bois, France	Sales	EUR	620	100
Phoenix Mecano Ltd.	Aylesbury, UK	Sales	GBP	300	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands	Finance	USD	1 969	100
Okin Scandinavia AB	Ingelstad, Sweden	Sales	SEK	100	100
Phoenix Mecano ApS	Odense, Denmark	Sales	DKK	125	100
Phoenix Mecano S.r.l.	Inzago, Milan, Italy	Sales	EUR	300	100
OMP Officina Meccanica di Precisione S.r.l. in liquidation	Milan, Italy	–	EUR	5 000	100
Sistemas Phoenix Mecano 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

Fully consolidated companies

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake in %
Okin Hungary Gépgyártó Kft.	Hajdúdorog, Hungary	Production	HUF	30 000	100
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania	Production	EUR	750	100
Leonhardy-MCT s.r.l. in liquidation	Jindřichův Hradec, Czech Republic	–	CZK	1 000	100
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
WIENER Plein & Baus Corp.	Springfield, USA	Sales	USD	100	100
Okin America Inc. (formerly Okin America LLC)	Shannon, USA	Production/Sales	USD	10	100
Phoenix Mecano Comercial e Tecnica Ltda.	Sao Paolo, Brazil	Sales	BRL	5 192	100
IPES Industria de Produtos e Equipam tos de Solda Ltda.	Manaus, Brazil	Production/Sales	BRL	6 623	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	272 932	99
Mecano Components (Shanghai) Co. Ltd.	Shanghai, China	Production/Sales	USD	3 925	100
Shenzhen Elcom Trading Co. Ltd.	Shenzhen, China	Purchasing/Sales	CNY	2 000	100
Phoenix Mecano Mazaka AŞ	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	10	100
Phoenix Mecano Hartu S.a.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano Tunisie S.a.r.l. in liquidation	Borj-Cedria, Tunisia	–	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

TEUR	2009	2008
Acquisition costs 1 January	**1 336**	**277**
Change in scope of consolidation	0	1 059
Adjustment of purchase price balance payment as per IFRS 3	–324	0
Acquisition costs 31 December	**1 012**	**1 336**
Accumulated amortisation 1 January	**0**	**0**
Accumulated amortisation 31 December	**0**	**0**
Net value 31 December	**1 012**	**1 336**

The goodwill of EUR 1.0 million (previous year EUR 1.3 million) relates to the Enclosures (EUR 0.3 million) and ELCOM/EMS (EUR 0.7 million) divisions. The change in goodwill in 2009 is attributable to a change in the contingent purchase price balance payment due to a revaluation. The recoverability of this goodwill was tested using a five-year plan for the relevant cash-generating unit.

A pre-tax discount rate (WACC) of 10 % (previous year 10 %) was applied to determine the present value (value in use). Zero growth was assumed after the projection period. The recoverability was also tested using sensitivity analyses.

4 Other intangible assets

TEUR	Note	Development costs	Concessions, licences, similar rights and assets	Advance payments and development projects in progress	Total
Acquisition costs 31 December 2007		**16 598**	**17 209**	**1 274**	**35 081**
Change in scope of consolidation		–2 449	6 662		4 213
Translation differences			–52		–52
Additions		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**
Change in scope of consolidation		–2 449	16		–2 433
Translation differences			31		31
Amortisation	37	664	2 088		2 752
Impairment losses	39	87	3		90
Reversal of impairment losses					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**
Acquisition costs 31 December 2008		**14 596**	**24 744**	**901**	**40 241**
Change in scope of consolidation			2 136		2 136
Translation differences			2		2
Additions		343	645	164	1 152
Disposals		–929	–2 454		–3 383
Reclassification		566	226	–792	0
Acquisition costs 31 December 2009		**14 576**	**25 299**	**273**	**40 148**
Accumulated amortisation 31 December 2008		**12 808**	**16 876**	**0**	**29 684**
Translation differences			10		10
Amortisation	37	623	2 834		3 457
Impairment losses	39	627	1 119		1 746
Reversal of impairment losses					0
Disposals		–929	–2 452		–3 381
Reclassification					0
Accumulated amortisation 31 December 2009		**13 129**	**18 387**	**0**	**31 516**
Net values 31 December 2009		**1 447**	**6 912**	**273**	**8 632**

Concessions, licences, similar rights and assets includes primarily the customer base gained from acquisitions in 2008 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 0.1 million) were subject to reservation of title as at the balance sheet date.

Write-downs of individual intangible assets, mainly the customer base and development projects, were performed within the framework of the annual impairment tests on cash-generating units (CGUs) at the balance sheet date, since these customers and projects did not develop as originally planned. The five-year plans for the relevant cash-generating unit were used as a basis. A pre-tax discount rate (WACC) of 10 % (previous year 10 %) was applied to determine the present value (value in use). A zero growth rate was assumed after the project period.

The breakdown of impairment losses by division is clear from the segment information provided. In the statement of income, impairment losses on intangible assets of EUR 1.7 million (previous year EUR 0.1 million) are included under Other operating expenses (see note 39). The expenses in the year under review relate mainly to customer base write-downs incurred in 2008 based on purchase price allocation. Tests to determine the recoverable amount in the current economic climate showed an impairment.

5 Tangible assets

TEUR	Note	Land and buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition costs 31 December 2007		**85 004**	**167 870**	**2 151**	**255 025**
Change in scope of consolidation		18	–2 674		–2 656
Translation differences		605	490	2	1 097
Additions		1 430	10 555	3 951	15 936
Disposals		–268	–12 885	–45	–13 198
Reclassification		758	1 475	–2 233	0
Reclassification of assets 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**
Change in scope of consolidation		15	–2 905		–2 890
Translation differences		375	457		832
Depreciation	38	2 410	11 357		13 767
Impairment losses	39	184	189		373
Reversal of impairment losses	34	–93			–93
Disposals		–234	–12 632	–21	–12 887
Reclassification					0
Reclassification of 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**
Acquisition costs 31 December 2008		**85 027**	**164 831**	**3 826**	**253 684**
Change in scope of consolidation		1 642	2 268		3 910
Translation differences		141	186	3	330
Additions		2 912	6 635	1 396	10 943
Disposals		–7	–7 164	–90	–7 261
Reclassification		1 908	2 344	–4 252	0
Reclassification of assets held for sale	13	6 276	2		6 278
Acquisition costs 31 December 2009		**97 899**	**169 102**	**883**	**267 884**
Accumulated depreciation 31 December 2008		**34 985**	**128 551**	**0**	**163 536**
Translation differences		32	136		168
Depreciation	38	2 810	11 606		14 416
Impairment losses	39	16	665		681
Disposals		–7	–6 899		–6 906
Reclassification					0
Reclassification of assets held for sale	13	4 276			4 276
Accumulated depreciation 31 December 2009		**42 112**	**134 059**	**0**	**176 171**
Net values 31 December 2009		**55 787**	**35 043**	**883**	**91 713**

Land and buildings is divided into developed and undeveloped land with a book value of EUR 9.6 million (previous year EUR 8.8 million) and factory and administration buildings with a balance sheet value of EUR 46.2 million (previous year EUR 41.2 million).

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

The fire insurance value of the tangible assets amounted to EUR 235.0 million on the balance sheet date compared to EUR 214.2 million the previous year (not including fire insurance value of assets held for sale).

Land and buildings with a book value of EUR 13.7 million (previous year EUR 13.2 million) were mortgaged to cover debts, not including property posted for the previous year under Assets held for sale (see note 13). The amount of the corresponding credit taken up totalled EUR 5.0 million (previous year EUR 3.3 million). Non-current assets to a balance sheet value of EUR 0.1 million (previous year EUR 0.1 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 generating units (CGUs) and assets 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 CGUs (product areas and product lines) were used as a basis. A pre-tax discount rate (WACC) of 10 % was applied to determine the cash value (value in use). 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 0.7 million (previous year EUR 0.4 million), are posted under Other operating expenses (see note 39) in the statement of income. Of these, EUR 0.06 million relate to an impairment on a building recognised as an asset held for sale (see note 13). No impairment losses on tangible assets were reversed in 2009. For the previous year, a reversal of impairment losses totalling EUR 0.1 million is included under Other operating income (see note 34).

The reclassification of assets posted as assets held for sale totalling EUR 6.3 million under Acquisition costs and EUR 4.3 million under Accumulated depreciation relates to the altered accounting for OMP S.r.l. (I) (see note 13).

6 Investments in associated companies

TEUR	Investment %	2009	2008
Update of investment in associated companies			
AVS Phoenix Mecano GmbH, Vienna (A)	50		
As at 1 January		**668**	**716**
Result		73	202
Dividends paid		–200	–250
As at 31 December		**541**	**668**
Financial figures AVS Phoenix Mecano GmbH			
Non-current assets		1	3
Current assets		1 353	1 608
Liabilities		272	275
Income		3 439	5 009
Expenses		3 293	4 604

Phoenix Mecano products are sold in Austria through the joint venture AVS Phoenix Mecano GmbH (A). Purchases of goods by Group companies totalled EUR 2.3 million (previous year EUR 3.4 million).

7 Other financial assets

TEUR	Note	2009	2008
Loans		1 038	1 297
Counter-guarantee requirement for pension obligations		691	629
Non-current securities		133	0
Current portion of long-term financial assets	10	–949	–64
Value adjustments		–839	–1061
Balance sheet value		**74**	**801**
By currency			
EUR		74	801
Balance sheet value		**74**	**801**
By maturity			
in 2 years		8	519
none		66	282
Balance sheet value		**74**	**801**
Interest rates (loans)			
EUR		5.1 %	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	2009	2008
Update of value adjustment on other financial assets			
As at 1 January		**1 061**	**921**
Change	40, 41	–222	140
As at 31 December		**839**	**1 061**

8 Inventories

TEUR	2009	2008
Raw and ancillary materials	57 901	59 256
Work in progress	4 812	5 368
Finished goods and merchandise for resale	38 645	32 853
Advance payments	521	846
Value adjustments	–13 721	–7 434
Balance sheet value	**88 158**	**90 889**

The value adjustments were determined based on marketability and range of the stocks. Value adjustments and losses on inventories totalling EUR 3.6 million (previous year EUR 1.6 million) are included in the statement of income under Other operating expenses (see note 39). The increase in value adjustments is due to the acquisition of Group companies and heightened stock risks in the current economic environment.

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2009 and 2008.

9 Trade receivables

TEUR	2009	2008
Trade receivables	50 815	45 842
Receivables due from associated companies	36	52
Value adjustments	–3 657	–3 038
Balance sheet value	**47 194**	**42 856**
By currency		
CHF	1 195	3 354
EUR	34 917	30 379
USD	4 295	3 091
HUF	111	178
Other currencies	6 676	5 854
Balance sheet value	**47 194**	**42 856**
Regional breakdown		
Switzerland	1 529	1 874
Germany	10 947	9 792
UK	2 519	2 328
France	4 862	5 629
Italy	4 314	4 198
Benelux	3 260	2 622
Rest of Europe	7 009	6 277
North and South America	6 383	4 155
Middle and Far East	6 371	5 981
Balance sheet value	**47 194**	**42 856**
Update of value adjustment		
Individual value adjustments		
As at 1 January	**1 534**	**1 296**
Change	458	238
As at 31 December	**1 992**	**1 534**
Flat-rate value adjustments		
As at 1 January	**1 504**	**939**
Change	161	565
As at 31 December	**1 665**	**1 504**
Total	**3 657**	**3 038**

Analysis of trade receivables not subject to individual value adjustments	2009		2008	
TEUR	Gross	Value adjustment	Gross	Value adjustment
Gross values	50 851		45 894	
Gross value of receivables subject to individual value adjustments	–2 595		–2 032	
Total	**48 256**		**43 862**	
of which:				
Not due	34 735	0	31 932	0
Overdue for 1–30 days	8 796	0	8 122	0
Overdue for 31–60 days	2 094	0	1 487	0
Overdue for 61–90 days	888	153	556	142
Overdue for 91–180 days	485	254	633	271
Overdue for more than 180 days	1 258	1 258	1 132	1 091
Total	**48 256**	**1 665**	**43 862**	**1 504**

The increase in trade receivables is primarily due to the acquisition of Group companies. The average payment term was reduced to 48 days (previous year 50 days).

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

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

10 Other receivables

TEUR	Note	2009	2008
Tax receivables from VAT and other taxes		3 870	2 644
Current portion of long-term financial assets	7	949	64
Financial receivables		1 049	883
Other		1 619	1 512
Balance sheet value		**7 487**	**5 103**

The financial receivables relate to 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

	2009	2008
TEUR		
Financial assets held for sale		
Bonds and bond funds	4 543	1 357
Balance sheet value	**4 543**	**1 357**
By currency		
EUR	4 427	1 324
Other currencies	116	33
Balance sheet value	**4 543**	**1 357**
By maturity		
in 1 year	1 122	941
in 2 years	1 035	0
in 3 years	1 058	0
in 4 years	856	0
after 5 years	240	213
none	232	203
Balance sheet value	**4 543**	**1 357**
Effective interest rate bonds		
EUR	1.8 %	4.1 %
Other currencies	7.0 %	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

TEUR	2009	2008
Means of payment		
Cash at bank and in postal accounts	9 280	6 922
Cash on hand and cheques	122	94
Total	**9 402**	**7 016**
Other cash and cash equivalents		
Fixed-term deposits (up to 3 months)	33 191	32 139
Balance sheet value	**42 593**	**39 155**
By currency		
CHF	1 254	1 054
EUR	33 493	34 488
USD	2 704	813
HUF	978	96
Other currencies	4 164	2 704
Balance sheet value	**42 593**	**39 155**

	2009	2008
Interest rates		
CHF	0.2 %	0.2 %
EUR	0.7 %	2.3 %
USD	0.1 %	1.5 %
HUF	0.5 %	0.5 %

13 Assets held for sale

TEUR	2009	2008
Tangible assets	1 200	3 262
Trade receivables	0	5
Other assets	0	86
Assets held for sale	**1 200**	**3 353**
Provisions	0	475
Trade payables	0	55
Other liabilities	0	1 001
Liabilities directly attributable to assets held for sale	**0**	**1 531**
Net value	**1 200**	**1 822**

In 2008, the assets held for sale and their associated liabilities related mainly to OMP S.r.l. (I), which was in liquidation. Due to the current state of the property market and the failure of a preliminary contract with a potential buyer, the sale of this building is no longer expected to take place within the next 12 months. Consequently, this asset and its associated liabilities are no longer classified as held for sale. The impact of this reclassification on depreciation in 2009 was EUR 0.4 million. Efforts are ongoing to secure a sale, and an alternative use for the building within the Group is also being examined.

The tangible assets item for 2009 totalling EUR 1.2 million relates to a building in Germany, which was put up for sale following closure and relocation of the associated business operation. At the time of the half-yearly accounts for the period ended 30 June 2009, the sale of this building was no longer expected to take place within the next 12 months due to the state of the property market. Consequently, the building was no longer classified as an asset held for sale. On 18 December 2009, a contract for the sale of the property was concluded and the accounting was adapted accordingly. Transfer of ownership did not take place until 2010. The valuation corresponds to the net sale price. In the previous year, the building was mortgaged to cover loans totalling EUR 0.6 million. These were repaid in 2009.

14 Share capital

Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, the share capital of Phoenix Mecano AG was reduced from CHF 1 069 500 to CHF 988 000 (CHF is the statutory currency of Phoenix Mecano AG) through the cancellation of 81 500 shares from the 2007/2008 and 2008/2009 share buyback programmes, with effect from 28 September 2009. The share capital is fully paid up and divided into 988 000 bearer shares (previous year 1 069 500) with a nominal value of CHF 1.00. The conversion into Euro is effected at the historical exchange rate of 0.622. There is no authorised or contingent capital.

The principal shareholders of Phoenix Mecano AG are:

%		2009	2008
Name	Head office		
Planalto AG	Luxembourg City, Luxembourg	33.4	30.9
Tweedy, Browne Company LLC	New York, USA	7.9*	7.9
UBS Fund Management (Switzerland) AG	Basel, Switzerland	3.1	4.9
OppenheimerFunds Inc.	New York, USA	4.6*	4.6*
Sarasin Investmentfonds AG	Basel, Switzerland	5.4	3.9*

* Stake not reported in the financial year.

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

15 Own shares

	Number of shares		Acquisition costs	
TEUR	2009	2008	2009	2008
As at 1 January	**79 930**	**31 432**	**24 529**	**10 252**
Share purchases	342	1 175	88	369
Share sales	–1 440	–757	–546	–245
Share buybacks (2nd trading line) – 2007/2008	0	36 950	0	11 611
Share buybacks (2nd trading line) – 2008/2009	21 870	11 130	4 683	2 542
Capital decrease	–81 500	0	–24 730	0
As at 31 December	**19 202**	**79 930**	**4 024**	**24 529**

A total of 91 500 shares were bought back under the 2007/2008 and 2008/2009 share buyback programmes, of which 81 500 were cancelled in 2009.

Detailed information on the purchases and sales effected in 2009 can be found in the notes to the financial statements of Phoenix Mecano AG on page 127 (note 4).

16 Minority interest

The principal minority interests are:

%	2009	2008
Phoenix Mecano Australia Pty Ltd.	30	30
Phoenix Mecano Mazaka AŞ	30	30
Phoenix Mecano S.E. Asia Pte. Ltd. (Singapore)	25	25
Phoenix Mecano Korea Co. Ltd.	25	25
Sistemas Phoenix Mecano Espana S.A.	10	10
RK Schmidt Systemtechnik GmbH	10	n / a

17 Liabilities from financial leasing

TEUR	Note	2009	2008
Minimum leasing commitments			
Minimum leasing commitments due within 1 year		105	100
Minimum leasing commitments due within 1–5 years		120	218
Total		**225**	**318**
less future interest charge		–25	–51
Present value of leasing commitments		**200**	**267**
less current portion	24	–90	–85
Balance sheet value (long-term portion)		**110**	**182**
By currency			
EUR		110	170
SGD		0	12
Balance sheet value (long-term portion)		**110**	**182**
By maturity			
in 2 years		69	78
in 3 years		41	63
in 4 years		0	28
in 5 years		0	13
Balance sheet value		**110**	**182**

The average interest rate for liabilities from financial leasing was 7.8 % (previous year 9.3 %).

18 Other long-term financial liabilities

TEUR	Note	2009	2008
Liabilities to financial institutions		28 086	26 769
Purchase price balance liabilities		1 534	2 317
Current portion of long-term financial liabilities	24	–10 181	–9 194
Balance sheet value		**19 439**	**19 892**
By currency			
CHF		10 784	4 362
EUR		8 655	15 527
Other currencies		0	3
Balance sheet value		**19 439**	**19 892**
By maturity			
in 2 years		9 640	6 551
in 3 years		4 643	8 391
in 4 years		2 409	2 745
in 5 years		1 273	1 434
after 5 years		1 474	771
Balance sheet value		**19 439**	**19 892**
Interest rates			
CHF		2.8 %	3.4 %
EUR		4.6 %	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 46).

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 totalling EUR 11.0 million (current portion: EUR 6.0 million) were used to secure variable interest rates (see note 19).

There are no covenants.

19 Derivative financial instruments

	Contact value		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2009	2008	2009	2008	2009	2008
TEUR						
Forward exchange contracts by currency						
CHF	0	0	0	0	0	0
USD	700	0	277	0	0	0
HUF	13 800	20 740	881	374	0	203
RON	1 200	2 100	165	0	0	146
Other currencies	206	0	0	0	5	0
Total	**15 906**	**22 840**	**1 323**	**374**	**5**	**349**
Forward exchange contracts by maturity						
in 1 year			608	374	5	146
in 2 years			715	0	0	203
Total			**1 323**	**374**	**5**	**349**
of which classified as:						
Cash flow hedge			1 046	374	0	349
Trading			277	0	5	0
Total			**1 323**	**374**	**5**	**349**
Interest rate change contracts by currency						
EUR	16 000	19 000	448	537	52	37
Total	**16 000**	**19 000**	**448**	**537**	**52**	**37**
Interest rate change contracts by maturity						
in 1 year			347	236	52	37
in 2 years			90	246	0	0
in 3 years			11	47	0	0
in 4 years			0	8	0	0
in 5 years			0	0	0	0
Total			**448**	**537**	**52**	**37**
of which classified as:						
Fair value hedge			448	537	0	0
Trading			0	0	52	37
Total			448	**537**	52	**37**
Net balance sheet value by maturity						
Total long-term			816	301	0	203
Total short-term			955	610	57	183
Net balance sheet value			**1 771**	**911**	**57**	**386**

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 11 million (previous year EUR 17 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 2009 and 31 December 2008 are held for trading purposes.

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

20 Provisions

					2009	2008
TEUR	Provisions for long-term employee benefits		Guarantee provisions	Other provisions	Total	Total
	Pension obligations	Other				
Provisions as at 1 January	**4 614**	**3 626**	**2 443**	**6 971**	**17 654**	**15 341**
Change in scope of consolidation			301	172	473	606
Translation differences	–1	1	–15	100	85	–38
Usage	–148	–475	–791	–4 414	–5 828	–5 800
Releases	–28	–40	–260	–947	–1 275	–1 929
Reclassification of assets held for sale		11		464	475	0
Allocation	365	835	1 714	5 716	8 630	9 384
Provisions as at 31 December	**4 802**	**3 958**	**3 392**	**8 062**	**20 214**	**17 564**
Due within 1 year	453	463	3 027	5 340	9 283	8 378
Due after 1 year	4 349	3 495	365	2 722	10 931	9 276

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

The other provisions include provisions for short-term payments to employees (e.g. indemnities and salary bonuses) totalling EUR 3.7 million (previous year EUR 4.6 million), and provisions for lawsuit risks and other conceivable risks or contingent obligations. The increase in 2009 is primarily due to the formation of a provision for VAT risks and a provision for a long-term rental contract.

The reclassification of assets held for sale totalling EUR 0.5 million relates to the adjusted accounting for OMP S.r.l. (I) (see note 13).

21 Pension obligations

Financial position of defined benefit pension plans as at 31 December 2009 and 2008		2009	2008
TEUR	Note		
Present value of defined benefit obligations			
As at 1 January		**13 136**	**10 539**
Service costs		1 013	909
Interest expense		510	434
Capital		279	252
Pension payments		–2 068	–773
Actuarial (gains)/losses		821	255
Transfers		0	637
Translation differences		41	883
As at 31 December		**13 732**	**13 136**
Market value of plan assets			
As at 1 January		**8 926**	**7 274**
Expected return		264	228
Employer contributions		457	441
Employee contributions		410	397
Capital		279	252
Pension payments		–1 881	–590
Actuarial gains/(losses)		–63	67
Translation differences		30	857
As at 31 December		**8 422**	**8 926**
Net balance sheet value of pension obligations			
Present value of defined benefit obligations financed using a pension fund		–9 367	–9 293
Fair value of plan assets		8 422	8 926
		–945	–367
Present value of defined benefit obligations not financed using a pension fund		–4 365	–3 843
Non-reported actuarial (gains)/losses		508	–404
Net balance sheet value of defined benefit plans	20	**–4 802**	**–4 614**

Table continued on page 102.

Table continued from page 101.

TEUR	2009	2008	2007	2006	2005
Pension expense					
Service costs	1 013	909			
Interest expense	510	434			
Expected return	–264	–228			
Employee contributions	–410	–397			
Amortisation of actuarial (gains)/losses	0	262			
Pension expense for defined benefit plans	**849**	**980**			
Pension expense for defined contribution plans	**344**	**333**			
Pension expense	**1 193**	**1 313**			
Actuarial assumptions					
Weighted discount rate	3.9 %	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	8 422	8 926	7 274	7 917	7 743
Pension plan obligations	13 732	13 136	10 539	12 112	12 298
Funding difference	**–5 310**	**–4 210**	**–3 265**	**–4 195**	**–4 555**
of which reported in the balance sheet as provisions	–4 802	–4 614	–3 612	–3 202	–3 073
Experience adjustment of plan assets and benefit obligations					
Actuarial and experience adjustment of plan assets	–64	70	154	0	0
Actuarial and experience adjustment of benefit obligations	–225	–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 2010 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

TEUR	2009	2008
Deferred tax assets		
Non-current assets	872	790
Inventories	1 736	1 925
Receivables	246	254
Provisions	1 084	679
Other	335	239
Deferred tax assets on temporary differences	**4 273**	**3 887**
Deferred tax on losses carried forward	11 522	12 170
Total deferred tax assets	**15 795**	**16 057**
Netting with deferred tax liabilities	–1 510	–1 541
Value adjustments on deferred taxes on losses carried forward	–11 386	–11 845
Value adjustments on deferred taxes on non-current assets	–433	0
Value adjustments on deferred taxes on inventories	–6	0
Value adjustments on deferred taxes on receivables	–1	0
Value adjustments on deferred taxes on provisions	–238	0
Value adjustments on deferred taxes on other	–6	0
Balance sheet value	**2 215**	**2 671**
Deferred tax liabilities		
Non-current assets	–4 737	–5 518
Inventories	–1 195	–1 475
Receivables	–128	–114
Provisions	–103	–131
Other	–252	–111
Total deferred tax liabilities	**–6 415**	**–7 349**
Netting with deferred tax assets	1 510	1 541
Balance sheet value	**–4 905**	**–5 808**
Net position deferred tax	**–2 690**	**–3 137**
Trend of deferred tax		
As at 1 January	**–3 137**	**–2 029**
Changes of tax rate recognised in the statement of income	48	194
Translation differences	–17	–84
Change in scope of consolidation	191	–1 979
Reduction/(increase) in value adjustments on fluctuations in fair value of cash flow hedges not affecting income	–182	240
Change in temporary differences recognised in the statement of income	407	521
As at 31 December	**–2 690**	**–3 137**
Non-capitalised tax losses carried forward		
Up to 1 year	9 447	5 986
1–2 years	1 380	9 447
2–3 years	4 530	1 325
3–4 years	1 080	4 568
4–5 years	207	1 078
Over 5 years	29 005	27 366
Total	**45 649**	**49 770**

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 46 million (previous year EUR 50 million), a value adjustment of the resulting tax savings of EUR 11.4 million (previous year EUR 11.8 million) was made on the balance sheet date. The reasons for the net decrease in non-capitalised tax losses carried forward are: use, expiry associated with discontinued operations and the increase in losses carried forward as a result of acquisitions. Of the tax losses carried forward which expire after five years, EUR 10.8 million (previous year EUR 12.0 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 0.2 million (previous year EUR 0.0 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 45.0 million (previous year EUR 37.3 million).

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

23 Trade payables

	2009	2008
TEUR		
Trade payables	15 349	11 411
Liabilities to associated companies	0	35
Balance sheet value	**15 349**	**11 446**
By currency		
CHF	587	323
EUR	10 425	8 162
USD	2 466	1 485
HUF	277	277
Other currencies	1 594	1 199
Balance sheet value	**15 349**	**11 446**

24 Short-term financial liabilities

TEUR	Note	2009	2008
Liabilities to financial institutions		13 529	13 422
Other		13	12
Current portion of:			
Liabilities from financial leasing	17	90	85
Other financial liabilities	18	10 181	9 194
Balance sheet value		**23 813**	**22 713**
By currency			
CHF		6 412	9 067
EUR		15 005	10 410
USD		2 378	2 523
Other currencies		18	713
Balance sheet value		**23 813**	**22 713**
By maturity			
in < 3 months		12 423	11 615
in 3–6 months		6 589	5 260
in 6–12 months		4 801	5 838
Balance sheet value		**23 813**	**22 713**
Interest rates			
CHF		1.1 %	1.4 %
EUR		3.5 %	4.9 %
USD		1.5 %	1.6 %
Other currencies		7.0 %	7.0 %

25 Other liabilities

TEUR	2009	2008
Social security liabilities	1 209	1 096
Liabilities to employees	3 587	3 987
Liabilities arising from VAT and other taxes	4 675	3 678
Other	2 886	1 782
Balance sheet value	**12 357**	**10 543**

26 Categories of financial instruments

As at 31 December 2009 and 31 December 2008, the book values of financial assets and liabilities (including long-term fixed-interest financial liabilities), as shown below, correspond approximately to the IFRS fair value (difference of EUR 0.6 million and EUR 0.2 million respectively).

TEUR	Note	2009	2008
Other financial assets	7	74	801
Trade receivables	9	47 194	42 856
Other receivables (excluding VAT and other taxes)	10	3 617	2 459
Cash and cash equivalents (excluding cash on hand)	12	42 471	39 061
Loans and receivables		**93 356**	**85 177**
Current securities	11	4 543	1 357
Financial assets held for sale		**4 543**	**1 357**
Derivative financial instruments (not used for hedging)	19	277	0
Financial assets at fair value through profit or loss		**277**	**0**
Liabilities from financial leasing	17	–110	–182
Financial liabilities	18, 24	–43 252	–42 605
Trade payables	23	–15 349	–11 446
Other liabilities (excluding social security, employees, VAT and other taxes)	25	–2 886	–1 782
Liabilities at amortised cost		**–61 597**	**–56 015**
Derivative financial instruments (not used for hedging)	19	–57	–37
Financial liabilities at fair value through profit or loss		**–57**	**–37**

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

TEUR	Note	2009	2008	Hierarchy
Financial assets measured at market value:				
Current securities	11	4 543	1 357	Level 1
Derivative financial instruments	19	1 771	911	Level 2
Total		**6 314**	**2 268**	
Financial liabilities measured at market value:				
Derivative financial instruments	19	57	386	Level 2
Total		**57**	**386**	

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

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Directly or indirectly observable information other than quoted market prices
Level 3: Information re. assets and liabilities which is not based on observable market data. The Phoenix Mecano Group held no such assets or liabilities as at 31 December 2009 or 31 December 2008.

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 Phoenix Mecano AG Board of Directors.

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

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. On the basis of this centralised currency management, exchange rate differences are shown in the financial result.

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

The Phoenix Mecano Group invests in securities. The investment instruments it uses are bonds, bond funds, shares and equity funds. These investments are diversified and internal limits are applied to individual investment categories. The investments are conducted principally in EUR 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 a variety of regions and sectors, means that the credit risk on receivables is limited. There are no cluster risks.

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

TEUR	Note	2009	2008
Other financial assets	7	74	801
Derivative financial instruments	19	1 771	911
Trade receivables	9	47 194	42 856
Other receivables (excluding tax receivables from VAT and other taxes)	10	3 617	2 459
Current securities	11	4 543	1 357
Cash and cash equivalents (excluding cash on hand)	12	42 471	39 061
Total		**99 670**	**87 445**

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 2009, unused credit lines with major banks totalled EUR 42.2 million (previous year EUR 41.7 million).

Maturity analysis as at 31 December 2009

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	15 349	–15 349	–15 139	–84	–126		
Other liabilities (excluding social security, employees, VAT and other taxes)	2 886	–2 886	–2 886				
Financial liabilities (excluding financial leasing)	43 162	–45 212	–11 845	–7 682	–5 196	–18 987	–1 502
Liabilities from financial leasing (long- and short-term)	200	–225	–29	–32	–43	–121	
Total	**61 597**	**–63 672**	**–29 899**	**–7 798**	**–5 365**	**–19 108**	**–1 502**
Derivative financial instruments							
Interest rate swap classified as:							
Cash flow hedge	0	0					
Fair value hedge	–448	448		216	131	101	
Trading	52	–52	–52				
Forward exchange transaction classified as:							
Cash flow hedge: outflow of funds		–15 000	–2 550	–2 550	–5 100	–4 800	
Cash flow hedge: inflow of funds	1 046	16 046	2 654	2 641	5 236	5 515	
Trading: outflow of funds		–900	–900				
Trading: inflow of funds	272	1 172	1 172				
Total	**62 519**	**–61 958**	**–29 575**	**–7 491**	**–5 098**	**–18 292**	**–1 502**

Maturity analysis 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 (excluding social security, employees, VAT and other taxes)	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:							
Cash flow hedge	0	0					
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**

Contingent liabilities (see note 30) represent a potential outflow of funds.

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

Currency risk Although it generates 64 % of its sales in the Euro area (previous year 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 enters into forward exchange contracts with reputable counterparties as and when necessary, or uses foreign currency options. This hedging relates mainly to planned expenditure in local currency (in companies whose functional currency is not the same as the local currency) at 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 2009

Non-derivative financial instruments	EUR	CHF	USD	HUF
TEUR				
Trade receivables	2 888	0	117	111
Cash and cash equivalents	1 914	14	909	948
Trade payables	–145	–30	–1 040	–195
Financial liabilities	0	0	–2 094	0
Total	**4 657**	**–16**	**–2 108**	**864**
Forward exchange transactions	0	0	–977	0
Net risk	**4 657**	**–16**	**–3 085**	**864**

Currency risk as at 31 December 2008

Non-derivative financial instruments	EUR	CHF	USD	HUF
TEUR				
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	0	0
Net risk	**1 389**	**–36**	**–2 909**	**–3**

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 for 2009 and 2008

Sensitivity analysis	CHF / EUR	CHF / USD	EUR / USD	EUR / HUF
TEUR				
2009: Change in result of the period (approx.)	174	206	51	85
2008: Change in result of the period (approx.)	39	214	73	0

On 31 December 2009, equity would have been EUR 1.2 million (previous year EUR 1.6 million) lower if the exchange rate had been 10 % higher and EUR 1.4 million (previous year EUR 2.0 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 for 2009 and 2008 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 2009 and 2008 would have been less than EUR 0.1 million lower or higher, assuming all other variables had remained constant.

The impact on equity of a 50-basis point change in interest rates, given the bonds classified as financial assets held for sale at 31 December 2009 or 31 December 2008, 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 2009 and 31 December 2008 was as follows:

TEUR	Note	2009	2008
Liabilities from financial leasing	17	110	182
Other long-term financial liabilities	18	19 439	19 892
Short-term financial liabilities	24	23 813	22 713
Interest-bearing liabilities		**43 362**	**42 787**
less current securities	11	4 543	1 357
less cash and cash equivalents	12	42 593	39 155
Net indebtedness		**–3 774**	**2 275**
Equity		193 365	191 045
Gearing		**–**	**1.2 %**

30 Contingent liabilities

TEUR	2009	2008
Sureties and guarantees	894	747
Commitments from bills of exchange	24	30
Total	**918**	**777**

31 Commitments to purchase tangible assets

The purchase commitment for tangible assets as at 31 December 2009 was EUR 1.0 million (previous year EUR 4.8 million).

32 Operating leases, rent and leasehold rent

	2009	2008
TEUR		
Minimum commitments due within 1 year	2 492	2 037
Minimum commitments due within 1–5 years	4 857	3 700
Minimum commitments due after 5 years	5 335	4 775
Minimum operating leasing, rent and leasehold rent commitments	**12 684**	**10 512**
Minimum claims due within 1 year	87	157
Minimum claims due within 1–5 years	47	439
Minimum claims due after 5 years	0	55
Minimum claims from rent/leasehold rent	**134**	**651**

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

	2009	2008
TEUR		
Gross sales	396 913	417 261
Total	**396 913**	**417 261**

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 have been deducted.

Gross sales decreased by 4.9 % compared to prior year (previous year: up 7.2 %). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by –0.1 % and 13.8 % respectively (previous year –0.7 % and 7.0 % respectively).

34 Other operating income

TEUR	2009	2008
Reimbursement from insurance	1 030	532
Gains on the disposal of intangible and tangible assets	206	268
Reversal of impairment losses on tangible assets	0	93
Government subsidies	179	157
Other	3 384	1 570
Total	**4 799**	**2 620**

The negative goodwill arising from the purchase of the Okin Group is included under Other for 2009 (see note 46).

35 Cost of materials

TEUR	2009	2008
Cost of raw and ancillary materials, merchandise for resale and external services	187 820	178 686
Incidental acquisition costs	7 158	4 985
Total	**194 978**	**183 671**

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

36 Personnel expenses

TEUR	2009	2008
Wages and salaries	92 706	96 960
Social costs	19 575	19 680
Supplementary staff costs	3 320	3 258
Total	**115 601**	**119 898**

37 Amortisation of intangible assets

TEUR	2009	2008
Concessions, licences, similar rights and assets	2 834	2 088
Development services	623	664
Total	**3 457**	**2 752**

38 Depreciation on tangible assets

TEUR	2009	2008
Land and buildings	2 810	2 410
Machinery and equipment	11 606	11 357
Total	**14 416**	**13 767**

39 Other operating expenses

TEUR	Note	2009	2008
External development costs		413	559
Establishment expenses		15 654	16 939
Rent, leasehold rent, leases		3 570	2 671
Administration expenses		6 412	6 148
Advertising expenses		3 290	3 661
Sales expenses		12 322	14 844
Losses from the disposal of intangible and tangible assets		114	236
Impairment losses on intangible and tangible assets	4, 5	2 487	463
Losses and value adjustments on inventories	8	3 617	1 608
Capital and other taxes		1 577	736
Other		6 201	7 151
Total		**55 657**	**55 016**

Total development costs, including internal costs, amounted to EUR 6.1 million (previous year EUR 5.0 million).

40 Financial income

TEUR	Note	2009	2008
Interest income from third parties		524	1 431
Fair value hedge gain (from derivative financial instruments)	19	0	332
Fair value hedge gain (on underlying transaction)	19	89	0
Gain from financial assets at fair value through profit or loss (trading derivative)	19	292	16
Exchange rate gains		2 304	2 232
Value adjustment on financial assets	7	222	0
Other financial income		771	66
Total		**4 202**	**4 077**

The increase in Other financial income is mainly attributable to a revaluation of purchase price balance payments for the companies acquired in 2008.

41 Financial expenses

TEUR	Note	2009	2008
Interest expense		1 383	2 224
Fair value hedge loss (on underlying transaction)		0	332
Fair value hedge loss (from derivative financial instruments)	19	89	0
Loss from financial assets at fair value through profit or loss (trading derivative)	19	35	38
Loss from financial assets held for sale transferred from equity (securities)	19	0	102
Exchange rate losses		1 950	3 850
Value adjustment on financial assets	7	0	140
Other financial expense		498	1 132
Total		**3 955**	**7 818**

The decrease under Other financial expense is primarily due to the loss arising from the disposal of Group companies in the previous year (see note 47).

42 Income tax

TEUR		2009	2008
Current income tax		2 718	9 355
Deferred tax		–455	–715
Income tax		**2 263**	**8 640**
Reconciliation from theoretical to effective income tax			
Result before tax		**13 863**	**39 223**
Theoretical income tax		**1 645**	**9 088**
Weighted income tax rate	in %	**11.9**	**23.2**
Changes of tax rate deferred tax		–48	–194
Tax-free income		–244	–187
Non-deductible expenses		654	853
Tax losses for the actual year not capitalised		974	539
Use of non-capitalised tax losses carried forward from previous years		–65	–1 040
Income tax relating to other periods		–632	–526
Other		–21	107
Effective income tax		**2 263**	**8 640**
Effective income tax rate	in %	**16.3**	**22.0**

The theoretical income taxes are derived from the weighted current local tax rates in the countries where the Phoenix Mecano Group does business. The heavy fluctuation in the weighted theoretical income tax rate is explained by fact that countervailing results at the individual subsidiaries are subject to different local tax rates.

The income from income tax relating to other periods in 2009 resulted largely from the disappearance of tax risks from earlier tax periods.

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

43 Earnings per share

TEUR	2009	2008
Result		
Result of the period attributable to shareholders of the parent company	**11 505**	**30 453**
Number of shares		
Shares issued on 1 January	1 069 500	1 069 500
Capital decrease	–81 500	0
Own shares (annual average)	–17 173	–65 226
Shares outstanding	970 827	1 004 274
Basis for diluted earnings per share	**970 827**	**1 004 274**
Basis for undiluted earnings per share	**970 827**	**1 004 274**

44 Operating cash flow

TEUR	Note	2009	2008
Operating result		13 543	42 762
Amortisation of intangible assets	37	3 457	2 752
Depreciation on tangible assets	38	14 416	13 767
Operating cash flow		**31 416**	**59 281**

45 Free cash flow

TEUR	2009	2008
Cash flow from operating activities	46 718	47 642
Purchases of intangible assets	–1 152	–2 164
Purchases of tangible assets	–10 943	–15 936
Disinvestments in intangible assets	2	15
Disinvestments in tangible assets	448	338
Free cash flow (before financial investments)	**35 073**	**29 895**

46 Acquisition of Group companies

	2009		2008	
TEUR	Book value	Fair value	Book value	Fair value
Other intangible assets	2 132	2 136	30	6 708
Tangible assets	3 855	3 910	948	1 022
Other non-current assets	191	191	0	0
Other current assets	18 702	18 930	5 647	5 708
Cash and cash equivalents	867	867	1 632	1 632
Liabilities	–5 071	–5 071	–4 922	–6 856
Minority interest	0	0	–140	–417
Identifiable net assets	**20 676**	**20 963**	**3 195**	**7 797**
Goodwill/(negative goodwill) from acquisition		–272		1 059
Purchase price including transaction costs		**–20 691**		**–8 856**
Purchase price balance payment		0		2 246
Cash and cash equivalents acquired		867		1 632
Change in funds		**–19 824**		**–4 978**

Under an asset deal effective from 1 January 2009, the Phoenix Mecano Group acquired the business operations of Eiden & Schmidt GmbH Messtechnik in Marpingen, Germany. The company is a long-standing sales and system partner for the products of subsidiary RK Rose + Krieger GmbH (D), part of the Mechanical Components division. Its business operations are now being run under the name RK Schmidt Systemtechnik GmbH. As part of the first-time consolidation, a capital increase involving the minority shareholder took place. The Phoenix Mecano Group holds a 90 % stake in the company.

Under an asset deal effective from 5 February 2009, the Phoenix Mecano Group acquired the drive solutions business for comfort and office furniture of insolvent company Okin Antriebstechnik GmbH (D). These business operations are now being run under the name Okin Motion Technologies GmbH (D). As part of the transaction, 100 % of the shares in production and sales companies in Hungary, the USA and Sweden were also acquired, with the acquisition of shares in Okin Scandinavia AB being completed in two tranches, as planned.

The acquired companies had gross sales of EUR 58.0 million in 2009 (of which Okin companies accounted for EUR 56.9 million) and their contribution to the Phoenix Mecano Group’s result of the period was EUR –7.3 million (Okin companies EUR –6.6. million). Had all companies been consolidated since 1 January 2009, consolidated gross sales would have been EUR 404.3 million and consolidated result of the period EUR 11.0 million.

In the previous year, the Phoenix Mecano Group acquired full ownership of Datatel Elektronik GmbH (D), which manufactures high-quality toroidal transformers, with effect from 1 January 2008. On the same date, the Group acquired a 70 % stake in the systems house SL System & Lineartechnik GmbH, based in Bermatingen (D) (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, a leading technology company in enclosures and industrial components based in Burscheid (D). On 31 July 2008, the Phoenix Mecano Group purchased a 70 % stake in Mazaka AŞ, based in Ankara (Turkey). Also on 31 July 2008, the Group acquired full ownership of WIENER Plein & Baus Corp., based in Springfield (USA), as a sales company of Plein & Baus GmbH (taken over by the Group on 31 May 2008). These companies achieved 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.

47 Disposal of Group companies

TEUR	2009	2008
Other intangible assets	0	30
Tangible assets	0	482
Other non-current assets	0	1 499
Cash and cash equivalents	0	389
Liabilities	0	–1 525
	0	**875**
Translation differences on shares	0	73
Loss from disposal of Group companies	0	–948
Sales price	**0**	**0**
Disposal of cash and cash equivalents	0	–389
Change in funds	**0**	**–389**

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 systems. Sales totalled EUR 3.5 million in 2008.

48 Transactions with related parties

TEUR	2009	2008
Chairman of the Board of Directors	86	82
Delegate of the Board of Directors	385	605
Other members of the Board of Directors	85	81
Remuneration of the Board of Directors	**556**	**768**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**1 663**	**1 845**
Remuneration of the Board of Directors and Executive Committee	**2 219**	**2 613**
Social security contributions	159	202
Pension obligations	187	205
Total remuneration of the Board of Directors and Executive Committee	**2 565**	**3 020**

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 pages 130/131 (note 18).

No significant transactions with other related parties outside the scope of consolidation took place in 2009 or 2008.

49 Events after the balance sheet date

No other events occurred between 31 December 2009 and 30 March 2010 that would alter the book values of assets and liabilities or should be disclosed under this heading.

50 Approval of the consolidated financial statements

At its meeting on 30 March 2010, the Board of Directors of Phoenix Mecano AG released the 2009 consolidated financial statements for publication. These will be submitted to the Shareholders' General Meeting on 28 May 2010 with a recommendation for their approval.

51 Dividend and capital decrease

The Board of Directors recommends to the Shareholders' General Meeting of 28 May 2010 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 133). The total outflow of funds is expected to be CHF 9.8 million. The dividend paid out in 2009 was CHF 10.00 (previous year CHF 9.00) per share. The outflow of funds in 2009 was CHF 9.8 million (previous year CHF 9.0 million).

The Board of Directors requests that the Shareholders' General Meeting of 28 May 2010 authorise a capital decrease to the value of the remaining 10 000 shares bought back between May and October 2009.

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, Stein am Rhein, presented on pages 62 to 120, which comprise the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and notes for the year ended 31 December 2009.

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 (IFRS) 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 financial statements are free from material misstatement.

An audit entails 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 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Audit 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 Lehner
Licensed audit expert	Licensed audit expert
Auditor in charge	

Zurich, 30 March 2010

Five-year overview

EUR million	2009	2008	2007	2006	2005
Consolidated balance sheet					
Total	301.1	294.0	287.6	263.7	285.0
Non-current assets	105.1	106.5[1]	98.5[1]	97.0[1]	93.2[1]
in % of total assets	34.9	36.2	34.2	36.8	32.7
Tangible assets	91.7	90.1[1]	89.3[1]	87.1[1]	83.3[1]
Current assets	196.0	187.6[1]	189.1[1]	166.7[1]	191.8[1]
in % of total assets	65.1	63.8	65.8	63.2	67.3
Inventories	88.2	90.9[1]	86.1[1]	78.1[1]	61.3[1]
Cash and cash equivalents	42.6	39.2	42.4	24.7	35.1
Equity	193.4	191.0	182.5	166.9	140.9
in % of total assets	64.2	65.0	63.5	63.3	49.4
Liabilities	107.7	103.0	105.1	96.8	144.1
in % of total assets	35.8	35.0	36.5	36.7	50.6
Net indebtedness	–3.8	2.3	4.3	13.0	22.0
in % of equity	–2.0	1.2	2.3	7.8	15.6
Consolidated statement of income					
Gross sales	396.9	417.3	389.4	351.5	343.9
Gross sales from continued operations	n / a	n / a	389.4	346.5	315.0
Total operating performance	397.7	417.9	390.5[2]	347.2[2]	312.7[2]
Personnel expenses	115.6	119.9	112.2[2]	104.1[2]	96.6[2]
Amortisation of intangible assets	3.5	2.8	1.8[2]	2.2[2]	3.0[2]
Depreciation on tangible assets	14.4	13.8	14.6[2]	13.7[2]	14.2[2]
Operating result before restructuring expenses	13.5	42.8	38.8[2]	35.8[2]	27.5[2]
Restructuring expenses	0.0	0.0	0.0[2]	0.0[2]	–3.8[2]
Result before interest and tax	13.5	42.8	38.8[2]	35.8[2]	23.8[2]
Financial result	0.3	–3.6	–1.8[2]	–4.6[2]	–2.5[2]
Result before tax	13.8	39.2	37.0[2]	31.2[2]	21.2[2]
Income tax	–2.2	–8.6	–7.1[2]	–4.3[2]	–4.8[2]
Result of the period from continued operations	11.6	30.6	29.9	26.9	16.4
Result of the period from discontinued operations	n / a	n / a	0.0[3]	0.9[3]	–25.3[3]
Result of the period	11.6	30.6	30.0	27.8	–8.8
in % of gross sales	2.9	7.3	7.7	7.9	–2.6
in % of equity	6.0	16.0	16.4	16.7	–6.3
Consolidated statement of cash flow					
Cash flow from operating activities	46.7	47.6	38.8	25.5	38.1
Cash used in investing activities	–33.9	–20.1	–10.4	4.5	–12.9
Purchases of tangible assets	10.9	15.9	16.3	19.4	13.3
Cash flow from financing activities	–9.6	–30.6	–10.6	–40.0	–21.1
Free cash flow	35.1	29.9	21.7	12.2	25.1

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 2009
Phoenix Mecano AG

CHF	Note	2009	2008
Assets			
Non-current assets			
Financial assets			
Investments	1	155 159 547	152 516 668
Loans to Group companies	2	11 849 972	11 739 498
Total non-current assets		**167 009 519**	**164 256 166**
Current assets			
Receivables			
Financial receivables from Group companies	3	5 436 743	4 868 660
Other receivables		985	536
		5 437 728	**4 869 196**
Own shares	4	6 565 942	25 337 810
Cash and cash equivalents		2 319 599	581 303
Total current assets		**14 323 269**	**30 788 309**
Total assets		**181 332 788**	**195 044 475**
Equity and liabilities			
Equity			
Share capital	5	988 000	1 069 500
Statutory reserves		2 500 000	2 500 000
Reserve for own shares	6	8 333 657	39 308 244
Special reserves		88 994 949	88 994 949
Retained earnings	7	50 735 166	30 650 722
Total equity		**151 551 772**	**162 523 415**
Liabilities			
Provisions	8	4 500 000	4 500 000
Long-term liabilities			
Bank loans	9	11 500 000	5 000 000
Short-term liabilities			
Bank liabilities	9	12 605 000	16 707 000
Financial liabilities to Group companies	10	572 467	5 389 633
Liabilities to shareholders		12 763	11 969
Other liabilities		103 660	674 993
		13 293 890	**22 783 595**
Deferred income		487 126	237 465
Total liabilities		**29 781 016**	**32 521 060**
Total equity and liabilities		**181 332 788**	**195 044 475**

Statement of income 2009
Phoenix Mecano AG

CHF	Note	2009	2008
Income			
Income from investments	12	25 072 852	34 983 760
Financial income	13	1 614 609	1 457 249
Other income	14	31 452	506 715
Total income		**26 718 913**	**36 947 724**
Expenses			
Financial expenses	15	–1 086 983	–15 697 452
Administration expenses		–882 379	–582 474
Other expenses	16	–356 553	–47 045
Income and capital taxes		–77 381	–44 936
Total expenses		**–2 403 296**	**–16 371 907**
Profit for the year		**24 315 617**	**20 575 817**

Notes to the financial statements 2009

General

The 2009 financial statements for Phoenix Mecano AG in Swiss francs have been drawn up in accordance with the provisions of Swiss corporation law.

1 Investments

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

Company	Head office	Activity	Currency	Registered capital in 1 000	Investment in %
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100
Phoenix Mecano Beteiligungen AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production / Sales	CHF	2 000	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands	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	272 932	99
Mecano Components (Shanghai) Co. Ltd.	Shanghai, China	Production / Sales	USD	3 925	100
Shenzhen Elcom Trading Co. Ltd.	Shenzhen, China	Purchasing / Sales	CNY	2 000	100
Phoenix Mecano Comercial e Técnica Ltda.	Sao Paulo, Brazil	Sales	BRL	5 192	100
IPES Industria de Produtos e Equipamentos de Solda Ltda.	Manaus, Brazil	Production / Sales	BRL	6 623	100
WIENER Plein & Baus Corp.	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. The ownership interest remains unchanged from the previous year.

An overview of all directly and indirectly held investments is given on pages 84/85.

2 Loans to Group companies

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

3 Financial receivables from Group companies

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

4 Own shares

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

	Share purchases		Share sales	
	Number	Average price	Number	Average price
CHF				
January	0		0	
February	0		0	
March	0		0	
April	0		0	
May	0		0	
June	0		330	305.73
July	0		0	
August	0		0	
September	0		0	
October	0		0	
November	0		0	
December	342	390.65	1 110	294.59
Total year	**342**	**390.65**	**1 440**	**297.14**

In addition, as part of a share buyback programme approved by the Board of Directors in September 2008, the following buybacks were made over a second trading line in 2009:

	Share purchases	
	Number	Average price
CHF		
January	4 270	330.44
February	1 200	312.21
March	4 200	266.08
April	2 200	248.66
May	1 400	288.30
June	200	305.41
July	1 300	319.03
August	2 500	367.87
September	3 200	391.73
October	1 400	407.90
November	0	
December	0	
Total year	**21 870**	**323.46**

This share buyback programme was terminated in October 2009 following completion of the one-year term. Between 2007 and 2009, a total of 58 500 and 33 000 shares were bought back under two share buyback programmes. Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, 81 500 bought-back shares were cancelled and the share capital reduced accordingly. The Board of Directors requests that the Shareholders' General Meeting of 28 May 2010 authorise a capital decrease to the value of the remaining 10 000 shares bought back between May and October 2009.

At the balance sheet date, the company owned a total of 19 202 own bearer shares (previous year 79 930), which are booked according to the 'lowest value' principle. These shares represent 1.9 % of the overall share portfolio.

5 Share capital

Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, the share capital was reduced from CHF 1 069 500 to CHF 988 000 by the cancellation of 81 500 shares with a par value of CHF 1.00 each from the 2007/2008 and 2008/2009 share buyback programmes, with effect from 28 September 2009. The share capital was then redivided into 988 000 bearer shares with a par value of CHF 1.00 each. As at the balance sheet date, major shareholders held the following stakes in the share capital of Phoenix Mecano AG:

Company	Head office	2009	2008
%			
Planalto AG	Luxembourg City, Luxembourg	33.4	30.9
Tweedy, Browne Company LLC	New York, USA	7.9*	7.9
UBS Fund Management (Switzerland) AG	Basel, Switzerland	3.1	5.0
OppenheimerFunds Inc.	New York, USA	4.6*	4.6*
Sarasin Investmentfonds AG	Basel, Switzerland	5.4	3.9*

* Stake not reported in the financial year.

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

6 Reserve for own shares

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 for own shares. In 2009, this reserve for own shares was reduced by CHF 30 974 587.

7 Retained earnings

The 2009 financial year closed with a profit for the year of CHF 24 315 617. The retained earnings brought forward from the previous year totalled CHF 20 886 422. Taking into account the release of the reserve for own shares totalling CHF 30 974 587 (see note 6) and the CHF 25 441 460 charge represented by the difference between the par value and balance sheet value of the own shares cancelled as part of the capital decrease, the Shareholders' General Meeting of 28 May 2010 has at its disposal retained earnings totalling CHF 50 735 166. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 133.

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 2009, there was one CHF 5 million loan due for repayment in 2011, two loans worth CHF 2.5 million due in 2012 and one CHF 1.5 million loan due in 2013. 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 Contingent liabilities

	2009	2008
TCHF		
Guarantees and letters of comfort	128 381	120 169

Contingent liabilities are given for subsidiaries, predominantly in favour of financial institutions. The actual book value of Group company liabilities was CHF 34.0 million (previous year CHF 35.8 million).

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

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

13 Financial income
Financial income includes earnings from interest and commissions as well as an appreciation in the value of own shares totalling CHF 0.4 million.

14 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.

15 Financial expenses
This item contains interest and securities expenses and, for the previous year, a value correction of CHF 14.0 million on own shares.

16 Other expenses
This item includes expenses for licences in the reporting year and the previous year. Net exchange rate losses of CHF 0.3 million are also posted for the reporting year (CHF 1.2 million exchange rate losses less CHF 0.9 million exchange rate gains).

17 Net release of hidden reserves

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

18 Remuneration and participations

Remuneration of members of the Board of Directors and Executive Committee

The following remuneration was awarded to serving corporate officers in 2009:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration
		TCHF	TCHF	TCHF	TCHF
Ulrich Hocker	Chairman of the Board	130		11	141
Benedikt A. Goldkamp	Delegate of the Board	472	109	132	713
Dr Florian Ernst	Board member	43		3	46
Dr Martin Furrer	Board member	43		3	46
Beat Siegrist	Board member	43		3	46
Remuneration of the Board of Directors		**731**	**109**	**152**	**992**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)		**1 849**	**662**	**369**	**2 880**
Total remuneration of the Board of Directors and Executive Committee		**2 580**	**771**	**521**	**3 872**

The following remuneration was awarded to serving corporate officers in 2008:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration
		TCHF	TCHF	TCHF	TCHF
Ulrich Hocker	Chairman of the Board	130		11	141
Benedikt A. Goldkamp	Delegate of the Board	420	540	167	1 127
Dr Florian Ernst	Board member	43		3	46
Dr Martin Furrer	Board member	43		3	46
Beat Siegrist	Board member	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**

Mr Benedikt A. Goldkamp is also CEO of the Phoenix Mecano Group. His remuneration as CEO is included in his overall 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 financial year accounted for under (accrued) expenses in the relevant financial statements. For the most part, payments are made subsequent to the balance sheet preparation; the variable remuneration actually paid may vary from the amounts set aside.

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

As in the previous year, no remuneration was paid in the reporting year to former corporate officers who left the company in previous years.

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

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

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

Name	Position	31.12.2009	31.12.2008
Board of Directors			
Ulrich Hocker	Chairman	8 624	8 604
Benedikt A. Goldkamp	Delegate	1 820	1 305
Dr Florian Ernst	Member	10	10
Dr Martin Furrer	Member	100	100
Beat Siegrist	Member	400	400
Share ownership by the Board of Directors		**10 954**	**10 419**
Executive Committee			
Dr Werner Karlen*	Executive	–	350
Ralph Gamper	Member	330	130
Maximilian Kleinle	Member	50	50
Dr Joachim Metzger	Member	91	91
René Schäffeler	Member	80	50
Share ownership by the Executive Committee		**551**	**671**

* Dr Werner Karlen left the Phoenix Mecano Group on 1 February 2009.

In addition, Planalto AG, Luxembourg, which is owned by the Goldkamp family, holds a 33.4 % stake (previous year 30.9 %).

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.

19 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 Phoenix Mecano AG Board of Directors. The risk management principles that have been established are geared towards identifying and analysing the risks to which the Group is exposed, developing checks and balances and monitoring risks. The specific risks facing the Phoenix Mecano AG have also been identified. Risk management principles and the processes associated with them are regularly reviewed to take account of changes in market conditions and the Group's activities.

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

20 Events after the balance sheet date

No events occurred between 31 December 2009 and 30 March 2010 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 2009	24 315 617
Retained earnings brought forward 2008	20 886 422
Difference between par value and balance sheet value of own shares in connection with capital decrease	–25 441 460
Release of reserve for own shares	30 974 587
Retained earnings	**50 735 166**

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]	9 880 000
Carried forward to new account	40 855 166
Total	**50 735 166**

[1] Total dividends are calculated based on the 988 000 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 124 to 132, which comprise the balance sheet, income statement and notes for the year ended 31 December 2009.

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 entails 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 2009 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 Audit 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 Lehner Licensed audit expert

Zurich, 30 March 2010

International presence

Phoenix Mecano operates at close to 50 locations in 26 countries worldwide. Due to the high demand for components for contemporary, environmentally friendly technologies, we are currently expanding our production capacity. As well as making major investments in modern storage technology and production equipment, we will be expanding plants at sites in Hungary and Tunisia. These steps will allow us to continue offering our successful customers the best possible support in growing their businesses.
Individuality. Precision. Reliability.

Phoenix Mecano Group
locations around the world

North | South America

1 | 2 | 3 USA: Springfield, Ohio (1)
Shannon, Mississippi (2)
Frederick, Maryland (3)
4 | 5 Brazil: Manaus (4)
São Paulo (5)

Europe | Africa

6 Great Britain: Aylesbury
7 Spain: Zaragoza
8 France: Fontenay sur Bois
9 | 10 Benelux: Deinze, Belgium (9)
Doetinchem, Netherlands (10)
11 | 12 Scandinavia: Odense, Denmark (11)
Ingelstad, Sweden (12)
13 Germany: Baiersdorf, Bermatingen, Bünde, Burscheid, Eberswalde, Grävenwiesbach, Kirchlengern, Langenhagen, Marpingen, Minden, Porta Westfalica, Stuttgart, Villingen-Schwenningen, Werne, Wutha-Farnroda
14 Switzerland: Stein am Rhein
15 Tunisia: Ben Arous, Borj-Cedria, Djebel El Quest-Zaghouan
16 Italy: Inzago
17 Austria: Vienna
18 Hungary: Kecskemét
19 Romania: Sibiu

Asia

20 Turkey: Ankara
21 Russia: Moscow
22 United Arab Emirates: Sharjah
23 India: Pune
24 Thailand: Bangkok
25 Singapore: Singapore
26 | 27 People's Republic of China: Shenzhen (26)
Shanghai (27)
28 Taiwan: Taipei
29 Korea (South Korea): Seoul

Australia

30 Australia: Victoria

North | South America


Europe | Africa
Asia
Australia
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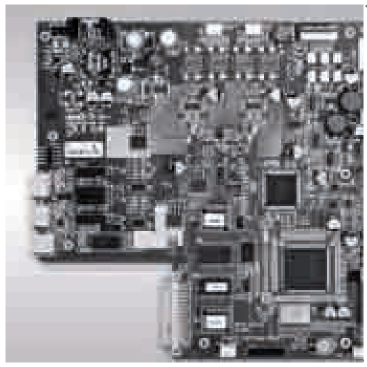

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