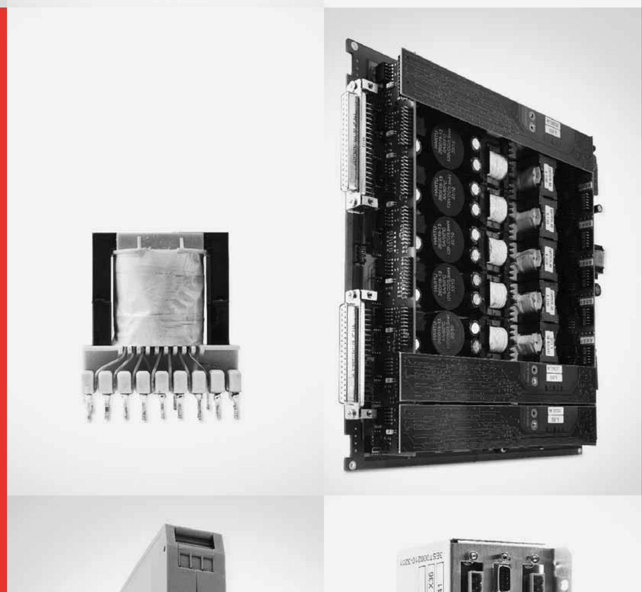
PHOENIX MECANO

PHOENIX MECANO
ANNUAL REPORT 2011

STRONG THROUGH EXPERIENCE – TACKLING THE FUTURE WITH CONFIDENCE



HIGHLIGHTS 2011

For the Phoenix Mecano Group, 2011 was a year of challenges and opportunities. We recorded increases in sales and income in our core markets of mechanical engineering and industrial electronics, but the photovoltaic market performed disappointingly.

We see the Southeast Asia region as a key growth driver and are focusing dynamically on the requirements of this future market.

As a global technology enterprise with a diversified customer portfolio and a solid balance sheet, we are well-prepared for developments and changes in the general business environment.

STRONG THROUGH EXPERIENCE – TACKLING THE FUTURE WITH CONFIDENCE

529.8

MILLION EUR GROSS SALES

THE PHOENIX MECANO GROUP INCREASED ITS SALES BY 5.6% IN 2011.

63.7

PER CENT EQUITY RATIO

EQUITY ROSE FROM EUR 236.2 MILLION TO EUR 248.1 MILLION IN 2011.

86.1

TEUR GROSS SALES PER EMPLOYEE

PER CAPITA SALES ROSE BY 1.5% FROM 84 600 EUR TO 86 100 EUR IN 2011.

7.0

PER CENT NET INDEBTEDNESS AS A PERCENTAGE OF EQUITY

NET INDEBTEDNESS FELL FROM EUR 24.9 MILLION IN 2010 TO EUR 17.3 MILLION IN 2011.

KEY FIGURES OF THE PHOENIX MECANO GROUP

	Units	2011	2010	2009	2008	2007
KEY FINANCIAL FIGURES						
Gross sales [1]	EUR million	529.8	501.6	396.9	417.3	389.4
Change	%	5.6	26.4	–4.9	7.2	12.4
Operating cash flow [1]	EUR million	68.1	71.2	33.8	59.7	56.5
Change	%	–4.3	110.3	–43.3	5.6	5.2
in % of sales	%	12.9	14.2	8.5	14.3	14.5
Result before interest and tax (Operating result) [1]	EUR million	36.1	52.6	13.5	42.8	38.8
Change	%	–31.4	288.3	–68.3	10.3	8.4
in % of sales	%	6.8	10.5	3.4	10.3	10.0
Result of the period	EUR million	23.6	43.9	11.6	30.6	30.0
Change	%	–46.1	278.3	–62.1	2.1	7.9
in % of sales	%	4.5	8.7	2.9	7.3	7.7
in % of equity	%	9.5	18.6	6.0	16.0	16.4
Total assets/capital	EUR million	389.8	381.4	301.1	294.0	287.6
Equity	EUR million	248.1	236.2	193.4	191.0	182.5
in % of total assets	%	63.7	61.9	64.2	65.0	63.5
Net indebtedness / (Net liquidity)	EUR million	17.3	24.9	–3.8	2.3	4.3
in % of equity	%	7.0	10.5	–2.0	1.2	2.3
Cash flow from operating activities	EUR million	44.6	29.4	46.7	47.6	38.8
Free cash flow	EUR million	24.4	11.7	35.1	29.9	21.7
Purchases of tangible assets	EUR million	19.3	18.3	10.9	15,9	16.3
EMPLOYEE NUMBERS						
Number of employees [1] annual average		6 152	5 929	4 719	4 946	4 891
Gross sales per employee [1]	1 000 EUR	86.1	84.6	84.1	84.4	79.6
Personnel expenses per employee [1]	1 000 EUR	23.3	22.2	24.5	24.2	22.9
SHARE INDICATORS						
Share capital [2, 3] (bearer shares with a par value of CHF 1.00)	Number	978 000	978 000	988 000	1 069 500	1 069 500
Shares entitled to dividend [4]	Number	973 480	972 541	968 798	989 570	1 038 068
Result before interest and tax (Operating result) per share [1]	EUR	37.1	54.1	14.0	43.2	37.4
Result of the period per share	EUR	24.3	45.1	12.0	30.9	28.9
Equity per share	EUR	254.9	242.9	199.6	193.1	175.8
Free cash flow per share	EUR	25.1	12.0	36.2	30.2	20.9
Dividend	CHF	13.00[5]	13.00	10.00	10.00	9.00
Share price						
High	CHF	719	660	420	569	615
Low	CHF	427	404	235	300	474
Year-end price	CHF	490	660	394	317	530

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

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

[3] Pursuant to a decision by the Shareholders' General Meeting of 28 May 2010, the share capital was reduced by CHF 10 000 with effect from 2 September 2010 by cancelling 10 000 shares from the 2008/2009 share buy-back programme.

[4] As at the balance sheet date, the company owned 4 520 treasury shares, which are not entitled to dividend.

[5] Proposal to the Shareholders' General Meeting of 25 May 2012.

STRUCTURE OF THE PHOENIX MECANO GROUP

THE GROUP

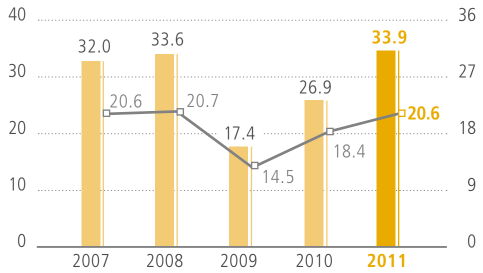
Phoenix Mecano is a global player in the enclosures and industrial components segments, has a streamlined operating structure and is a leader in many markets. Geared towards the professional and cost-effective manufacture of niche products, it helps to ensure the smooth operation of processes and connections 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 glassfibre reinforced polyester and stainless steel, machine control panels and suspension systems protect sensitive electrical equipment and electronics in mechanical engineering applications. High-quality membrane keyboards offer a reliable human / machine interface, even under extreme conditions.

OPERATING RESULT AND MARGIN

in EUR million (— margin in %)



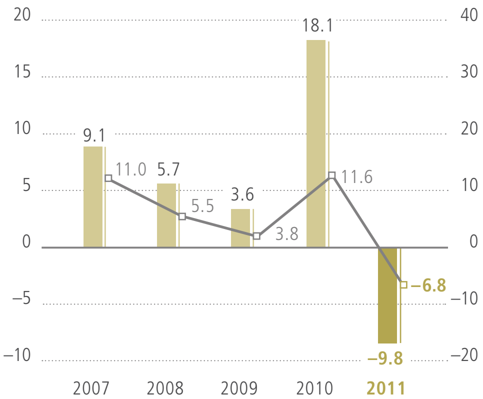
KEY FIGURES	2011	2010
in EUR million		
Gross sales	164.7	146.5
Purchases of tangible assets	4.7	3.7
Operating result	33.9	26.9
Margin in %	20.6	18.4

ELCOM/EMS

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

OPERATING RESULT AND MARGIN

in EUR million (— margin in %)



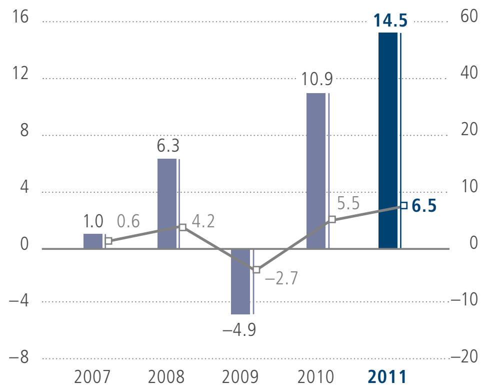
KEY FIGURES	2011	2010
in EUR million		
Gross sales	142.8	156.1
Purchases of tangible assets	7.7	10.1
Operating result	–9.8	18.1
Margin in %	–6.8	11.6

MECHANICAL COMPONENTS

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

OPERATING RESULT AND MARGIN

in EUR million (— margin in %)



KEY FIGURES	2011	2010
in EUR million		
Gross sales	222.2	197.4
Purchases of tangible assets	6.6	4.2
Operating result	14.5	10.9
Margin in %	6.5	5.5

CONTENT

Creating value through growth

BUSINESS MODEL
GROWTH DRIVERS
DIVISION AND BRAND STRUCTURE

"In 2012, we will continue our investment programmes, which are geared towards long-term value creation. Our solid balance sheet, low level of debt and stable free cash flow provide the best possible framework in which to do this."

Benedikt A. Goldkamp

Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors

DEAR SHAREHOLDERS,

2011 was a year of ups and downs for the Phoenix Mecano Group. The first half saw an economic boom in our key target markets of mechanical engineering and industrial electronics, but the euphoria gave way to a more cautious attitude over the course of H2. The slowdown in consumer confidence was triggered by a change in mood, heightened by continual media reports about the sovereign debt crisis in Europe. However, the meltdown that many observers initially feared failed to materialise and market conditions now seem generally stable, despite some major uncertainties.

Our business plan for the coming years covers a variety of economic development scenarios. In this way, we aim to be as well-prepared as we can be for mounting volatility in sales markets and for possible external shocks. A key part of these planning scenarios is to maximise the balance of cash flows in the Group's main currency areas, those of the US dollar and euro. We are thus creating a set of tools that will allow us to absorb even major shifts in international currency structures, without making ourselves dependent on complex and hard-to-control derivative financial instruments. These tools are: local value-added in our target markets, global purchasing activities, and systematic expansion of technical know-how in the three core regions of Europe, Asia and America.

CHALLENGES AND OPPORTUNITIES

The successful democratic movement that swept across Tunisia in early 2011 posed particular challenges for our company. After a few weeks of uncertainty, the situation stabilised to the extent that production and logistics activities could be resumed in a safe and orderly way. By adapting our warehousing arrangements and developing alternative production locations with the necessary skilled staff, the Group is adjusting its manufacturing and supply chain infrastructure to take account of mounting geopolitical risks, in order to safeguard it as far as possible for the future.

As expected, the nuclear disaster in Fukushima had only a minor impact on our Group. If anything, the increased risk-awareness of many industrial customers regarding the supply of critical parts and components should work to the advantage of a globally structured and flexible manufacturing company like Phoenix Mecano.

After the boom of the past few years, market development in the photovoltaic sector was disappointing. The year was dominated by falling sales volumes and high pricing pressure due to the scaling-back of government grant schemes. From the Phoenix Mecano Group's perspective, these developments meant that market prospects for the ELCOM/EMS division's solar inverter components business had to be reassessed.

The integration of Okin Refined – a joint venture established in Jiaxing, China, in late 2010 – has proceeded according to plan and fully lived up to expectations. In recognition of the increasing importance of the Chinese market for our Group, we will be developing a highly efficient R & D centre for electrical drive technology and expanding production capacity in the country in 2012.

Through a number of minor bolt-on acquisitions we have tapped new market potential for the coming years, in line with our growth strategy. In particular, we have opened up further growth opportunities in the target markets of renewable energies, LED applications, product identification and traceability and electronic input systems.

Nevertheless, industrial business with customers in our core markets of mechanical engineering and industrial electronics will remain the Group's mainstay in 2012. In these market areas, we have seen our sales and income increase and have constantly expanded our competitive position worldwide, across all three Phoenix Mecano divisions. Thanks to a highly diversified customer portfolio, a geographical structure that has expanded progressively over the years and systematic further development of our key technologies, we aim to achieve further organic growth in these target markets into the future.

DIVIDEND UNCHANGED

The Phoenix Mecano Group's stable operating performance and high free cash flow mean that we are able to adhere to our continuity-oriented dividend policy, despite the impairment of our photovoltaic activities at the end of 2011. We will propose an unchanged dividend of CHF 13.00 per bearer share to the Shareholders' General Meeting.

13.00

CHF dividend per bearer share

Phoenix Mecano proposes an unchanged dividend of CHF 13.00 per bearer share.

THANK YOU TO OUR EMPLOYEES

The increasingly short and volatile cycles of the global economy and the globalisation of industry felt in all areas of the company place very heavy demands on the flexibility and intercultural competence of our employees. Generally speaking, public education and training systems fail to fully prepare our experts and professionals, at all levels, to meet these demands. It is therefore all the more remarkable to see the openness and efficiency that routinely characterise cooperation across cultural and linguistic boundaries within our Group. This willing attitude is part of Phoenix Mecano's culture and it sets us apart: we should not – and do not – take it for granted. We would therefore like to particularly thank those employees who have distinguished themselves in the face of extreme fluctuations in order volumes as well as in efforts to further develop efficient interfaces within our international company network.

OUTLOOK FOR 2012

Our customer markets are not unaffected by the subdued economic expectations for the global economy. Such expectations generally result in a reduced propensity by industrial customers to invest, with a tangible impact in the mechanical engineering sector in particular. However, infrastructure development in the emerging economies and the predominantly well-filled order books of our customers mean that there are solid grounds for anticipating a balanced ratio of opportunities to risks in 2012. Although the proportion of our sales generated in Europe is historically high (around 80%), we now see Asia as the driver of our growth. As well as double-digit growth in local sales in these markets, most of our target sectors in Europe are heavily focused on exports to the emerging Asian economies and should thus benefit from the economic growth forecast in these markets. We therefore plan to continue our investment programmes, which are geared towards long-term value creation, in the current year. Our solid balance sheet, low level of debt and stable free cash flow provide the best possible framework in which to do this. Our main scenario assumes a generally stable environment in 2012. Results from the first months of 2012 confirm this assessment. Such a scenario should enable an increase in operating result and net result compared with the 2011 annual accounts, which were affected by one-off items. We have prepared the company so that it can react quickly to any changes in prevailing conditions. Consequently, whilst not underestimating the challenges we face, we look to the future with a healthy dose of optimism.

Ulrich Hocker
Chairman of the Board of Directors

Benedikt A. Goldkamp
Delegate of the Board of Directors

CREATING VALUE THROUGH GROWTH

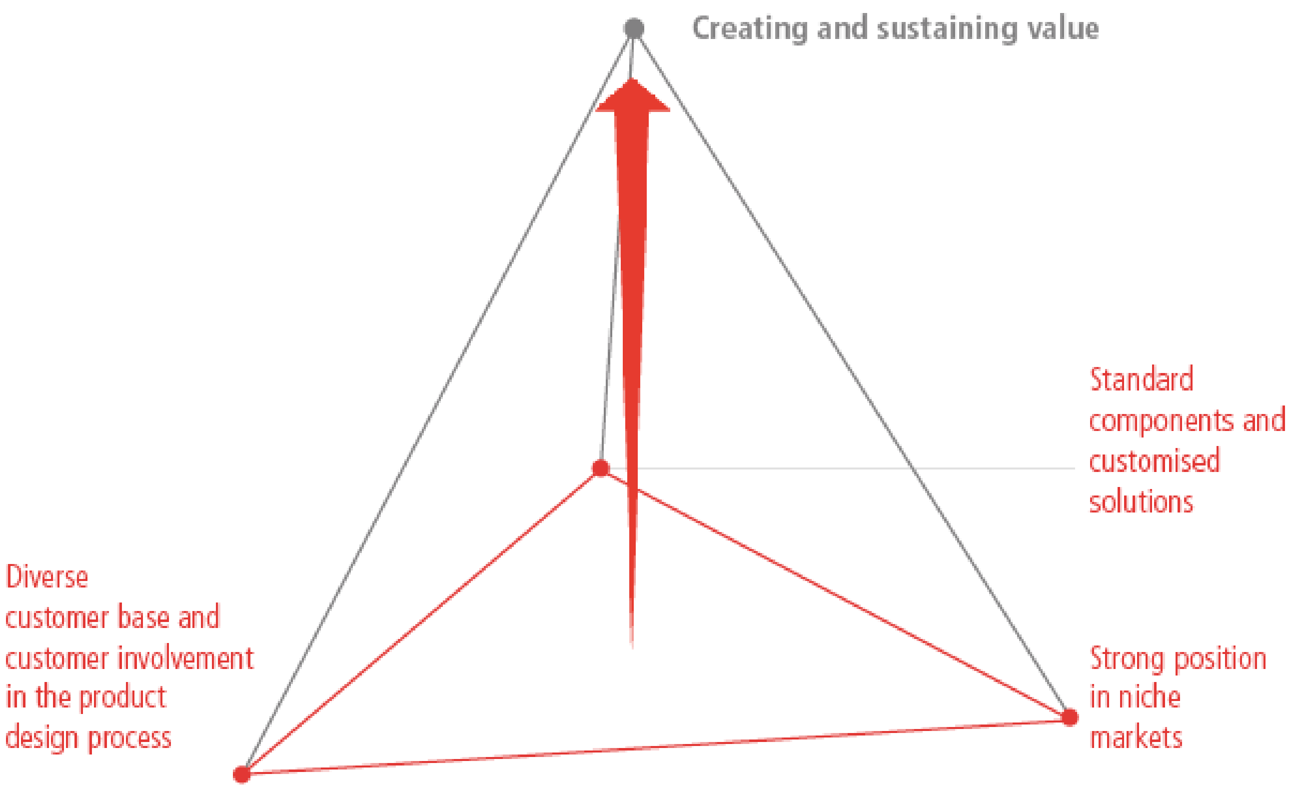
STRONG THROUGH EXPERIENCE – TACKLING THE FUTURE WITH CONFIDENCE

OUR BUSINESS IS BUILT ON SOLID FOUNDATIONS

The guiding principle behind our business decisions is to increase the value of the company over the long term. We see ourselves as a modern, international technology enterprise with its own efficient production facilities and a global sales network. Despite being a listed company, we are conscious of – and committed to – our origins as a family firm: the values of a growth-oriented technology enterprise and those of a family firm geared towards sustainability are rooted equally in our corporate culture.

Our competitive market position is underpinned by three main factors:

› We have a strong competitive position in niche markets.
› We are a global supplier of standard components and develop customised solutions for original equipment manufacturers (OEMs) of industrial and electronic end products.
› We have a diversified customer base spanning a variety of sectors and we operate in heavily fragmented markets.



OUR SOLID FOUNDATION GUARANTEES SUSTAINABLE GROWTH AND MINIMISES OUR BUSINESS RISKS.

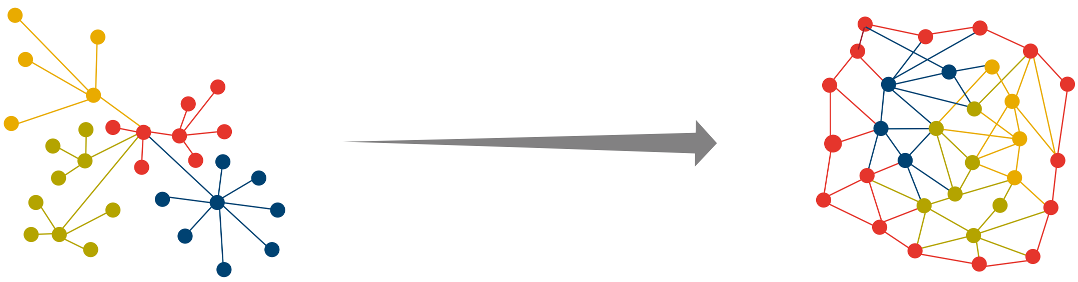
DECENTRALISED DIVISION AND BRAND STRUCTURE ENSURES THE NECESSARY FLEXIBILITY

Our division-based structure allows us to adapt quickly and flexibly to changing competitive and market conditions. Responsibility for products and brands lies with the three divisions: Enclosures, ELCOM/EMS and Mechanical Components. Operational competencies are delegated to the regional units.

Strong brands united under one roof: Phoenix Mecano.

A DECENTRALISED STRUCTURE

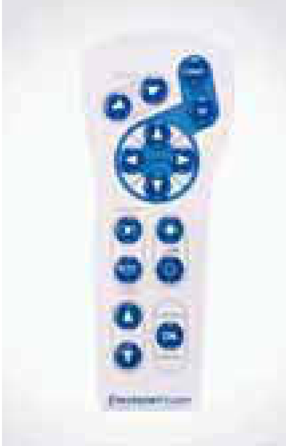
AN INTERNATIONAL NETWORK



PHOENIX MECANO GROUP	ENCLOSURES	ELCOM / EMS	MECHANICAL COMPONENTS
PHOENIX MECANO	BOPLA KUNDISCH ROSE	POWER QUALITY DATATEL GÖTZ-UDO HARTMANN LOHSE PLATTHAUS ELECTRO MECHANICAL COMPONENTS HARTMANN PTR ELECTRONIC MANUFACTURING AND PACKAGING HARTMANN ELEKTRONIK PHOENIX MECANO DIGITAL ELEKTRONIK WIENER	DEWERT OKIN RK ROSE+KRIEGER

ENCLOSURES

BOPLA
Modern enclosures using plastic, metal and profile technology: standard and customised solutions according to usage requirements, e.g. in medical technology, mechanical engineering and water technology applications.



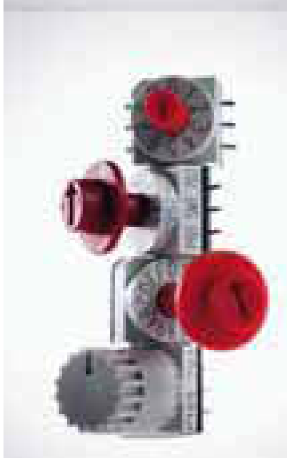
KUNDISCH
Back-lit membrane keyboard featuring the patented Kundisch Profiline technology. The keyboard is used in an innovative medical technology solution.

ROSE
Stainless steel Ex-ed control station for use in potentially explosive atmospheres in the oil and gas industry.

ELCOM / EMS

DATATEL
Precision instrument transformer for determining electricity flows in energy transmission lines, from the power station to end users.

GÖTZ-UDO HARTMANN
Blocking oscillator transformer for powering the electronics of a 20 kW solar inverter.



HARTMANN CODIER
Rotary code switches with a variety of control knobs for improved operability. Applications include inverters for solar panels, LED lighting systems and addresses for bus systems.

HARTMANN ELEKTRONIK
Connection box for train drive and control technology. Smart and reliable systems control and monitor energy supply and vehicle operation.

PHOENIX MECANO DIGITAL ELEKTRONIK
Power board for centralised control of a control unit system used in electrosurgery.

LOHSE
5-level rectangular core for instrument transformers requiring a high degree of linearity and accuracy.

PLATTHAUS
Customer specific du/dt-filter, for motor applications, to be installed in between frequency converter and motor, reduces the rate of the increase in voltage.

PTR
Interface pins are used everywhere it is necessary to charge rechargeable batteries, mobile equipment such as scanners, card readers, communication devices, etc. In many cases, they are also used to connect two PCBs.

WIENER
Low Voltage Floating Module, 2–8 ch., individually controlled and monitored for use in Multi-Channel HV/LV Power Supply System. Control of detectors of big particle physics experiments (in scientific research facilities) e.g. CERN in Geneva.

MECHANICAL COMPONENTS

DEWERT
Handsets with optical fault diagnosis and activation button to prevent accidental operation of electrically adjustable hospital beds.

OKIN
Drive system providing a convenient solution for electromotive height adjustment of ergonomically optimised office products.

RK ROSE + KRIEGER
Plastic, aluminium and stainless steel tube connecting systems provide the basis for countless connecting technology solutions.

PHOENIX MECANO GROUP

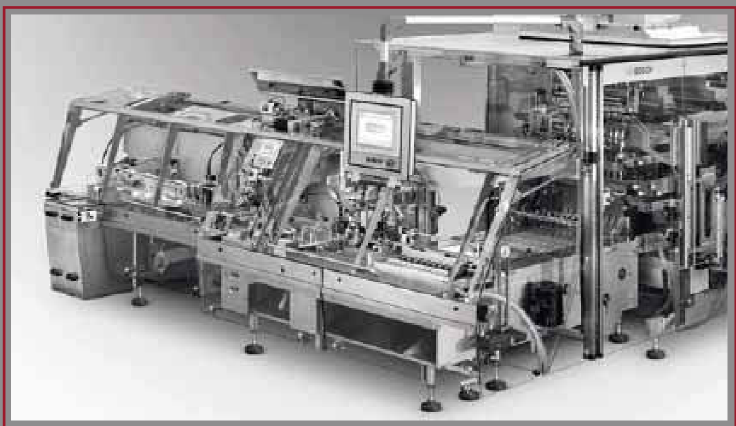
PROFITABLE IN CORE BUSINESSES | READY FOR FURTHER GROWTH


4
3
1
2

PHOENIX MECANO GROUP

Well-positioned in the growth markets of the future

- Record sales of EUR 529.8 million generated – Result weighed down by one-off items
- Enclosures and Mechanical Components record encouraging increases in operating result of 25.8% and 32.7%
- Process-optimisation initiatives launched as part of a Group-wide programme: “Our Journey towards Operational Excellence” (J2OX)



Example of a control panel and carrier solution (Enclosures division) used on a packing machine.

Above: Customer-specific assembly of individualised enclosure solutions at Phoenix Mecano Komponenten AG.

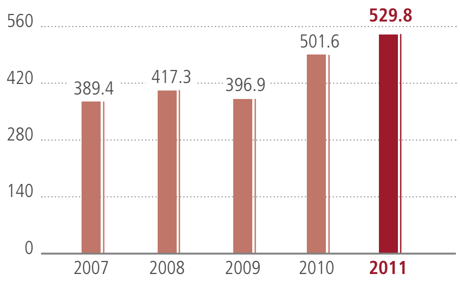
Below: An experienced workforce, modern machinery and a high vertical range of manufacture guarantee short delivery times and great flexibility.

OVERVIEW OF THE FINANCIAL YEAR: PHOENIX MECANO GROUP

In a stable market environment (with the exception of the photovoltaic sector), the Phoenix Mecano Group increased its sales by 5.6% to EUR 529.8 million and its incoming orders by 0.3% to EUR 524.3 million. Operating result decreased by 31.4% to EUR 36.1 million, primarily due to one-off impairment losses and restructuring provisions totalling around EUR 16 million. The result of the period was EUR 23.6 million. The capital structure remains very sound, with an equity ratio of 63.7% and net indebtedness as a percentage of equity standing at 7.0%.

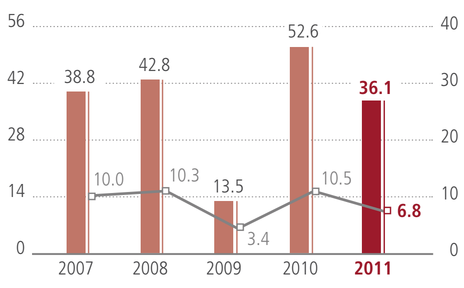
GROSS SALES

in EUR million



OPERATING RESULT AND MARGIN

in EUR million | — margin in %



BUSINESS ACTIVITIES

The economy was in extremely robust shape in the first two quarters of financial year 2011, with demand in the industrial markets particularly buoyant. The DewertOkin business area, which manufactures and sells electrical drive and control technology for comfort and medical furniture, also lived up fully to our expectations. By contrast, business in inverter components for the photovoltaic industry got off to a sluggish start, as expected, and slowed down even further as the year went on. The already difficult market conditions in this segment were further exacerbated in the middle of the year when our main customer took over a former competitor. As a result, it substantially reduced its quota for third-party suppliers (including Phoenix Mecano). This combination of for us adverse circumstances resulted in the need for an impairment of assets in this business area of around EUR 12 million in the 2011 consolidated financial statements.

529.8

MILLION EUR GROSS SALES

THE PHOENIX MECANO GROUP INCREASED ITS SALES BY 5,6% IN 2011.

The effects of the Jasmine Revolution in Tunisia also proved something of a headache for us, posing major challenges to our three manufacturing plants in the country. At times, production came to a standstill and logistics were severely hampered. The additional cost to the Group totalled just under EUR 1.5 million. Fortunately, by the middle of 2011 conditions in the country had stabilised sufficiently for full production to resume at our sites in the second half of the year.

The tsunami and nuclear disaster in Fukushima, Japan, had no direct impact on our Group. However, sporadic components shortages resulted in delays to delivery in a number of cases. All such problems have now been resolved.

Towards mid-year, the uncertainty of the financial markets about the risks of the debt crisis in Europe weighed increasingly on market sentiment, leading to increased risk adversity and a reluctance to stock up on components amid expectations of a dramatic slowdown in the economy. Such worries have since proved to be exaggerated, but a certain degree of caution and lack of direction continue to prevail, combined with a lower risk appetite as regards capital expenditure. Overall, however, the state of the industrial markets can be described as pretty solid.

ACQUISITIONS AND GROWTH INITIATIVES

As well as dealing with the operational challenges outlined above, we were also able to make a minor acquisition and launch a number of additional growth and optimisation initiatives during the past year. The acquisition of Platthaus (D) on 1 June 2011 gave us a foothold in the market for transformers, chokes and filters for applications involving wind power generators, central inverters for photovoltaics and industrial drive technology applications. The company is being integrated into the Phoenix Mecano Group over a period of around 12 months and should be making a positive profit contribution from the second half of 2012. To date, the integration is proceeding on schedule. We also made a smaller bolt-on acquisition at the start of 2012: Leveringhaus (D), which manufactures membrane keyboards using conductive silver lacquer, is a small company with sales of just under EUR 2 million and a production plant in southern Germany. It will be integrated into the Enclosures division over the course of 2012, expanding our technology portfolio for membrane keyboards in the medium/high quality and price segment.

Growth initiatives were also launched in relation to product identifcation consumables and LED application technology. They will only start contributing to earnings in the medium term.

OPERATIONAL EXCELLENCE

In the current environment of market volatility and heavily curtailed economic cycles, a highly flexible manufacturing and supply chain strategy is crucial for globally active industrial companies like Phoenix Mecano. For that reason, we have pooled our existing process-optimisation activities into a new, Group-wide programme.

Since the programme's launch in autumn 2011, all division- and company-specific workshops and projects have been brought together under the title "Our Journey towards Operational Excellence" (J2OX). A central structure provides support to the operational units, while knowledge transfer is actively promoted and available tools and experiences are documented. In this connection, we will preserve the decentralised character and cultural differences between business and regional units, while at the same time establishing objective standards for our international Group in order to achieve optimal business processes. The overriding aim is to create and further develop a corporate culture geared towards continuous learning and improvement. These standards offer obvious advantages for existing business units. They will also mean that we are even better placed in future to exploit acquisition opportunities in cyclical markets and so boost the company's value.

SALES AND PROFITABILITY

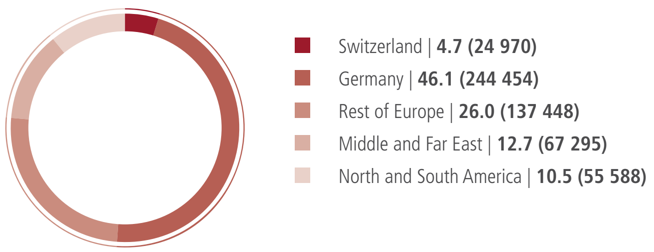
RECORD SALES

The Phoenix Mecano Group's consolidated gross sales rose by 5.6% in 2011, from EUR 501.6 million to a record high of EUR 529.8 million. The currency effect was minimal, at just 0.1%. Corrected for changes in scope, sales were up by 1.6%. Solid growth in the industrial business was accompanied in 2011 by a sharp decline in sales in the renewable energies sector – particularly photovoltaics.

Overall, Europe saw a 1.7% increase in sales (0.6% in organic terms). In the core market of Germany, sales suffered from a collapse in demand in the photovoltaic segment. In the other sectors, growth totalled 8%. In most other European markets there was mid-single-digit sales growth. Growth in Switzerland was somewhat stronger due to currency effects, but in the UK

GROSS SALES BY REGION

in % (in 1 000 EUR)



GROSS SALES BY REGION		2011	2010
	Change in %	1 000 EUR	1 000 EUR
Switzerland	10.2	24 970	22 660
Germany	–0.9	244 454	246 708
UK	–7.6	14 268	15 449
France	5.3	23 633	22 443
Italy	3.3	15 335	14 842
The Netherlands	3.6	13 553	13 079
Rest of Europe	8.5	70 659	65 149
North and South America	2.1	55 588	54 424
Middle and Far East	43.8	67 295	46 804
TOTAL	**5.6**	**529 755**	**501 558**

GROSS SALES BY DIVISION		2011	2010
	Change in %	1 000 EUR	1 000 EUR
Enclosures	12.5	164 742	146 460
ELCOM/EMS	–8.5	142 796	156 091
Mechanical Components	12.6	222 217	197 419
Total for all divisions (segments)	6.0	529 755	499 970
Reconciliation [1]	–100.0	0	1 588
TOTAL	**5.6**	**529 755**	**501 558**

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

the Mechanical Components division saw its sales fall. The proportion of overall sales realised in Europe decreased from 79.8% to 76.8%, due to the strong expansion of sales in Asia. Leading this growth were India and China. Sales in India rose by 32%, while in China they were up by 107% taking into account acquisitions (organic growth was 17%).

Thanks to a good market climate for capital goods, the Enclosures division managed to increase its sales by 12.5%. However, declining sales in the photovoltaic sector resulted in an 8.5% drop in overall sales (10.9% in organic terms) for the ELCOM/EMS division. Sales in the Mechanical Components division increased by 12.6%; adjusted for acquisitions, growth was 3.5%. In the electrically adjustable comfort furniture business, consumer caution in Europe was offset by dynamic growth overseas. Worldwide, the division's industrial components business performed well.

Consolidated incoming orders for the Phoenix Mecano Group totalled EUR 524.3 million, compared with EUR 522.5 million the previous year. The rate of increase was 0.3%, lower than that of sales.

The book-to-bill ratio (incoming orders as a percentage of gross sales) was 99.0%, compared with 104.2% the previous year.

107

PER CENT INCREASE IN SALES IN CHINA

THANKS TO ACQUISITIONS, THE PHOENIX MECANO GROUP SAW SALES IN CHINA INCREASE BY 107%.

OPERATING RESULT BEFORE ONE-OFF ITEMS SIMILAR TO PRIOR YEAR

The operating result was affected by one-off charges and fell by 31.4% in 2011, from EUR 52.6 million to EUR 36.1 million. Without one-off expenses of around EUR 16 million, the result would be roughly equal to that of the previous year. EUR 11.6 million of those expenses relate to an impairment loss on intangible and tangible assets in the ELCOM/EMS division's photovoltaic components business and just under EUR 4 million to the restructuring of the subsidiary DewertOkin in Germany. The operating margin was 6.8%, compared with 10.5% the previous year.

Both the Enclosures and Mechanical Components divisions substantially increased their contributions to the result in the reporting year, up by 25.8% and 32.7% respectively. Due to the sharp decline in photovoltaic business and the associated impairment, the ELCOM/EMS division recorded a loss.

RESULT BEFORE INTEREST AND TAX (OPERATING RESULT) BY DIVISION		2011	2010
	Change in %	1 000 EUR	1 000 EUR
Enclosures	25.8	33 896	26 940
ELCOM/EMS	–153.8	–9 763	18 148
Mechanical Components	32.7	14 500	10 929
Total for all divisions (segments)	–31.0	38 633	56 017
Reconciliation [1]	26.1	–2 532	–3 425
TOTAL	**–31.4**	**36 101**	**52 592**

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

PROFITABILITY BY DIVISION		2011	2010
	Change in % points	in %	in %
Enclosures	9.3	54.0	44.7
ELCOM/EMS	–19.4	–12.0	7.4
Mechanical Components	2.4	11.4	9.0

The Group's use of materials as a percentage of gross sales (material use rate) decreased in the reporting year, owing to the differing development of individual product areas. Rises in material prices were offset by global procurement optimisation.

Personnel expenses rose by 8.8%, slightly over-proportionally to sales growth. Average staff numbers over the year rose by 3.8%, from 5 929 to 6 152. After increasing in the first half of the year, staff numbers declined in Q4 – mainly due to capacity adjustments in the ELCOM/EMS division.

Depreciation on tangible assets increased by EUR 0.6 million (+4.3%), due to the increased volume of capital expenditure in 2010 and 2011. Amortisation of intangible assets rose by EUR 1.6 million (+40.8%), mainly owing to additions of intangible assets totalling EUR 20 million associated with the 2010 and 2011 acquisitions. Impairment losses on non-current assets totalled EUR 12.0 million (previous year EUR 0.7 million), primarily due to the impairment in the photovoltaic business.

Other operating expenses rose by EUR 10.1 million (+17.9%) in the reporting year, with losses and value adjustments on inventories increasing to EUR 6.9 million (previous year: reversal of impairment losses totalling EUR 0.1 million) due to greater stock risks in individual product areas. Other cost items changed only moderately.

NET RESULT OF EUR 23.6 MILLION

The financial result was EUR –4.3 million, down on the previous year's total of EUR –1.7 million. This was partly owing to higher exchange rate losses (EUR 1.4 million compared with EUR 0.6 million the previous year). The reporting year also saw expenses of EUR 0.7 million caused by an adjustment of residual purchase price liabilities from acquisitions. Finally, the net interest result declined to EUR –1.5 million (previous year EUR –0.5 million), due primarily to the addition of accrued interest from residual purchase price liabilities.

At 25.7% (previous year 13.7%), the income tax rate in 2011 was above the multi-year average. The increase in tax rate is attributable to a devaluation of goodwill not affecting tax. The tax rate of the previous year was below average, owing to the disappearance of tax risks from earlier financial years.

The result of the period was down by 46.1%, from EUR 43.9 million to EUR 23.6 million. The net margin fell to 4.5% (previous year 8.7%).

23.6

MILLION EUR RESULT OF THE PERIOD

THE RESULT OF THE PERIOD FELL BY 46.1% IN 2011, FROM EUR 43.9 MILLION TO EUR 23.6 MILLION.

ASSET AND CAPITAL STRUCTURE

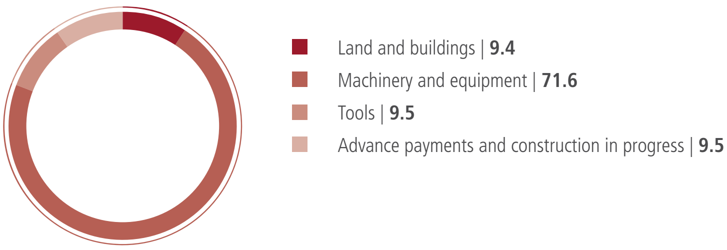
PURCHASES OF TANGIBLE ASSETS

Purchases of tangible assets in the reporting year totalled EUR 19.3 million (previous year EUR 18.3 million). Purchases of intangible assets totalled EUR 1.6 million (previous year EUR 1.3 million). 2011 saw the completion of the photovoltaic production capacity expansion in Hungary. Generally speaking, capital expenditure on manufacturing equipment increased, including on injection moulding technology in Hungary, Romania and China and in machining centres in Germany and Switzerland.

The net assets of the three divisions remained practically unchanged at EUR 271.6 million. Operating non-current assets decreased slightly, while operating net current assets increased slightly.

PURCHASES OF TANGIBLE ASSETS

in %



PURCHASES OF TANGIBLE ASSETS	2011	2011	2010	2010
	1 000 EUR	in %	1 000 EUR	in %
By type of asset				
Land and buildings	1 811	9.4	912	5.0
Machinery and equipment	13 817	71.6	9 316	50.9
Tools	1 832	9.5	1 800	9.8
Advance payments and construction in progress	1 830	9.5	6 268	34.3
TOTAL	**19 290**	**100.0**	**18 296**	**100.0**
By division				
Enclosures	4 676	24.2	3 713	20.3
ELCOM/EMS	7 716	40.0	10 052	54.9
Mechanical Components	6 554	34.0	4 236	23.2
Total for all divisions (segments)	18 946	98.2	18 001	98.4
Reconciliation [1]	344	1.8	295	1.6
TOTAL	**19 290**	**100.0**	**18 296**	**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		2011	2010
	Change in %	1 000 EUR	1 000 EUR
Enclosures	4.0	62 732	60 310
ELCOM/EMS	–9.4	81 129	89 589
Mechanical Components	4.9	127 701	121 718
Total for all divisions (segments)	0.0	271 562	271 617
Reconciliation [1]	33.7	–23 456	–35 391
TOTAL	**5.0**	**248 106**	**236 226**

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

EQUITY RATIO IMPROVED

The equity ratio rose to 63.7% (previous year 61.9%), despite an increase in dividend from CHF 10 to CHF 13 and the lower result for the period in 2011.

DECREASE IN NET INDEBTEDNESS

Net indebtedness was reduced in the reporting year to EUR 17.3 million, despite the acquisition of Platthaus GmbH on 1 June 2011 and an increase in dividend. As a percentage of equity, net indebtedness was 7.0%. In the previous year, net indebtedness stood at EUR 24.9 million, owing to acquisitions. Considering the uncertain economic environment in 2012, the Group has a very solid capital structure, enabling it to also make further acquisitions.

63.7

PER CENT EQUITY RATIO

DESPITE A FALL IN RESULT OF THE PERIOD, THE EQUITY RATIO ROSE TO 63.7%.

OUTLOOK

2012 began against the negative backdrop of the European debt crisis and a slowdown in growth in China. In spite of this, the Group continues to make solid progress to date. Even in the current year, we see interesting opportunities for continuing our path towards growth and generating long-term value added for our shareholders. Based on the pillars of a tried-and-tested, successful long-term strategy, extremely sound financing, which also enables further acquisitions, and a highly flexible structure, we assume that we will be able to outperform the market average, under both positive and negative planning scenarios. If the current trend of generally stable markets continues, we anticipate an increase in operating and net result, due to the disappearance of one-off charges from the previous year.

PHOENIX MECANO ENCLOSURES

FURTHER INCREASES IN SALES AND PROFITABILITY

PHOENIX MECANO ENCLOSURES

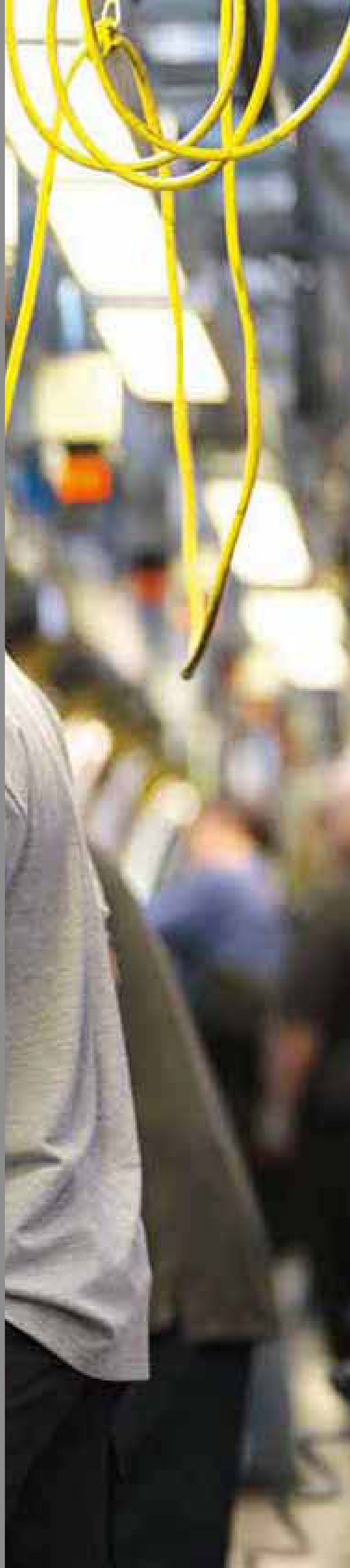
Innovative operating concepts for automotive manufacturing

- For over 40 years, divisional company Rose Systemtechnik GmbH has been the market leader in innovative enclosure applications for use in mechanical engineering and automation technology.
- In automotive manufacturing, the company sets the benchmark for operation and display applications.
- Rose products are the standard among leading automotive manufacturers and their suppliers.
- They are used in production plants, e.g. in Germany, China, Mexico, Brazil, Argentina and the USA.

With its compelling design and uncompromising rationality, the SL 4000 modular operation and display concept has found favour with automotive manufacturers.

Above: Final check of surface quality during powder-coating of aluminium enclosures.

Below: Operating a CNC machining centre.

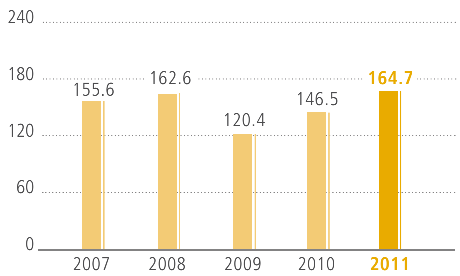


OVERVIEW OF THE FINANCIAL YEAR: ENCLOSURES

Thanks to the buoyant state of the industrial markets in Europe, Asia and America – especially in the first half of 2011 – the Enclosures division saw both its sales and operating result exceed (albeit narrowly) the previous records set in 2008.

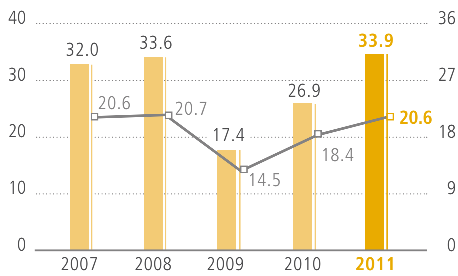
GROSS SALES

in EUR million



OPERATING RESULT AND MARGIN

in EUR million | — margin in %



SALES AND PROFITABILITY

SALES

The Enclosures division saw its gross sales increase by 12.5% in 2011, to EUR 164.7 million (12.0% when corrected for differences in foreign exchange rates). All markets contributed to this growth. Sales in Australia quadrupled, driven by the oil and gas business and some major orders for the expansion of local telecommunications infrastructure. Russia and the Far East – led by China – also saw dynamic sales increases of around 30%. Sales growth in Switzerland was currency-driven, while in North America sales in the local currency were up by over 20%. However, the division's core market of Germany was also a major growth driver, with sales there up by 11%.

30.0

PER CENT INCREASE IN SALES IN THE FAR EAST

RUSSIA AND THE FAR EAST – LED BY CHINA – SAW SALES INCREASE BY 30%.

Sales of industrial enclosures (including control panels and carriers) rose by 12.8% in the reporting year. As well as positive business development in the general mechanical engineering sector and industrial electronics, project successes were also achieved in the automotive and rail technology businesses. These included equipping automotive and supplier plants with carriers, and equipping regional trains in the Sochi Olympic region (Russia) with stainless steel underfloor enclosures. Business in explosion-proof assemblies (junction boxes, control stations, pressure-tight encapsulated functional units) continued to develop positively. Notable sales increases were also recorded in the 19" enclosures and system technology segments.

Sales of membrane keyboards grew by 10.1%. Additional projects in the medical technology and equipment engineering segments expanded the division's market position in these areas. In early 2012, this product area was strengthened by the takeover of the business operations of Leveringhaus KG, based in Obergünzburg, Germany. The acquisition expands the division's scope in terms of membrane keyboard manufacturing as well as high-vacuum vaporisation and surface refinement. The business will be carried on as part of Kundisch GmbH + Co. KG.

GROSS SALES BY REGION

in % (in 1 000 EUR)

- Switzerland | **7.4 (12 208)**
- Germany | **48.1 (79 337)**
- Rest of Europe | **27.4 (45 052)**
- Middle and Far East | **8.9 (14 662)**
- North and South America | **8.2 (13 483)**

GROSS SALES BY REGION		2011	2011	2010	2010
	Change in sales in %	Sales 1 000 EUR	Share of sales in %	Sales 1 000 EUR	Share of sales in %
Switzerland	11.3	12 208	7.4	10 966	7.5
Germany	10.8	79 337	48.1	71 631	48.8
UK	1.1	4 720	2.9	4 670	3.2
France	9.4	4 590	2.8	4 194	2.9
Italy	8.2	5 726	3.5	5 291	3.6
The Netherlands	15.2	6 800	4.1	5 902	4.0
Rest of Europe	13.0	23 216	14.1	20 544	14.1
North and South America	13.6	13 483	8.2	11 869	8.1
Middle and Far East	28.7	14 662	8.9	11 393	7.8
TOTAL	**12.5**	**164 742**	**100.0**	**146 460**	**100.0**

RESULT BEFORE INTEREST AND TAXES (OPERATING RESULT)		2011	Margin	2010	Margin
	Change in %	1 000 EUR	%	1 000 EUR	%
Operating result	25.8	33 896	20.6	26 940	18.4

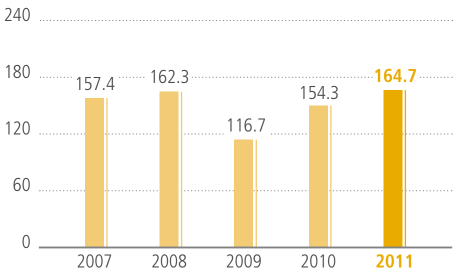
NET OPERATING ASSETS		2011	Profitability	2010	Profitability
	Change in %	1 000 EUR	%	1 000 EUR	%
Net operating assets	4.0	62 732	54.0	60 310	44.7

ORDERS

The division's incoming orders in the reporting year totalled EUR 164.7 million – an increase of 6.8% compared with the previous year. The book-to-bill ratio (incoming orders as a percentage of gross sales) therefore stood at exactly 100% (previous year 105.3%).

INCOMING ORDERS

in EUR million



RESULT

The solid growth in sales meant that the operating result for 2011 increased by 25.8% to a record high of EUR 33.9 million. The rate of use of materials remained largely stable in the reporting year. Rationalisation measures led to a reduction in logistics and manufacturing costs in Germany. Overall, the division's personnel expenses and other operating costs rose slightly under-proportionally. The operating margin was 20.6%, compared with 18.4% the previous year.

33.9

MILLION EUR OPERATING RESULT – A RECORD HIGH

OPERATING RESULT INCREASED BY 25.8% TO EUR 33.9 MILLION.

ASSET AND CAPITAL STRUCTURE

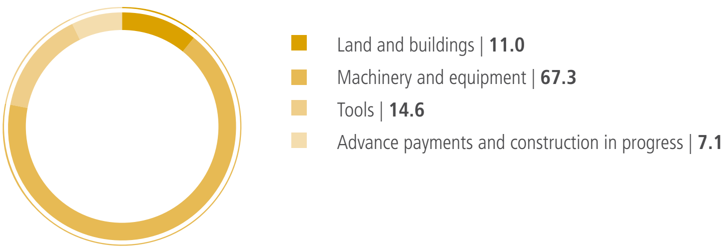
Capital expenditure in 2011 was EUR 4.7 million, exceeding the previous two years but falling short of the levels recorded prior to the economic crisis of 2009. Capital expenditure focused primarily on manufacturing equipment.

Owing to the strong growth in result – combined with a moderate increase in net operating assets of 4.0% – the return on capital employed (ROCE) climbed to 54.0% (previous year 44.7%).

PURCHASES OF TANGIBLE ASSETS	2011	2011	2010	2010
	1 000 EUR	in %	1 000 EUR	in %
Land and buildings	514	11.0	147	4.0
Machinery and equipment	3 149	67.3	2 217	59.7
Tools	683	14.6	651	17.5
Advance payments and construction in progress	330	7.1	698	18.8
TOTAL	4 676	100.0	3 713	100.0

PURCHASES OF TANGIBLE ASSETS

in %



EMPLOYEES

The annual average number of staff employed by the division rose by 7.7% to 1 628. The bulk of this increase occurred at its companies in China and India, but staff numbers also increased slightly in Germany and the European sales units. Per capita sales rose slightly from EUR 97 000 to EUR 101 000.

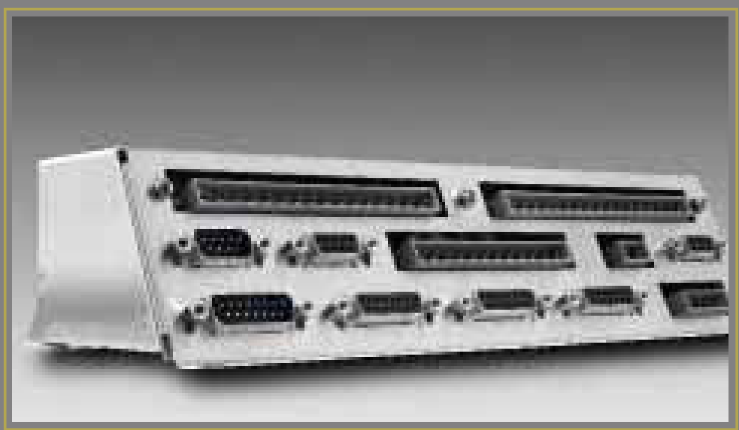
PHOENIX MECANO ELCOM / EMS

COLLAPSE IN PHOTO-VOLTAIC SALES LEADING TO OPERATING LOSS | POSITIVE DEVELOPMENT IN THE DIVISION'S OTHER MARKETS

PHOENIX MECANO ELCOM / EMS

High-performance electronics for faster, safer rail traffic

- Divisional company Hartmann Elektronik has 30 years of experience in the development and production of backplanes for use in railway technology. This Phoenix Mecano subsidiary is a byword for innovation, quality and reliability.
- More stability and greater reliability
- Innovative energy buffering across the entire frequency range
- Switzerland invested more in rail traffic than any other European country in 2011: EUR 308 per inhabitant.



Connection box for train drive and control-technology applications. Smart, reliable systems control and monitor energy supply and vehicle operation.

Above: SMD Assembling line, with Solder Mask Jet Printer and Reflow Soldering.

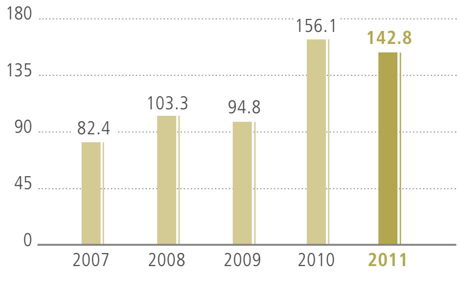
Below: Flying Probe Tester for electrical and functional IC-Test.

OVERVIEW OF THE FINANCIAL YEAR: ELCOM / EMS

Due to a collapse in sales and an impairment loss in the Datatel product area, which mainly supplies inverter components to the photovoltaic industry, the ELCOM / EMS division posted an operating loss of EUR 9.8 million. By contrast, the industrial markets for electromechanical components and electronic assemblies saw positive business development. One-off items at our Tunisian production facilities, linked to the Jasmine Revolution, also weighed down the division's result.

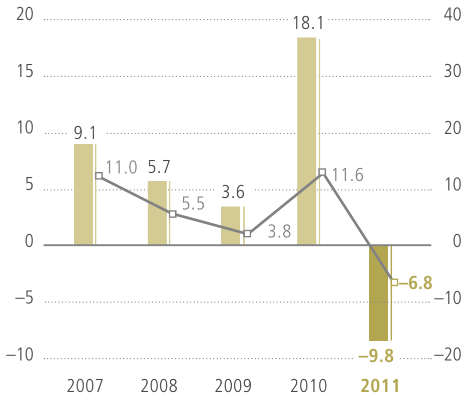
GROSS SALES

in EUR million



OPERATING RESULT AND MARGIN

in EUR million | — margin in %



SALES AND PROFITABILITY

SALES

The ELCOM/EMS recorded an 8.5% decline in sales in 2011. Adjusted for consolidation effects, the drop in sales was 10.9%. There was virtually zero currency impact. This negative development was primarily caused by falls in photovoltaic sales in the core market of Germany, which were only partially offset by other business areas/regions.

Sales of electromechanical components (coding and micro-switches, terminal blocks, test probes) increased by 3.1% in the reporting year. Continuation of the product development offensive, which saw the market launch of new test probe interface blocks and 25 new product lines for terminal blocks, as well as a successful relay-socket project contributed to this success.

Sales of power quality products declined by 21.5% due to the collapse in demand from the photovoltaic sector. The remaining markets for inductive components saw sales remain stable or in some cases increase slightly. The acquisition of Platthaus GmbH (D) on 1 June 2011 has expanded the division's transformer and choke offering and enabled it to gain a foothold in the market for central inverters as well as for innovative drive and control technology applications.

The electronic packaging business, represented by Hartmann Elektronik, WIENER, Plein & Baus and Phoenix Mecano Digital Elektronik, increased its sales by 8.2% compared with the previous year. Significant sales growth was achieved in the established business areas of Germany and North America, but also in the Far East. The successes in the Far East were the first fruits of the expansion of sales structures in that region. With the acquisition of a 60% stake in the newly founded company ATON Lichttechnik GmbH, Germany, in early 2012, the division is expanding its expertise in the field of LED light technology.

8.5

PER CENT DECLINE IN SALES

THE WEAK SOLAR BUSINESS WEIGHED DOWN THE DIVISION'S OTHERWISE STABLE PERFORMANCE.

GROSS SALES BY REGION

in % (in 1 000 EUR)

GROSS SALES BY REGION		2011	2011	2010	2010
	Change in sales in %	Sales 1 000 EUR	Share of sales in %	Sales 1 000 EUR	Share of sales in %
Switzerland	11.0	3 795	2.7	3 419	2.2
Germany	–12.0	104 012	72.8	118 206	75.6
UK	5.1	1 055	0.7	1 004	0.6
France	3.2	2 307	1.6	2 235	1.4
Italy	–2.7	1 751	1.2	1 800	1.2
The Netherlands	55.1	819	0.6	528	0.4
Rest of Europe	4.0	10 524	7.4	10 122	6.5
North and South America	–2.1	8 374	5.9	8 551	5.5
Middle and Far East	–0.7	10 159	7.1	10 226	6.6
TOTAL	**–8.5**	**142 796**	**100.0**	**156 091**	**100.0**

RESULT BEFORE INTEREST AND TAXES (OPERATING RESULT)		2011	Margin	2010	Margin
	Change in %	1 000 EUR	%	1 000 EUR	%
Operating result	–153.8	–9 763	–6.8	18 148	11.6

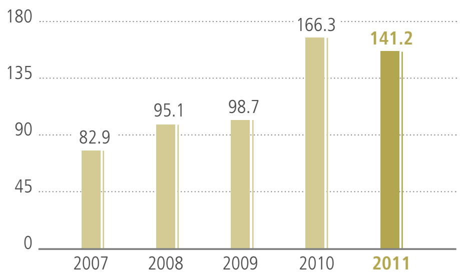
NET OPERATING ASSETS		2011	Profitability	2010	Profitability
	Change in %	1 000 EUR	%	1 000 EUR	%
Net operating assets	–9.4	81 129	–12.0	89 589	20.3

ORDERS

Consolidated incoming orders for the division totalled EUR 141.2 million in the reporting year, compared with EUR 166.3 million the previous year. The book-to-bill ratio (incoming orders as a percentage of gross sales) stood at 98.9 %.

ORDERS

in million EUR



RESULT

Due to the massive fall in demand and the high market volatility for photovoltaic components, the division made a loss of EUR 9.8 million, compared with a gain of EUR 18.1 million the previous year. On the one hand, this product area experienced a loss of sales in the double-digit millions, which led to an underutilisation of production capacity and increased value adjustments on inventories. On the other hand, an impairment of intangible and tangible non-current assets resulted in a devaluation of EUR 11.6 million. In addition, the division's operating result includes one-off items of just under EUR 1.5 million, arising from the political unrest in Tunisia.

9.8

MILLION EUR LOSS IN EARNINGS

AFTER A GAIN OF EUR 18.1 MILLION IN 2010, THE DIVISION RECORDED A LOSS OF EUR 9.8 MILLION IN 2011.

ASSET AND CAPITAL STRUCTURE

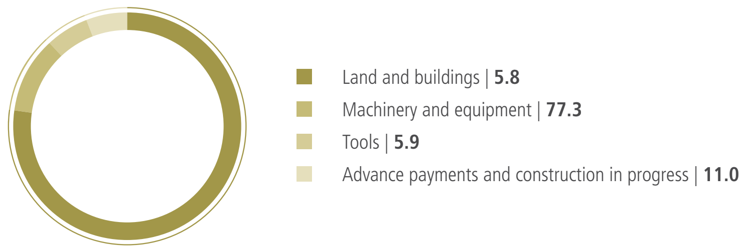
Purchases of tangible assets remained high in the reporting year, mainly due to the completion of photovoltaic production expansions. Most of the remaining capital expenditure was invested in replacements of production equipment.

Net operating assets decreased by 9.4% to EUR 81.1 million due to the above-mentioned impairment.

PURCHASES OF TANGIBLE ASSETS	2011	2011	2010	2010
	1 000 EUR	Share in %	1 000 EUR	Share in %
Land and buildings	444	5.8	532	5.3
Machinery and equipment	5 964	77.3	4 561	45.4
Tools	459	5.9	352	3.5
Advance payments and construction in progress	849	11.0	4 607	45.8
TOTAL	7 716	100.0	10 052	100.0

PURCHASES OF TANGIBLE ASSETS

in %



EMPLOYEES

The annual average number of staff employed by the division in the reporting year was largely unchanged from the previous year (2 570 compared with 2 564). Staffing needs increased at the start of the financial year due to the Jasmine Revolution in Tunisia. Personnel numbers were massively reduced in the last quarter, following the slump in photovoltaic demand. The division's per capita sales were EUR 56 000, compared with EUR 61 000 the previous year.

PHOENIX MECANO MECHANICAL COMPONENTS

DYNAMIC PERFORMANCE IN INDUSTRIAL BUSINESS | STRONG POSITION IN ASIA | RISING DEMAND IN USA

At a speed the naked eye cannot follow, the PET preforms are heated to around 95°C and positioned in their moulds. They are then 'stretch-moulded' into PET bottles under high pressure, using specially developed linear stretching systems.

PHOENIX MECANO MECHANICAL COMPONENTS

Divisional company RK Rose + Krieger GmbH is setting new standards in PET bottle production with specially designed stretching system linear units.

› Material savings of 3%
› Improved precision and shorter set-up times boost production efficiency
› Maximum production capacity of 72 000 PET bottles per hour

Above: RK Rose + Krieger's managing director Hartmut Hoffmann likes to see for himself how projects are progressing.

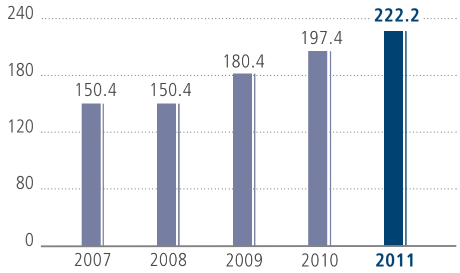
Below: Targeted training and instruction ensures a high quality of production.

OVERVIEW OF THE FINANCIAL YEAR: MECHANICAL COMPONENTS

Thanks to dynamic development in the industrial business and a strengthened market position for drive solutions in Asia, the Mechanical Components division increased its sales by 12.6% while its operating result rose over-proportionally by 32.7%.

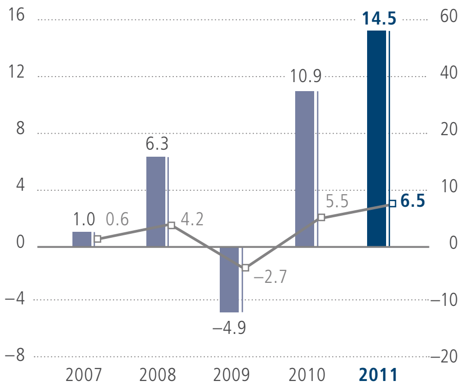
GROSS SALES

in EUR million



OPERATING RESULT AND MARGIN

in EUR million | — margin in %



SALES AND PROFITABILITY

SALES

Sales in the Mechanical Components division rose by 12.6% in the reporting year, to EUR 222.2 million, with a minimal currency influence of –0.1%. Adjusted for consolidation effects, the sales increase was 3.5%. With an increase of 7.4%, core market Germany contributed to the sales growth thanks to its strong industrial business. In North America, sales in local currency rose by just under 10%, while growth in Switzerland was driven by the strong Swiss franc. In Asia, the growth in sales was largely attributable to two factors: the strengthened market position resulting from the investment in Okin Refined Electric Technology Co., Ltd. in late 2010, and increased consumer demand for electrically adjustable comfort and healthcare furniture from the USA.

High investment confidence in the mechanical engineering sector was the main driver of growth for the division's industrial components business. Sales of industrial assembly systems rose by 26.5%. In the field of linear adjustment and positioning systems, the division handled a number of major projects including lifting columns for eye examination tables and a special linear positioning system for use in stretch blow moulding machines for plastic bottles.

The linear drives business for the comfort and healthcare market was more subdued. Due to consumer caution and more intense competition in the furniture sector, sales in Europe declined slightly. By contrast, North America saw sales increase by 6%, despite negative currency effects, while sales in Asia were up by 75%, mainly owing to acquisitions. Overall sales in linear adjustment and positioning systems, which are primarily used in the furniture and healthcare market, increased by 10.2%.

75.0

PER CENT INCREASE IN SALES IN ASIA

THE DIVISION INCREASED ITS SALES IN ASIA, MAINLY AS A RESULT OF ACQUISITIONS.

GROSS SALES BY REGION

in % (in 1 000 EUR)

- Switzerland | **4.0 (8 967)**
- Germany | **27.5 (61 105)**
- Rest of Europe | **34.2 (75 940)**
- Middle and Far East | **19.1 (42 474)**
- North and South America | **15.2 (33 731)**

GROSS SALES BY REGION		2011	2011	2010	2010
	Change in sales in %	Sales 1 000 EUR	Share of sales in %	Sales 1 000 EUR	Share of sales in %
Switzerland	8.4	8 967	4.0	8 275	4.2
Germany	7.4	61 105	27.5	56 871	28.8
UK	–13.1	8 493	3.8	9 775	5.0
France	4.5	16 736	7.5	16 014	8.1
Italy	1.4	7 858	3.6	7 751	3.9
The Netherlands	–10.8	5 934	2.7	6 649	3.4
Rest of Europe	7.1	36 919	16.6	34 483	17.4
North and South America	4.1	33 731	15.2	32 416	16.4
Middle and Far East	68.6	42 474	19.1	25 185	12.8
TOTAL	**12.6**	**222 217**	**100.0**	**197 419**	**100.0**

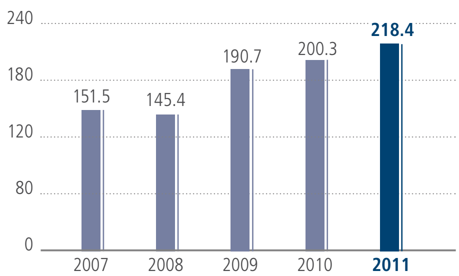
RESULT BEFORE INTEREST AND TAXES (OPERATING RESULT)		2011	Margin	2010	Margin
	Change in %	1 000 EUR	%	1 000 EUR	%
Operating result	32.7	14 500	6.5	10 929	5.5

NET OPERATING ASSETS		2011	Profitability	2010	Profitability
	Change in %	1 000 EUR	%	1 000 EUR	%
Net operating assets	4.9	127 701	11.4	121 718	9.0

ORDERS

The division's incoming orders were up 9.0 % on the previous year, at EUR 218.4 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 98.3 %.

ORDERS
in million EUR



RESULT

The division's operating result increased by 32.7 % to EUR 14.5 million. The industrial components and Asian businesses contributed substantially to this growth. Production efficiency in the USA increased significantly and production processes in Eastern Europe were optimised. Meanwhile, the operating result for 2011 was weighed down by one-off expenses of just under EUR 4 million. This was linked to the relocation of DewertOkin's logistics and other technical functions to Hungary, which will result in the loss of around 70 full-time jobs in Germany in 2012.

14.5

MILLION EUR OPERATING RESULT

THE OPERATING RESULT ROSE BY 32.7% TO EUR 14.5 MILLION.

ASSET AND CAPITAL STRUCTURE

Capital expenditure totalled EUR 6.6 million in 2011, with the main focus being on production equipment. The key capital expenditure projects related to injection moulding technology in China and Hungary and the purchase of a new machining centre in Germany.

The increase in result and the under-proportional rise in net operating assets mean that, for the first time in several years, the division posted a double-digit return on capital employed (ROCE) of 11.4 %.

PURCHASES OF TANGIBLE ASSETS	2011	2011	2010	2010
	1 000 EUR	Share in %	1 000 EUR	Share in %
Land and buildings	763	11.6	233	5.5
Machinery and equipment	4 450	68.0	2 243	53.0
Tools	690	10.5	797	18.8
Advance payments and construction in progress	651	9.9	963	22.7
TOTAL	6 554	100.0	4 236	100.0

PURCHASES OF TANGIBLE ASSETS

in %

- Land and buildings | **11.6**
- Machinery and equipment | **68.0**
- Tools | **10.5**
- Advance payments and construction in progress | **9.9**

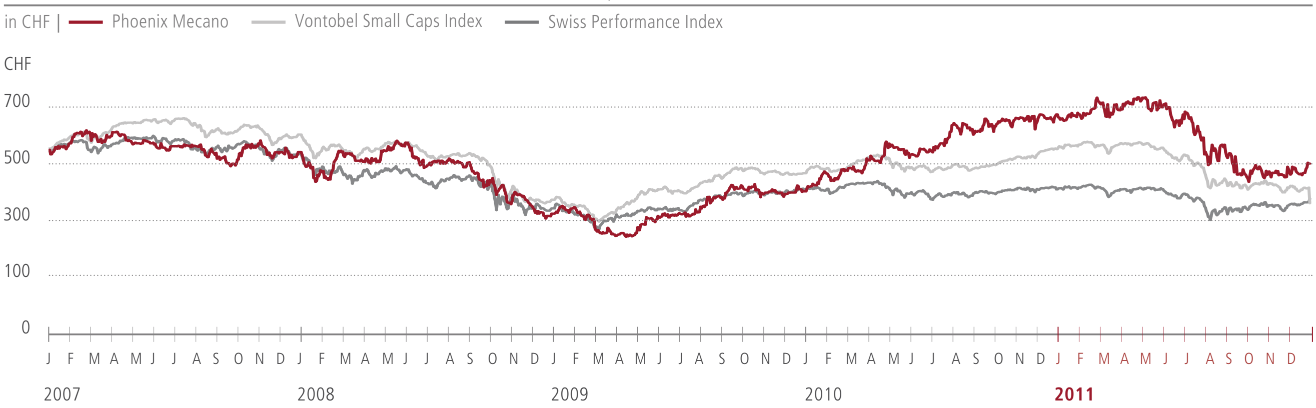
EMPLOYEES

The annual average number of staff employed by the division was 1 934, up 7 % on the previous year. This was primarily due to the joint venture Okin Refined Electric Technology Co. Ltd., founded in China in late 2010. Staff numbers decreased in Hungary following the closure of a site there in 2010. Per capita sales grew by EUR 6 000 to EUR 115 000.

SHARE INFORMATION

DIVIDEND UNCHANGED: CHF 13.00 PER SHARE | DIVIDEND PAYMENTS AND SHARE BUY-BACKS TOTALLING CHF 120 MILLION SINCE 2004

PHOENIX MECANO SHARE PRICE, 1 JANUARY 2007–31 DECEMBER 2011 | COMPARED WITH THE VONTOBEL SMALL CAPS INDEX AND SPI



PHOENIX MECANO ON THE STOCK EXCHANGE

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.

THE SHARE

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

OPTING OUT

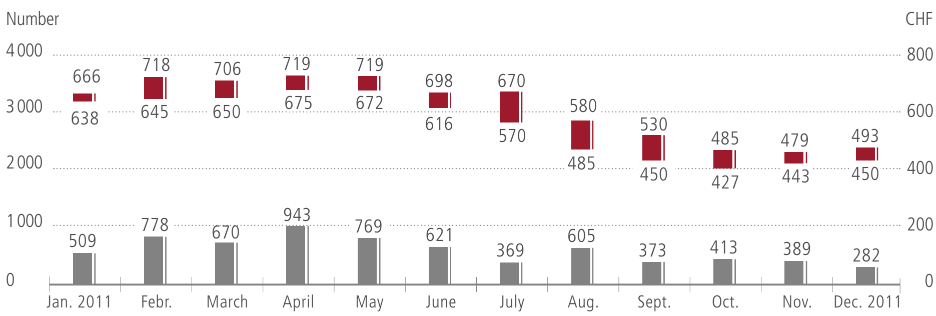
The company has not made any use of the possibility provided for in the Stock Exchange Act of excluding an acquiring company from the obligation to make a public purchase bid.

OPTING UP

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

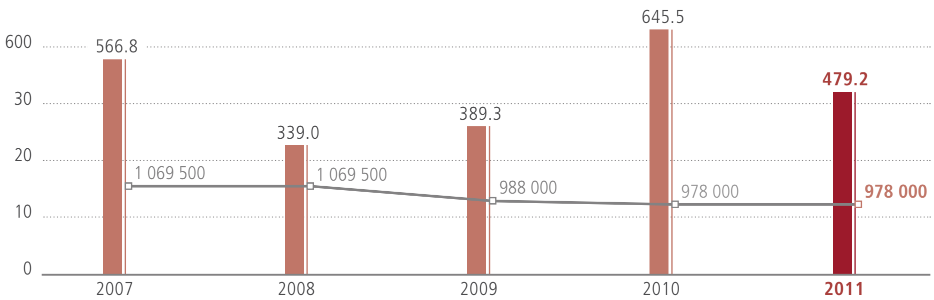
MONTHLY HIGHS AND LOWS IN 2011 AND AVERAGE DAILY VOLUME

in CHF and numbers of shares | Monthly high / low 2011 Average daily volume



MARKET CAPITALISATION

in million CHF | Market capitalisation at year-end — Number of shares: Share capital – bearer shares with a par value of CHF 1.00



SHARE INDICATORS AT A GLANCE

	Unit	2011	2010	2009	2008	2007
Number of shares						
Share capital [1, 2] (bearer shares with a par value of CHF 1.00)	Number	978 000	978 000	988 000	1 069 500	1 069 500
Treasury shares	Number	4 520	5 459	19 202	79 930	31 432
Shares entitled to dividend [3]	Number	973 480	972 541	968 798	989 570	1 038 068
Information per share						
Operating result per share [3]	EUR	37.1	54.1	13.9	43.3	37.4
Result of the period per share [3]	EUR	24.3	45.1	12.0	30.9	28.9
Equity per share [3]	EUR	254.9	242.9	199.6	193.0	175.8
Free cash flow per share [3]	EUR	25.1	12.0	36.2	30.2	20.9
Dividend	CHF	13.00 [6]	13.00	10.00	10.00	9.00
Share price						
High	CHF	719	660	420	569	615
Low	CHF	427	404	235	300	474
Year-end price	CHF	490	660	394	317	530
Share key figures						
Dividend yield [4]	%	2.7	2.0	2.5	3.2	1.7
Payout ratio [5]	%	43	21	55	20	19
Price / profit ratio 31 December		14.6	10.6	21.8	6.5	11.2

NOTES

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

2 Pursuant to a decision by the Shareholders' General Meeting of 28 May 2010, the share capital was reduced by CHF 10 000 with effect from 2 September 2010 by cancelling 10 000 shares from the 2008 / 2009 share buy-back programme.

3 Based on shares entitled to dividend as at 31 December.

4 Dividend in relation to year-end price.

5 Proposed dividend (shares entitled to dividend only) in relation to result of the period.

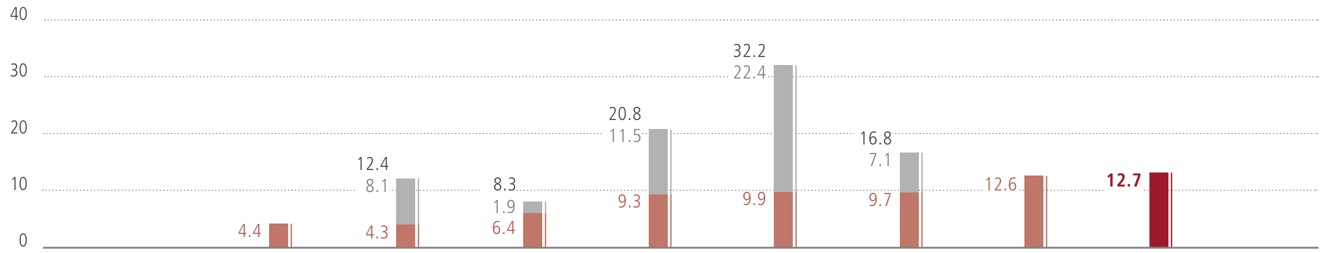
6 Proposal to the Shareholders' General Meeting of 25 May 2012.

PAYOUT AND DIVIDEND POLICY

Phoenix Mecano strives to achieve a payout ratio of 20% to 30 % of the result of the period, adjusted for special factors. 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 25 May 2012 a dividend of CHF 13.00, the same level as the previous year. The proposed dividend for financial year 2011 corresponds to 43 % of the result of the period.

DIVIDEND PAYOUT AND RETURN OF CAPITAL TO SHAREHOLDERS

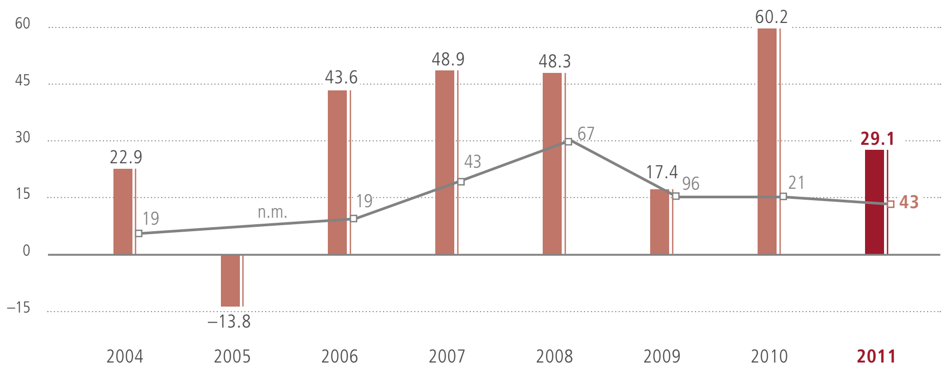
in million CHF | Proposed dividend Share buy-back



	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL
in million CHF									
Proposed dividend	4.4	4.3	6.4	9.3	9.9	9.7	12.6	12.7	69.3
Share buy-back	0	8.1	1.9	11.5	22.4	7.1	–	–	51.0
TOTAL	**4.4**	**12.4**	**8.3**	**20.8**	**32.3**	**16.8**	**12.6**	**12.7**	**120.3**

RESULT OF THE PERIOD

in million CHF | Net result Payout ratio on basis of proposed dividend (in %) and share buy-back



DIALOGUE WITH THE CAPITAL MARKET

ANALYST COVERAGE AND RECOMMENDATION

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

ANALYST COVERAGE | as at 31 December 2011

UBS AG (CH)	joern.iffert@ubs.com
Bank Vontobel (CH)	andreas.escher@vontobel.ch
Helvea (CH)	amigliorini@helvea.com
Zürcher Kantonalbank (CH)	richard.frei@zkb.ch
MainFirst Schweiz AG (CH)	thomas.baumann@mainfirst.com

CONTINUOUS DIALOGUE WITH THE CAPITAL MARKET

To meet the growing information needs of shareholders and investors, Phoenix Mecano continually develops its information policy and adapts its capital market communication to new requirements. To help nurture this ongoing relationship, various roadshows and analyst presentations were held in Zurich, Bad Ragaz, Frankfurt, London and Edinburgh during the reporting year. A number of one-on-one meetings also took place at the company's headquarters. In addition, the company took part in the Swiss Equity Conference in Zurich.

FURTHER INFORMATION

FINANCIAL CALENDAR 2012

17 February 2012 7:00 a.m.	Media release Provisional figures for financial year 2011
24 April 2012 7:00 a.m.	Media release Financial year 2011 | Q1 2012 Publication of 2011 annual report
24 April 2012 9:30 a.m.	Media conference Financial year 2011 | Q1 2012 Widder Hotel | Rennweg 7 | 8001 Zurich
24 April 2012 11:30 a.m.	Financial analysts' conference Financial year 2011 | Q1 2012 Widder Hotel | Rennweg 7 | 8001 Zurich
25 May 2012 3:00 p.m.	Shareholders' General Meeting Hotel Chlosterhof | Oehningerstrasse 2 | 8260 Stein am Rhein
10 August 2012 7:00 a.m.	Media release Financial year 2012 | Half-yearly results
17 August 2012 7:00 a.m.	Publication of half-yearly results 2012 (detailed report) H1 2012
05 November 2012 7:00 a.m.	Media release Financial year 2012 | Q3 2012

SHARE INFORMATION

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

FURTHER INFORMATION FOR INVESTORS IS AVAILABLE FROM

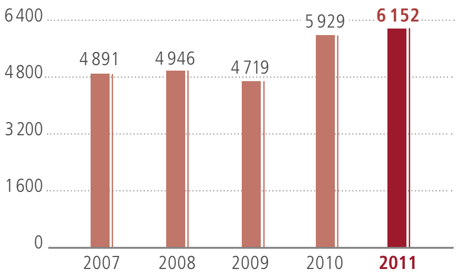
Benedikt A. Goldkamp
Chief Executive Officer
Phoenix Mecano Management AG
Lindenstrasse 23
CH-8302 Kloten
Phone +41/43 255 42 55
info@phoenix-mecano.com
www.phoenix-mecano.com

SUSTAINABILITY

SUSTAINABLE SUCCESS: THE TOP PRIORITY FOR COMPANY MANAGEMENT | J2OX LAUNCHED TO IMPROVE OPERATIONAL PROCESSES

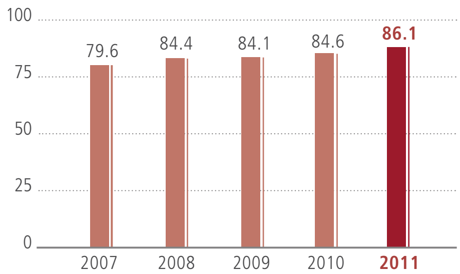
NUMBER OF EMPLOYEES

annual average



GROSS SALES PER EMPLOYEE

in 1 000 EUR



SUSTAINABLE SUCCESS

The sustainable success of the business is central to the Phoenix Mecano Group's entrepreneurial strategy and corporate governance approach. Our corporate policy is geared towards long-term growth rather than towards short-term gain and maximum quarterly profits.

The Phoenix Mecano Group's sustainable business success is underpinned by a general approach based on environmental, social and economic factors. This includes fair and respectful cooperation across all national borders and cultural boundaries, a long-term HR policy and strategic trainee development. Such an approach ensures that social responsibility and environmental sensitivity are protected and cultivated in a sustainable way.

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.

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. Profitability and growth are key requirements for maintaining competitiveness and value added and for creating new jobs both at home and abroad. The sustainability factor is underpinned by our careful use of natural resources and our commitment to corporate responsibility.

Extensive information is available on the internet at www.phoenix-mecano.com/vision-mission-values.html.

www.phoenix-mecano.com/vision-mission-values.html

J2OX – MOVING TOWARDS A CORPORATE CULTURE OF CONSTANT IMPROVEMENT

INITIATIVE STRIVING FOR CONSTANT IMPROVEMENT LAUNCHED: OUR JOURNEY TOWARDS OPERATIONAL EXCELLENCE

Excellence in the Phoenix Mecano Group's operational processes is vital to its long-term business success. Operational excellence is a key competitive advantage and is therefore becoming a differentiating factor in the international marketplace.

Operational excellence has always been a factor in our success. However, in the face of growing challenges and the steadily increasing complexity of global value chains, the continuous improvement of operating processes is ever more important to the future viability of the Phoenix Mecano Group. Our operating processes, product characteristics, customised services and performance standards are evolving and developing all the time, with utility and the demands of customers, employees and all stakeholders being the central focus.

J2OX

JOURNEY TOWARDS OPERATIONAL EXCELLENCE

The new logo underscores the focus on cooperation, exchange of experience and knowledge transfer between all three divisions.

"OUR JOURNEY TOWARDS OPERATIONAL EXCELLENCE" (J2OX for short) is a long-term initiative launched by the Phoenix Mecano Group to promote continuous improvement. The aim of J2OX is to ensure that all Phoenix Mecano companies focus on maximising operational efficiency and making the best possible use of resources in order to contribute to a sustainable increase in the value of the business.

To help achieve this, the Group makes available a variety of methods (e. g. lean management/production, Six Sigma, TQM, Kaizen) and tools (5S/5A, shop floor management, value stream mapping, single-minute exchange of dies, one piece flow, etc.) and provides companies with detailed information about these approaches. However, the main emphasis at Group level is on efficiently organising, documenting and facilitating the exchange of experience and knowledge transfer and development, in line with needs. In addition, efforts are made at all levels of management to foster ideas which complement the methods and tools used and which are key to the successful progress of the "JOURNEY TOWARDS OPERATIONAL EXCELLENCE".

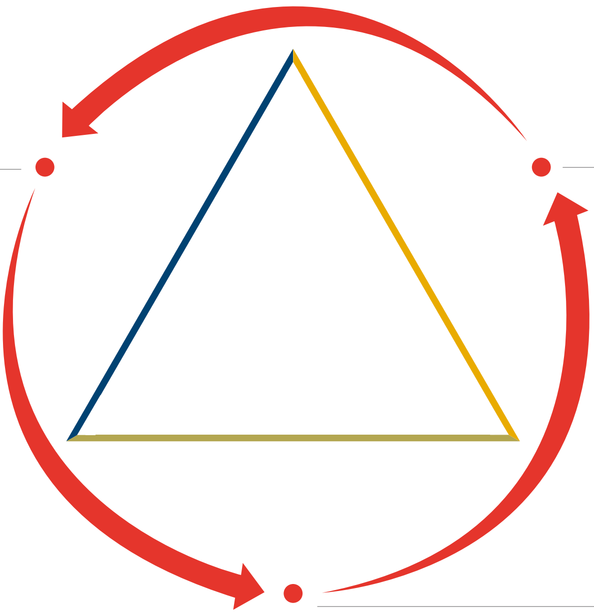
J2OX – Our goals

- To boost morale and innovation in individual organisational units in a targeted way by means of structured, team-based problem-solving. By promoting this learning culture, we should be able to adapt even more quickly and flexibly to the ever-changing conditions of the global marketplace.
- To reduce lead times, become more responsive and react flexibly to rapidly changing customer requirements. Key prerequisites for this are a commitment to first-class quality and error prevention and the elimination of non-value-added activities.
- To use our resources – such as energy and raw materials – efficiently by increasing the availability of machinery and equipment.

J2OX – ONGOING LEARNING AND CONTINOUS IMPROVEMENT AS PART OF THE CORPORATE CULTURE

MANAGEMENT CULTURE

- Knowledge transfer/development, exchange of experience, ongoing learning
- All employees in all positions and departments are involved
- Teamwork
- Promote structural problem-solving
- Striving for continuous improvement/ innovation in products/services and processes
- Leading, living and exemplifying a culture of constant change



METHODS | TOOLS

- Kaizen
- Toyota Production System (TPS)
- Lean management/production
- Six Sigma
- Total Quality Management (TQM)
- Tools: value stream mapping, shop floor management, set-up time optimisation, one piece flow, statistical process control, etc.

PERFORMANCE STANDARDS

- Definition/continuous further development of indicators
- Documentation of KPIs and efficient workflows (reporting/OEE)
- Benchmarking of performance standards and workflows
- Efficient and effective use of resources

The establishment and sustainable implementation of operational excellence can only be achieved if the entire Phoenix Mecano Group identifies itself with the culture of continuous improvement. For that to happen, it is necessary for employees at all levels of seniority within the organisation to be closely involved regarding leadership, skills and behaviour. This requires change and leadership in and of change processes. With this in mind, Phoenix Mecano views J2OX as a progressive and continuous change in corporate culture. Consequently, all Group companies and their employees, in all positions and departments, are involved in J2OX. This ensures that a culture of change and a commitment to continuous improvement are created and implemented over a wide base. Encouraging teamwork and adopting a joint, structured approach to solving operational challenges are key prerequisites for this culture of constant change.

Each Group company is developing and launching J2OX initiatives tailored to its own needs. This reflects the significant differences in cultures and value chains within the Phoenix Mecano Group. Due to the broad range of operational procedures that exist in the Group, most standardised approaches are neither adequate nor effective. However, what all individual company initiatives have in common are the overarching goals of J2OX, namely the continuous improvement of products, services and processes, which can be measured using Key Performance Indicators.

CODE OF CONDUCT

As a globally active, listed company, it goes without saying that Phoenix Mecano must comply with international legislation, regulations and guidelines. Failure to do so could harm the company's reputation, negatively impact its value and undermine the trust of stakeholder groups, thereby putting jobs at risk over the long term. For this reason, the Group's Board of Directors and management introduced a Code of Conduct, whose principles they apply themselves as role models for the rest of the Group.

COMPLIANCE WITH LEGISLATION, REGULATIONS AND GUIDELINES

Employees must comply with applicable laws and guidelines and the Code of Conduct in their day-to-day work. The following internal regulations, among others, must also be observed:

DO'S:

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

DON'TS:

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

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

SOCIAL RESPONSIBILITY

EMPLOYEES

Phoenix Mecano employs staff on five continents and its employees make a decisive contribution to the company's success. By promoting knowledge development and transfer and creating demanding new jobs, the Group contributes to economic development in a number of countries. Many employees act as an interface with customers and partners. In 2011, thanks to their indispensable expertise and unflagging personal commitment, they once again helped to ensure that our customary quality and reliability of products and services were maintained and further enhanced.

Phoenix Mecano provides a safe, motivating working environment together with good working conditions. This includes fair and competitive remuneration and the payment of bonuses and social security contributions.

From its managerial staff, Phoenix Mecano expects social as well as technical skills. Managers must act as role models, lead the way by setting a good example and ensure that the rights of all employees are protected. Phoenix Mecano encourages open communication and supports its employees in their personal commitments, provided these do not run counter to the company's interests. A range of continuing training options allow employees to further develop their skills and abilities. This helps to improve operational processes, enhance the quality of products and services and promote safety at work. It also strengthens employees' identification with the Phoenix Mecano Group as a whole.

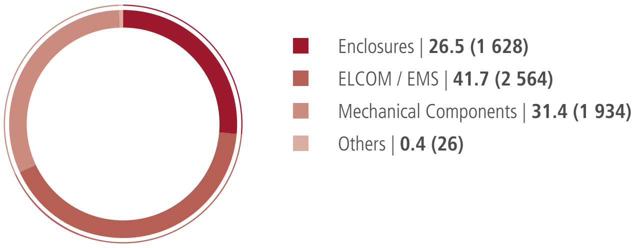
Since some new jobs were created in 2011, the average number of employees for the year under review rose from 5 929 to 6 152 (up 3.8%). The biggest increase affected the Mechanical Components division. This reflects the sustained economic success of the entire Group, which has managed to enlarge its staff by 25.8% over the past five years.

STAFF FIGURES AT A GLANCE

Annual average / number unless otherwise indicated	Change 2011 to 2010 Number	2011	2010	2009	2008	2007
EMPLOYEES	223	**6 152**	5 929	4 719	4 946	4 891
By Division						
Enclosures	117	**1 628**	1 511	1 407	1 634	1 539
ELCOM / EMS	–6	**2 564**	2 570	1 702	1 969	2 025
Mechanical Components	126	**1 934**	1 808	1 556	1 289	1 271
Other	–14	**26**	40	54	54	56
By region						
Switzerland	7	**133**	126	128	142	142
Germany	90	**1 591**	1 501	1 431	1 522	1 455
Rest of Europe	–49	**1 913**	1 962	1 534	1 375	1 375
North and South America	–11	**185**	196	192	175	182
Middle and Far East	265	**819**	554	406	473	333
Rest of World (ROW)	–79	**1 511**	1 590	1 028	1 259	1 404
Personnel expenses in 1 000 EUR	**1.1**	**23.3**	22.2	24.5	24.2	22.9
Gross sales per employee in 1 000 EUR	**1.5**	**86.1**	**84.6**	**84.1**	**84.4**	**79.6**

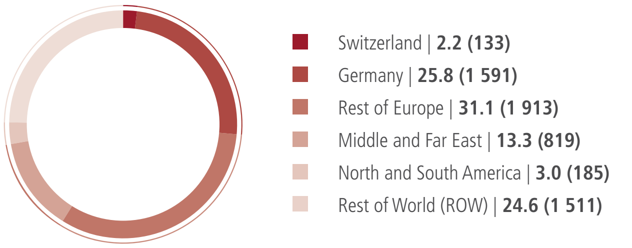
EMPLOYEES BY DIVISION

in % (number)



EMPLOYEES BY REGION

in % (number)



REGIONAL, SOCIAL COMMITMENT

In keeping with its mission statement and corporate structure, Phoenix Mecano gets involved in social projects at a regional level which enhance the well-being of local communities. Responsibility for social commitment is decentralised, being exercised by individual Group companies.

In 2011, for example, Group subsidiary RK Rose + Krieger GmbH stepped up and expanded its cooperation with the Minden Campus of the Bielefeld University of Applied Sciences. As well as organising regular visits to its premises, the company also supports the university's test laboratories by providing them with single parts of linear, modular, profile and connection-system kits as well as complete test stations. The practical courses taught at the Minden Campus turn out highly-qualified mechanical, electrical and industrial engineers.

Last year Rose Systemtechnik celebrated the tenth anniversary of a successful partnership with Herder Gymnasium secondary school in Minden. In a bid to ensure the sustained promotion of fresh talent, Rose Systemtechnik supports young people preparing for their careers. A number of different projects currently being implemented cover areas such as job application training, stays abroad and various IT projects.

Since 2008, Mecano Components (Shanghai) Co., Ltd. has been supporting a project in Beijing which provides assistance to street children. The project operates as a boarding school, providing a home, food and clothing for up to 100 children aged between 6 and 13, who used to live on the streets. In India, the company also gives financial support to a healthcare programme providing basic medical care at a hospital located near the firm's premises.

ENVIRONMENTAL RESPONSIBILITY

COMPLIANCE WITH ENVIRONMENTAL STANDARDS

Phoenix Mecano promotes environmental responsibility and has a clear mission statement with associated operational goals. Accordingly, all employees are regularly and comprehensively informed, trained and motivated to ensure that they implement the company's internal principles on environmental protection appropriately in their day-to-day work and comply fully with legal and regulatory requirements.

In all countries where Phoenix Mecano has operational or production facilities, in particular India and China, it has drawn up environmental protection standards based on the standards implemented in the EU, and Germany in particular. Regional regulations are also observed, and represent the minimum requirements adhered to. Phoenix Mecano continually documents progress and subjects itself to both internal and external audits. In India, for example, emissions values for diesel-powered emergency generators above a certain size must be publicly displayed at the site entrance, and are also subject to inspection. In addition, rain water, particularly during the monsoon season, is captured and stored in underground tanks, so as to reduce the use of mains water to almost zero. In India, Phoenix Mecano (India) certifies and audits local suppliers to ensure that they meet the required quality and social standards. In China, this task is performed by Shenzhen ELCOM Trading Co. Ltd., a Phoenix Mecano subsidiary.

CERTIFIED QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEMS ESTABLISHED

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

CERTIFICATION STANDARDS USED IN SUBSIDIARIES WORLDWIDE

Bopla Gehäuse Systeme GmbH	ISO 9001:2008	Germany
Datatel Elektronik GmbH	ISO 9001:2008	Germany
Dewert Antriebs- und Systemtechnik GmbH	ISO 9001:2000/ISO 14001:2004	Germany
Götz-Udo Hartmann GmbH + Co. KG	ISO 9001:2008	Germany
Hartmann Codier GmbH	ISO 9001:2008/ISO 14001:2004	Germany
Hartmann Elektronik GmbH	ISO 9001:2008	Germany
Kundisch GmbH + Co. KG	ISO 9001:2000	Germany
Lohse GmbH	ISO 9001:2008	Germany
Okin Motion Technologies GmbH	ISO 9001:2000/ISO 14001:2004	Germany
Phoenix Mecano Digital Elektronik GmbH	ISO 9001:2008/ISO/TS 16949:2009	Germany
Phoenix Mecano Inc.	ISO 9001:2008	USA
Phoenix Mecano (India) Ltd.	ISO 9001:2001–2007	India
Phoenix Mecano Kecskemét Kft.	ISO 9001:2000/ISO 14001:2004	Hungary
Phoenix Mecano Komponenten AG	ISO 9001:2008	Switzerland
Phoenix Mecano S.E. Asia Pte Ltd.	ISO 9001:2000	Singapore
PTR Messtechnik GmbH + Co. KG	ISO 9001:2008/ISO 14001:2005	Germany
RK Rose + Krieger GmbH	ISO 9001:2008	Germany
Rose Systemtechnik GmbH	ISO 9001:2008	Germany

CORPORATE GOVERNANCE

RESPONSIBLE MANAGEMENT AND CONTROL GEARED TOWARDS LONG-TERM VALUE CREATION

PHOENIX MECANO GROUP

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

SUSTAINABLE CORPORATE POLICY

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

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 on pages 72 and 73. Detailed information about the scope of consolidation can be found on pages 99 and 100 of the financial report. None of the shareholdings is listed.

Annual report pages 72 and 73

Annual report pages 99 and 100

SIGNIFICANT SHAREHOLDERS	2011	2010
in %		
Planalto AG, Luxembourg City, Luxembourg	33.7*	33.7
Tweedy, Browne Company LLC, New York, USA	7.9*	7.9*
UBS Fund Management (Switzerland) AG, Basel, Switzerland	*	<3.0
Massachusetts Mutual Life Insurance Company, Springfield, USA (ultimate parent company of OppenheimerFunds Inc., New York, USA)	6.1	6.1
Sarasin Investmentfonds AG, Basel, Switzerland	5.4*	5.4*

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

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

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

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

Shareholders' agreements There are no shareholders' agreements.

CAPITAL STRUCTURE

Capital/shares and participation certificates As at 31 December 2011, Phoenix Mecano AG's share capital was fully paid up and consisted of 978 000 bearer shares (securities No. Inh. 218781; Reuters: PM.S; Telekurs/Telerate: PM) with a par value of CHF 1.00. All shares, apart from those owned by the company, fully entitle the bearer to vote and receive a dividend. As at the balance sheet date, the company owned 4 520 treasury bearer shares. There are no nominal shares and no participation or dividend-right certificates.

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

122 000

SHARES CANCELLED

UNDER BUY-BACK PROGRAMMES BETWEEN 2006 AND 2010.

Changes in capital There was no change in capital in 2011. The Shareholders' General Meeting of 28 May 2010 approved the cancellation of 10 000 shares from the 2008/2009 buy-back programme. The share capital was reduced from CHF 988 000 to CHF 978 000, with effect from 2 September 2010, and was then re-divided into 978 000 bearer shares with a par value of CHF 1.00 each. Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, 81 500 bought-back shares were cancelled from the 2007/2008 and 2008/2009 share buy-back programmes and the share capital reduced from CHF 1 069 500 to CHF 988 000, with effect from 28 September 2009. No changes in capital took place in 2008 and 2007. Following a decision by the Shareholders' General Meeting of 26 May 2006, the share capital was reduced from CHF 1 100 000 to CHF 1 069 500 as of 15 September 2006 by cancelling 30 500 shares from the 2005/2006 share buy-back programme.

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

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

BOARD OF DIRECTORS

The Board of Directors is the company's senior management body and comprises at least four members. The Board of Directors met four times in 2011, each meeting lasting an average of three hours.

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 until May 2011)
› Gildemeister AG, Bielefeld, Germany (Member of the Supervisory Board)

Permanent management and consultancy functions

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

Official functions and political posts

› Member of the 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 mandates:
Activities in governing and supervisory bodies

› Essilor International, Charenton-le-Pont, France (Member of the Executive Committee)
› INFICON Holding AG, Bad Ragaz, Switzerland (Member of the Board of Directors)
› Schweiter Technologies, Horgen, Switzerland (Chairman of the Board of Directors)

"We attach great importance to having a suitably independent and particularly competent Board of Directors."

Ulrich Hocker, Chairman of the Board of Directors

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

AS AT 31 DECEMBER 2011 THE BOARD OF DIRECTORS COMPRISED THE FOLLOWING MEMBERS:

Ulrich Hocker (D) Chairman of the Board of Directors since 2003. Member of the Board of Directors since 1988. Lawyer, Düsseldorf (Germany). Born 1950. Trained as a banker. Law degree, attorney at law. Manager at Germany's oldest and largest association for private investors, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW) from 1985 to November 2011, and DSW President since 21 November 2011.

Benedikt A. Goldkamp (D) Delegate of the Board of Directors. Member of the Board of Directors since 2000. Delegate of the Board of Directors since 1 July. CEO. Dipl. Finanzwirt, MBA Duke University, Lufingen (Switzerland). Born 1969. Gained a degree in financial consultancy, followed by a Master's in Business Administration. 1996–1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998–2000 Managed the Group's own production facility in Hungary and several Group-internal restructuring projects. Has been a member of the management and Board of Directors of Phoenix Mecano AG since 2000.

Dr Florian Ernst (CH) Member of the Board of Directors since 2003. Dipl. Wirtschaftsprüfer. Dr oec. HSG, Zollikon (Switzerland). Born 1966. Graduated as Dr oec. HSG in 1996. Qualified as an auditor in 1999. Worked as an auditor at Deloitte & Touche AG in Zurich until 1999. Then held various positions in the banking sector, including as a mergers & acquisitions consultant and the CFO of an alternative investment company in Pfäffikon, Schwyz. Since 2008 he has been working for Deutsche Bank in Zurich in the field of private equity.

Dr Martin Furrer (CH) Member of the Board of Directors since 2003. Lawyer. Dr iur., MBA INSEAD, Zumikon (Switzerland). Born 1965, gained a doctorate in law (Dr iur.) from Zurich University, then an MBA from INSEAD in Fontainebleau, and passed the bar examination of the Canton of Zurich. Started out as a lawyer for Baker & McKenzie in Sydney, then became a strategy consultant for McKinsey & Co. in Zurich. Has been back working as a lawyer for Baker & McKenzie in Zurich since 1997, specialising in private equity, mergers & acquisitions, capital market law and restructuring. Has been a partner at Baker & McKenzie since 2002.

Beat Siegrist (CH) Member of the Board of Directors since 2003. President of the Satisloh Group and Member of the Executive Committee at Essilor, Paris and Chaiman 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.

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

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

Internal organisational structure The Board of Directors is deliberately kept small and usually performs its duties collectively. The Audit Committee first set up in 2003 is primarily responsible for monitoring external audits. In that task it is supported by the Internal Auditing Department. The Audit Committee is chaired by Dr Florian Ernst in his capacity as a non-executive member of the Board of Directors. Dr Ernst is a certified auditor and has the necessary knowledge and experience of finance and accounting. Another member of the Audit Committee is the Chairman of the Board of Directors, Ulrich Hocker. The CEO and CFO also attend Audit Committee meetings. The Committee held two meetings in 2011, each lasting an average of two-and-a-half hours.

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

Information and control instruments vis-à-vis the management (Executive Committee) The Board of Directors has a number of instruments to enable it to perform its duties vis-à-vis the management to the fullest extent. For example, the company has a management information system encompassing all Phoenix Mecano Group companies. It includes detailed balance sheet and statement of income figures and enables the company to obtain a quick and reliable picture of the income and assets of the Group, divisions or individual companies at any time. Reporting takes place monthly. Regular meetings with members of the 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 (Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany) in early 2012 confirmed that the Phoenix Mecano Group's Internal Auditing Department complies with international standards. A quality assessment is carried out every five years. Key audit issues in 2011 were the internal control system, accounts receivable and inventory management and information technologies (IT).

MEMBERS OF THE BOARD OF DIRECTORS

Name	Function	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. Members of the management are appointed by and report to the Delegate. The management aids the Delegate by coordinating the Group's companies and discusses matters affecting more than one division of the company.

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

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

Further management information can be found on pages 68 and 69.

Annual report pages 68 and 69

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. The compensation is reviewed annually and adjusted as necessary.

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 and a variable remuneration, as well as social security and pension payments. The company also provides members of the management with a company car for business and private use. The fixed remuneration is determined based on job profile, qualifications and market conditions. The annual variable compensation level for members of the Executive Committee, except the CEO, COO and CFO, is determined based on income and return on capital targets, the basic features of which are as follows: the return on capital targets are derived from the weighted average costs of capital (WACC), which also correspond to the required minimum return on new projects and investments in the Phoenix Mecano Group. For these Executive Committee members, variable remuneration is capped at 140% of the target bonus. There is no penalty system. Typically, a total of 80% to 90% of the variable remuneration components are based on quantitative targets, half relating to income (EBIT) and half to return on capital employed (ROCE). 10% to 20% are based on personal, qualitative targets, set annually by the Delegate of the Board of Directors. Achievement of these targets is assessed by the Delegate in a discretionary decision. For the CEO, COO 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 50% of the total, and in some cases may exceed this. In the reporting year, the management's variable remuneration amounted to between 11% and 50% of the fixed remuneration. The variable remuneration of the Delegate of the Board of Directors is detailed in the Phoenix Mecano AG financial report on page 151. In 2009, the model was expanded to include a long-term component. Under this system, variable remuneration components of Executive Committee members, excluding the CEO, COO and CFO, 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).

Annual report page 151

If this 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.

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 nor benchmark studies are consulted when setting compensation.

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

REMUNERATION OF SERVING MEMBERS OF THE GROUP'S BODIES	2011	2010
EUR 1 000		
Chairman of the Board of Directors	106	95
Delegate of the Board of Directors	601	806
Other members of the Board of Directors	113	93
Remuneration of the Board of Directors	**820**	**994**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**2 289**	**2 209**
Remuneration of the Board of Directors and the Executive Committee	**3 109**	**3 203**
Social security contributions	234	200
Pension payments	216	207
TOTAL REMUNERATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE COMMITTEE	**3 559**	**3 610**

Annual report pages 151 and 152

More information can be found in the Phoenix Mecano AG financial report on pages 151 and 152.

Compensation of former members of the Group's bodies The Phoenix Mecano Group's consolidated statement of income for 2011 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.

Annual report page 151

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 151).

SHARE OWNERSHIP		31.12.2011	31.12.2010
Ulrich Hocker	Chairman	8 654	8 654
Benedikt A. Goldkamp	Delegate	1 800	1 845
Dr Florian Ernst	Member	10	10
Dr Martin Furrer	Member	100	100
Beat Siegrist	Member	400	400
SHARES HELD BY THE BOARD OF DIRECTORS		**10 964**	**11 009**
Ralph Gamper	Member	80	180
Dr Rochus Kobler	Member	92	0
Dr Joachim Metzger	Member	80	55
René Schäffeler	Member	80	80
SHARES HELD BY THE EXECUTIVE COMMITTEE		**332**	**315**

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.

"The management combines product know-how, intercultural expertise and years of management experience in order to fully exploit synergy potential at Phoenix Mecano."

Benedikt A. Goldkamp, Delegate of the Board of Directors, CEO

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

AS AT 31 DECEMBER 2011, 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 63 of this report.

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. Since 2009 President and CEO of Okin America Inc. (USA).

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.

Maximilian Kleinle (D) Member of the Executive Committee since 2004. Dipl. Ing. (FH), Baar (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 was General Manager of the ELCOM/EMS division from October 2003 to January 2009. He has been head of the DewertOkin business area (Mechanical Components division) since February 2009 and head of the Mechanical Components division since 1 January 2012.

Dr Rochus Kobler (CH) COO Member of the Executive Committee since 2010. Dr oec. HSG, St. Gallen (Switzerland), Dipl. Ing. ETH/MSc, Zurich (Switzerland). Born 1969. From 1997 to 2002 he was Senior Engagement Manager at McKinsey in Zurich, Johannesburg and Chicago. Between 2002 and 2010 he served as CEO and Member of the Board of Directors at the international production and trading group Gutta. He has been COO since 1 September 2010, with responsibility for the operational management of the Phoenix Mecano Group.

Annual report page 63

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

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

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

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 27 May 2011, 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 776 000 for auditing the financial statements and consolidated financial statements.

Additional fees KPMG received additional fees of EUR 429 000 in the reporting year: EUR 398 000 for tax consultancy and EUR 31 000 for legal advice.

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	2011	2010
1 000 EUR		
Total auditors' fees	**776**	**784**
Tax consultancy	398	616
Legal advice and auditing of the capital decrease	31	24
Total additional fees	**429**	**640**
TOTAL	**1 205**	**1 424**

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 calendar of events and publications, along with contact details for the Investor Relations Manager, can be found in the "Share Information" section on page 49. Extensive information is also available on the Internet at www.phoenix-mecano.com, from where the annual report and up-to-date media information can be downloaded. It goes without saying that interested parties can also obtain information about other strategic, market-related or financial aspects of the Group's activities. Ad hoc disclosures are published on the following pages:

Annual report page 49
www.phoenix-mecano/media.com

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

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

GROUP OPERATIONAL STRUCTURE

PHOENIX MECANO

GROUP HEADQUARTERS

SWITZERLAND
Phoenix Mecano AG
CH-8260 Stein am Rhein

FINANCE AND SERVICE COMPANIES

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

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

CHANNEL ISLANDS GB
Phoenix Mecano Finance Ltd.
St. Helier
Jersey, Channel Islands JE2 3NP
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. Hartman, B. A. Goldkamp,
R. Schäffeler

ENCLOSURES

D. B. Schaadt

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

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

Rose Systemtechnik GmbH
D-32457 Porta Westfalica
Managing director:
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

Platthaus GmbH Elektrotechnische Fabrik
D-52477 Alsdorf
Managing director:
K. H. Goos

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

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

MECHANICAL COMPONENTS

B. A. Goldkamp
(from 1 January 2012: M. Kleinle)

GERMANY
Dewert Antriebs- und Systemtechnik GmbH
D-32278 Kirchlengern
Managing directors:
Dr J. Gross, M. Kersting, M. Klimmek

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
Managing directors:
S. J. Gleeson, T. Thuess

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

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

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

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

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

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

RK Schmidt Systemtechnik GmbH
D-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 8RY
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.
Pune 412115
Managing director:
S. Shukla

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

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

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

PEOPLE'S REPUBLIC OF CHINA
Okin Refined Electric Technology Co., Ltd.
314024 Jiaxing
Managing directors:
Dr J. Gross, J. Tang

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

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

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

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

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

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

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

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

SWITZERLAND
Phoenix Mecano Komponenten AG
CH-8260 Stein am Rhein
Managing director:
R. Gamper
(from 1 January 2012:
M. Jahn, W. Schmid)

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

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

Phoenix Mecano ELCOM S.à.r.l.
TN-1100 Djebel El Ouest-Zaghouan
Managing director:
K. Vieth

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

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

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

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

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

INFORMATION ON THE FINANCIAL STATEMENTS

Sales rose to a new record high. Operating result before interest and tax was weighed down primarily by one-off impairment losses and restructuring provisions.

The Phoenix Mecano Group's financial base was further strengthened, with net indebtedness falling by around 31%. The equity ratio climbed to 63.7%.

STRONG THROUGH EXPERIENCE – TACKLING THE FUTURE WITH CONFIDENCE

19.3

MILLION EUR FOR INVESTMENTS

THE COMPANY IS INCREASING ITS PURCHASES OF TANGIBLE ASSETS AS PART OF ITS GROWTH STRATEGY.

63.7

PER CENT EQUITY RATIO

THE EQUITY RATIO PROVIDES A SOUND BASIS FOR SUSTAINABLE DEVELOPMENT OF THE COMPANY.

44.6

MILLION EUR

CASH FLOW FROM OPERATING ACTIVITIES INCREASED BY OVER 52%.

CONTENT

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

PHOENIX MECANO GROUP

ASSETS 1 000 EUR	Note No.	2011	2010
Non-current assets			
Goodwill	3	14 362	18 647
Other intangible assets	4	18 546	22 136
Tangible assets	5	100 717	98 596
Investments in associated companies	6	465	502
Other financial assets	7	308	12
Derivative financial instruments	18	0	137
Deferred tax assets	21	5 595	2 832
Total non-current assets		**139 993**	**142 862**
Current assets			
Inventories	8	132 880	132 294
Trade receivables	9	55 625	52 266
Derivative financial instruments	18	83	1 589
Income tax receivables		2 101	4 762
Other receivables	10	7 829	8 536
Current securities	11	6 663	6 275
Cash and cash equivalents	12	43 500	31 800
Deferred charges and prepaid expenses		1 122	1 049
Total current assets		**249 803**	**238 571**
TOTAL ASSETS		**389 796**	**381 433**

EQUITY AND LIABILITIES		2011	2010
1 000 EUR	Note No.		
Equity			
Share capital	13	609	609
Treasury shares	14	–1 650	–1 779
Retained earnings		245 670	232 632
Profits/losses from IAS 39		–2 347	938
Translation differences		4 212	2 360
Equity attributable to shareholders of the parent company		**246 494**	**234 760**
Minority interest	15	1 612	1 466
Total equity		**248 106**	**236 226**
Liabilities			
Liabilities from financial leasing	16	0	38
Other long-term financial liabilities	17	41 451	33 650
Derivative financial instruments	18	1 913	24
Long-term provisions	19, 20	10 434	10 429
Deferred tax liabilities	21	5 345	5 654
Long-term liabilities		**59 143**	**49 795**
Trade payables	22	19 696	20 434
Short-term financial liabilities	23	26 038	29 249
Derivative financial instruments	18	1 436	138
Short-term provisions	19, 20	13 694	12 495
Income tax liabilities		5 799	14 236
Other liabilities	24	14 200	18 060
Deferred income		1 684	800
Short-term liabilities		**82 547**	**95 412**
Total liabilities		**141 690**	**145 207**
TOTAL EQUITY AND LIABILITIES		**389 796**	**381 433**

CONSOLIDATED STATEMENT OF INCOME 2011

1 000 EUR	Note No.	2011	2010
Gross sales	32	529 755	501 558
Revenue reductions		–5 336	–5 614
Net sales		**524 419**	**495 944**
Changes in inventories		–4 484	8 272
Own work capitalised		1 104	748
Other operating income	33	3 899	4 608
Total operating performance		**524 938**	**509 572**
Cost of materials	34	–246 930	–250 228
Personnel expenses	35	–143 285	–131 663
Amortisation of intangible assets	36	–5 679	–4 032
Depreciation on tangible assets	37	–14 404	–13 792
Impairment of intangible and tangible assets	38	–11 902	–744
Other operating expenses	39	–66 637	–56 521
Operating expenses		**–488 837**	**–456 980**
Result before interest and tax (operating result)		**36 101**	**52 592**
Result from associated companies	6	88	86
Financial income	40	4 312	4 227
Financial expenses	41	–8 697	–6 058
Financial result		–4 297	–1 745
Result before tax		**31 804**	**50 847**
Income tax	42	–8 159	–6 963
RESULT OF THE PERIOD		**23 645**	**43 884**
of which			
Shareholders in the parent company		23 170	43 635
Minority shareholders		475	249
Result per share			
Result per share – undiluted (in EUR)	43	23.80	44.99
Result per share – diluted (in EUR)	43	23.80	44.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 2011

1 000 EUR	Note No.	2011	2010
RESULT OF THE PERIOD		**23 645**	**43 884**
Other result			
Fluctuations in fair value of financial assets		9	86
Fluctuations in fair value of cash flow hedges		–5 081	–261
Realised results of cash flow hedges		1 219	385
Translation differences attributable to the parent company		1 852	3 841
Translation differences attributable to minority interest		49	118
Deferred tax	21	568	7
Other result (after tax)		**–1 384**	**4 176**
COMPREHENSIVE INCOME		**22 261**	**48 060**
of which			
Shareholders in the parent company		21 737	47 693
Minority shareholders		524	367

CONSOLIDATED STATEMENT OF CASH FLOW 2011

1 000 EUR	Note No.	2011	2010
Result of the period		23 645	43 884
Income tax		8 159	6 963
Result before tax		**31 804**	**50 847**
Amortisation of intangible assets	4	5 679	4 032
Depreciation on tangible assets	5	14 404	13 792
Losses/(gains) from the disposal of intangible and tangible assets	33, 39	98	68
Impairment of intangible and tangible assets	4, 5	11 902	744
Losses and value adjustments on inventories	8	6 920	–118
Result from associated companies	6	–88	–86
Other non-cash expenses/(income)		3 204	1 287
Increase/(decrease) in long-term provisions		–27	–585
Net interest expenses/(income)	40, 41	1 468	513
Interest paid		–1 386	–1 152
Income tax paid		–17 392	–8 636
OPERATING CASH FLOW BEFORE CHANGES IN WORKING CAPITAL		**56 586**	**60 706**
(Increase)/decrease in inventories		–6 091	–37 633
(Increase)/decrease in trade receivables		–2 919	–2 467
(Increase)/decrease in other receivables, deferred charges and prepaid expenses		711	–1 005
(Decrease)/increase in trade payables		–1 526	3 479
(Decrease)/increase in short-term provisions		1 047	2 863
(Decrease)/increase in other liabilities and deferred income		–3 191	3 418
CASH FLOW FROM OPERATING ACTIVITIES		**44 617**	**29 361**

1 000 EUR	Note No.	2011	2010
Capital expenditure			
Intangible assets	4	–1 583	–1 347
Tangible assets	5	–19 290	–18 296
Financial assets		–296	0
Current securities		–2 104	–2 225
Acquisition of Group companies	46	–4 393	–18 914
Disinvestments			
Intangible assets		30	40
Tangible assets		653	1 915
Financial assets		315	528
Current securities		1 580	930
Disposal of Group companies	47	396	625
Interest received		752	634
Dividends received	6	125	125
CASH FLOW USED IN INVESTING ACTIVITIES		**–23 815**	**–35 985**
Dividends paid (including minority interest)		–10 492	–6 859
Purchase of minority interests		–265	–96
Purchase of treasury shares		–401	–644
Sale of treasury shares		777	2 400
Issue of financial liabilities		15 067	11 682
Repayment of financial liabilities		–13 803	–11 672
CASH FLOW FROM FINANCING ACTIVITIES		**–9 117**	**–5 189**
Translation differences in cash and cash equivalents		15	1 020
Change in cash and cash equivalents		**11 700**	**–10 793**
Cash and cash equivalents as at 1 January	12	31 800	42 593
Cash and cash equivalents as at 31 December	12	43 500	31 800
Change in cash and cash equivalents		**11 700**	**–10 793**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2011

1 000 EUR	Note No.	Share capital	Treasury shares	Retained earnings
Equity as at 31 December 2009		**615**	**–5 290**	**197 645**
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				**43 635**
Total comprehensive income		**0**	**0**	**43 635**
Purchase of minority interests				–50
Capital decrease	14	-6	2 399	–2 393
Change in treasury shares	14		1 112	644
Dividends paid				–6 849
Total equity transactions with owners		**–6**	**3 511**	**–8 648**
Equity as at 31 December 2010		**609**	**–1 779**	**232 632**
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				**23 170**
Total comprehensive income		**0**	**0**	**23 170**
Purchase of minority interests				–19
Change in treasury shares	14		129	247
Dividends paid				–10 360
Total equity transactions with owners		**0**	**129**	**–10 132**
EQUITY AS AT 31 DECEMBER 2011		**609**	**–1 650**	**245 670**

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
852	**–131**	**–1 481**	**192 210**	**1 155**	**193 365**
	86		86		86
			0		0
–261			–261		–261
385			385		385
		3 841	3 841	118	3 959
7			7		7
131	**86**	**3 841**	**4 058**	**118**	**4 176**
			43 635	**249**	**43 884**
131	**86**	**3 841**	**47 693**	**367**	**48 060**
			–50	–46	–96
			0		0
			1 756		1 756
			–6 849	–10	–6 859
0	**0**	**0**	**–5 143**	**–56**	**–5 199**
983	**–45**	**2 360**	**234 760**	**1 466**	**236 226**
	9		9		9
			0		0
–5 081			–5 081		–5 081
1 219			1 219		1 219
		1 852	1 852	49	1 901
568			568		568
–3 294	**9**	**1 852**	**–1 433**	**49**	**–1 384**
			23 170	**475**	**23 645**
–3 294	**9**	**1 852**	**21 737**	**524**	**22 261**
			–19	–246	–265
			376		376
			–10 360	–132	–10 492
0	**0**	**0**	**–10 003**	**–378**	**–10 381**
–2 311	**–36**	**4 212**	**246 494**	**1 612**	**248 106**

CONSOLIDATED SEGMENT INFORMATION 2011

BY DIVISION

	Enclosures		ELCOM/EMS	
	2011	2010	2011	2010
1 000 EUR				
Gross sales to third parties	**164 742**	**146 460**	**142 796**	**156 091**
Gross sales between divisions	423	414	5 217	4 045
Impairment of intangible and tangible assets	33	–74	–11 734	–36
Amortisation of intangible assets and depreciation on tangible assets	–5 503	–5 867	–6 710	–5 578
Result before interest and tax (operating result)	**33 896**	**26 940**	**–9 763**	**18 148**
Financial result				
Result before tax				
Income tax				
RESULT OF THE PERIOD				
Purchases of intangible and tangible assets	**5 125**	**4 041**	**7 887**	**10 345**
Segment assets	79 517	77 997	95 001	102 075
Cash and cash equivalents				
Other assets				
Total assets	**79 517**	**77 997**	**95 001**	**102 075**
Segment liabilities	16 785	17 687	13 872	12 486
Interest-bearing liabilities				
Other liabilities				
Total liabilities	**16 785**	**17 687**	**13 872**	**12 486**
NET ASSETS	**62 732**	**60 310**	**81 129**	**89 589**

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

BY REGION

	Gross sales to third parties		Long-term assets (tangible + intangible assets)	
	2011	2010	2011	2010
1 000 EUR				
Switzerland	24 970	22 660	6 916	7 077
Germany	244 454	246 708	54 449	63 295
UK	14 268	15 449	172	101
France	23 633	22 443	416	469
Italy	15 335	14 842	1 655	1 659
Netherlands	13 553	13 079	156	93
Rest of Europe	70 659	65 149	31 006	28 489
North and South America	55 588	54 424	4 713	5 585
Middle and Far East	67 295	46 804	34 142	32 611
TOTAL	**529 755**	**501 558**	**133 625**	**139 379**

SIGNIFICANT CLIENTS

The Phoenix Mecano Group had no customers generating revenue that accounted for over 10% of the Group's sales in 2011. There was one such customer in 2010.

	Mechanical Components		Total segments		Reconciliation *		Total Group	
	2011	2010	2011	2010	2011	2010	2011	2010
	222 217	**197 419**	**529 755**	**499 970**	**0**	**1 588**	**529 755**	**501 558**
	85	48	5 725	4 507	–5 725	–4 507	0	0
	–201	–634	–11 902	–744	0	0	–11 902	–744
	–7 583	–6 142	–19 796	–17 587	–287	–237	–20 083	–17 824
	14 500	**10 929**	**38 633**	**56 017**	**–2 532**	**–3 425**	**36 101**	**52 592**
							–4 297	–1 745
							31 804	**50 847**
							–8 159	–6 963
							23 645	**43 884**
	7 483	**5 082**	**20 495**	**19 468**	**378**	**175**	**20 873**	**19 643**
	151 953	148 655	326 471	328 727	2 586	2 525	329 057	331 252
					43 500	31 800	43 500	31 800
					17 239	18 381	17 239	18 381
	151 953	**148 655**	**326 471**	**328 727**	**63 325**	**52 706**	**389 796**	**381 433**
	24 252	26 937	54 909	57 110	4 656	5 054	59 565	62 164
					67 489	62 937	67 489	62 937
					14 636	20 106	14 636	20 106
	24 252	**26 937**	**54 909**	**57 110**	**86 781**	**88 097**	**141 690**	**145 207**
	127 701	**121 718**	**271 562**	**271 617**	**–23 456**	**–35 391**	**248 106**	**236 226**

BY PRODUCT GROUP

1 000 EUR	Gross sales to third parties 2011	Gross sales to third parties 2010
Industrial enclosures	147 371	130 686
Membrane keyboards	17 371	15 774
Enclosures	**164 742**	**146 460**
Electro-mechanical components	54 176	52 545
Power quality	61 921	78 871
Electronic packaging	26 699	24 675
ELCOM/EMS	**142 796**	**156 091**
Industrial assembly systems	36 464	28 829
Linear adjustment and positioning systems	185 753	168 590
Mechanical Components	**222 217**	**197 419**
Reconciliation	**0**	**1 588**
TOTAL	**529 755**	**501 558**

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 2011, 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 2011:

- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues
- IAS 24 (rev. 2009) – Related Party Disclosures
- 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
- Amendments to IFRSs (May 2010)

The application of the new or revised IFRS/IAS standards and IFRIC interpretations had no impact on accounting, measurement and presentation or on the scope of the notes to the financial statements.

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

			Entry into force	Planned implementation by Phoenix Mecano
NEW STANDARDS OR INTERPRETATIONS				
IFRS 10	Consolidated Financial Statements	3	1 January 2013	Financial year 2013
IFRS 11	Joint Arrangements	3	1 January 2013	Financial year 2013
IFRS 12	Disclosure of Interests in Other Entities	2	1 January 2013	Financial year 2013
IFRS 13	Fair Value Measurement	2	1 January 2013	Financial year 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1	1 January 2013	Financial year 2013
IFRS 9	Financial Instruments and associated amendments to IFRS 7 regarding initial application	3	1 January 2015	Financial year 2015
REVISIONS AND AMENDMENTS OF STANDARDS AND INTERPRETATIONS				
Amendments to IFRS 7	Disclosures – Transfers of Financial Assets	1	1 July 2011	Financial year 2012
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	1	1 January 2012	Financial year 2012
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	2	1 July 2012	Financial year 2013
IAS 19 (amended 2011)	Employee Benefits	4	1 January 2013	Financial year 2013
IAS 27 (amended 2011)	Separate Financial Statements	1	1 January 2013	Financial year 2013
IAS 28 (amended 2011)	Investments in Associates and Joint Ventures	3	1 January 2013	Financial year 2013
Amendments to IFRS 7	Disclosures – Offsetting of Financial Assets and Financial Liabilities	3	1 January 2013	Financial year 2013
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	3	1 January 2014	Financial year 2014

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.
4 Under the amendments to IAS 19, actuarial losses not previously recorded would be reported in equity and in the consolidated statement of comprehensive income, and equity as at 31 December 2011 would be reduced by EUR 2.4 million. The impact on the statement of income is considered to be insignificant.

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. Under the equity method, the fair value of the proportionate net assets at the acquisition date is calculated and recognised together with any goodwill under Investments in associated companies. In the subsequent reporting periods, this value is adjusted by the share of the Phoenix Mecano Group in the additional capital and result generated as well as by any dividends.

CAPITAL CONSOLIDATION

Capital consolidation at the acquisition date is based on the acquisition method. The purchase price for a company acquisition is determined based on the total of the fair value of the assets given, the liabilities incurred or assumed and the equity instruments issued by the Phoenix Mecano Group. Transaction costs associated with a company acquisition are recognised as income/expense. The goodwill arising from a company acquisition is recognised as an asset. It corresponds to the surplus of the total of the purchase price, contribution of minority interests in the company being taken over and the balance of assets, liabilities and contingent liabilities at fair value. Minority interests are measured based on the minority share in the fair value of the net assets taken over. In the event of a negative difference, the remaining surplus is reported directly as income/expense following a further measurement of the fair value of the net assets taken over.

A contingent purchase price payment is measured at fair value at the acquisition date. Subsequent adjustments are reported as an adjustment to goodwill if they are based on more accurate information about the fair value at the acquisition date and provided they occur within the measurement period, i.e. a period of 12 months. All other subsequent adjustments are recognised as income/expense.

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

CURRENCY CONVERSION

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

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

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

INTERCOMPANY PROFITS

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

SEGMENT INFORMATION

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

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

- ENCLOSURES (enclosures made of aluminium, plastic and glass-fibre reinforced polyester, machine control boards and suspension systems for protecting electronics in an array of industrial applications, membrane keyboards)
- 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, central management and financial functions are included under "Reconciliation". Also recorded under Reconciliation are asset and liability items that are not allocated to the divisions (cash and cash equivalents, other assets and financial and other liabilities).

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

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 ten 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 depreciated 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	4–12 years

LEASED ASSETS

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

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

IMPAIRMENT LOSSES

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

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

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

INVESTMENTS IN ASSOCIATED COMPANIES

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

OTHER FINANCIAL ASSETS

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

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

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

INVENTORIES

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

RECEIVABLES

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

CURRENT SECURITIES

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

CASH AND CASH EQUIVALENTS

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

ASSETS HELD FOR SALE

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

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

FINANCIAL LIABILITIES

Upon initial recognition, financial liabilities are recorded at fair value less transaction costs. In subsequent periods they are 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 measured at fair value.

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

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

PROVISIONS

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

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

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 present value of the expected claims using the projected unit credit method and then subtracting or adding the market value of the plan assets, unrecognised actuarial gains and losses and unrecognised past service cost. 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 recognised as income/expense. 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 recognised as income/expense immediately.

Actuarial gains and losses resulting from periodic recalculations are recognised as income/expense 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 up to an amount that does not exceed the total of the unrecognised past service cost, unrecognised actuarial gains and losses and the benefits from 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 recognised as income/expense 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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

All derivative financial instruments are measured at fair value in accordance with IAS 39 and are recognised separately in the Group balance sheet. For instruments traded in an active market, the fair value corresponds to the market value on the balance sheet date; for other instruments, it corresponds to the value determined on the basis of mathematical models. 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 (assets or liabilities reported in the balance sheet), 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. It is reflected in the statement of income, with the exception of income taxes on transactions reported directly in equity or under Other result. In such cases, the corresponding income taxes are also recognised directly in equity or under Other result in the statement of comprehensive income.

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

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

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

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

STATEMENT OF CASH FLOW

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

The purchase of minority shareholders' interests is disclosed under Cash flow from financing activities. The previous year has been adjusted accordingly.

ASSUMPTIONS AND ESTIMATIONS

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

The most important assumptions and estimations are set out below:

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

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

Provisions Guarantee provisions are calculated based on estimates of potential future guarantees and on past experience. There is a higher guarantee risk for products of Dewert Antriebs- und Systemtechnik GmbH (D) which are used in the hospital and care sector. Individual Group companies are exposed to litigation. On the basis of currently available knowledge, an assessment of the potential consequences of these court cases was conducted and provisions were constituted where necessary. For the book values of provisions, see note 19.

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

Pension obligations Pension obligations from defined benefit plans 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 20.

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 2011

1 CURRENCY EXCHANGE RATES

	Balance sheet		Statements of income and cash flow	
	2011	2010	**2011**	2010
Euro for				
1 CHF	0.822	0.801	0.812	0.725
1 GBP	1.197	1.166	1.153	1.166
1 USD	0.772	0.750	0.719	0.755
100 HUF	0.318	0.360	0.359	0.363
1 RON	0.232	0.234	0.236	0.239
1 SEK	0.112	0.111	0.111	0.105
1 TND	0.515	0.528	0.513	0.533
1 SGD	0.595	0.583	0.572	0.554
1 CNY	0.122	0.114	0.111	0.111
1 BRL	0.413	0.450	0.431	0.431
1 INR	0.015	0.017	0.015	0.017
1 AUD	0.791	0.765	0.742	0.693

2 SCOPE OF CONSOLIDATION

In 2011 and 2010 the scope of consolidation changed as follows:

CHANGE

Date	Company	Change	Division
2011			
16.11.2011	Phoenix Mecano Tunisie S.à.r.l. in liquidation	Liquidation	ELCOM/EMS
30.09.2011	Phoenix Mecano Holding Ltda.	Foundation	Reconciliation
01.06.2011	Platthaus GmbH Elektrotechnische Fabrik	Acquisition	ELCOM/EMS
03.05.2011	Leonhardy-MCT s.r.l. in liquidation	Liquidation	Reconciliation
2010			
22.11.2010	Okin Refined Electric Technology Co., Ltd.	Foundation of joint venture	Mechanical Components
22.11.2010	Phoenix Mecano Hong Kong Ltd.	Foundation	Mechanical Components
26.08.2010	IPES Industria de Produtos e Equipamentos de Solda Ltda.	Sale	Reconciliation
01.05.2010	Lohse GmbH	Acquisition	ELCOM/EMS
01.01.2010	AKOM Agentur für Marketing GmbH	Merger with Rose Systemtechnik GmbH	Reconciliation

The following companies were fully consolidated as at 31 December 2011:

SCOPE OF CONSOLIDATION

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake in %
Phoenix Mecano AG	Stein am Rhein, Switzerland	Finance	CHF	978	n/a
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100
Phoenix Mecano Investments 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
Lohse GmbH	Muggensturm, Germany	Production/Sales	EUR	51	100
Platthaus GmbH Elektrotechnische Fabrik	Alsdorf, Germany	Production/Sales	EUR	900	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	Salem-Neufrach, Germany	Production/Sales	EUR	51	100
RK Schmidt Systemtechnik GmbH	Marpingen-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
Götz-Udo Hartmann GmbH	Grävenwiesbach, Germany	Finance	EUR	26	100
Kundisch Beteiligungs-GmbH	Villingen-Schwenningen, Germany	Finance	EUR	26	100
PTR Messtechnik Verwaltungs-GmbH	Werne, Germany	Finance	EUR	26	100
Phoenix Mecano S.à.r.l.	Fontenay-sous-Bois, France	Sales	EUR	620	100
Phoenix Mecano Ltd.	Aylesbury, UK	Sales	GBP	300	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands GB	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 España S.A.	Zaragoza, Spain	Sales	EUR	60	90
PM Komponenten B.V.	Doetinchem, The Netherlands	Sales	EUR	20	100
PM International B.V.	Doetinchem, The Netherlands	Finance	EUR	4 500	100
PM Komponenten N.V.	Deinze, Belgium	Sales	EUR	100	100

SCOPE OF CONSOLIDATION

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake in %
Phoenix Mecano Kecskemét Kft.	Kecskemét, Hungary	Production/Sales	EUR	5 000	100
Okin Hungary Gépgyártó Kft.	Hajdúdorog, Hungary	Production	HUF	30 000	100
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania	Production	EUR	750	100
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
WIENER, Plein & Baus, Corp.	Springfield, USA	Sales	USD	100	100
Okin America Inc.	Shannon, USA	Production/Sales	USD	10	100
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales	BRL	5 192	100
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance	BRL	10	100
Phoenix Mecano S.E. Asia Pte Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano Korea Co., Ltd.	Busan, South Korea	Sales	KRW	370 000	75
Phoenix Mecano (India) Ltd.	Pune, India	Production/Sales	INR	299 452	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
Okin Refined Electric Technology Co., Ltd.	Jiaxing, China	Production/Sales	CNY	77 780	100
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance/Sales	EUR	500	100
Phoenix Mecano Mazaka AŞ	Ankara, Turkey	Sales	TRY	430	91
Rose Systemtechnik Middle East (FZE)	Sharjah, U.A.E.	Sales	AED	150	100
Phoenix Mecano Australia Pty Ltd.	Tullamarine Victoria, Australia	Sales	AUD	204	70
Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	10	100
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	500	100
Phoenix Mecano ELCOM S.à.r.l.	Djebel El Ouest, Tunisia	Production	TND	500	100
Phoenix Mecano Digital Tunisie S.à.r.l.	Borj-Cedria, Tunisia	Production	TND	100	100

3 GOODWILL

1 000 EUR	2011	2010
Acquisition costs 1 January	**18 647**	**1 012**
Change in scope of consolidation	1 843	17 635
Translation differences	802	0
Acquisition costs 31 December	**21 292**	**18 647**
Accumulated amortisation 1 January	**0**	**0**
Impairment losses	6 930	0
Accumulated amortisation 31 December	**6 930**	**0**
NET VALUES 31 DECEMBER	**14 362**	**18 647**

The goodwill of EUR 14.4 million (previous year EUR 18.6 million) relates to the following cash-generating units: the Bopla product area in the Enclosures division (EUR 0.3 million, previous year EUR 0.3 million); Platthaus GmbH Elektrotechnische Fabrik, acquired in 2011, in the ELCOM/EMS division (EUR 1.8 million); and Okin Refined Electric Technology Co., Ltd. in China, acquired in 2010, in the Mechanical Components division (EUR 12.3 million, previous year EUR 11.4 million). The change in goodwill in 2011 is attributable to currency effects and the above-mentioned acquisition (see note 46) as well as the impairment loss referred to below. The recoverability of this goodwill was tested using five-year plans for the relevant cash-generating units (CGUs). A pre-tax discount rate (WACC) of 9.5% (previous year 10%), and of 10.5% (previous year 11%) to measure the goodwill from the acquisition of Okin Refined in China, was applied to determine the present value (value in use). Zero growth was assumed after the projection period. The recoverability was also tested using sensitivity analyses. With the exception of the Datatel product area, which is assigned to the ELCOM/EMS division, there were no indications of any reduction in value.

Impairment test on the Platthaus product area The impairment test on the goodwill of Platthaus resulted in a value in use that exceeded the book value by EUR 1.2 million. Increasing the discount rate from 9.5% to 11.3% or reducing the perpetuity growth rate from 0% to –3.1% would bring the value in use into line with the book value.

Impairment test on Okin Refined The impairment test on the goodwill of Okin Refined resulted in a value in use that exceeded the book value by EUR 16.5 million. Increasing the discount rate from 10.5% to 17.5% or reducing the perpetuity growth rate from 0% to –20.8% would bring the value in use into line with the book value.

Impairment test on the Datatel product area Due to the weak state of the photovoltaic components market and changes in the competitive situation, there were indications of an impairment of the assets of the Datatel product area. An impairment test was therefore carried out for this CGU, which consists mainly of the inverter components business in Hungary and Germany. Calculation of the value in use is based on a five-year business plan – which assumes a volume- and price-related fall in sales in 2012 followed by a moderate expansion in business in subsequent years and an average gross profit of 24% – as well as zero growth after the projection period (long-term volume increases and price decreases are expected to balance each other out) and a pre-tax discount rate of 9.5%. The impairment test identified a significant impairment of the value in use calculated for this ELCOM/EMS product area, which is broken down as follows:

1 000 EUR	2011
Goodwill	6 930
Intangible assets	2 583
Tangible assets	2 136
TOTAL	**11 649**

It therefore includes the entire goodwill of the product area, with the remainder of the impairment loss being allocated on a pro-rata basis to the customer base, know-how and tangible assets.

The sensitivity analyses carried out found that increasing the discount rate by 0.5 percentage points would reduce the present value by EUR 1.1 million. A negative perpetuity growth rate of 1% would reduce the present value by EUR 1.3 million and a one percentage point reduction in gross margin by EUR 3.4 million.

4 OTHER INTANGIBLE ASSETS

1 000 EUR	Note No.	Development costs	Concessions, licences, similar rights and assets	Advance payments and development projects in progress	Total
Acquisition costs 31 December 2009		**14 576**	**25 299**	**273**	**40 148**
Additions of companies included in consolidation	46		16 781		16 781
Translation differences			344	–2	342
Additions		198	918	231	1 347
Disposals		–2 419	–270		–2 689
Reclassification		186	56	–242	0
Acquisition costs 31 December 2010		**12 541**	**43 128**	**260**	**55 929**
Accumulated amortisation 31 December 2009		**13 129**	**18 387**	**0**	**31 516**
Translation differences			266		266
Amortisation	36	427	3 605		4 032
Impairment losses	38	361	267		628
Reversal of impairment losses	38				0
Disposals		–2 379	–270		–2 649
Reclassification					0
Accumulated amortisation 31 December 2010		**11 538**	**22 255**	**0**	**33 793**
Net values 31 December 2010		**1 003**	**20 873**	**260**	**22 136**
Acquisition costs 31 December 2010		**12 541**	**43 128**	**260**	**55 929**
Additions of companies included in consolidation	46		2 747		2 747
Translation differences			563		563
Additions		444	954	185	1 583
Disposals		–434	–1 009		–1 443
Reclassification		114	11	–125	0
Acquisition costs 31 December 2011		**12 665**	**46 394**	**320**	**59 379**
Accumulated amortisation 31 December 2010		**11 538**	**22 255**	**0**	**33 793**
Translation differences			117		117
Amortisation	36	347	5 332		5 679
Impairment losses	38	111	2 583		2 694
Reversal of impairment losses	38	–35	–14		-49
Disposals		–422	–979		–1 401
Reclassification					0
Accumulated amortisation 31 December 2011		**11 539**	**29 294**	**0**	**40 833**
NET VALUES 31 DECEMBER 2011		**1 126**	**17 100**	**320**	**18 546**

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

Other intangible assets worth EUR 0.1 million (previous year EUR 0.0 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) and assets at the balance sheet date, since these customers and projects did not develop as originally planned. The five-year plans for the relevant CGU were used as a basis. A pre-tax discount rate (WACC) of 9.5% (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 2.7 million (previous year EUR 0.6 million) are included under Impairment of intangible and tangible assets (see note 38). The bulk of the impairment losses for 2011 relate to the Datatel product area (see note 3).

5 TANGIBLE ASSETS

1 000 EUR	Note No.	Land and buildings	Machinery and equipment	Advance payments and construction in progress	Total
Acquisition costs 31 December 2009		**97 899**	**169 102**	**883**	**267 884**
Additions of companies included in consolidation	46	15	1 126	120	1 261
Disposals of companies included in consolidation	47	–270	–667		–937
Translation differences		2 605	2 208	10	4 823
Additions		912	11 116	6 268	18 296
Disposals		–269	–5 626	–60	–5 955
Reclassification		108	735	–843	0
Acquisition costs 31 December 2010		**101 000**	**177 994**	**6 378**	**285 372**
Accumulated depreciation 31 December 2009		**42 112**	**134 059**	**0**	**176 171**
Disposals of companies included in consolidation	47	–194	–665		–859
Translation differences		981	1 748		2 729
Depreciation	37	2 757	11 035		13 792
Impairment losses	38		116		116
Reversal of impairment losses	38				0
Disposals		–196	–4 977		–5 173
Reclassification					0
Accumulated depreciation 31 December 2010		**45 460**	**141 316**	**0**	**186 776**
Net values 31 December 2010		**55 540**	**36 678**	**6 378**	**98 596**
Acquisition costs 31 December 2010		**101 000**	**177 994**	**6 378**	**285 372**
Additions of companies included in consolidation	46	3	289		292
Translation differences		171	294	–13	452
Additions		1 810	15 650	1 830	19 290
Disposals		–105	–16 328	–31	–16 464
Reclassification		2 616	4 012	–6 628	0
Acquisition costs 31 December 2011		**105 495**	**181 911**	**1 536**	**288 942**
Accumulated depreciation 31 December 2010		**45 460**	**141 316**	**0**	**186 776**
Translation differences		198	257		455
Depreciation	37	2 983	11 421		14 404
Impairment losses	38		2 350		2 350
Reversal of impairment losses	38		–23		–23
Disposals			–15 737		–15 737
Reclassification					0
Accumulated depreciation 31 December 2011		**48 641**	**139 584**	**0**	**188 225**
NET VALUES 31 DECEMBER 2011		**56 854**	**42 327**	**1 536**	**100 717**

Land and buildings is divided into developed and undeveloped land with a book value of EUR 9.5 million (previous year EUR 8.5 million) and factory and administration buildings with a balance sheet value of EUR 47.4 million (previous year EUR 47.0 million).

The balance sheet value of capitalised leased financial assets (machinery) was EUR 0.1 million, compared with EUR 0.1 million the previous year.

The fire insurance value of the tangible assets amounted to EUR 264.3 million on the balance sheet date, compared with EUR 256.3 million the previous year.

Land and buildings with a book value of EUR 13.2 million (previous year EUR 13.6 million) were mortgaged to cover debts. The amount of the corresponding credit taken up totalled EUR 5.0 million (previous year EUR 5.3 million). Non-current assets to a balance sheet value of EUR 0.0 million (previous year EUR 0.1 million) were subject to reservation of title on the balance sheet date.

Write-downs of individual capital assets or groups of capital assets, mainly for machinery and tools, were performed within the framework of the annual impairment tests on cash-generating units (CGUs) and assets at the balance sheet date. The five-year plans for the corresponding CGUs (product areas and product lines) were used as a basis. A pre-tax discount rate (WACC) of 9.5% (previous year 10%) was applied to determine the present value (value in use). A zero growth rate was assumed after the projection period.

The breakdown by division of impairment losses and reversals of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on tangible assets of EUR 2.4 million (previous year EUR 0.1 million) are included under Impairment of intangible and tangible assets (see note 38). The bulk of the impairment losses for 2011 relate to the Datatel product area (see note 3).

6 INVESTMENTS IN ASSOCIATED COMPANIES

1 000 EUR	Investment in %	**2011**	2010
Update of investment in associated companies			
AVS Phoenix Mecano GmbH, Vienna (A)	50		
As at 1 January		**502**	**541**
Result		88	86
Dividends paid		–125	–125
AS AT 31 DECEMBER		**465**	**502**
Financial figures AVS Phoenix Mecano GmbH			
Non-current assets		0	0
Current assets		1 266	1 219
Liabilities		337	215
Income		4 080	3 796
Expenses		3 905	3 624

Phoenix Mecano products are sold in Austria through the joint venture AVS Phoenix Mecano GmbH (A). Purchases of goods by Group companies totalled EUR 2.8 million (previous year EUR 2.6 million).

7 OTHER FINANCIAL ASSETS

1 000 EUR	Note No.	2011	2010
Loans		318	841
Investments (under 20%)		228	12
Non-current securities		278	275
Current portion of long-term financial assets	10	–278	–420
Value adjustments		–238	–696
Balance sheet value		**308**	**12**
By currency			
EUR		92	12
Other currencies		216	0
Balance sheet value		**308**	**12**
By maturity			
after 5 years		80	0
none		228	12
Balance sheet value		**308**	**12**
Interest rates (loans)			
EUR		4.2%	5.9%

The loans are fixed rate.

The increase in investments is due to the acquisition of a 9.9% minority shareholding in Milper Ltd., a company headquartered in Israel.

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

1 000 EUR	Note No.	2011	2010
Update of value adjustment on other financial assets			
As at 1 January		**696**	**839**
Reversal of value adjustment (inflow of funds)	40	–170	–60
Reversal of value adjustment (disposal)		–288	–83
AS AT 31 DECEMBER		**238**	**696**

8 INVENTORIES

1 000 EUR	2011	2010
Raw and ancillary materials	93 040	84 802
Work in progress	6 086	7 062
Finished goods and merchandise for resale	48 547	51 383
Advance payments	891	763
Value adjustments	–15 684	–11 716
BALANCE SHEET VALUE	**132 880**	**132 294**

The value adjustments were determined based on marketability and range of the stocks. Value adjustments and losses on inventories totalling EUR 6.9 million (previous year EUR –0.1 million) are included in the statement of income under Other operating expenses (see note 39). The increase in value adjustments compared with the previous year is due to higher stock risks in the worsened economic environment in individual product areas.

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2011 and 2010.

9 TRADE RECEIVABLES

	2011	2010
1 000 EUR		
Trade receivables	58 175	55 351
Receivables due from associated companies	47	90
Value adjustments	–2 597	–3 175
Balance sheet value	**55 625**	**52 266**
By currency of trade receivables		
CHF	1 682	2 013
EUR	34 616	34 803
USD	5 865	5 312
HUF	60	151
Other currencies	13 402	9 987
Balance sheet value	**55 625**	**52 266**
Regional breakdown of trade receivables		
Switzerland	2 044	2 350
Germany	11 985	11 348
UK	2 442	2 548
France	4 379	4 081
Italy	4 665	5 206
Netherlands	1 995	1 764
Rest of Europe	9 167	9 563
North and South America	6 696	6 631
Middle and Far East	12 252	8 775
Balance sheet value	**55 625**	**52 266**
Update of value adjustment on trade receivables		
Individual value adjustments		
As at 1 January	**1 696**	**1 992**
Change	–188	–296
As at 31 December	**1 508**	**1 696**
Flat-rate value adjustments		
As at 1 January	**1 479**	**1 665**
Change	–390	–186
As at 31 December	**1 089**	**1 479**
TOTAL	**2 597**	**3 175**

	2011		2010	
1 000 EUR	Gross	Value adjustment	Gross	Value adjustment
Aging analysis of trade receivables not subject to individual value adjustments				
Gross values	58 222		55 441	
Gross value of receivables subject to individual value adjustments	–1 613		–1 957	
Total	**56 609**		**53 484**	
of which:				
Not due	42 650		40 888	
Overdue for 1–30 days	10 558		7 766	
Overdue for 31–60 days	1 739		2 549	
Overdue for 61–90 days	372	90	420	91
Overdue for 91–180 days	384	157	562	211
Overdue for more than 180 days	906	842	1 299	1 177
TOTAL	**56 609**	**1 089**	**53 484**	**1 479**

The average payment term was unchanged from the previous year at 45 days.

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

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

10 OTHER RECEIVABLES

1 000 EUR	Note No.	2011	2010
Tax receivables from VAT and other taxes		3 734	4 616
Current portion of long-term financial assets	7	278	420
Financial receivables		1 544	1 704
Other		2 273	1 796
BALANCE SHEET VALUE		**7 829**	**8 536**

The financial receivables relate mainly to deposits receivable from agreements providing for part-time work for older employees in Germany, which are listed in EUR, yield an interest rate of 2.1% (previous year 2.5%) and are secured by liens in favour of the employees concerned.

11 CURRENT SECURITIES

1 000 EUR	2011	2010
Available-for-sale securities		
Shares and equity funds	126	417
Bonds and bond funds	6 537	5 858
Balance sheet value	**6 663**	**6 275**
By currency		
CHF	127	417
EUR	5 441	5 761
Other currencies	1 095	97
Balance sheet value	**6 663**	**6 275**
By maturity		
in 1 year	2 714	1 407
in 2 years	1 890	1 668
in 3 years	636	1 912
in 4 years	640	423
in 5 years	439	213
after 5 years	39	54
none	305	598
Balance sheet value	**6 663**	**6 275**
Effective interest rate for bonds		
EUR	2.0%	1.9%
Other currencies	8.0%	6.0%

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

	2011	2010
1 000 EUR		
Means of payment		
Cash at bank and in postal accounts	10 467	12 184
Cash on hand and cheques	123	89
Total	**10 590**	**12 273**
Other cash and cash equivalents		
Fixed-term deposits (up to 3 months)	32 910	19 527
Balance sheet value	**43 500**	**31 800**
By currency		
CHF	1 533	1 396
EUR	31 608	20 187
USD	2 932	2 195
HUF	1 572	2 330
Other currencies	5 855	5 692
Balance sheet value	**43 500**	**31 800**
Interest rates		
CHF	0.1%	0.1%
EUR	1.3%	0.7%
USD	0.1%	0.2%
HUF	6.0%	4.6%

13 SHARE CAPITAL

In the previous year, pursuant to a decision by the Shareholders' General Meeting of 28 May 2010, the share capital of Phoenix Mecano AG was reduced from CHF 988 000 to CHF 978 000 (CHF is the statutory currency of Phoenix Mecano AG) through the cancellation of 10 000 shares from the 2008/2009 share buy-back programme, with effect from 2 September 2010.

The share capital is fully paid up and divided into 978 000 bearer shares (previous year 978 000) with a nominal value of CHF 1.00. The conversion into euro is effected at the historical exchange rate of 0.622. There is no authorised or contingent capital.

The principal shareholders of Phoenix Mecano AG are:

in %		2011	2010
Name	**Head office**		
Planalto AG	Luxembourg City, Luxembourg	33.7*	33.7
Tweedy, Browne Company LLC	New York, USA	7.9*	7.9*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	*	< 3.0
Massachusetts Mutual Life Insurance Company (ultimate parent company of OppenheimerFunds Inc., New York, USA)	Springfield, USA	6.1	6.1
Sarasin Investmentfonds AG	Basel, Switzerland	5.4*	5.4*

* Stake not reported in the year indicated.

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

14 TREASURY SHARES

	Number of shares		Acquisition costs	
Number/1 000 EUR	2011	2010	2011	2010
As at 1 January	**5 459**	**19 202**	**1 779**	**5 290**
Share purchases	798	1 737	401	644
Share sales	–1 737	–5 480	–530	–1 756
Capital decrease	0	–10 000	0	–2 399
AS AT 31 DECEMBER	**4 520**	**5 459**	**1 650**	**1 779**

A total of 10 000 shares were bought back under the 2008/2009 share buy-back programme and cancelled in 2010.

Detailed information on the purchases and sales effected in 2011 can be found in the notes to the financial statements of Phoenix Mecano AG on page 148 (see note 5).

15 MINORITY INTEREST

The principal minority shareholders' interests are:

in %	2011	2010
Phoenix Mecano Australia Pty Ltd.	30	30
Phoenix Mecano Mazaka AŞ	9	30
Phoenix Mecano S.E. Asia Pte Ltd. (Singapore)	25	25
Phoenix Mecano Korea Co., Ltd.	25	25
Sistemas Phoenix Mecano España S.A.	10	10
RK Schmidt Systemtechnik GmbH	10	10

In 2011, one of the two minority shareholders of Phoenix Mecano Mazaka AŞ sold its equity stake to the Phoenix Mecano Group (see statement of changes in equity).

16 LIABILITIES FROM FINANCIAL LEASING

1 000 EUR	Note No.	2011	2010
Minimum leasing commitments			
Minimum leasing commitments due within 1 year		39	79
Minimum leasing commitments due within 1–5 years		0	41
Total		**39**	**120**
less future interest charge		–1	–9
Present value of leasing commitments		**38**	**111**
less current portion	23	–38	–73
Balance sheet value (long-term portion)		**0**	**38**
By currency			
EUR		0	38
Balance sheet value (long-term portion)		**0**	**38**
By maturity			
in 2 years		0	38
BALANCE SHEET VALUE		**0**	**38**

The average interest rate for liabilities from financial leasing was 8.0% (previous year 8.0%).

17 OTHER LONG-TERM FINANCIAL LIABILITIES

1 000 EUR	Note No.	2011	2010
Liabilities to financial institutions		33 796	29 965
Residual purchase price liabilities from acquisitions		17 667	16 507
Other financial liabilities		101	0
Current portion of long-term financial liabilities	23	–10 113	–12 822
Balance sheet value		**41 451**	**33 650**
By currency			
CHF		13 152	8 812
EUR		11 630	9 372
USD		37	82
CNY		16 632	15 384
Balance sheet value		**41 451**	**33 650**
By maturity			
in 2 years		8 521	8 292
in 3 years		23 062	5 788
in 4 years		6 559	16 868
in 5 years		3 259	2 464
after 5 years		50	238
Balance sheet value		**41 451**	**33 650**
Interest rates			
CHF		2.1%	2.5%
EUR		3.2%	3.2%
USD		3.5%	3.5%
CNY		5.0%	5.0%

For Okin Refined Electric Technology Co., Ltd., acquired in 2010, there is a purchase commitment for the remaining shares held by a third party, resulting from a call and put option totalling EUR 17.6 million. This residual purchase price payment was discounted to the balance sheet date (see note 46).

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

In principle, all liabilities to financial institutions are fixed rate. A receiver swap totalling EUR 1.0 million was used to secure variable interest rates (see note 18) for a loan in EUR maturing within one year.

There are no covenants.

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Contract values		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2011	2010	2011	2010	2011	2010
1 000 EUR						
Forward exchange contracts by currency						
CHF	2 466	2 403	0	213	35	0
USD	500	1 500	0	249	20	0
HUF	24 800	16 800	0	1 023	2 715	0
RON	4 800	5 800	58	7	12	54
CNY	13 105	0	0	0	336	0
Other currencies	211	500	9	31	0	0
Total	**45 882**	**27 003**	**67**	**1 523**	**3 118**	**54**
Forward exchange contracts by maturity						
in 1 year			67	1 403	1 205	30
in 2 years			0	120	1 149	24
in 3 years			0	0	764	0
Total			**67**	**1 523**	**3 118**	**54**
of which classified as:						
Cash flow hedge			58	1 243	2 727	54
Trading			9	280	391	0
Total			**67**	**1 523**	**3 118**	**54**
Interest rate change contracts by currency						
EUR	6 000	10 000	16	138	129	108
CHF	2 466	2 403	0	65	73	0
USD	3 474	0	0	0	29	0
Total	**11 940**	**12 403**	**16**	**203**	**231**	**108**
Interest rate change contracts by maturity						
in 1 year			16	186	231	108
in 2 years			0	17	0	0
Total			**16**	**203**	**231**	**108**
of which classified as:						
Fair value hedge			16	138	0	0
Trading			0	65	231	108
Total			**16**	**203**	**231**	**108**
Net balance sheet value by maturity						
Total long-term			0	137	1 913	24
Total short-term			83	1 589	1 436	138
NET BALANCE SHEET VALUE			**83**	**1 726**	**3 349**	**162**

The forward exchange purchases of HUF and RON for EUR, and in addition CHF for EUR in the previous year, are treated as a cash flow hedge and are used for partial hedging of the planned operating expenses in Hungary and Romania, as well as for the Phoenix Mecano AG dividend payment in the previous year. The timing and amounts of future cash flows from forward exchange contracts can be seen in the maturity table in note 27. The corresponding hedges were effective in the reporting period. The other forward exchange contracts in the consolidated financial statements to 31 December 2011 and 31 December 2010 are held for trading purposes.

A receiver swap totalling EUR 1 million (previous year EUR 5 million) was used to secure variable interest rates on an underlying fixed-rate loan. This interest rate change contract in EUR is treated as a fair value hedge. The other interest rate change contracts relate to payer swaps in EUR, CHF and USD and are held for trading purposes in the consolidated financial statements to 31 December 2011 and 31 December 2010.

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

19 PROVISIONS

1 000 EUR	Provisions for long-term employee benefits: Pension obligations	Provisions for long-term employee benefits: Other	Guarantee provisions	Other provisions	2011 Total	2010 Total
Provisions as at 1 January	**4 643**	**4 200**	**3 925**	**10 156**	**22 924**	**20 214**
Change in scope of consolidation	117	24	15	105	261	48
Translation differences	11	0	15	–66	–40	319
Usage	–216	–622	–1 202	–4 914	–6 954	–4 946
Releases	–41	–127	–757	–1 794	–2 719	–1 704
Allocation	330	806	1 587	7 933	10 656	8 993
PROVISIONS AS AT 31 DECEMBER	**4 844**	**4 281**	**3 583**	**11 420**	**24 128**	**22 924**
Due within 1 year	286	983	3 402	9 023	13 694	12 495
Due after 1 year	4 558	3 298	181	2 397	10 434	10 429

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).

Other provisions include provisions for short-term payments to employees (e.g. indemnities and salary bonuses) totalling EUR 4.4 million (previous year EUR 5.7 million), and provisions for lawsuit risks and other conceivable risks or contingent obligations. A further EUR 2.2 million (including EUR 1.9 million for indemnities) relates to a restructuring provision set aside in 2011 for the restructuring and relocation of logistics and technical functions from Germany to Hungary in the DewertOkin product area (Mechanical Components division).

20 PENSION OBLIGATIONS

FINANCIAL POSITION OF DEFINED BENEFIT PENSION PLANS AS AT 31 DECEMBER 2011 AND 2010		2011	2010
1 000 EUR	Note No.		
Present value of defined benefit obligations			
As at 1 January		**17 683**	**13 732**
Service costs		1 088	970
Interest expense		570	498
Capital		607	656
Pension payments		–907	–1 119
Actuarial (gains)/losses		830	957
Translation differences		398	1 989
As at 31 December		**20 269**	**17 683**
Market value of plan assets			
As at 1 January		**11 379**	**8 422**
Expected return		317	249
Employer contributions		581	489
Employee contributions		522	435
Capital		481	656
Pension payments		–689	–585
Actuarial gains/(losses)		126	–4
Translation differences		315	1 717
As at 31 December		**13 032**	**11 379**
Net balance sheet value of pension obligations			
Present value of defined benefit obligations financed using a pension fund		–15 786	–13 385
Fair value of plan assets		13 032	11 379
		–2 754	–2 006
Present value of defined benefit obligations not financed using a pension fund		–4 483	–4 298
Unrecognised actuarial (gains)/losses		2 393	1 661
NET BALANCE SHEET VALUE OF DEFINED BENEFIT PLANS (PROVISION)	19	**–4 844**	**–4 643**

Table continued on page 119

Table continued from page 118

1 000 EUR	2011	2010	2009	2008	2007
Pension expense					
Service costs	1 088	970			
Interest expense	570	498			
Expected return	–317	–249			
Employee contributions	–522	–435			
Amortisation of actuarial (gains)/losses	24	0			
Pension expense for defined benefit plans	**843**	**784**			
Pension expense for defined contribution plans	**469**	**363**			
PENSION EXPENSE	**1 312**	**1 147**			
Actuarial assumptions					
Weighted discount rate	2.8%	3.2%			
Expected return on plan assets	2.3%	2.8%			
Weighted expected rate of salary increase	1.7%	1.7%			
Weighted expected rate of pension increase	0.3%	0.7%			
Funding of defined benefit pension obligations					
Plan assets	13 032	11 379	8 422	8 926	7 274
Pension plan obligations	20 269	17 683	13 732	13 136	10 539
Funding difference	**–7 237**	**–6 304**	**–5 310**	**–4 210**	**–3 265**
of which recognised in the balance sheet as provisions	–4 844	–4 643	–4 802	–4 614	–3 612
Experience adjustment of plan assets and benefit obligations					
Actuarial and experience adjustment of plan assets	127	–4	–64	70	154
Actuarial and experience adjustment of benefit obligations	343	–305	–225	–53	978

The expected 2.3% (previous year 2.8%) 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 2012 is EUR 0.6 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 19).

21 DEFERRED TAX

1 000 EUR	2011	2010
Deferred tax assets		
on: Non-current assets	963	834
Inventories	2 793	2 404
Receivables	273	353
Provisions	1 193	1 310
Other	858	505
Deferred tax assets on temporary differences	**6 080**	**5 406**
Deferred tax on losses carried forward	5 377	7 807
Total deferred tax assets	**11 457**	**13 213**
Netting with deferred tax liabilities	–1 867	–2 145
Value adjustments on deferred taxes on losses carried forward	–3 219	–7 129
Value adjustments on deferred taxes on non-current assets	–272	–385
Value adjustments on deferred taxes on inventories	–225	–246
Value adjustments on deferred taxes on receivables	0	–114
Value adjustments on deferred taxes on provisions	–228	–330
Value adjustments on deferred taxes on other	–51	–32
Balance sheet value	**5 595**	**2 832**
Deferred tax liabilities		
on: Non-current assets	–5 780	–6 224
Inventories	–1 106	–1 101
Receivables	–147	–107
Provisions	–107	–64
Other	–72	–303
Total deferred tax liabilities	**–7 212**	**–7 799**
Netting with deferred tax assets	1 867	2 145
Balance sheet value	**–5 345**	**–5 654**
NET POSITION DEFERRED TAX	**250**	**–2 822**
Trend of deferred tax		
As at 1 January	**–2 822**	**–2 690**
Changes of tax rate recognised in the statement of income	–178	14
Translation differences	–7	–52
Change in scope of consolidation	–859	–3 201
Reduction/(increase) in value adjustments on fluctuations in fair value of cash flow hedges not affecting income	568	7
Change in temporary differences recognised in the statement of income	3 548	3 100
AS AT 31 DECEMBER	**250**	**–2 822**

Table continued on page 121

Table continued from page 120

1 000 EUR	2011	2010
Non-capitalised tax losses carried forward		
Up to 1 year	1 018	1 325
1–2 years	0	4 597
2–3 years	670	1 084
3–4 years	626	670
4–5 years	206	831
Over 5 years	15 236	21 958
TOTAL	**17 756**	**30 465**

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 17.8 million (previous year EUR 30.5 million), a value adjustment of the resulting tax savings of EUR 3.2 million (previous year EUR 7.1 million) was made on the balance sheet date. The reasons for the net decrease in non-capitalised tax losses carried forward are: expiry associated with discontinued operations, use and capitalisation based on expected realisability. Of the tax losses carried forward which expire after five years, EUR 12.3 million (previous year EUR 17.1 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period.

The deferred tax assets (previous year deferred tax liabilities) include deferred tax totalling EUR 0.4 million (previous year EUR 0.2 million) on fluctuations in fair value on cash flow hedges posted without affecting income.

Valuation differences on investments in fully consolidated companies and residual purchase price liabilities from acquisitions on which no deferred tax has been calculated totalled EUR 55.9 million (previous year EUR 47.4 million).

22 TRADE PAYABLES

1 000 EUR	2011	2010
Trade payables	19 696	20 434
Balance sheet value	**19 696**	**20 434**
By currency		
CHF	1 077	967
EUR	9 942	13 309
USD	2 784	2 626
HUF	216	270
Other currencies	5 677	3 262
BALANCE SHEET VALUE	**19 696**	**20 434**

23 SHORT-TERM FINANCIAL LIABILITIES

1 000 EUR	Note No.	2011	2010
Liabilities to financial institutions		15 685	15 850
Residual purchase price liabilities from acquisitions		0	494
Other		202	10
Current portion of			
– Liabilities from financial leasing	16	38	73
– Other financial liabilities	17	10 113	12 822
Balance sheet value		**26 038**	**29 249**
By currency			
CHF		8 384	10 904
EUR		11 172	14 295
USD		5 497	3 916
CNY		979	0
Other currencies		6	134
Balance sheet value		**26 038**	**29 249**
By maturity			
in < 3 months		16 760	17 070
in 3–6 months		7 046	5 934
in 6–12 months		2 232	6 245
Balance sheet value		**26 038**	**29 249**
Interest rates			
CHF		1.6%	1.8%
EUR		2.6%	3.4%
USD		2.1%	1.6%
CNY		5.0%	n/a
Other currencies		8.0%	8.2%

24 OTHER LIABILITIES

1 000 EUR	2011	2010
Social security liabilities	1 273	1 394
Liabilities to employees	5 517	4 788
Liabilities arising from VAT and other taxes	4 575	6 242
Other	2 835	5 636
BALANCE SHEET VALUE	**14 200**	**18 060**

25 CATEGORIES OF FINANCIAL INSTRUMENTS

As at 31 December 2011 and 31 December 2010, the book values of financial assets and liabilities (including long-term fixed-interest financial liabilities), as shown below, correspond approximately to the IFRS fair value. The difference is EUR 1.2 million (previous year EUR 0.6 million).

1 000 EUR	Note No.	2011	2010
Other financial assets	7	308	12
Trade receivables	9	55 625	52 266
Other receivables (excluding VAT and other taxes)	10	4 095	3 920
Cash and cash equivalents (excluding cash on hand)	12	43 377	31 711
Loans and receivables		**103 405**	**87 909**
Current securities	11	6 663	6 275
Available-for-sale financial assets		**6 663**	**6 275**
Derivative financial instruments (not used for hedging)	18	9	345
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		**9**	**345**
Liabilities from financial leasing	16	0	–38
Financial liabilities (excluding residual purchase price liabilities)	17, 23	–49 822	–45 898
Trade payables	22	–19 696	–20 434
Other liabilities (excluding social security, employees, VAT and other taxes)	24	–2 835	–5 636
Liabilities at amortised cost		**–72 353**	**–72 006**
Derivative financial instruments (not used for hedging)	18	–622	–108
Residual purchase price liabilities from acquisitions	17, 23	–17 667	–17 001
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		**–18 289**	**–17 109**

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

1 000 EUR	Note No.	2011	2010	Hierarchy
Financial assets measured at market value:				
Current securities	11	6 663	6 275	Level 1
Derivative financial instruments	18	83	1 726	Level 2
TOTAL		**6 746**	**8 001**	
Financial assets measured at market value:				
Derivative financial instruments	18	–3 349	–162	Level 2
Residual purchase price liabilities form acquisitions	17, 23	–17 667	–17 001	Level 3
TOTAL		**–21 016**	**–17 163**	

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 following table provides an update on Level 3 financial liabilities:

1 000 EUR	2011	2010
Balance as at 1 January	**17 001**	**1 534**
Additions of companies included in consolidation	0	15 862
Currency differences	1 050	0
Usage	–1 900	–716
Releases (Other financial income)	0	0
Allocation (Other financial expense)	723	271
Interest expense	793	50
BALANCE AS AT 31 DECEMBER	**17 667**	**17 001**

The residual purchase price liabilities may alter owing to a change in exchange rates (see note 27), a change in the interest rate or a change in the parameters for determining the residual purchase price (see note 46).

26 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.

27 FINANCIAL RISK MANAGEMENT

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

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

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

1 000 EUR	Note No.	2011	2010
Other financial assets	7	308	12
Derivative financial instruments	18	83	1 726
Trade receivables	9	55 625	52 266
Other receivables (excluding tax receivables from VAT and other taxes)	10	4 095	3 920
Current securities	11	6 663	6 275
Cash and cash equivalents (excluding cash on hand)	12	43 377	31 711
TOTAL		**110 151**	**95 910**

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 2011, unused credit lines with major banks totalled EUR 60.1 million (previous year EUR 49.4 million).

MATURITY ANALYSIS AS AT 31 DECEMBER 2011

1 000 EUR	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	19 696	–19 696	–19 050	–536	–110		
Other liabilities (excluding social security, employees, VAT and other taxes)	2 835	–2 835	–2 835				
Financial liabilities (excluding financial leasing)	67 451	–71 248	–16 932	–7 361	–2 535	–44 363	–57
Liabilities from financial leasing (long- and short-term)	38	–39	–9	–30			
TOTAL	**90 020**	**–93 818**	**–38 826**	**–7 927**	**–2 645**	**–44 363**	**–57**
Derivative financial instruments							
Interest rate swap							
Fair value hedge	–16	16		16			
Trading	231	–231	–231				
Forward exchange transaction							
Cash flow hedge: outflow of funds		–29 600	–2 850	–3 350	–8 200	–15 200	
Cash flow hedge: inflow of funds	2 669	26 931	2 758	3 197	7 689	13 287	
Trading: outflow of funds		–16 282	–16 282				
Trading: inflow of funds	382	15 900	15 900				
TOTAL	**93 286**	**–97 084**	**–39 531**	**–8 064**	**–3 156**	**–46 276**	**–57**

MATURITY ANALYSIS AS AT 31 DECEMBER 2010

1 000 EUR	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	20 434	–20 434	–19 883	–347	–204		
Other liabilities (excluding social security, employees, VAT and other taxes)	5 636	–5 636	–5 636				
Financial liabilities (excluding financial leasing)	62 826	–66 897	–17 224	–6 295	–6 550	–36 582	–246
Liabilities from financial leasing (long- and short-term)	111	–120	–20	–19	–40	–41	
TOTAL	**89 007**	**–93 087**	**–42 763**	**–6 661**	**–6 794**	**–36 623**	**–246**
Derivative financial instruments							
Interest rate swap							
Cash flow hedge	–138	138		87	34	17	
Fair value hedge	43	–43	–43				
Forward exchange transaction							
Cash flow hedge: outflow of funds		–25 003	–3 100	–5 703	–7 400	–8 800	
Cash flow hedge: inflow of funds	–1 189	26 192	3 347	6 140	7 809	8 896	
Trading: outflow of funds		–2 000	–2 000				
Trading: inflow of funds	–280	2 280	2 280				
TOTAL	**87 443**	**–91 523**	**–42 279**	**–6 137**	**–6 351**	**–36 510**	**–246**

Contingent liabilities (see note 29) represent a potential outflow of funds.

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

Currency risk Although it generates 61% of its sales in the euro area (previous year 65%) and a significant portion of its expenditure is in EUR, the Phoenix Mecano Group operates internationally and is therefore exposed to a foreign currency risk. Aside from EUR, transactions are conducted principally in CHF, USD, HUF and CNY. Foreign currency risks arise from expected future transactions and from assets and liabilities recorded in the balance sheet, where these are not in the functional currency of the respective Group company. To hedge such risks from expected future transactions, the Phoenix Mecano Group enters into forward exchange contracts with reputable counterparties as and when necessary, or uses foreign currency options. This hedging relates mainly to planned expenditure in local currency (in companies whose functional currency is not the same as the local currency) at major production locations – primarily Hungary – and occasionally in USD, CHF, GBP, CNY and AUD, with hedges declining as a proportion of the planned currency exposure the further ahead the transaction is due to take place.

The extent of the items to be hedged is reviewed regularly. Such hedges cover a maximum period of three years. The Group realises both income and expenditure in USD and aims to minimise the resulting currency exposure primarily by means of operational measures (alignment of income and expenditure flows).

Financing from financial institutions is mainly in EUR, CHF and USD and is recorded by Group companies in the relevant functional currency. An exception to this is a USD financing arrangement relating to Phoenix Mecano AG and Phoenix Mecano Hong Kong Ltd. There is also a residual purchase price liability from an acquisition in CNY at a subsidiary that draws up its balance sheet in EUR. The resulting currency risk has been reduced compared with the previous year by means of appropriate currency hedges (via non-deliverable forward contracts) totalling CNY 107 million.

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 2011

Non-derivative financial instruments	EUR	CHF	USD	HUF	CNY
1 000 EUR					
Trade receivables	2 684		936	58	
Cash and cash equivalents	977	22	1 712	1 572	
Trade payables	–55	–26	–1 390	–210	
Financial liabilities			–3 474		–14 226
Total	**3 606**	**–4**	**–2 216**	**1 420**	**–14 226**
Forward exchange transactions		2 501	–480		13 441
NET RISK	**3 606**	**2 497**	**–2 696**	**1 420**	**–785**

CURRENCY RISK AS AT 31 DECEMBER 2010

Non-derivative financial instruments	EUR	CHF	USD	HUF	CNY
1 000 EUR					
Trade receivables	2 971		558	140	
Cash and cash equivalents	1 740	48	566	2 142	
Trade payables	–157	–56	–1 391	–219	
Financial liabilities			–3 828		–15 384
Total	**4 554**	**–8**	**–4 095**	**2 063**	**–15 384**
Forward exchange transactions			–1 749		
NET RISK	**4 554**	**–8**	**–5 844**	**2 063**	**– 15 384**

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

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2011

Sensitivity analysis	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY	USD/CNY
1 000 EUR						
CHANGE IN RESULT OF THE PERIOD (+/–)	**146**	**189**	**47**	**135**	**1 026**	**922**

SENSITIVITY ANALYSIS AS AT 31 DECEMBER 2010

Sensitivity analysis	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY
1 000 EUR					
CHANGE IN RESULT OF THE PERIOD (+/–)	**95**	**218**	**76**	**206**	**1 620**

On 31 December 2011, equity would have been EUR 2.1 million (previous year EUR 1.9 million) lower if the exchange rate had been 10% higher and EUR 2.5 million (previous year EUR 2.4 million) higher if the exchange rate had been 10% lower, on account of forward exchange contracts classified as cash flow hedges.

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

Sensitivity analyses as at 31 December 2011 and 2010 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 2011 would have been EUR 0.2 million (previous year: 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 2011 or 31 December 2010, would have been less than EUR 0.1 million, assuming all other variables had remained constant.

28 CAPITAL MANAGEMENT

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

To this end, the Group aims to maintain a long-term equity ratio of at least 40%. The dividend policy of the Phoenix Mecano Group specifies a payout ratio of 20–30% of sustainable net profit. Capital increases should be avoided as far as possible in order to prevent profit dilution. Where appropriate, the Group uses share buy-backs as a means of adjusting its capital structure and reducing capital costs.

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

Net indebtedness as at 31 December 2011 and 31 December 2010 was as follows:

1 000 EUR	Note No.	2011	2010
Liabilities from financial leasing	16	0	38
Other long-term financial liabilities	17	41 451	33 650
Short-term financial liabilities	23	26 038	29 249
Interest-bearing liabilities		**67 489**	**62 937**
less current securities	11	6 663	6 275
less cash and cash equivalents	12	43 500	31 800
NET INDEBTEDNESS		**17 326**	**24 862**
Equity		248 106	236 226
Gearing		**7.0%**	**10.5%**

29 CONTINGENT LIABILITIES

1 000 EUR	2011	2010
Sureties and guarantees	1 052	751
Commitments from bills of exchange	33	19
TOTAL	**1 085**	**770**

30 COMMITMENTS TO PURCHASE TANGIBLE ASSETS

The purchase commitment for tangible assets as at 31 December 2011 was EUR 2.2 million (previous year EUR 5.5 million). The reduction compared with the previous year is due to the completed construction project in Hungary.

31 OPERATING LEASES, RENT AND LEASEHOLD RENT

1 000 EUR	2011	2010
Minimum commitments due within 1 year	3 014	2 636
Minimum commitments due within 1–5 years	5 902	5 859
Minimum commitments due after 5 years	5 724	5 164
MINIMUM OPERATING LEASING, RENT AND LEASEHOLD RENT COMMITMENTS	**14 640**	**13 659**
Minimum claims due within 1 year	96	50
MINIMUM CLAIMS FROM RENT/LEASEHOLD RENT	**96**	**50**

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

32 GROSS SALES

1 000 EUR	2011	2010
Gross sales	529 755	501 558
TOTAL	**529 755**	**501 558**

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 were up by 5.6% compared to prior year (previous year 26.4%). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by 0.1% and 4.0% respectively (previous year 2.3% and 1.9% respectively).

33 OTHER OPERATING INCOME

1 000 EUR	2011	2010
Reimbursement from insurance	610	684
Gains on the disposal of intangible and tangible assets	266	212
Government subsidies	365	160
Other	2 658	3 552
TOTAL	**3 899**	**4 608**

34 COST OF MATERIALS

1 000 EUR	2011	2010
Cost of raw and ancillary materials, merchandise for resale and external services	238 011	241 141
Incidental acquisition costs	8 919	9 087
TOTAL	**246 930**	**250 228**

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

35 PERSONNEL EXPENSES

1 000 EUR	2011	2010
Wages and salaries	115 315	105 532
Social costs	22 996	21 933
Supplementary staff costs	4 974	4 198
TOTAL	**143 285**	**131 663**

36 AMORTISATION OF INTANGIBLE ASSETS

1 000 EUR	2011	2010
Concessions, licences, similar rights and assets	5 332	3 605
Development services	347	427
TOTAL	**5 679**	**4 032**

37 DEPRECIATION ON TANGIBLE ASSETS

1 000 EUR	2011	2010
Land and buildings	2 983	2 757
Machinery and equipment	11 421	11 035
TOTAL	**14 404**	**13 792**

38 IMPAIRMENT OF INTANGIBLE AND TANGIBLE ASSETS

1 000 EUR	Note No.	2011	2010
Reversal of impairment losses on intangible and tangible assets	4, 5	–72	0
Impairment losses on goodwill	3	6 930	0
Impairment losses on other intangible assets	4	2 694	628
Impairment losses on tangible assets	5	2 350	116
TOTAL		**11 902**	**744**

39 OTHER OPERATING EXPENSES

1 000 EUR	Note No.	2011	2010
External development costs		717	564
Establishment expenses		20 196	19 061
Rent, leasehold rent, leases		3 838	3 909
Administration expenses		7 352	7 118
Advertising expenses		3 700	3 086
Sales expenses		16 759	16 219
Losses from the disposal of intangible and tangible assets		364	280
Losses and value adjustments on inventories	8	6 920	–118
Capital and other taxes		565	833
Other		6 226	5 569
TOTAL		**66 637**	**56 521**

Total development costs, including internal costs, amounted to EUR 5.0 million (previous year EUR 5.4 million).

40 FINANCIAL INCOME

1 000 EUR	Note No.	2011	2010
Interest income from third parties		804	670
Fair value hedge gain (on underlying transaction)	18	122	310
Gain from financial assets at fair value through profit or loss (trading derivative)	18	0	86
Exchange rate gains		2 972	2 568
Value adjustment on financial assets	7	170	60
Other financial income		244	533
TOTAL		**4 312**	**4 227**

41 FINANCIAL EXPENSES

1 000 EUR	Note No.	2011	2010
Interest expense		1 479	1 133
Interest expense for accrued interest on residual purchase price liability		793	50
Fair value hedge loss (from derivative financial instruments)	18	122	310
Loss from financial assets at fair value through profit or loss (trading derivative)	18	850	69
Exchange rate losses		4 415	3 200
Loss from disposal of Group companies	47	17	528
Other financial expense		1 021	768
TOTAL		8 697	6 058

Other financial expense includes the adjustment (recognised in the statement of income) of residual purchase price liabilities from acquisitions totalling EUR 0.7 million (previous year EUR 0.3 million).

42 INCOME TAX

1 000 EUR		2011	2010
Current income tax		11 529	10 077
Deferred tax		–3 370	–3 114
Income tax		**8 159**	**6 963**
Reconciliation from theoretical to effective income tax:			
Result before tax		**31 804**	**50 847**
Theoretical income tax		**7 721**	**12 221**
Weighted income tax rate	in %	**24.3**	**24.0**
Changes of tax rate deferred tax		178	–14
Tax-free income		–398	–106
Non-deductible expenses		3 397	1 498
Tax effect on losses in the reporting year		111	173
Tax effect of losses carried forward from previous years		–2 309	–1 158
Income tax relating to other periods		–382	–5 226
Other		–159	–425
EFFECTIVE INCOME TAX		8 159	6 963
Effective income tax rate	in %	**25.7**	**13.7**

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

The increase in non-deductible expenses in 2011 was owing to a devaluation of goodwill (see note 3) not affecting tax.

The income from income tax relating to other periods in 2010 resulted largely from the disappearance of tax risks from earlier tax periods.

In addition to the deferred taxes presented above, EUR 0.6 million (previous year EUR 0.0 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 note 21).

43 EARNINGS PER SHARE

1 000 EUR	2011	2010
Result		
of the period attributable to shareholders of the parent company	**23 170**	**43 635**
Number of shares		
Shares issued on 1 January	978 000	988 000
Capital decrease	0	–10 000
Treasury shares (annual average)	–4 579	–8 224
SHARES OUTSTANDING	**973 421**	**969 776**
Basis for diluted earnings per share	**973 421**	**969 776**
Basis for undiluted earnings per share	**973 421**	**969 776**

44 OPERATING CASH FLOW

1 000 EUR	Note No.	2011	2010
Operating result		36 101	52 592
Amortisation of intangible assets	36	5 679	4 032
Depreciation on tangible assets	37	14 404	13 792
Impairment of intangible and tangible assets	38	11 902	744
OPERATING CASH FLOW		**68 086**	**71 160**

45 FREE CASH FLOW

1 000 EUR	Note No.	2011	2010
Cash flow from operating activities		44 617	29 361
Purchases of intangible assets	4	–1 583	–1 347
Purchases of tangible assets	5	–19 290	–18 296
Disinvestments in intangible assets		30	40
Disinvestments in tangible assets		653	1 915
FREE CASH FLOW (BEFORE FINANCIAL INVESTMENTS)		**24 427**	**11 673**

46 ACQUISITION OF GROUP COMPANIES

The acquired assets and assumed liabilities break down as follows (2011: provisional):

1 000 EUR	2011 Fair value	2010 Fair value
Customer base	1 284	4 930
Other intangible assets	1 463	11 851
Tangible assets	292	1 261
Other non-current assets	0	0
Other current assets	1 622	5 806
Cash and cash equivalents	7	2 067
Liabilities	–1 835	–6 707
Identifiable net assets	**2 833**	**19 208**
Goodwill from acquisition	1 843	17 635
Purchase price	**–4 676**	**–36 843**
Residual purchase price liability	0	15 862
Assumed liabilities	276	0
Cash and cash equivalents acquired	7	2 067
CHANGE IN FUNDS	**– 4 393**	**–18 914**

On 1 June 2011, the Phoenix Mecano Group acquired full ownership of Platthaus GmbH Elektrotechnische Fabrik, Alsdorf (D), a company that manufactures power quality products such as air-core transformers, filters and chokes for grid feed-in, used primarily in the renewable energy and innovative drive and control technology markets. Part of the purchase price was dependent on future business development in 2011 and would only be paid in 2012 if the agreed criterion were met. The provisional purchase price allocation assumed that no residual purchase price obligation would arise. This prediction was subsequently borne out.

The acquired company generated consolidated gross sales of EUR 3.2 million in 2011 and its contribution to the Phoenix Mecano Group's result of the period was EUR –0.9 million. Had the company been consolidated since 1 January 2011, consolidated gross sales would have totalled EUR 533.3 million and consolidated result of the period EUR 23.5 million.

In the previous year, the Phoenix Mecano Group acquired full ownership of Lohse GmbH, Muggensturm (D), on 1 May 2010. Part of the purchase price (EUR 0.5 million) was dependent on future business development and was paid in 2011. With effect from 22 November 2010, the Phoenix Mecano Group acquired a 90% stake in the newly founded company Okin Refined Electric Technology Co., Ltd., based in Jiaxing City, China. A call and put option was agreed for the remaining 10% of the shares, to take effect at the beginning of 2014 at the earliest. The contractual agreement for the residual payment is based on an EBITDA multiple with no upper limit.

The acquired companies generated consolidated gross sales of EUR 3.0 million in 2010 and their contribution to the Phoenix Mecano Group's result of the period was EUR 0.4 million. Had all companies been consolidated since 1 January 2010, consolidated gross sales for 2010 would have totalled EUR 518.1 million and consolidated result of the period EUR 45.6 million.

47 DISPOSAL OF GROUP COMPANIES

1 000 EUR	2011	2010
Tangible assets	0	78
Other current assets	0	536
Cash and cash equivalents	0	17
Liabilities	0	–62
	0	**569**
Translation differences	17	932
Loss from disposal of Group companies	–17	–528
Sale price	**0**	**973**
of which outstanding residual purchase price	0	331
paid as at balance sheet date	**0**	**642**
Disposal of cash and cash equivalents	0	–17
CHANGE IN FUNDS	**0**	**625**

In 2011, the winding-up of two discontinued Group companies, Leonhardy-MCT s.r.l. in the Czech Republic and Phoenix Mecano Tunisie S.à.r.l. in Tunisia, was completed.

The outstanding residual purchase price payment, relating to the disposal of the shareholding in IPES Ltda. in the previous year, was settled in 2011.

48 TRANSACTIONS WITH RELATED PARTIES

1 000 EUR	2011	2010
Chairman of the Board of Directors	106	95
Delegate of the Board of Directors	601	806
Other members of the Board of Directors	113	93
Remuneration of the Board of Directors	**820**	**994**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)	**2 289**	**2 209**
Remuneration of the Board of Directors and Executive Committee	**3 109**	**3 203**
Social security contributions	234	200
Pension obligations	216	207
TOTAL REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE	**3 559**	**3 610**

Transactions with associated companies are presented in notes 6, 9 and 22.

The remuneration of the Executive Committee in the previous year included the pro-rata annual remuneration of the Chief Operating Officer and Chairman of the Executive Committee, Dr Rochus Kobler, who joined the Group on 1 September 2010.

Detailed information on transactions with related parties is provided in the notes to the financial statements of Phoenix Mecano AG on page 151 (see note 19).

No significant transactions with other related parties outside the scope of consolidation took place in 2011 or 2010.

49 EVENTS AFTER THE BALANCE SHEET DATE

Under an asset deal effective 1 January 2012, the Phoenix Mecano Group acquired the business operations of Leveringhaus KG, based in Obergünzburg, Germany. The company is active in the field of membrane keyboards, high-vacuum vaporisation and surface refinement. The business, which is being continued as part of Kundisch GmbH + Co. KG (Enclosures division), generated gross sales of just under EUR 2 million in 2011, with a workforce of 25.

Germany-based company ATON Lichttechnik GmbH was established on 13 January 2012, with the Phoenix Mecano Group holding a 60% stake. The newly founded business is active in the development and marketing of LED light technology for use in street lighting.

On 10 February 2012, the Phoenix Mecano Group acquired full ownership of Integrated Furniture Technologies Ltd., based in Cheltenham, Great Britain. With its patents and expertise in the system integration of fittings and drives for electrically adjustable furniture, the company is a perfect complement for the Mechanical Components division's product portfolio. Part of the purchase price is dependent on future business development and will not be paid until 2015.

The acquired assets and assumed liabilities provisionally break down as follows. The final purchase price allocation will be determined in 2012.

	Fair value
1 000 EUR	
Non-current assets	7 243
Current assets	1 294
Liabilities	–2 102
Acquired net assets	**6 435**
Acquisition costs of investment	**6 435**
PROVISIONAL GOODWILL	**0**

No other events occurred between 31 December 2011 and 30 March 2012 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 2012, the Board of Directors of Phoenix Mecano AG released the 2011 consolidated financial statements for publication. These will be submitted to the Shareholders' General Meeting on 25 May 2012 with a recommendation for their approval.

51 DIVIDEND AND CAPITAL DECREASE

The Board of Directors recommends to the Shareholders' General Meeting of 25 May 2012 that a dividend of CHF 13.00 (CHF is the statutory currency of Phoenix Mecano AG) per share be paid out (see Proposal for the appropriation of retained earnings on page 154). The total outflow of funds is expected to be CHF 12.7 million. The dividend paid out in 2011 was CHF 13.00 (previous year CHF 10.00) per share. The outflow of funds in 2011 was CHF 12.7 million (previous year CHF 9.7 million).

REPORT OF THE STATUTORY AUDITOR

ON THE CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS' GENERAL MEETING OF PHOENIX MECANO AG, STEIN AM RHEIN

As statutory auditor, we have audited the accompanying consolidated financial statements of Phoenix Mecano AG, presented on pages 76 to 140, which comprise the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flow, consolidated statement of changes in equity, and notes for the year ended 31 December 2011.

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 and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

OPINION

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

KPMG AG

Roger Neininger
Licensed Audit Expert
Auditor in Charge

Thomas Lehner
Licensed Audit Expert

Zurich, 30 March 2012

FIVE-YEAR OVERVIEW

1 000 EUR	2011	2010	2009	2008	2007
CONSOLIDATED BALANCE SHEET					
Total	389 796	381 433	301 100	294 042	287 643
Non-current assets	139 993	142 862	105 003	106 482[1]	98 500[1]
in % of total assets	35.9	37.5	34.9	36.2	34.2
Tangible assets	100 717	98 596	91 713	90 148[1]	89 331[1]
Current assets	249 803	238 571	196 097	187 560[1]	189 143[1]
in % of total assets	64.1	62.5	65.1	63.8	65.8
Inventories	132 880	132 294	88 158	90 889[1]	86 059[1]
Cash and cash equivalents	43 500	31 800	42 593	39 155	42 381
Equity	248 106	236 226	193 365	191 045	182 515
in % of total assets	63.7	61.9	64.2	65.0	63.5
Liabilities	141 690	145 207	107 735	102 997	105 128
in % of total assets	36.3	38.1	35.8	35.0	36.5
Net indebtedness	17 326	24 862	–3 774	2 275	4 288
in % of equity	7.0	10.5	–2.0	1.2	2.3
CONSOLIDATED STATEMENT OF INCOME					
Gross sales	529 755	501 558	396 913	417 261	389 382
Total operating performance	524 938	509 572	397 652	417 866	390 529[2]
Personnel expenses	143 285	131 663	115 601	119 898	112 231[2]
Amortisation of intangible assets	5 679	4 032	3 457	2 752	1 763[2]
Depreciation on tangible assets	14 404	13 792	14 416	13 767	14 559[2]
Result before interest and tax (operating result)	36 101	52 592	13 543	42 789	38 800[2]
Financial result	–4 297	–1 745	320	–3 550	–1 775[2]
Result before tax	31 804	50 847	13 863	39 239	37 025[2]
Income tax	8 159	6 963	2 263	8 640	7 080[2]
Result of the period from continued operations	23 645	43 884	11 600	30 599	29 945
Result of the period from discontinued operations	n/a	n/a	n/a	–16	13[3]
Result of the period	23 645	43 884	11 600	30 583	29 958
in % of gross sales	4.5	8.7	2.9	7.3	7.7
in % of equity	9.5	18.6	6.0	16.0	16.4
CONSOLIDATED STATEMENT OF CASH FLOW					
Cash flow from operating activities	44 617	29 361	46 718	47 642	38 807
Cash used in investing activities	–23 815	–35 985	–33 870	–20 138	–10 439
Purchases of tangible assets	19 290	18 296	10 943	15 936	16 338
Cash flow from financing activities	–9 117	–5 189	–9 632	–30 579	–10 556
Free cash flow	24 427	11 673	35 073	29 895	21 677

[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).

FINANCIAL STATEMENTS 2011 PHOENIX MECANO AG

82.0

PER CENT EQUITY RATIO

82% EQUITY RATIO ALMOST EQUAL TO THE PREVIOUS YEAR.

13.0

CHF PER BEARER SHARE

CHF 13 PROPOSED DIVIDEND PER SHARE UNCHANGED.

12.0

MILLION CHF ANNUAL PROFIT

CHF 12 MILLION ANNUAL PROFIT SLIGHTLY DOWN ON THE PREVIOUS YEAR.

BALANCE SHEET AS AT 31 DECEMBER 2011

PHOENIX MECANO AG

CHF	Note No.	2011	2010
ASSETS			
Non-current assets			
Financial assets			
Investments	1	156 535 610	155 962 339
Loans to Group companies	2	19 601 720	18 394 305
Total non-current assets		**176 137 330**	**174 356 644**
Current assets			
Receivables			
Financial receivables from Group companies	3	3 757 720	2 536 087
Other receivables	4	1 212 376	1 356 172
		4 970 096	**3 892 259**
Treasury shares	5	1 861 660	2 093 412
Cash and cash equivalents		475 916	698 165
Total current assets		**7 307 672**	**6 683 836**
TOTAL ASSETS		**183 445 002**	**181 040 480**

EQUITY AND LIABILITIES		2011	2010
Equity			
Share capital	6	978 000	978 000
Statutory reserves		2 500 000	2 500 000
Reserve for treasury shares	7	2 321 365	2 793 770
Special reserves		88 994 949	88 994 949
Retained earnings	8	55 023 375	55 233 869
Total equity		**149 817 689**	**150 500 588**
Liabilities			
Provisions	9	5 075 450	4 584 300
Long-term liabilities			
Bank loans	10	11 500 000	6 500 000
Short-term liabilities			
Bank liabilities	10	12 547 500	16 408 000
Financial liabilities to Group companies	11	3 889 968	2 505 195
Liabilities to shareholders		298	13 464
Other liabilities		41 462	29 171
		16 479 228	**18 955 830**
Deferred income		572 635	499 762
Total liabilities		**33 627 313**	**30 539 892**
TOTAL EQUITY AND LIABILITIES		**183 445 002**	**181 040 480**

STATEMENT OF INCOME 2011

PHOENIX MECANO AG

CHF	Note No.	2011	2010
Income			
Income from investments	13	12 792 798	11 876 299
Financial income	14	1 502 367	2 567 712
Other income	15	13 284	1 352 574
Total income		**14 308 449**	**15 796 585**
Expenses			
Financial expenses	16	–679 919	–642 011
Administration expenses		–900 682	–1 267 488
Other expenses	17	–700 020	–1 642 159
Income and capital taxes		–50 027	14 606
Total expenses		**–2 330 648**	**–3 537 052**
PROFIT FOR THE YEAR		**11 977 801**	**12 259 533**

NOTES TO THE FINANCIAL STATEMENTS 2011

GENERAL

The 2011 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 Investments AG	Stein am Rhein, Switzerland	Finance	CHF	100	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production/Sales	CHF	2 000	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands GB	Finance	USD	1 969	100
PM International B.V.	Doetinchem, The Netherlands	Finance	EUR	4 500	100
AVS Phoenix Mecano GmbH	Vienna, Austria	Sales	EUR	40	1
Phoenix Mecano Inc.	Frederick, USA	Production/Sales	USD	10 000	100
WIENER, Plein & Baus, Corp.	Springfield, USA	Sales	USD	100	100
Phoenix Mecano S. E. Asia Pte Ltd.	Singapore	Sales	SGD	1 000	75
Phoenix Mecano (India) Ltd.	Pune, India	Production/Sales	INR	299 452	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 Hong Kong Ltd.	Hong Kong, China	Finance/Sales	EUR	500	100
Phoenix Mecano Mazaka AŞ	Ankara, Turkey	Sales	TRY	4	1
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales	BRL	5 192	100

The balance sheet value of the investments has increased slightly due to a capital increase at Phoenix Mecano (India) Ltd. and the acquisition of minority interests in Phoenix Mecano Mazaka AŞ.

An overview of all directly and indirectly held investments is given on pages 99 and 100.

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 OTHER RECEIVABLES

This item comprises a purchase price receivable with an equivalent value of CHF 1.2 million from the disposal of an investment in Brazil. The associated funds are deposited with the Brazilian subsidiary Phoenix Mecano Comercial e Técnica Ltda.

5 TREASURY SHARES

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

	Share purchases		Share sales	
	Number	Average price	Number	Average price
CHF				
January				
February			100	721.00
March	318	657.17	1 277	675.37
April			250	716.93
May			50	690.01
June	260	635.00		
July	160	580.75		
August				
September				
October	60	440.00	60	466.18
November				
December				
TOTAL YEAR	**798**	**618.29**	**1 737**	**677.18**

At the balance sheet date, the company owned a total of 4 520 treasury bearer shares (previous year 5 459), which are booked according to the strict lower-of-cost-or-market principle. These shares represent 0.5% of the overall share portfolio.

6 SHARE CAPITAL

The share capital is divided into 978 000 bearer shares with a par value of CHF 1.00 each. Pursuant to a decision by the Shareholders' General Meeting of 28 May 2010, the share capital was reduced from CHF 988 000 to CHF 978 000 through the cancellation of 10 000 shares with a par value of CHF 1.00 each from the 2008/2009 share buy-back programme, with effect from 2 September 2010. As at the balance sheet date, major shareholders held the following stakes in the share capital of Phoenix Mecano AG:

PRINCIPAL SHAREHOLDERS		2011	2010
in %			
Name	**Head office**		
Planalto AG	Luxembourg City, Luxembourg	33.7*	33.7
Tweedy, Browne Company LLC	New York, USA	7.9*	7.9*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	*	< 3.0
Massachusetts Mutual Life Insurance Company (ultimate parent company of OppenheimerFunds Inc., New York, USA)	Springfield, USA	6.1	6.1
Sarasin Investmentfonds AG	Basel, Switzerland	5.4*	5.4*

* Stake not reported in the year indicated.

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

7 RESERVE FOR TREASURY SHARES

Articles 659a (2) and 671a of the Swiss Code of Obligations state that the company must set aside an amount equivalent to the cost of acquiring its own shares as a separate reserve. In 2011, this reserve for treasury shares was reduced by CHF 472 405.

8 RETAINED EARNINGS

Financial year 2011 closed with a profit for the year of CHF 11 977 801. The retained earnings brought forward from the previous year totalled CHF 42 573 169. Taking into account the release of the reserve for treasury shares totalling CHF 472 405 (see note 7), the Shareholders' General Meeting of 25 May 2012 has at its disposal retained earnings totalling CHF 55 023 375. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 154.

9 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 1.5 million (previous year CHF 1.0 million). There is also a provision of CHF 0.1 million for a legal dispute in Brazil.

10 BANK LOANS/BANK LIABILITIES

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

1 000 CHF	2011	2010
By currency		
CHF	21 700	20 100
USD	2 348	2 808
BALANCE SHEET VALUE	**24 048**	**22 908**
By maturity		
in 1 year	12 548	16 408
in 2 years	2 750	5 000
in 3 years	3 000	1 500
in 4 years	3 000	0
in 5 years	2 750	0
BALANCE SHEET VALUE	**24 048**	**22 908**

11 FINANCIAL LIABILITIES TO GROUP COMPANIES

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

12 CONTINGENT LIABILITIES

1 000 CHF	2011	2010
Guarantees and letters of comfort	105 233	131 896

Contingent liabilities are given for subsidiaries, predominantly in favour of financial institutions. The actual book value of Group company liabilities was CHF 35.2 million (previous year CHF 30.0 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.

13 INCOME FROM INVESTMENTS

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

14 FINANCIAL INCOME

Financial income includes earnings from interest and commissions as well as gains from the sale of and appreciation in the value of treasury shares totalling CHF 0.5 million (previous year CHF 1.6 million).

15 OTHER INCOME

For the previous year this item includes gains from the disposal of financial assets totalling CHF 1.3 million.

16 FINANCIAL EXPENSE

This item comprises interest and securities expenses.

17 OTHER EXPENSES

This item includes net exchange rate losses of CHF 0.7 million (CHF 2.5 million of exchange rate losses less CHF 1.8 million of exchange rate gains) in the reporting year and CHF 1.6 million in the previous year.

18 NET RELEASE OF HIDDEN RESERVES

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

19 REMUNERATION AND PARTICIPATIONS

Remuneration of members of the Board of Directors and Executive Committee The following remuneration was awarded by the Phoenix Mecano Group to serving corporate officers in 2011:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	TOTAL REMUNERATION 2011
		1 000 CHF	1 000 CHF	1 000 CHF	1 000 CHF
Ulrich Hocker	Chairman of the Board	131		11	142
Benedikt A. Goldkamp	Delegate of the Board	472	268	126	866
Dr Florian Ernst	Board member	53		5	58
Dr Martin Furrer	Board member	43		3	46
Beat Siegrist	Board member	43		3	46
Remuneration of the Board of Directors		**742**	**268**	**148**	**1 158**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)		**2 120**	**699**	**406**	**3 225**
TOTAL REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE		**2 862**	**967**	**554**	**4 383**

The following remuneration was awarded by the Phoenix Mecano Group to serving corporate officers in 2010:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	TOTAL REMUNERATION 2010
		1 000 CHF	1 000 CHF	1 000 CHF	1 000 CHF
Ulrich Hocker	Chairman of the Board	130		11	141
Benedikt A. Goldkamp	Delegate of the Board	472	640	148	1 260
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**	**640**	**168**	**1 539**
Remuneration of the Executive Committee (excluding the Delegate of the Board of Directors)		**2 011**	**1 037**	**393**	**3 441**
TOTAL REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE COMMITTEE		**2 742**	**1 677**	**561**	**4 980**

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.

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

The members of the Board of Directors and 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.

Share ownership by members of the Board of Directors and Executive Committee and persons related to them:

Name	Position	31.12.2011	31.12.2010
Board of Directors			
Ulrich Hocker	Chairman	8 654	8 654
Benedikt A. Goldkamp	Delegate	1 800	1 845
Dr Florian Ernst	Member	10	10
Dr Martin Furrer	Member	100	100
Beat Siegrist	Member	400	400
SHARES HELD BY THE BOARD OF DIRECTORS		**10 964**	**11 009**
Executive Committee			
Ralph Gamper	Member	80	180
Dr Rochus Kobler	Member	92	0
Dr Joachim Metzger	Member	80	55
René Schäffeler	Member	80	80
SHARES HELD BY THE EXECUTIVE COMMITTEE		**332**	**315**

In addition, Planalto AG, Luxembourg, which is owned by the Goldkamp family, holds a 33.7% stake (unchanged from the previous year).

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.

20 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.

21 EVENTS AFTER THE BALANCE SHEET DATE

No events occurred between 31 December 2011 and 30 March 2012 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 2011	11 977 801
Retained earnings brought forward 2010	42 573 169
Release of reserve for treasury shares	472 405
RETAINED EARNINGS	**55 023 375**

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

	CHF
Dividend of CHF 13.00 per share[1]	12 714 000
Carried forward to new account	42 309 375
TOTAL	**55 023 375**

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

REPORT OF THE STATUTORY AUDITOR

ON THE FINANCIAL STATEMENTS

TO THE SHAREHOLDERS' GENERAL MEETING OF PHOENIX MECANO AG, STEIN AM RHEIN

As statutory auditor, we have audited the accompanying financial statements of Phoenix Mecano AG, presented on pages 145 to 154, which comprise the balance sheet, income statement and notes for the year ended 31 December 2011.

BOARD OF DIRECTORS' RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

REPORT ON OTHER LEGAL REQUIREMENTS

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

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

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

KPMG AG

Roger Neininger
Licensed Audit Expert
Auditor in Charge

Thomas Lehner
Licensed Audit Expert

Zurich, 30 March 2012

GLOBAL PRESENCE

We are a global enterprise offering a sophisticated range of services in major high-growth markets.

Our wide geographical coverage enables us to identify trends quickly and respond flexibly and dynamically. We provide local support to our customers worldwide to help them tap high-growth future markets.

STRONG THROUGH EXPERIENCE – TACKLING THE FUTURE WITH CONFIDENCE

524.3

MILLION EUR CONSOLIDATED INCOMING ORDERS

THE PHOENIX MECANO GROUP'S CONSOLIDATED INCOMING ORDERS TOTALLED EUR 524.3 MILLION, COMPARED WITH EUR 522.5 MILLION IN 2010.

6 152

EMPLOYEES WORLDWIDE

THE PHOENIX MECANO GROUP EMPLOYED 6 152 STAFF WORLDWIDE IN 2011.

26

COUNTRIES WORLDWIDE

THE PHOENIX MECANO GROUP IS PRESENT IN 26 COUNTRIES AROUND THE GLOBE.

LOCATIONS AROUND THE WORLD

PHOENIX MECANO GROUP

NORTH | SOUTH AMERICA

1–4 **USA**
Frederick, Maryland (MD) | 1
Shannon, Mississippi (MS) | 2
Springfield, Ohio (OH) | 3
Ontario, California (CA) | 4
5 **Brazil** Barueri

EUROPE | AFRICA

6 **Austria** Vienna
7 **Belgium** Deinze
8 **France** Fontenay-sous-Bois
9 **Germany**
Alsdorf, Baiersdorf, Bünde, Burscheid, Grävenwiesbach, Kirchlengern, Langenhagen, Marpingen-Alsweiler, Minden, Muggensturm, Porta Westfalica, Salem-Neufrach, Stuttgart, Villingen-Schwenningen, Werne, Wutha-Farnroda
10 **Great Britain** Aylesbury
11 **Hungary** Kecskemét
12 **Italy** Inzago (Mi)
13 **The Netherlands** Doetinchem
14 **Romania** Sibiu
15 **Russia** Moscow
16–17 **Scandinavia**
Odense, Denmark | 16
Ingelstad, Sweden | 17
18 **Spain** Zaragoza
19 **Switzerland** Stein am Rhein
20 **Tunisia**
Ben Arous, Borj-Cedria, Djebel El Ouest-Zaghouan
21 **Turkey** Yenimahalle, Ankara

ASIA

22 India Pune
23 Korea (South Korea) Busan
24–27 People's Republic of China
Hong Kong | 24
Jiaxing | 25
Shanghai | 26
Shenzhen | 27
28 Singapore Singapore
29 Taiwan Taipei
30 Thailand Bangkok
31 United Arab Emirates
Sharjah – U.A.E.

AUSTRALIA

32 Australia Tullamarine, Victoria

ADDRESSES

PHOENIX MECANO

GROUP HEADQUARTERS

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

FINANCE AND SERVICE COMPANIES

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

Phoenix Mecano Trading AG
Hofwisenstrasse 6
CH-8260 Stein am Rhein
Phone +41/52/742 75 22
Fax +41/52/742 75 95
pm.trading@phoenix-mecano.com

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

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

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

ENCLOSURES

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

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

Rose Systemtechnik GmbH
Erbeweg 13–15
D-32457 Porta Westfalica
Phone +49/571/504 10
Fax +49/571/504 16
rose@rose-pw.de
www.rose-pw.de

ELCOM/EMS

GERMANY
Datatel Elektronik GmbH
Am Pferdemarkt 61 A
D-30853 Langenhagen
Phone +49/511/90 89 08
Fax +49/511/604 20 46
info@datatel.de
www.datatel.de

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

Hartmann Codier GmbH
Industriestrasse 3
D-91083 Baiersdorf
Phone +49/9133/779 30
Fax +49/9133/779 355
info@hartmann-codier.de
www.hartmann-codier.de

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

Phoenix Mecano Digital Elektronik GmbH
Am Schunkenhofe 1
D-99848 Wutha-Farnroda
Phone +49/36921/20 10
Fax +49/36921/20 123
info@pmde.de
www.pmde.de

Platthaus GmbH Elektrotechnische Fabrik
Max-Planck-Strasse 11–15
D-52477 Alsdorf
Phone +49/2404/90 540
Fax +49/2404/81 862
info@platthaus.com
www.platthaus.com

ELCOM/EMS

Plein & Baus GmbH
Müllersbaum 20
D-51399 Burscheid
Phone +49/2174/67 80
Fax +49/2174/67 834
info@wiener-d.com
www.wiener-d.com

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

MECHANICAL COMPONENTS

GERMANY

DewertOkin GmbH
Weststrasse 1
D-32278 Kirchlengern
Phone +49/5223/979 0
Fax +49/5223/751 82
info@dewertokin.de
www.dewertokin.de

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

PRODUCTION AND SALES COMPANIES

AUSTRALIA

Phoenix Mecano Australia Pty Ltd.
64 Butler Way
Tullamarine
Victoria 3043
Phone +61/3/933 856 99
Fax +61/3/933 853 99
info@dewert.com.au
www.dewert.com.au

AUSTRIA

AVS Phoenix Mecano GmbH
Biróstrasse 17
A-1230 Vienna
Phone +43/1/6150 801
Fax +43/1/6150 801 130
info@avs-phoenix.at
www.avs-phoenix.at

BELGIUM

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

BRAZIL

Phoenix Mecano Comercial e Técnica Ltda.
Alameda Caiapós, 755 – Tamboré
CEP 06460-110 Barueri – SP
Phone +55/11/564 341 90
Fax +55/11/564 108 82
vendas@phoenix-mecano.com.br
www.phoenix-mecano.com.br

FRANCE

Phoenix Mecano S.à.r.l.
76 rue du Bois Galon
F-94124 Fontenay-sous-Bois, Cedex
Phone +33/1/539 950 50
Fax +33/1/539 950 76
info.pmf@phoenix-mecano.com
www.phoenixmecano.fr

GERMANY

Lohse GmbH
Heinkelstrasse 12
D-76461 Muggensturm
Phone +49/7222/8 22 95
Fax +49/7222/5 14 44
info@lohse-rbk.de
www.lohse-rbk.de

RK Rose + Krieger GmbH System- & Lineartechnik
Bahnhofstrasse 136
D-88682 Salem-Neufrach
Phone +49/7553/91 67 30
Fax +49/7553/91 67 369
info@rk-sl.de
www.rk-sl.de

RK Schmidt Systemtechnik GmbH
Feldstrasse 21
D-66646 Marpingen-Alsweiler
Phone +49/6853/91 36 0
Fax +49/6853/91 36 29
info@rk-schmidt.de
www.rk-schmidt.de

GREAT BRITAIN

Phoenix Mecano Ltd.
Unit 26 Faraday Road
Aylesbury
GB-Buckinghamshire HP19 8RY
Phone +44/1296/61 16 60
Fax +44/1296/48 62 96
infogb@phoenix-mecano.co.uk
www.phoenix-mecano.co.uk

HUNGARY

Phoenix Mecano Kecskemét Kft.
Szent István király krt. 24
H-6000 Kecskemét
Phone +36/76/515 500
Fax +36/76/414 560
info@phoenix-mecano.hu
www.phoenix-mecano.hu

INDIA

Phoenix Mecano (India) Ltd.
388 Bhare, Pirangut Industrial Area
Ghotawde, Taluka Mulshi
Pune 412115
Phone +91/20/667 450 00
Fax +91/20/229 292 05
admin@pmipl-online.com
www.phoenixmecano.co.in

ITALY

Phoenix Mecano S.r.l.
Prolungamento via G. Di Vittorio 11
I-20065 Inzago (Mi)
Phone +39/02/953 151
Fax +39/02/953 102 65
info.pmi@phoenix-mecano.com
www.phoenix-mecano.it

ADDRESSES

PRODUCTION AND SALES COMPANIES

KOREA (SOUTH KOREA)
Phoenix Mecano Korea Co., Ltd.
#304, Gyoungmu Building
675-5 Jeonpo-dong
Busanjin-gu, Busan 614-867
Phone +82/51/517 6924/6926
Fax +82/51/517 6965
pminfo@pmecano.co.kr
www.pmecano.co.kr

THE NETHERLANDS
PM Komponenten B.V.
Havenstraat 100
NL-7005 AG Doetinchem
Phone +31/314/368 368
Fax +31/314/368 378
info@pmkomponenten.nl
www.pmkomponenten.nl

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

Okin Refined Electric Technology Co., Ltd.
No. 410, Xinyonglian Road
Wangjianjing Development Zone
314024 Jiaxing, Zhejiang
Phone +86/573/822 810 28
Fax +86/573/822 809 68
sales@refinedchina.com
www.refinedchina.com

Phoenix Mecano Hong Kong Ltd.
Rooms 2604–06
C C Wu Building
302-308 Hennessy Road
Wanchai, Hong Kong
Phone +86/755/837 858 96
Fax +86/755/837 852 37
info@phoenix-mecano.hk

Shenzhen ELCOM Trading Co., Ltd.
Rm 1903, 19/F., Dongfeng Building
2010 Shennan Road, Shenzhen
Phone +86/755/837 858 96
Fax +86/755/837 852 37
sales01@elcom-shenzhen.com
www.elcom-shenzhen.com

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

RUSSIA
Representative office of
Rose Systemtechnik GmbH
Lesnaya str. 43, office 331–332
RUS-127055 Moscow
Phone +7/495/984 25 11
Fax +7/495/988 76 21
info@rose-pw.ru
www.rose-pw.ru

SCANDINAVIA
Okin Scandinavia AB
Box 73, Pålvägen 8
SE-360 44 Ingelstad
Phone +46/470/724 990
Fax +46/470/724 999
info@okin.se
www.okin.se

Phoenix Mecano ApS
Agerhatten 16 A4
DK-5220 Odense SØ
Phone +45/70/70 20 29
Fax +45/70/22 57 22
info@phoenix-mecano.dk
www.phoenix-mecano.dk

SINGAPORE
Phoenix Mecano S.E. Asia Pte Ltd.
53 Ubi Ave 3, #04-01
Colourscan Building
Singapore 408863
Phone +65/674 916 11
Fax +65/674 967 66/674 967 49
pmsea@pmecano.com.sg
www.phoenixmecano.com.sg

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

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

TAIWAN
Branch of
Phoenix Mecano S.E. Asia Pte Ltd.
Rm. 220, 2F., No. 31, Sec2
Nanchang Rd., Taipei 100
Taiwan, R.O.C.
Phone +886/2/2725 26 27
Fax +886/2/2725 25 75
pmtwn@pmecano.com.tw

THAILAND
Representative office of
Phoenix Mecano S.E. Asia Pte Ltd.
153/3, Goldenland Building, 4th Floor
Soi Mahardleklaung 1, Rajdamri Road
Lumpini, Pathumwan
Bangkok 10330, Thailand
pmthai@pmecano.com.sg

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

Phoenix Mecano ELCOM S.à.r.l.
Iotis Med Ridha Bouhejba lot 4-5 Z.I.
TN-1100 Djebel El Ouest-Zaghouan
Phone +21/672/640 089
Fax +21/672/640 589

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

TURKEY
Phoenix Mecano Mazaka Endüstriyel Ürünler San ve Tic AŞ
Ivedik OSB 1434. St. No:5
TR-06374 Yenimahalle/Ankara
Phone +90/312/394 21 06
Fax +90/312/394 21 07
info@mazaka.com.tr
www.mazaka.com.tr

USA
Okin America Inc.
291 CDF Boulevard
Shannon, MS 38868
Phone +1/662/566 10 00
Fax +1/662/566 00 09
sales@okinamerica.com
www.okinamerica.com

Phoenix Mecano Inc.
7330 Executive Way
Frederick, MD 21704
Phone +1/301/696 94 11
Fax +1/301/696 94 94
PMinfo@pm-usa.com
www.pm-usa.com

Branch of
Phoenix Mecano Inc.
2000 S. Grove Avenue
Suite 106
Ontario, CA 91761
Phone +1/800/325 39 91
Fax +1/909/930 51 91
PMinfo@pm-usa.com
www.pm-usa.com

WIENER, Plein & Baus, Corp.
300 East Auburn Avenue
Springfield, OH 45505
Phone +1/937/32 424 20
Fax +1/937/32 424 25
sales@wiener-us.com
www.wiener-us.com

UNITED ARAB EMIRATES
Rose Systemtechnik Middle East (FZE)
125M2 Warehouse
P.O. Box 8993
Sharjah – U.A.E.
Phone +971/6/557 85 00
Fax +971/6/557 85 50
info@ROSE-MEast.com
www.ROSE-MEast.com

IMPRINT
Editor Ruoss Markus
Corporate Communications
CH-8808 Pfäffikon
Switzerland

Concept | design | editing and production
PETRANIX
Corporate and Financial Communications
CH-8134 Adliswil – Zurich
Switzerland

Photography and Image editing
Management and Products
Scanderbeg Sauer Photography
CH-8006 Zurich
Switzerland

Further images
Pages 20–23: Getty Images, Munich, Germany |
pages 8–11: Corbis, Zurich, Switzerland |
pages 36–39: Valser, Vals, Switzerland |
pages 28–31: Bombardier, Västerås, Sweden |
page 10: packaging machine, Bosch Packaging
Systems AG, Beringen, Switzerland |

Printed by Neidhart + Schön Group AG
CH-8037 Zurich
Switzerland

GROUP HEADQUARTERS
Phoenix Mecano AG
Hofwisenstrasse 6
P.O. Box
CH-8260 Stein am Rhein
Switzerland

CONTACT ADDRESS
Phoenix Mecano Management AG
Lindenstrasse 23
CH-8302 Kloten
Switzerland

Phone +41/43 255 42 55
Fax +41/43 255 42 56
info@phoenix-mecano.com
www.phoenix-mecano.com

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