PHOENIX MECANO

Phoenix Mecano – Annual Report 2014

AT HOME IN WORLD MARKETS

Key figures of the Phoenix Mecano Group

	Units	2014	2013	2012	2011	2010
Key financial figures						
Gross sales	EUR million	**505.6**	**500.6**	**500.5**	**529.8**	**501.6**
Change	%	1.0	0.0	–5.5	5.6	26.4
Operating cash flow (EBITDA)	EUR million	**53.1**	**56.2**	**54.5**	**68.1**	**71.2**
Change	%	–5.5	3.1	–20.0	–4.3	110.3
in % of sales	%	10.5	11.2	10.9	12.9	14.2
Result before interest and tax (Operating result)	EUR million	**29.5**	**35.0**	**27.9**	**36.1**	**52.6**
Change	%	–15.9	25.5	–22.7	–31.4	288.3
in % of sales	%	5.8	7.0	5.6	6.8	10.5
in % of net operating asset	%	10.6	14.2	11.1	13.4	19.5
Result of the period	EUR million	**20.0**	**22.4**	**18.1**	**23.6**	**43.9**
Change	%	-10.7	23.9	–23.6	–46.1	278.3
in % of sales	%	4.0	4.5	3.6	4.5	8.7
in % of equity	%	7.5	8.8	7.2	9.6	18.6
Total assets/capital	EUR million	**414.0**	**395.6**	**390.0**	**389.8**	**381.4**
Equity	EUR million	**267.5**	**254.2**	**250.7**	**246.5**	**236.2**
in % of total assets	%	64.6	64.3	64.3	63.2	61.9
Net indebtedness/(Net liquidity)	EUR million	**12.5**	**–1.5**	**0.7**	**17.3**	**24.9**
in % of equity	%	4.7	–	0.3	7.0	10.5
Cash flow from operating activities	EUR million	**38.8**	**42.3**	**62.1**	**44.6**	**29.4**
Free cash flow	EUR million	**15.4**	**23.0**	**37.5**	**24.4**	**11.7**
Purchases of tangible and intangible assets	EUR million	**24.0**	**20.3**	**25.4**	**20.9**	**19.6**
Share indicators						
Share capital [1, 2] (bearer shares with a par value of CHF 1.00)	Number	**960 500**	**978 000**	**978 000**	**978 000**	**978 000**
Shares entitled to dividend [3]	Number	**959 240**	**957 936**	**963 197**	**973 480**	**972 541**
Result before interest and tax (Operating result) per share [5]	EUR	**30.7**	**36.6**	**29.0**	**37.1**	**54.1**
Result of the period per share [5]	EUR	**20.8**	**23.4**	**18.8**	**24.3**	**45.1**
Equity per share [5]	EUR	**278.8**	**265.4**	**260.3**	**253.2**	**242.9**
Free cash flow per share [5]	EUR	**16.1**	**24.0**	**38.9**	**25.1**	**12.0**
Dividend	CHF	**15.00** [4]	**15.00**	**13.00**	**13.00**	**13.00**
Share price						
High	CHF	589	565	575	719	660
Low	CHF	399	436	431	427	404
Year-end price	CHF	460	545	431	490	660

1 Pursuant to a decision by the Shareholders' General Meeting of 23 May 2014, the share capital was reduced by CHF 17 500 with effect from 26 August 2014 by cancelling 17 500 shares from the 2013/2014 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 As at the balance sheet date, the company owned 1 260 treasury shares, which are not entitled to dividend.
4 Proposal to the Shareholders' General Meeting of 22 May 2015.
5 Based on shares entitled as at 31 December.

Contents

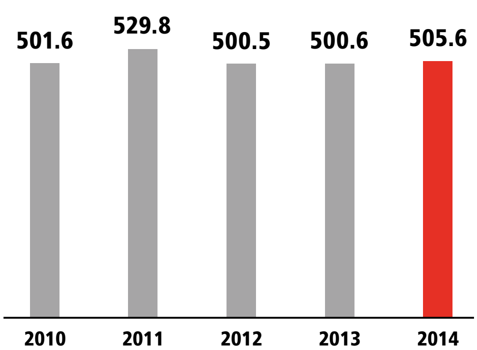
Structure of the Phoenix Mecano Group

The Group

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

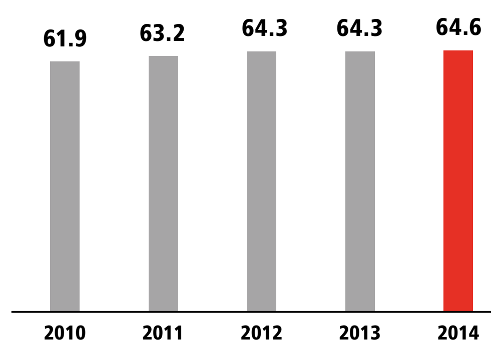
Gross sales 2010–2014

in EUR million



Equity ratio 2010–2014

in %



Our growth drivers and value strategy

› Organic growth
› Selective acquisitions
› Global sales platform
› Globally standardised and optimised business processes

All of our business decisions are geared towards increasing the long-term value of the company.

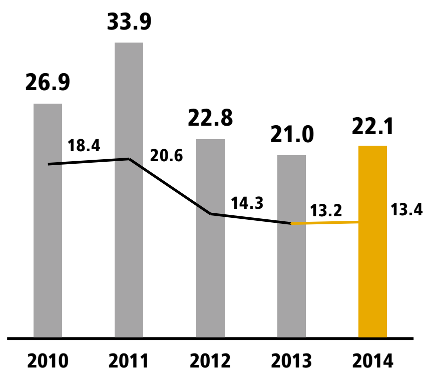
Cover Pictures: Getty Images

Enclosures

The Enclosures division develops and produces high-quality industrial enclosures made of aluminium, stainless steel and plastics as well as system solutions for use in mechanical engineering, automation, measurement and control technology, automotive and medical technology and for explosive environments in the petrochemical and onshore and offshore industries. Input units such as membrane keyboards, short-stroke keys and touchscreens complete the product range.

Operating result and margin

in EUR million (– – Margin in %)



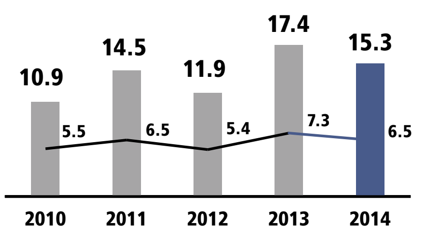
Key figures	***2014***	***2013***
in EUR million		
Gross sales	164.9	159.8
Purchases of tangible and intangible assets	6.2	5.6
Operating result	22.1	21.0
Margin in %	13.4	13.2
Employees	1 779	1 715

Mechanical Components

Profile assembly systems, linear units and drive and pipe connection technology offer a wide range of applications in the construction of machinery and equipment, protective enclosures and ergonomic workstations. High-performance linear actuators, electric cylinders and lifting columns facilitate comfort and lifestyle solutions in the home and hospital care sector and in workstation design.

Operating result and margin

in EUR million (– – Margin in %)



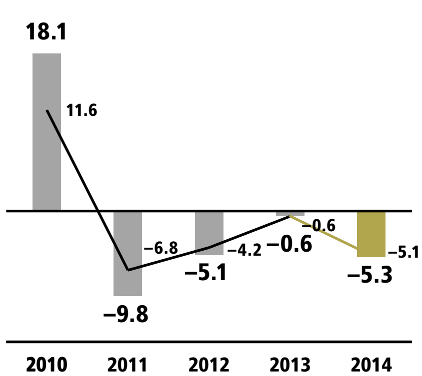
Key figures	***2014***	***2013***
in EUR million		
Gross sales	235.1	236.4
Purchases of tangible and intangible assets	9.0	9.3
Operating result	15.3	17.4
Margin in %	6.5	7.3
Employees	1 908	1 914

ELCOM / EMS

The ELCOM/EMS division comprises three business areas: **Electromechanical Components:** terminal blocks, connector systems, test probes, series terminals and coding switches for industrial electronics; **Electronic Manufacturing and Packaging** power supply systems, backplanes and electronic assemblies – fields of application include medical technology, measurement technology, astrophysics and research facilities (e.g. CERN); **Power Quality** transformers, instrument transformers and inductors for use in renewable energies, drive technology, switchgear and power distribution networks.

Operating result and margin

in EUR million (– – Margin in %)



Key figures	***2014***	***2013***
in EUR million		
Gross sales	105.6	104.3
Purchases of tangible and intangible assets	7.9	5.1
Operating result	–5.3	–0.6
Margin in %	–5.1	–0.6
Employees	2 488	2 182

Accelerating our global expansion

Future-oriented investments and process optimisations foster growth potential in a challenging market environment – Steady progress towards our goal of becoming a global player

From left to right:
Ulrich Hocker | Chairman of the Board of Directors, Member of the Compensation Committee, Member of the Audit Comittee
Benedikt A. Goldkamp | Delegate of the Board of Directors, CEO

Picture: Scanderbeg Sauer Photography, Clock: Max Bill

Dear shareholders,

Economically speaking, 2014 was something of a roller-coaster ride, albeit with a gentle ending. More importantly, however, all three of our divisions made progress in developing their markets across the value chain, in the face of widely differing challenges.

While the Enclosures division, with its already high market shares, needed to identify and exploit new segments and applications, the main challenges facing the Mechanical Components division were heightened customer expectations on comfort, ergonomics and functionality and the need to address these quickly.

The ELCOM/EMS division is currently in a realignment phase, with some product areas successfully established in their market segments and others undergoing a period of transformation and restructuring. Others are internal start-up businesses, which are in the process of carving out niches with attractive growth potential.

Meanwhile, our ongoing drive to expand our global presence and network our international operations to leverage Group-wide sales, development and production synergies was further advanced and remains at the top of the Group's strategic agenda in 2015. For example, this year will see construction work begin on additional modern production facilities in China and India.

Key priorities for each division

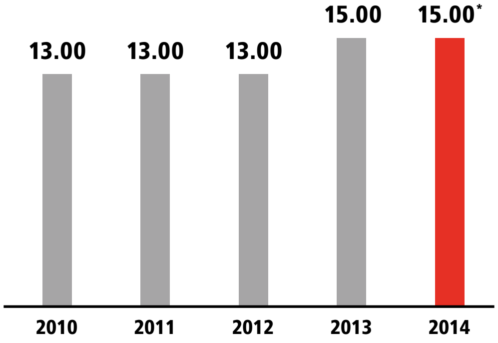
In the Enclosures division, the emphasis was on creating extra functionality for standard enclosures, further expanding our range of explosion-proof enclosures and the development of customised enclosures. The latter are now being developed in the regions for the regions, in locations such as India and China. This helps us to keep our finger on the pulse of different market needs while also enhancing our expertise in the growth markets of the future.

The Mechanical Components division develops high-quality linear technology for custom machine building and automation engineering, as well as modular solutions for lean processes and ergonomic workstation design based on flexible profile assembly systems and lifting columns. Cost pressure is forcing manufacturers worldwide to optimise their production processes. For the Rose+Krieger product area, this will be a growth market for years to come. The DewertOkin business has consolidated its global leadership position in linear variable-speed drives for the comfort furniture and care industry. Following a difficult market phase in summer 2014, which saw a number of customer insolvencies, conditions are once again set fair in this growth market driven by demographic trends.

The ELCOM/EMS division successfully produces and markets electromechanical components such as coding switches and terminal blocks. In this product area, production capacity is currently being developed in China, resulting in a temporary contraction of margins due to high levels of capital expenditure. Backplanes and power supply systems for use in research, aerospace and other high-tech sectors successfully held their own in a volatile market environment. The Power Quality product area, which until recently mainly supplied the photovoltaic industry, is being realigned towards the instrument transformer product segment with a series of small-scale acquisitions and new in-house product developments. In the years ahead, the successful implementation of this strategy will enable the ELCOM/EMS division to participate in attractive growth niches such as high-voltage direct current transmission (HVDC) and smart grids, driven by the large-scale exploitation of alternative energy sources.

Dividend 2010–2014

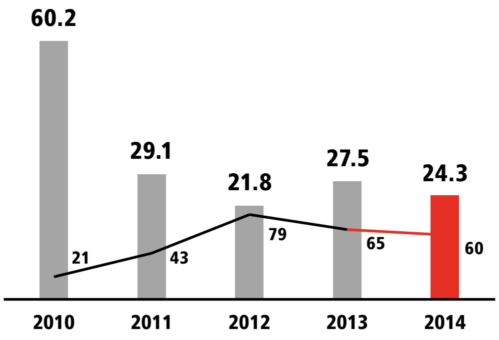
in CHF



* Proposal to the Shareholders' General Meeting of 22 May 2015.

Result of the period 2010–2014

in million CHF



Payout ratio on basis of proposed dividend (in %) and share buy-back

Stable dividend

Phoenix Mecano is a financially sound company with a stable cash flow and low levels of debt. Thanks to its strong balance sheet, it has the strategic flexibility required to make investments as well as any necessary acquisitions. Despite special costs and one-off charges, the income it generates is more than sufficient to award shareholders a stable dividend. The Board of Directors will therefore propose to the next Shareholders' General Meeting that a dividend of CHF 15 be paid out, in line with the previous year.

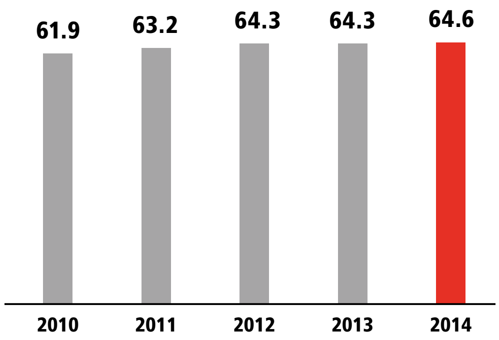
Thank you to our employees

The industrial markets of importance to Phoenix Mecano are currently performing differently in the three main regions of Europe, North & South America and Asia, as well as in different market sectors. This means that in some product areas and national entities we need to position structures for growth, while in others costs have to be kept competitive by streamlining processes.

Against the backdrop of these partly conflicting demands, the importance of teamwork across divisions and regions is growing all the time. This requires a high degree of flexibility from our employees. An ability to look beyond the horizon, to see the bigger picture while at the same time taking personal responsibility for their own business area and organisational unit represents a major challenge which our staff around the world take up with great success. That is the only reason we are able to harness the potential of Phoenix Mecano as a globally active SME with ever increasing effectiveness. This willingness to cooperate combined with a holistic understanding and the flexibility it generates are set to become even more important in future. We would therefore like to say a very big thank you to all of the Group's employees.

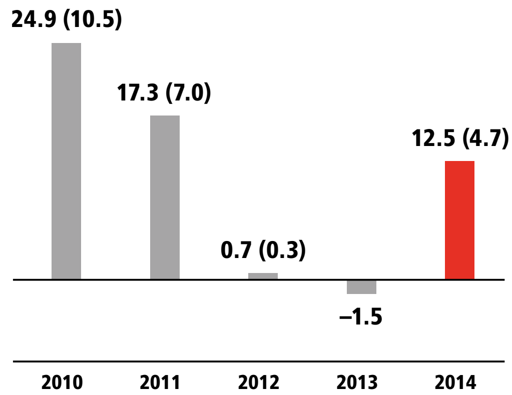
Equity ratio 2010–2014

in %



Net debt and gearing 2010–2014

in EUR million (Gearing in %)



Outlook

Despite increased uncertainty caused by various economic and geopolitical crises (Ukraine, resurgence of the euro crisis, appreciation of the Swiss franc, dramatic slump in oil prices), from Phoenix Mecano's perspective the global industrial economy looks fairly robust at the start of 2015. The appreciation of the Swiss franc in early 2015 will have only a minimal impact on us as just 4–5% of the Group's sales are generated in its home market of Switzerland and around the world costs and income are accrued largely within the same currency areas (dollar, euro, other local currencies). We will be stepping up our capacity expansion in the emerging growth regions of China and India in 2015. At the same time, our development and sales teams are breaking into new market niches with innovative products in order to safeguard the Group's growth in the years ahead. The Board of Directors is keeping a close eye on the economic situation and is ready to respond quickly to any new developments.

Ulrich Hocker
Chairman of the Board
of Directors

Benedikt A. Goldkamp
Delegate of the Board
of Directors

Picture: Getty Images

India: a location with growth potential

Locations chosen with an eye to the future and sustainable growth

International development

Our path to global success

WORLDWIDE PRESENCE

Phoenix Mecano pursues a long-term growth strategy aimed at driving the Group's development and expanding its global production and sales network out of its own resources and through targeted acquisitions.

1975

SWITZERLAND

Phoenix Mecano
Founded in Zurich

1978

UNITED KINGDOM

Phoenix Mecano Ltd.

1978

GERMANY

Product development and marketing in Europe are mainly in concentrated at sites in Germany. They support global sales activities and ensure the necessary technology transfer.

1981

USA

Phoenix Mecano Inc.
After an early entry into the US market, the Group now has six US branches.

1981

SWITZERLAND

Phoenix Mecano Komponenten AG
Production and sale of products in Switzerland

1988

FRANCE

Phoenix Mecano S.à.r.l.

1990

ITALY

Phoenix Mecano S.r.l.

1991

BELGIUM

PM Komponenten N.V.

1993

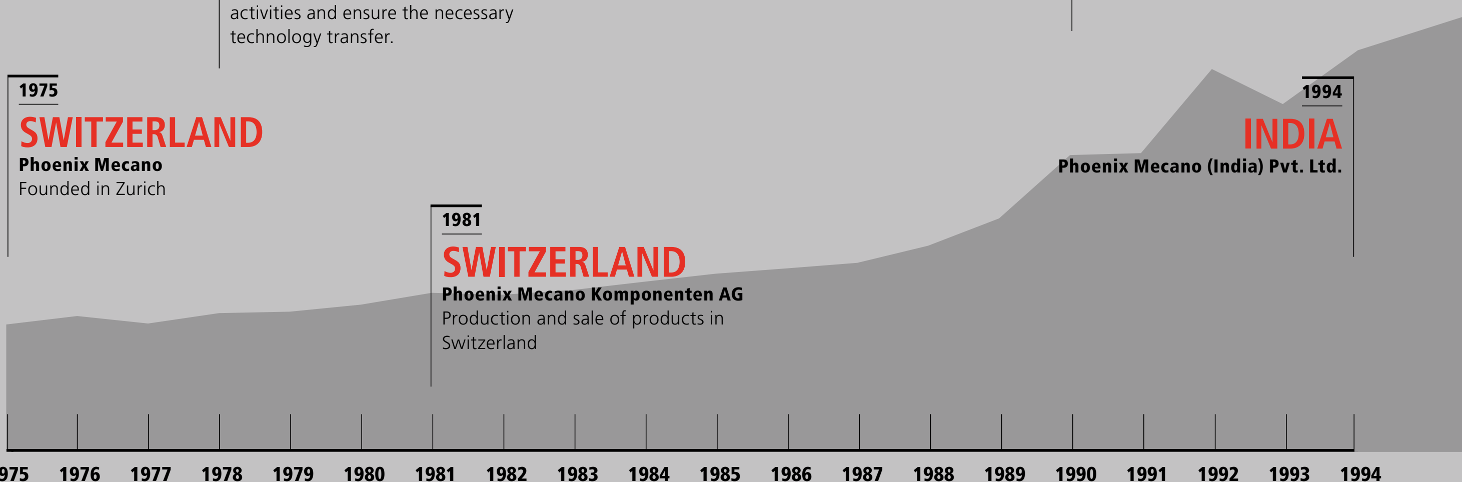
HUNGARY

Phoenix Mecano Kecskemét Kft.
Cross-division production base with around 1 000 employees.

1994

INDIA

Phoenix Mecano (India) Pvt. Ltd.

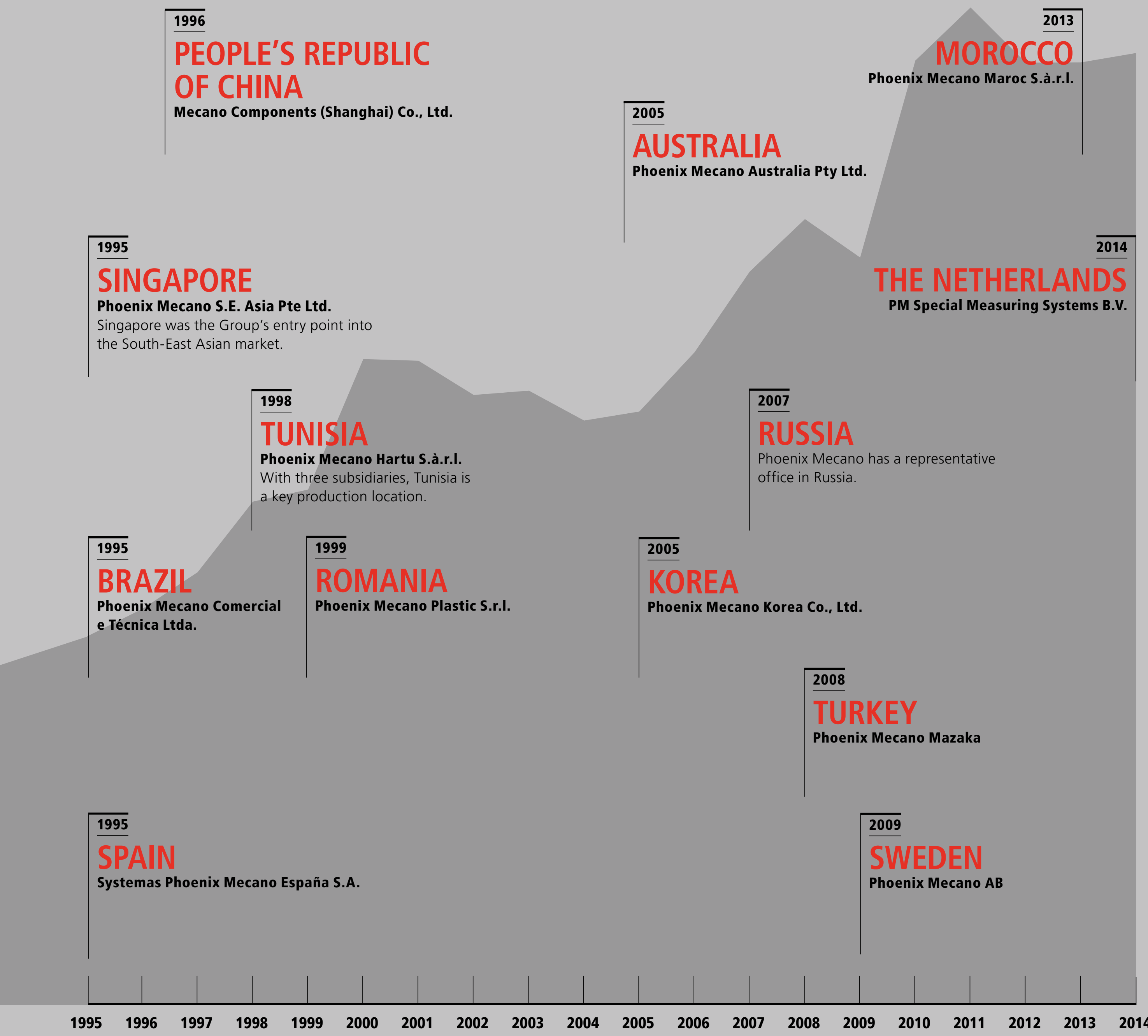


Continuous expansion

GLOBAL REACH, LOCAL ROOTS

Locations worldwide

64



1995
SINGAPORE
Phoenix Mecano S.E. Asia Pte Ltd.
Singapore was the Group's entry point into the South-East Asian market.

1995
BRAZIL
Phoenix Mecano Comercial e Técnica Ltda.

1995
SPAIN
Systemas Phoenix Mecano España S.A.

1996
PEOPLE'S REPUBLIC OF CHINA
Mecano Components (Shanghai) Co., Ltd.

1998
TUNISIA
Phoenix Mecano Hartu S.à.r.l.
With three subsidiaries, Tunisia is a key production location.

1999
ROMANIA
Phoenix Mecano Plastic S.r.l.

2005
AUSTRALIA
Phoenix Mecano Australia Pty Ltd.

2005
KOREA
Phoenix Mecano Korea Co., Ltd.

2007
RUSSIA
Phoenix Mecano has a representative office in Russia.

2008
TURKEY
Phoenix Mecano Mazaka

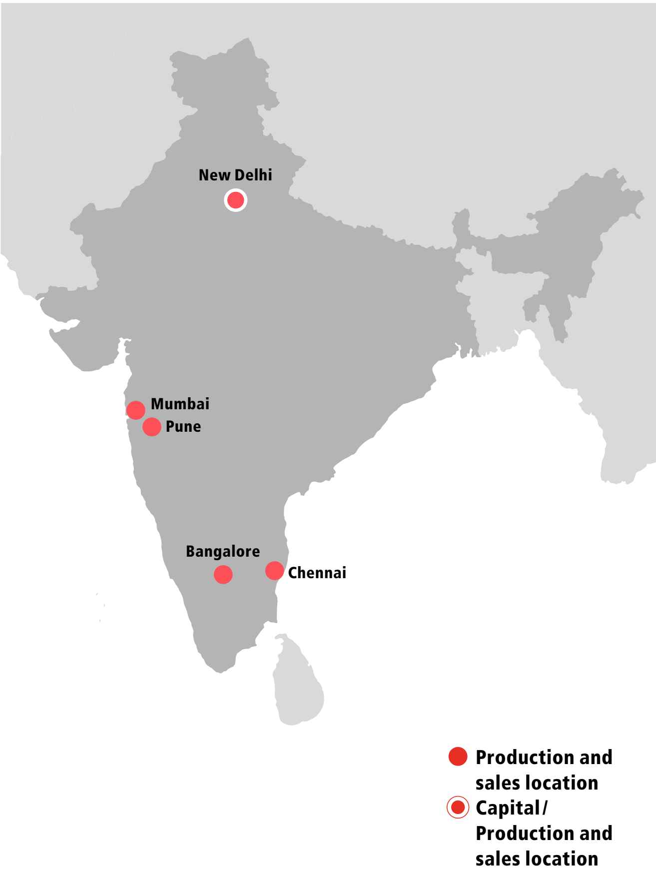
2009
SWEDEN
Phoenix Mecano AB

2013
MOROCCO
Phoenix Mecano Maroc S.à.r.l.

2014
THE NETHERLANDS
PM Special Measuring Systems B.V.

INDIA

Production and sales locations



In India since

1994

Advantages of global presence

Optimal location for long-term benefits

Phoenix Mecano entered the Indian market in 1994 with its own company and local employees, tapping into expanding industrial development in the components business. Production for the local market began in 2002 and export production in 2004.

Employees in India

435

Local production

KEY PRODUCTION LOCATION

Investments 2010–2014 in EUR million

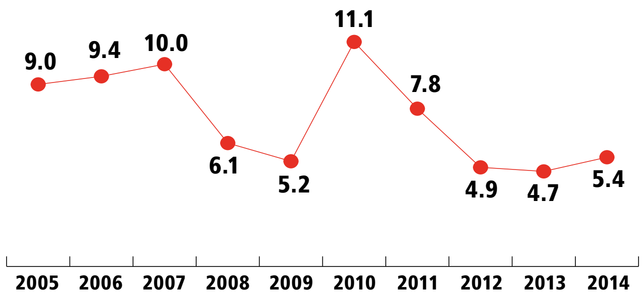
5.6

Production volume in 2014 in EUR million

16.1

Annual growth rate

India GDP 2005 – 2014 in %

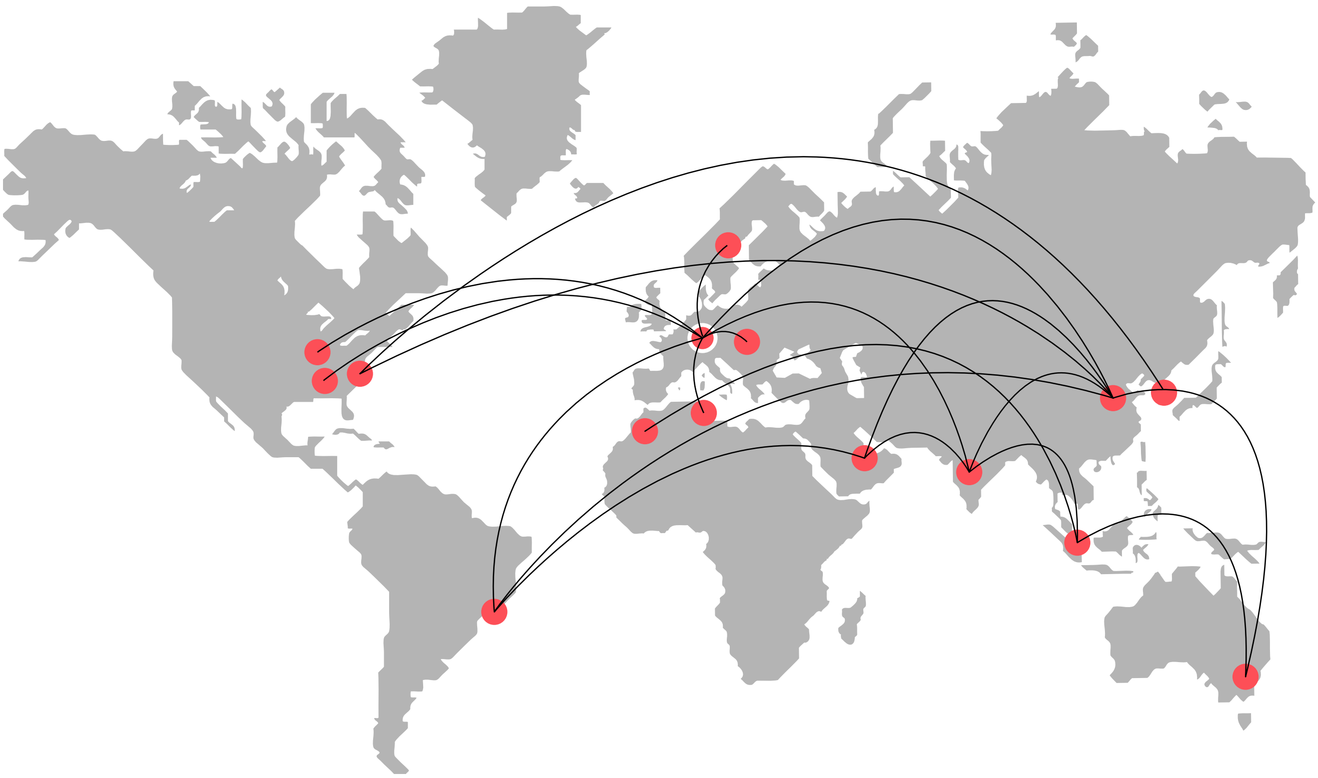


Source: http://data.oecd.org/gdp/real-gdp-forecast.htm#indicator-chart

WORLDWIDE

Our global trade flows

For our local customers – including production and sales



Advantages of our global reach

Economic and sociocultural benefits

- Products reach end customers within 48 hours
- Low transport costs and efficient production
- Favourable prices
- Diversity

High standards worldwide

Socially innovative, environment- & quality-conscious

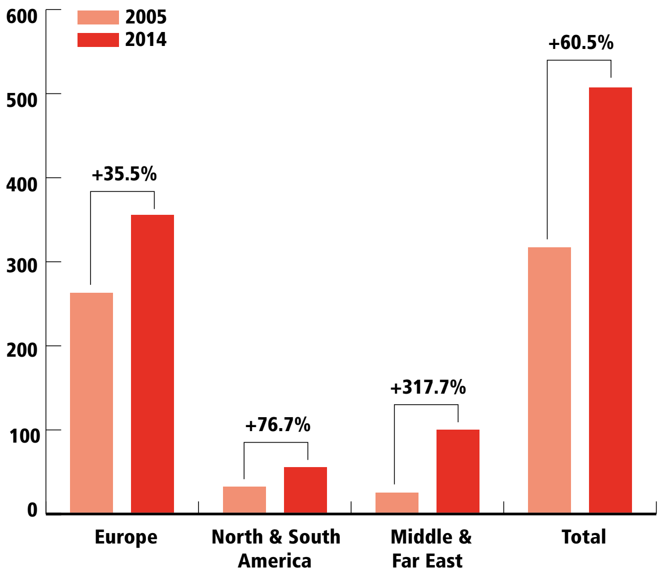
- 80% of value creation is ISO 9001-certified
- Quality and environmental management systems at locations worldwide
- Creation of high-quality jobs in emerging economies

Phoenix Mecano Group development 2005–2014

Gross sales growth

GROWTH IN EVERY REGION

in EUR million / in%



Compound annual growth rate (CAGR)

CONSTANT INCREASE

Total in %

5.4

CAGR by region in %

WORLDWIDE GROWTH

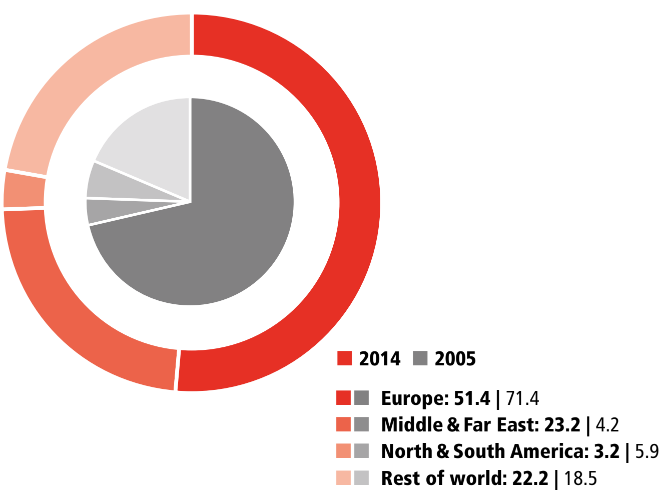
Europe	North & South America	Middle & Far East
3.4	6.5	17.2

Group headcount 2005 versus 2014

Distribution by region

INTERNATIONAL WORKFORCE

in %



Change 2005 versus 2014

NEW JOBS CREATED

Total in %

65.4

Change by region in %

GLOBAL GROWTH

Europe	Middle & Far East
18.9	817.8

CHINA

Production and sales locations

Advantages of global presence

Large market with high growth potential

We have been tapping into China's huge market and exploiting its low-cost procurement potential since 1996 with our own companies and joint ventures. With our sales, production and R&D facilities, we generated gross sales of EUR 68.5 million in 2014.

In China since

1996

Employees in China

926

Top production location

DYNAMIC GROWTH

Number of locations

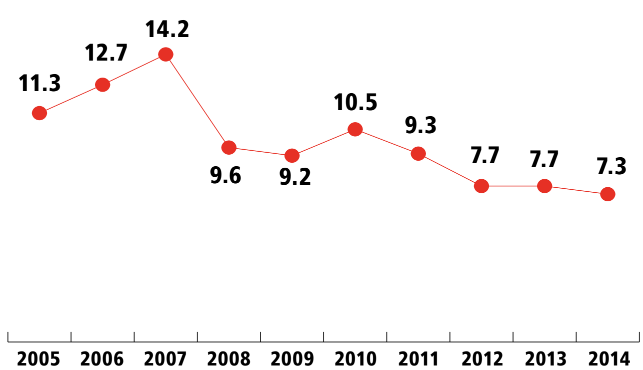
7

CAGR in gross sales 2005–2014 in %

44.3

Annual growth rate

China GDP 2005–2014 in % (CAGR 8.9%)



Source: http://data.oecd.org/gdp/real-gdp-forecast.htm#indicator-chart

China: world’s most dynamic industrial market

International expansion, targeted investments in technologies and new markets


Picture: Getty Images

Phoenix Mecano Group

Growth strategy implemented despite challenging market conditions: sales up slightly to EUR 505.6 million. Operating result down 16% at EUR 29.5 million. Solid equity ratio, up slightly to 64.6%.

Key performance data

Result of the period

DOWN SLIGHTLY

Margin
in %

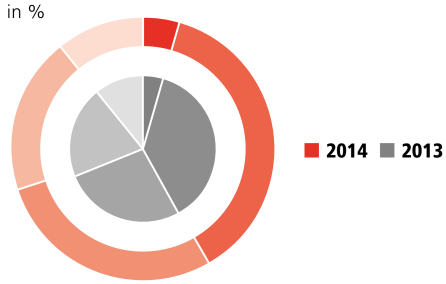
4.0

Net debt
in EUR million

12.5

Gross sales by region

in %



Switzerland: 4.7 | 4.5
Germany: 37.1 | 37.7
Europe (excluding GER and CH): 28.2 | 26.9
Middle and Far East: 19.4 | 20.1
North and South America: 10.6 | 10.8

Business activity

A slight increase in sales of around 1% to EUR 505.6 million reflected the implementation of our growth strategy, despite challenging market conditions, particularly in Europe. The increase resulted from two small, targeted acquisitions aimed at supporting the realignment strategy of the ELCOM/EMS division, which until recently operated primarily in the photovoltaic sector. A number of non-recurring expenses in this area as well as increased patent costs and an unusually high number of customer insolvencies depressed the operating result, which was down by around 16% on the previous year's level, at EUR 29.5 million. Despite the CHF 2 increase in dividend to CHF 15 per share, the rock-solid equity ratio crept up still further to 64.6%.

Just a few weeks into 2014, hopes of an improved economic environment were dashed, and the rest of the year was characterised by a restless sideways movement. The Ukraine crisis, the oil price shock and disappointing industrial growth figures in Asia hampered implementation of the growth strategy. In spite of this, Phoenix Mecano managed to achieve some key milestones that pave the way for improved sales and earnings figures in the coming years. These relate to a series of new product approvals and certifications in the Mechanical Components and ELCOM/EMS divisions, the expansion of sales structures, including new branches in Houston, Texas, and Istanbul, and the expansion and modernisation of production capacity for coding switches, plug connectors, test probes and screws in Shenzhen, China. The Group-wide performance enhancement programme J2OX (Journey towards Operational Excellence) was also vigorously pursued, with 42 Phoenix Mecano employees successfully completing Lean Production Master and Lean Office Master training courses. These staff are now using their newly acquired knowledge to make targeted process optimisations in day-to-day operations.

DewertOkin successfully weathers difficult phase

The DewertOkin product area, the biggest sales driver in the Mechanical Components division, was hit hard by a series of customer insolvencies and project delays in mid-2014. It also faced patent disputes with Chinese copycat competitors, which used up significant resources. Business in this area has now stabilised again and the prospects are looking much brighter. New products have been launched or are due to launch soon, including a family of highly compact, high-performance drives, patented furniture fittings solutions with integrated drive technology and novel safety features, as well as energy-saving, high-performance, electronic switching power supplies.

Industrial business focusing on customised solutions

Phoenix Mecano has further expanded its tried-and-tested strategy of developing a standard catalogue of industrial components, geared towards regional markets, and combining these with additional services in order to meet specific customer needs as fully as possible. Local research and development departments in locations such as the USA, China, India and Australia are now able to develop, certify and successfully launch product variants with market-specific features, to a large extent independently. This is the only way that Phoenix Mecano can incorporate national standards, climatic conditions and cultural norms quickly and flexibly into its product design and so exploit the potential of major global growth regions for the Group with increasing effectiveness.

Sales and profitability

Slight increase in sales

The Phoenix Mecano Group’s consolidated gross sales rose by 1% from EUR 500.6 million to EUR 505.6 million. Currency effects depressed sales performance by –0.3%. Corrected for changes in the scope of consolidation, sales were on a par with the previous year. This pattern consisted of sales increases in the Enclosures division (organic) and ELCOM/EMS division (acquisition-related) and a slight decline in the Mechanical Components division. The latter was mainly caused by project delays due to liquidity problems experienced by a major customer, which have now been substantially alleviated by the entry of a new investor.

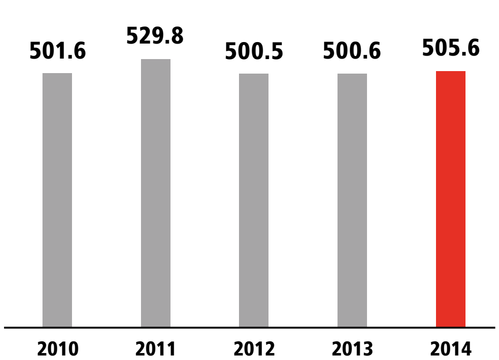
Europe recorded a 2.2% increase, with double-digit growth rates in Italy, Belgium, Denmark and Russia. By contrast, there were slight reductions in Germany, the UK and France. The proportion of total sales generated in Europe rose slightly again from 69.1% to 69.9%. Sales in Asian markets fell by 2.4% due to losses in the drives business for electrically adjustable comfort and healthcare furniture and in enclosures. The ELCOM/EMS division expanded its sales in Asia. In North and South America, negative currency effects resulted in a 0.6% decline in gross sales.

Sales in the Enclosures division increased by 3.2% thanks to a further expansion of the product range in explosion-proof enclosures and a slight growth in the traditional markets of measurement and control technology and electrical engineering. Following a 7.2% increase the previous year, the Mechanical Components division saw its gross sales fall by 0.5% in the financial year. A period of project delays and customer insolvencies in the healthcare and furniture markets in summer 2014 was the primary cause. The environment in this sector has now stabilised again. Taking account of acquisitions, the ELCOM/EMS division’s gross sales rose by 1.2%. In organic terms, they were down by 3.6%, mainly owing to the strategic withdrawal from the photovoltaic components business in the previous year.

Consolidated incoming orders for the Phoenix Mecano Group fell by 1.5% to EUR 508.1 million, compared with EUR 515.7 million the previous year. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 100.5%, compared with 103.0% the previous year. It exceeded 100% in the Enclosures and Mechanical Components divisions but fell just short of this figure in the ELCOM/EMS division.

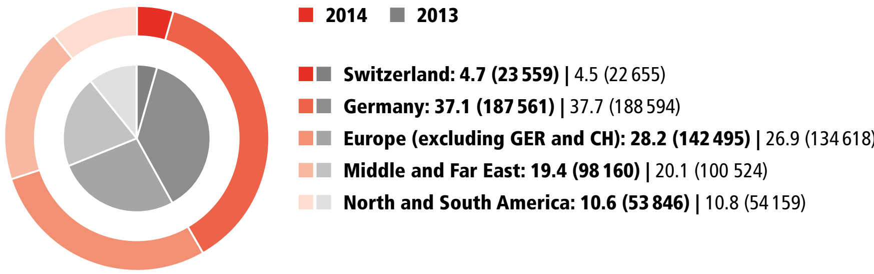
Gross sales 2010–2014

in EUR million



Gross sales by region 2014 und 2013

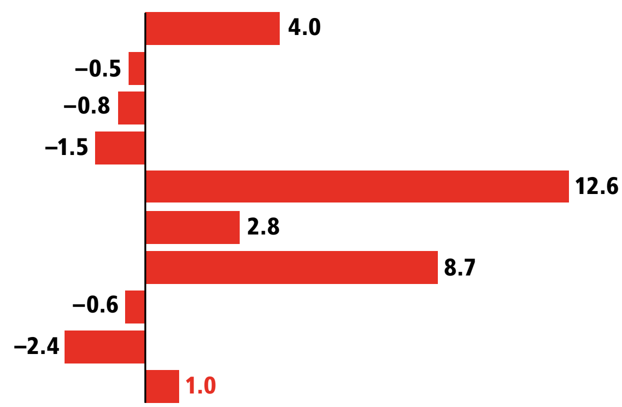
in % (in 1 000 EUR)



Gross sales by region	*2014*	*2013*
in 1 000 EUR		
Switzerland	23 559	22 655
Germany	187 561	188 594
UK	14 217	14 334
France	21 876	22 200
Italy	16 271	14 453
The Netherlands	13 481	13 116
Rest of Europe	76 650	70 515
North and South America	53 846	54 159
Middle and Far East	98 160	100 524
Total	**505 621**	**500 550**

Change in gross sales by region compared to previous year

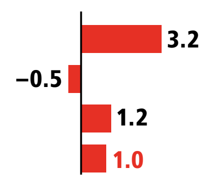
in %



Gross sales by division	*2014*	*2013*
in 1 000 EUR		
Enclosures	164 932	159 827
Mechanical Components	235 119	236 415
ELCOM / EMS	105 570	104 308
Total gross sales divisions (segments)	**505 621**	**500 550**

Change in gross sales by divison compared to previous year

in %



Operating result affected by non-recurring expenses

Operating result was down by 15.9%, from EUR 35.0 million to EUR 29.5 million. The operating margin declined from 7.0% to 5.8%. The operating result includes various one-off costs, with patent disputes, customer insolvencies and project delays in the Mechanical Components division generating non-recurring expenses of around EUR 4 million. Another reason for the fall was the increase in amortisation linked to acquisition-related intangible assets such as customer base, know-how and intellectual property rights, which stood at EUR 5.7 million, up EUR 1.9 million compared with the previous year.

The Enclosures division saw its result increase slightly from EUR 21.0 million to EUR 22.1 million, as well as its profitability. By contrast, the Mechanical Components division recorded an 11.7% drop in operating profit to EUR 15.3 million and a reduction in profitability of 2.3 percentage points, owing to the aforementioned one-off costs. The ELCOM/EMS division incurred another operating loss of EUR 5.3 million (previous year EUR 0.6 million) linked to its realignment following the partial withdrawal from the photovoltaic sector.

In the reporting year, the Group benefited from a lower cost of materials combined with higher sales revenue. This was the result of changes to the product mix and slightly lower material use rates in various product areas.

Personnel expenses rose by 6.5% (previous year 4.0%).The reasons were general labour cost increases, acquisitions and staff recruitment, mainly in production and development. Average staff numbers over the year increased by 6.3% from 5839 to 6207.

Ongoing investment programmes led to a slight increase in depreciation on tangible assets to EUR 16.3 million (previous year EUR 15.7 million). Amortisation of intangible assets increased by EUR 1.8 million (+34.2%) due to acquisitions. Impairment losses were minimal in both the reporting year and the previous year.

Other operating expenses rose by 7.2%, from EUR 63.3 million to EUR 67.9 million. This was mainly the result of non-recurring expenses arising from patent disputes, increased inventory adjustments and losses on receivables as well as an increase in maintenance costs.

Result of the period: EUR 20.0 million

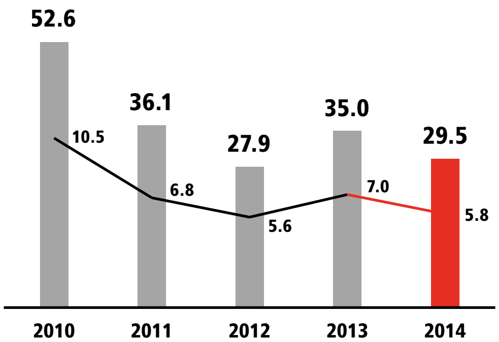
The financial result was EUR –0.5 million, significantly better than the previous year (EUR –3.3 million). In the reporting year, the fair value adjustment of residual purchase price liabilities from acquisitions generated income of EUR 0.4 million (previous year net expense of EUR 2.9 million). The net interest result improved slightly by EUR 0.1 million and the exchange rate result by EUR 1.6 million. By contrast, there was a net loss from derivative financial instruments of EUR –1.2 million (previous year net profit of EUR 0.8 million), mainly relating to currency hedging of HUF (against EUR).

The income tax rates in 2014 and 2013 were above the multi-year average, at 31.1% and 29.5% respectively. In the reporting year, this was mainly due to the non-capitalisation of losses carried forward at companies with a negative result of the period.

The result of the period was down by 10.7% from EUR 22.4 million to EUR 20.0 million. The net margin fell to 4.0% (previous year 4.5%).

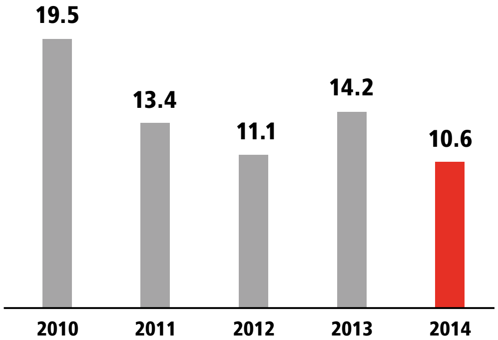
Operating result and margin 2010–2014

in EUR million (— — Margin in %)



Profitability* 2010–2014

in %



* **Operating result as a percentage of net operating assets at the balance sheet date.**

Result before interest and tax (Operating result) ***by division***		***2014***	***2013***
in 1 000 EUR	Change in %		
Enclosures	5.0	22 093	21 047
Mechanical Components	–11.7	15 336	17 375
ELCOM / EMS	–785.6	–5 340	–603
Total for all divisions (segments)	**–15.2**	**32 089**	**37 819**
Reconciliation [1]	6.2	–2 606	–2 777
Total	**–15.9**	**29 483**	**35 042**

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

Profitability by division [2]		***2014***	***2013***
in %	Change in % points		
Enclosures	1.0	35.9	34.9
Mechanical Components	–2.3	12.3	14.6
ELCOM / EMS	–4.8	–5.7	–0.9
Group	**–3.6**	**10.6**	**14.2**

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

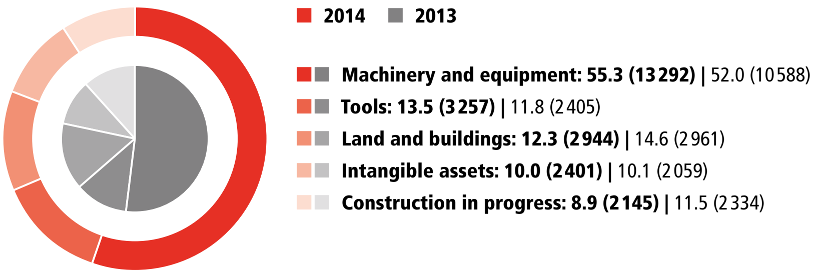
Asset and capital structure

Purchases of tangible and intangible assets

Purchases of tangible assets totalled EUR 21.6 million (previous year EUR 18.3 million). Purchases of intangible assets totalled EUR 2.4 million (previous year EUR 2.1 million). The increase in tangible asset purchases was due to higher capital expenditure on manufacturing technology and tools.

Purchases of tangible and intangible assets 2014 and 2013

in % (in 1 000 EUR)



Purchases of tangible and intangible assets	***2014***	***2014***	***2013***	***2013***
	in 1 000 EUR	in %	in 1 000 EUR	in %
BY TYPE OF ASSET				
Intangible assets	2 401	10.0	2 059	10.1
Land and buildings	2 944	12.3	2 961	14.6
Machinery and equipment	13 292	55.3	10 588	52.0
Tools	3 257	13.5	2 405	11.8
Construction in progress	2 145	8.9	2 334	11.5
Total	**24 039**	**100.0**	**20 347**	**100.0**
BY DIVISION				
Enclosures	6 174	25.7	5 589	27.6
Mechanical Components	8 957	37.2	9 329	45.8
ELCOM / EMS	7 929	33.0	5 115	25.1
TOTAL FOR ALL DIVISIONS (SEGMENTS)	**23 060**	**95.9**	**20 033**	**98.5**
Reconciliation [1]	979	4.1	314	1.5
Total	**24 039**	**100.0**	**20 347**	**100.0**

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

Consistently high equity ratio

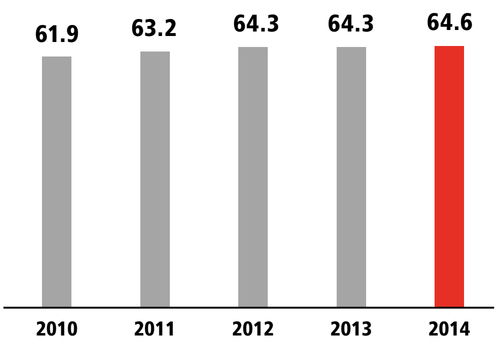
The equity ratio as at the balance sheet date of 31 December 2014 was slightly higher than the previous year (64.6% compared with 64.3%), despite the increased dividend of CHF 15 (previous year CHF 13).

Stronger acquisition activity

The outflow of funds of EUR 17.8 million for ELCOM/EMS division acquisitions and the higher dividend resulted in a net indebtedness of EUR 12.5 million, following a net liquidity of EUR 1.5 million the previous year. The net indebtedness stands at 4.7% of equity. Accordingly, the Group still has the necessary financial leeway to exploit organic and acquisition-related growth opportunities.

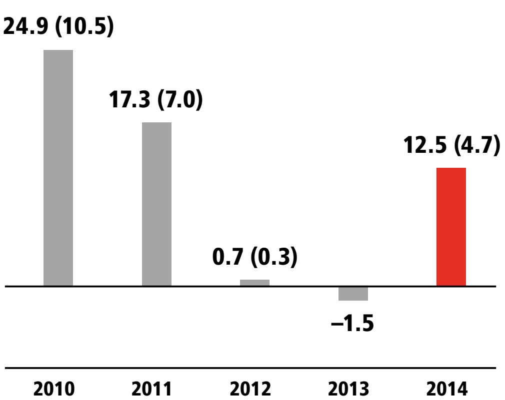
Equity ratio 2010–2014

in %



Net debt and gearing 2010–2014

in EUR million (Gearing in %)



Outlook

From Phoenix Mecano’s perspective, the global industrial economy still looks robust in early 2015, despite various economic and geopolitical crises (Ukraine, euro, appreciation of the Swiss franc, drop in oil prices). The appreciation of the Swiss franc in early 2015 will affect Phoenix Mecano in Switzerland but have only a limited impact on the Group as a whole, as only 4–5% of the Group’s sales are generated in its home market of Switzerland. Globally, costs and income are accrued largely within the same currency areas (dollar, euro, other local currencies). However, due to devaluation of the euros held by Group companies that draw up their balance sheets in CHF, the Group anticipates a negative impact on the Group’s financial result for Q1 2015. This will lie in the low single-digit million range, which will not affect the Group’s cash position and euro denominated equity. The Board of Directors and management are observing the economic situation carefully and are ready to respond quickly to new developments.

Phoenix Mecano Enclosures

Performance of the division's industrial markets was mixed in Europe and favourable in North America. Sales and result increased. The growth drivers were explosion-proof enclosures and touch systems.

Pictures: Getty Images

Increase in sales and result

Further expansion of explosion-proof enclosures business

Operating result in EUR million

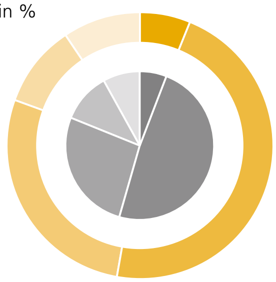
22.1

Margin in %

13.4

Gross sales by region

in %



Sales and profitability

Sales

The Enclosures division saw its gross sales increase by 3.2% to EUR 164.9 million (3.1% when corrected for differences in foreign-exchange rates). There were no consolidation effects. In Europe, the division grew its sales by 2.5%, mainly in Switzerland and France, with double-digit growth rates in Belgium, Spain / Portugal, Scandinavia and Eastern Europe. Sales in North and South America performed especially well, climbing by 20.8% thanks to strong sales growth in the US oil business. However, Middle and Far East sales were down by 4.1% due to project completions in the oil and gas business in South Korea.

Gross sales of industrial enclosures (including control panels and equipment carriers) rose by 3.8%. There were further increases in the explosion-proof enclosures product segment serving the oil and gas markets. The traditional markets of control technology and electrical engineering also saw increased sales. The new Bocube enclosures series was already used for a raft of new projects in 2014. The corresponding product range is being systematically developed, with an aluminium version unveiled for the first time in 2014.

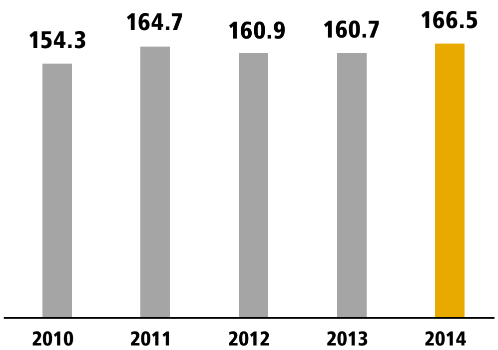
Gross sales of input systems fell slightly by 1.3%, mainly in the traditional industrial markets involving membrane keyboards. On the other hand, there were some initial successes in the safety engineering business and touch project sales continued to grow. In addition, the new technologies being rolled out in digital printing and doming are achieving initial market successes.

Orders

Incoming orders stood at EUR 166.5 million, up 3.6% on the previous year and higher than the sales volume in the reporting year. This equates to a book-to-bill ratio (incoming orders as a percentage of gross sales) of 101.0% (previous year 100.6%).

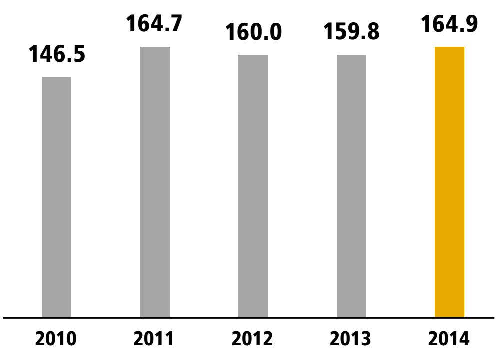
Incoming orders 2010–2014

in EUR million



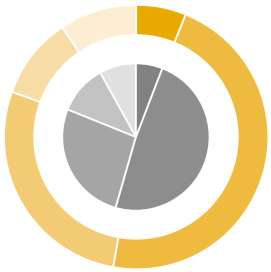
Gross sales 2010–2014

in EUR million



Gross sales by region 2014 and 2013

in % (in 1 000 EUR)



2014 **2013**

Switzerland: 6.3 (10 420) | 6.1 (9 862)

Germany: 46.6 (76 853) | 48.3 (77 204)

Europe (excluding GER and CH): 27.8 (45 902) | 26.9 (42 884)

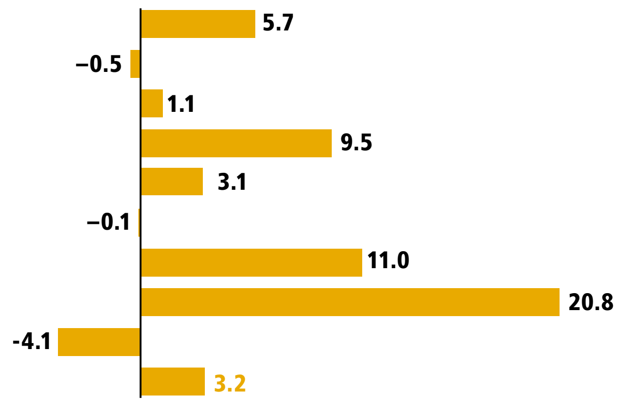
Middle and Far East: 10.1 (16 697) | 10.9 (17 415)

North and South America: 9.2 (15 060) | 7.8 (12 462)

Gross sales by region	***2014***	***2013***
in 1 000 EUR		
Switzerland	10 420	9 862
Germany	76 853	77 204
UK	4 816	4 763
France	5 820	5 315
Italy	4 536	4 401
The Netherlands	7 289	7 296
Rest of Europe	23 441	21 109
North and South America	15 060	12 462
Middle and Far East	16 697	17 415
Total	**164 932**	**159 827**

Change in gross sales by region compared to previous year

in %

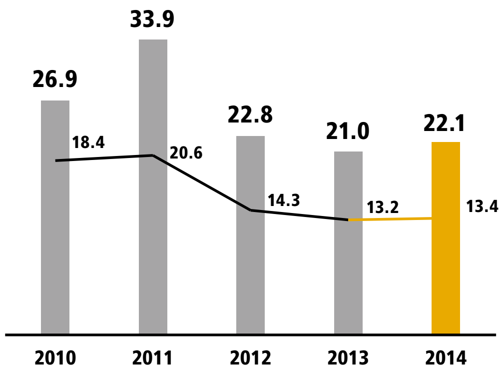


Result

The division's operating result increased thanks to a modest increase in gross margin, which grew by 5.0% to EUR 22.1 million – slightly outperforming sales growth. On the other hand, the development of touchscreen expertise continued to tie up capacity and impacted the division's result.

Operating result and margin 2010–2014

in EUR million (— — Margin in %)



Result before interest and tax (Operating result)		2014	Margin	2013	Margin
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Operating result	5.0	22 093	13.4	21 047	13.2

Net operating assets		2014	Profitability	2013	Profitability
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Net operating assets	2.0	61 589	35.9	60 381	34.9

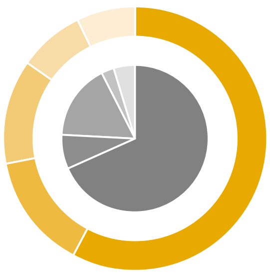
Asset and capital structure

Purchases of tangible and intangible assets in 2014 stood at EUR 6.2 million, up on the previous year's total of EUR 5.6 million. They related mainly to machinery and plant equipment, aimed at further reducing lead times, promoting sustainable process optimisation and further enhancing productivity. Much of the investment was focused in India, where capital expenditure included a 560-t die-casting machine for developing the product range and CNC manufacturing technology to expand capacity.

Net operating assets increased slightly from EUR 60.4 million to EUR 61.6 million, operating non-current assets by 7.4% and operating current assets by 5.0%. The return on capital employed (ROCE) rose to 35.9% (previous year 34.9%) due to the higher operating result.

Purchases of tangible and intangible assets 2014 and 2013

in % (in 1 000 EUR)



Purchases of tangible and intangible assets	***2014***	***2014***	***2013***	***2013***
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	496	8.0	168	3.0
Land and buildings	874	14.2	419	7.5
Machinery and equipment	3 577	57.9	3 827	68.5
Tools	786	12.7	922	16.5
Construction in progress	441	7.2	253	4.5
Total	**6 174**	**100.0**	**5 589**	**100.0**

Employees

The annual average number of staff employed by the division rose by 3.7% to 1 779, mainly owing to staff increases in India and Hungary.

Picture: Getty Images

Phoenix Mecano Mechanical Components

Project delays in the furniture and healthcare market led to a slight drop in sales. Non-recurring expenses impacted the division’s result by EUR 4 million. Encouraging performance in industrial components business.

Encouraging performance in industrial components

One-off charges in drives business for furniture and healthcare market

Operating result in EUR million

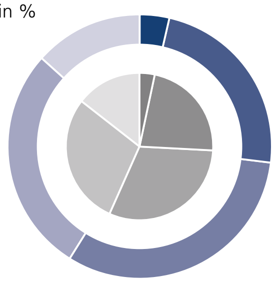
15.3

Margin in %

6.5

Gross sales by region

in %



- Switzerland: **3.7** | 3.5
- Germany: **23.4** | 22.6
- Europe (excluding GER and CH): **31.9** | 30.8
- Middle and Far East: **27.8** | 28.8
- North and South America: **13.2** | 14.3

Sales and profitability

Sales

Gross sales in the Mechanical Components division fell slightly by 0.5% to EUR 235.1 million. Corrected for differences in foreign-exchange rates, sales were up by 0.1%. There were no consolidation effects. In Europe, sales rose by 3.1%, driven by industrial business and by increased sales in the healthcare and furniture markets. However, in North and South America, sales were down by 8.1%, mainly due to liquidity problems experienced by a major customer. These have now been substantially alleviated by the entry of a new investor. Revenues in the Middle and Far East fell by 4.1% in 2014, following a substantial increase of 43.0% the previous year.

The division's industrial components business remains highly Europe-centric but managed to grow its sales in America and Asia by 17.1% and 37.6% respectively and now generates 14% of its sales outside Europe. Components and linear positioning systems for the automation sector enjoyed particularly strong growth, while gross sales of industrial assembly systems rose by 14.4%.

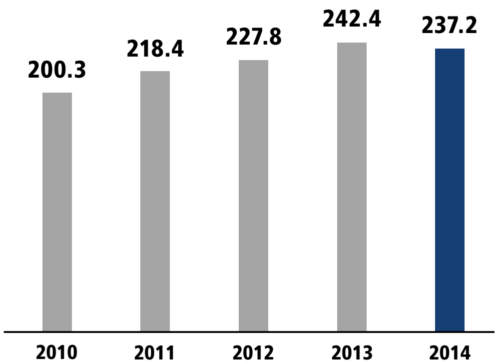
The linear drives business for the furniture and healthcare market posted a 2.9% increase in sales in Europe. By contrast, sales in Asia declined by 6.8% – following a 46.1% increase the previous year – and in North America by 11.7%. In both cases, this was mainly the result of project delays. In these market segments, a good 50% of sales are generated outside Europe. Overall, gross sales of linear adjustment and positioning systems fell by 3.0%.

Orders

Incoming orders were down 2.1% on the previous year at EUR 237.2 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 100.9% (previous year 102.5%). After weaker summer quarters, sales and incoming orders grew again in Q4, both in relation to the previous quarters and year-on-year.

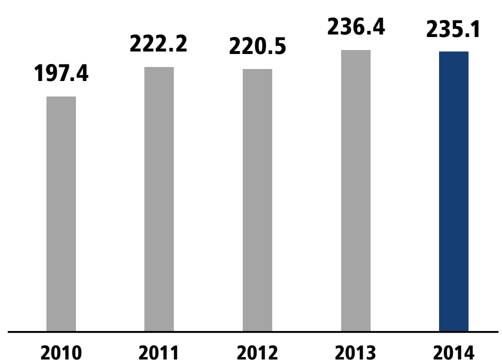
Incoming orders 2010–2014

in EUR million



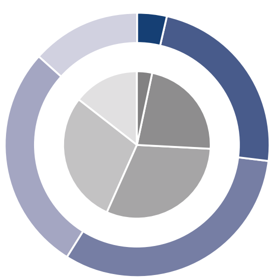
Gross sales 2010–2014

in EUR million



Gross sales by region 2014 and 2013

in % (in 1 000 EUR)



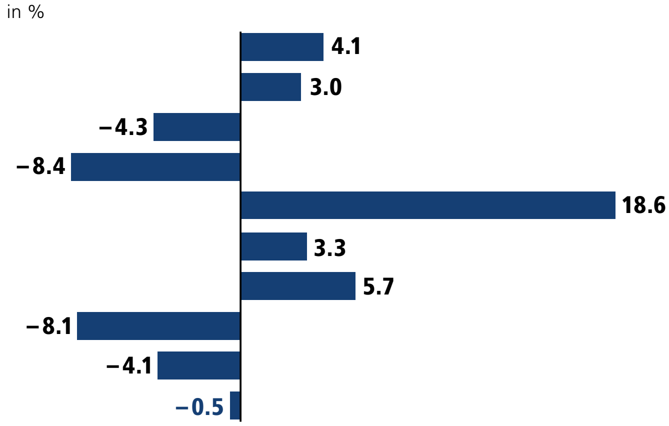
2014 **2013**

Switzerland: 3.7 (8 653) | 3.5 (8 310)
Germany: 23.4 (55 081) | 22.6 (53 474)
Europe (excluding GER and CH): 31.9 (75 149) | 30.8 (72 882)
Middle and Far East: 27.8 (65 246) | 28.8 (68 028)
North and South America: 13.2 (30 990) | 14.3 (33 721)

Gross sales by region	*2014*	*2013*
in 1 000 EUR		
Switzerland	8 653	8 310
Germany	55 081	53 474
UK	8 012	8 375
France	13 112	14 319
Italy	10 158	8 566
The Netherlands	4 960	4 802
Rest of Europe	38 907	36 820
North and South America	30 990	33 721
Middle and Far East	65 246	68 028
Total	**235 119**	**236 415**

Change in gross sales by region compared to previous year

in %

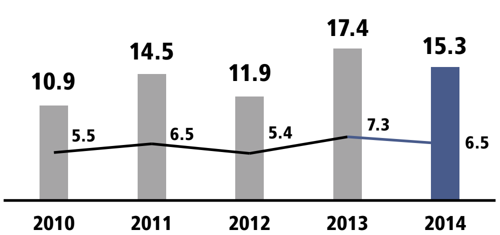


Result

Non-recurring expenses of around EUR 4 million arising from patent disputes, customer insolvencies and project delays in the linear drives business for the furniture and healthcare market led to an 11.7% drop in operating result to EUR 15.3 million. The development of innovative fittings technology at Integrated Furniture Technologies Ltd. (UK) also continued to depress the result. In this business area, a joint venture was founded in China in 2014. By contrast, the industrial components business made a positive contribution to earnings.

Operating result and margin 2010–2014

in EUR million (—— Margin in %)



Result before interest and tax (Operating result)	***2014***	***Margin***	***2013***	***Margin***
Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Operating result –11.7	**15 336**	**6.5**	**17 375**	**7.3**

Net operating assets	***2014***	***Profitability***	***2013***	***Profitability***
Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Net operating assets 5.1	**124 805**	**12.3**	**118 800**	**14.6**

Asset and capital structure

The division made purchases of tangible and intangible assets totalling EUR 9.0 million, compared with EUR 9.3 million the previous year. EUR 1.8 million of this was invested in tools, the highest amount in recent years. Much of the investment was in linear technology, with a new series of linear positioning systems for clean-room applications as well as new single and dual drives for the furniture and health-care market.

Net operating assets increased by 5.1% due to the increase in non-current assets. The return on capital employed (ROCE) fell to 12.3%, from 14.6% the previous year, owing to higher operating net current assets and lower operating result.

Purchases of tangible and intangible assets 2014 and 2013

in % (in 1 000 EUR)

2014 **2013**

Machinery and equipment: 53.7 (4 808) | 39.2 (3 660)
Tools: 19.7 (1 765) | 13.2 (1 236)
Intangible assets: 11.5 (1 032) | 17.4 (1 615)
Construction in progress: 8.3 (747) | 8.7 (815)
Land and buildings: 6.8 (605) | 21.5 (2 003)

Purchases of tangible and intangible assets	***2014***	***2014***	***2013***	***2013***
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	1 032	11.5	1 615	17.4
Land and buildings	605	6.8	2 003	21.5
Machinery and equipment	4 808	53.7	3 660	39.2
Tools	1 765	19.7	1 236	13.2
Construction in progress	747	8.3	815	8.7
Total	**8 957**	**100.0**	**9 329**	**100.0**

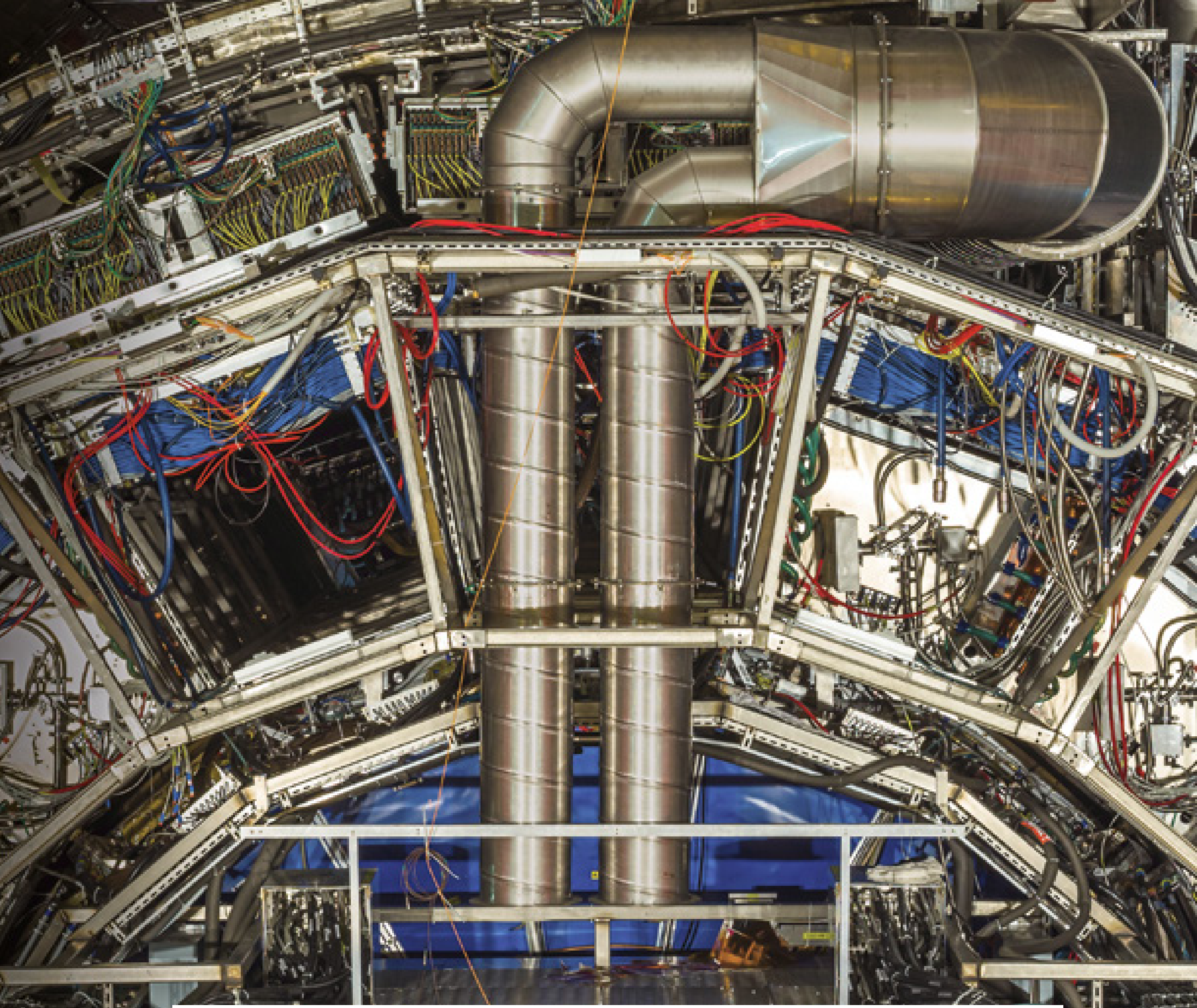
Employees

The annual average number of staff employed by the division in 2014 was 1 908, largely unchanged from the previous year (1 914). A reduction in staff in Hungary was offset by a further increase in Asia.

Pictures: Getty Images

Phoenix Mecano ELCOM/EMS

Sales increases in electromechanical components, backplanes and electronics contract manufacturing. Sales losses caused by partial withdrawal from photovoltaic components sector offset by acquisitions.



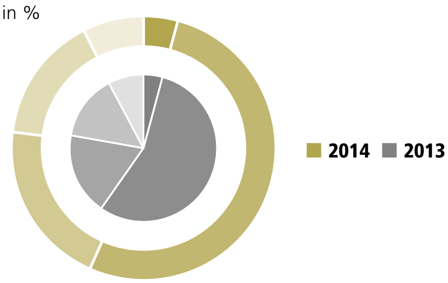
Slight increase in sales

Operating loss due to development of new business areas and production facilities as well as integrations

Operating result in EUR million	**Margin in %**
-5.3	-5.1

Gross sales by region

in %



- **Switzerland: 4.2** | 4.3
- **Germany: 52.7** | 55.5
- **Europe (excluding GER and CH): 20.3** | 18.1
- **Middle and Far East: 15.4** | 14.5
- **North and South America: 7.4** | 7.6

Sales and profitability

Sales

The ELCOM/EMS division recorded a 1.2% increase in sales in 2014 (1.3% when corrected for differences in foreign-exchange rates). Adjusted for consolidation effects, gross sales were down by 3.6%. This decline in organic sales was caused by losses in the renewable energy market segment, following the strategic partial withdrawal from the photovoltaic components business in the previous year. While overall sales in Europe remained more or less at prior-year level, and North and South America saw a slight drop in power supply sales, sales in Asia were up by 7.5%.

Gross sales of electromechanical components rose slightly to EUR 50.0 million (previous year EUR 49.8 million). Losses due to the completion of a major automotive project were fully offset by growth in test probes for other applications, terminal blocks and rotary code switches as well as relay sockets for the railway technology sector.

Gross sales of Power Quality products fell from EUR 22.9 million to EUR 22.0 million, partly due to declining sales of large inductors. The partial withdrawal from the photovoltaic components business resulted in a EUR 3.3 million drop in sales compared with the previous year. This was offset by sales of EUR 4.3 million at PM Special Measuring Systems B.V. (NL) and Redur Messwandler GmbH (D), both acquired in 2014. The two companies complement the division’s activities in current measurement.

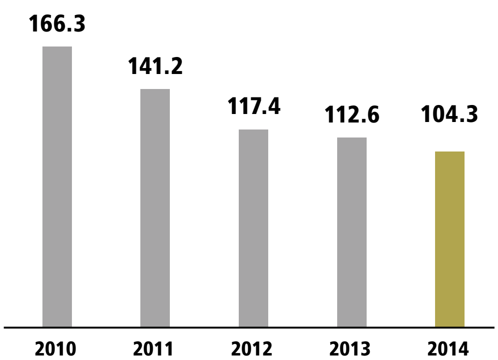
The Electronic Packaging business area (Hartmann Electronic, WIENER Plein & Baus, Phoenix Mecano Digital Elektronik, ATON Lichttechnik) improved its gross sales by 6.3% compared with the previous year. The increase was mainly generated by backplanes and integration projects in electronics manufacturing. Sales of power supply units in North America fell due to a lack of major projects.

Orders

Incoming orders were down 7.4% on the previous year at EUR 104.3 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 98.8%, compared with 107.9% the previous year. The change was owing to a lower ratio in the Electronic Packaging business area. In the Electromechanical Components and Power Quality business areas, the book-to-bill ratio at the end of 2014 was above 100%.

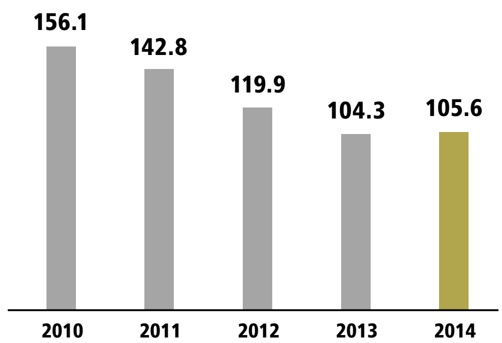
Incoming orders 2010–2014

in EUR million



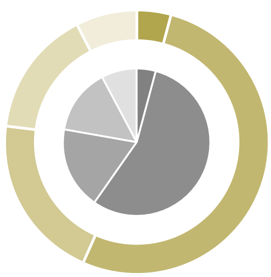
Gross sales 2010–2014

in EUR million



Gross sales by region 2014 and 2013

in % (in 1 000 EUR)



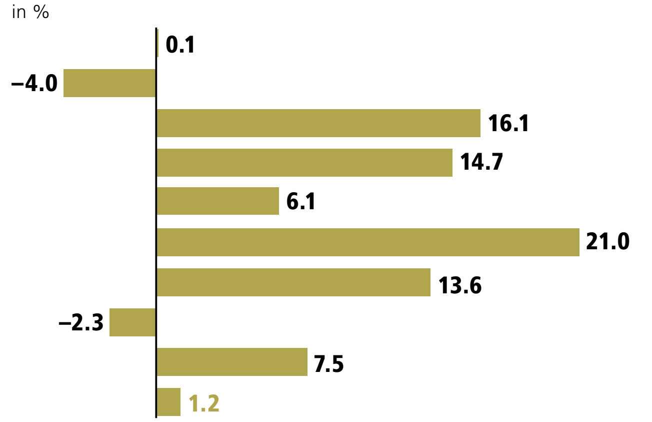
2014 2013

Switzerland: 4.2 (4 486) | 4.3 (4 483)
Germany: 52.7 (55 627) | 55.5 (57 916)
Europe (excluding GER and CH): 20.3 (21 444) | 18.1 (18 852)
Middle and Far East: 15.4 (16 217) | 14.5 (15 081)
North and South America: 7.4 (7 796) | 7.6 (7 976)

Gross sales by region	***2014***	***2013***
in 1 000 EUR		
Switzerland	4 486	4 483
Germany	55 627	57 916
UK	1 389	1 196
France	2 944	2 566
Italy	1 577	1 486
The Netherlands	1 232	1 018
Rest of Europe	14 302	12 586
North and South America	7 796	7 976
Middle and Far East	16 217	15 081
Total	**105 570**	**104 308**

Change in gross sales by region compared to previous year

in %

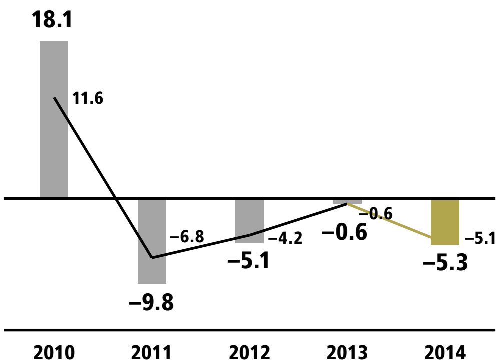


Result

The ELCOM/EMS division recorded a loss of EUR 5.3 million, compared with a EUR 0.6 million loss the previous year. The result was impacted by the division's realignment: initiatives in industrial drive technology, measurement technology and LED exterior lighting as well as in individual segments of renewable energies, the integration of two acquisitions in the Power Quality business area and the development of production facilities in Morocco, India and China. There was also a EUR 1.9 million increase in amortisation of intangible assets from acquisitions and a EUR 1.0 million increase in inventory losses.

Operating result and margin 2010–2014

in EUR million (— — Margin in %)



Result before interest and tax (Operating result)		***2014***	***Margin***	***2013***	***Margin***
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Operating result	–785.6	**–5 340**	**–5.1**	**–603**	**–0.6**

Net operating assets		***2014***	***Profitability***	***2013***	***Profitability***
	Change in %	in 1 000 EUR	in %	in 1 000 EUR	in %
Net operating assets	33.7	**93 091**	**–5.7**	**69 634**	**–0.9**

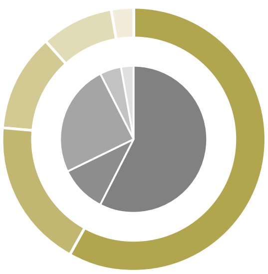
Asset and capital structure

Capital expenditure increased from EUR 5.1 million to EUR 7.9 million. The significantly higher expenditure related mainly to development of the new instrument transformer product area, the expansion of iron powder production and the construction of new premises for Plein & Baus GmbH in Germany.

Net operating assets increased from EUR 69.6 million to EUR 93.1 million, mainly owing to acquisitions and higher capital expenditure.

Purchases of tangible and intangible assets 2014 and 2013

in % (in 1 000 EUR)



2014 2013

Machinery and equipment: 58.3 (4 617) | 57.7 (2 953)
Land and buildings: 18.2 (1 443) | 10.1 (518)
Construction in progress: 12.0 (953) | 24.8 (1 266)
Tools: 8.9 (706) | 4.8 (247)
Intangible assets: 2.6 (210) | 2.6 (131)

Purchases of tangible and intangible assets	***2014***	***2014***	***2013***	***2013***
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	210	2.6	131	2.6
Land and buildings	1 443	18.2	518	10.1
Machinery and equipment	4 617	58.3	2 953	57.7
Tools	706	8.9	247	4.8
Construction in progress	953	12.0	1 266	24.8
Total	**7 929**	**100.0**	**5 115**	**100.0**

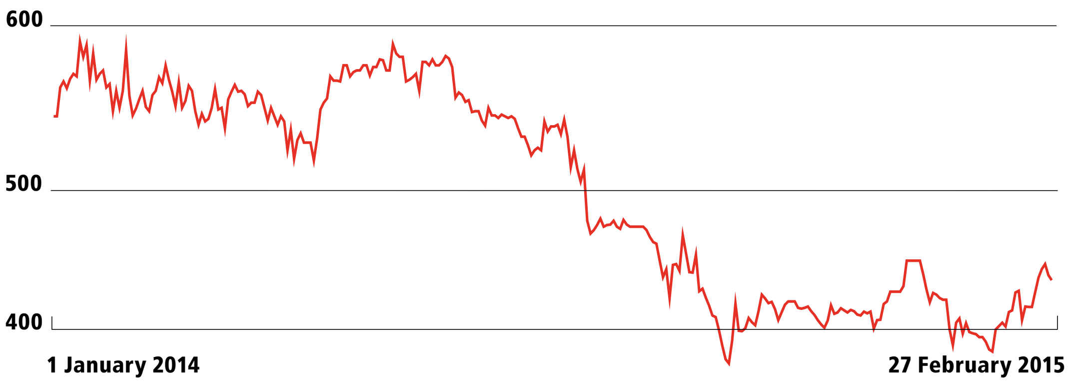
Employees

The annual average number of staff employed by the division rose from 2 182 to 2 488. This was due partly to acquisitions and partly to production facility development in Morocco and a staff increase in Tunisia.

Share information

Stable dividend policy – Continuation of long-term strategy of returning capital not required for the Group's growth.

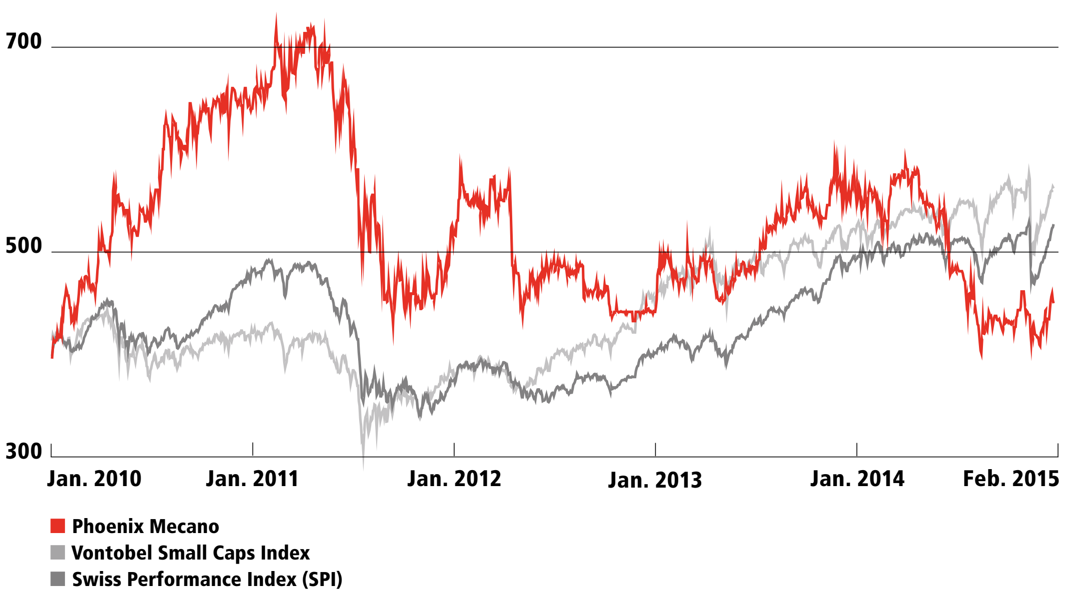
Phoenix Mecano share price 1 January 2014–27 February 2015



The Share

Phoenix Mecano AG's shares are listed on the SIX Swiss Exchange in Zurich. Phoenix Mecano AG's share capital of CHF 960 500 is divided up into 960 500 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.

Phoenix Mecano share price 1 January 2010 – 27 February 2015 compared with the Vontobel Small Caps Index and SPI



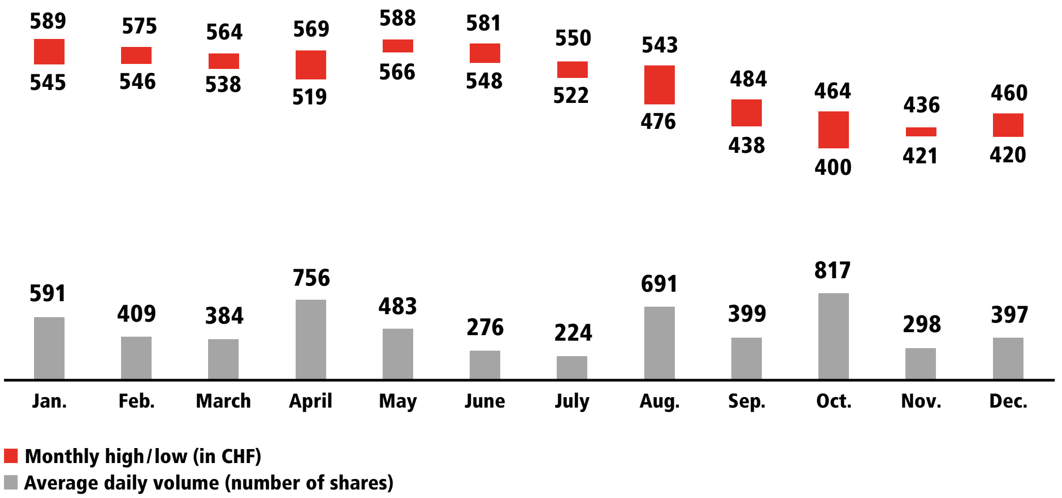
Opting out

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

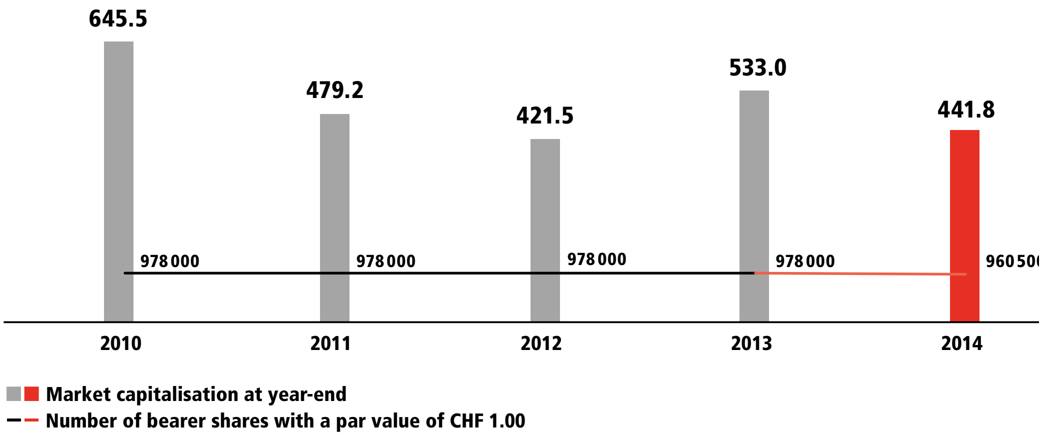
The limit for the obligation to make an offer pursuant to Article 32 of the Swiss Federal Law on Stock Exchanges and Securities Trade is 45% of voting rights.

Monthly highs and lows and average daily volume 2014



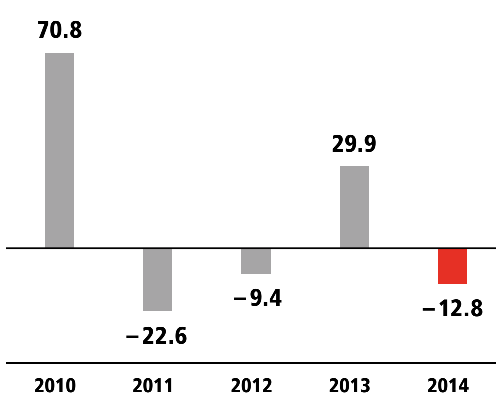
Market capitalisation 2010–2014

in million CHF



Total shareholder return 2010–2014

in %



Payout and dividend policy

The target payout ratio for dividend payments is 40 to 50% of result after tax, adjusted for special factors. The strong balance sheet and high free cash flow can sustainably finance organic growth as well as any acquisitions. The Board of Directors will propose to the Shareholders' General Meeting of 22 May 2015 a dividend of CHF 15.00. The proposed dividend for financial year 2015 corresponds to 60% of the result of the period.

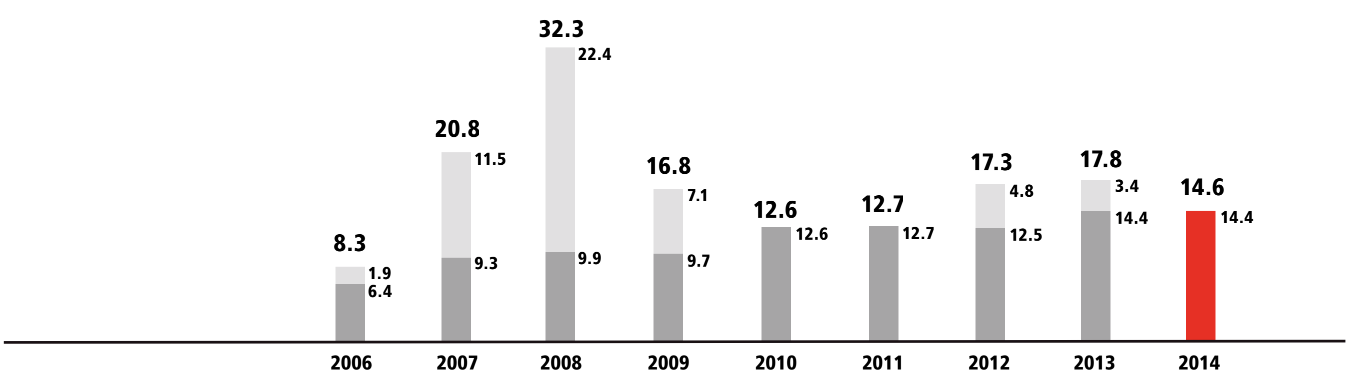
Share buy-back programme

Pursuant to a decision of the Shareholders' General Meeting of 23 May 2014, 17 500 shares were cancelled from the 2012/2013 buy-back programme and the share capital reduced accordingly to 960 500 shares.

Year of buy-back	Cancelled shares	Average repurchase price of cancelled shares	Shares outstanding
	Number	CHF	Number
2005/2006	30 500	327.18	1 069 500
2007/2008	58 500	510.74	1 011 000
2008/2009	33 000	336.42	978 000
2010/2011	–	–	–
2012/2013	17 500	467.54	960 500

Dividend payout and return of capital to shareholders 2006–2014

in million CHF

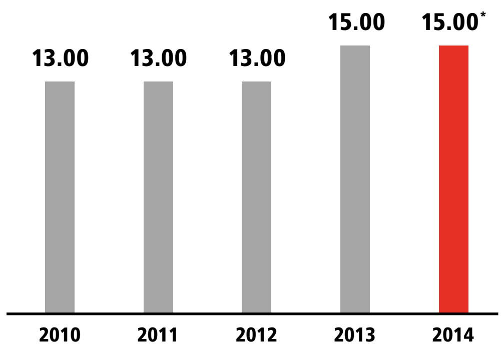


in million CHF	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Proposed dividend	6.4	9.3	9.9	9.7	12.6	12.7	12.5	14.4	14.4	101.9
Share buy-back	1.9	11.5	22.4	7.1	–	–	4.8	3.4	–	51.1
Total	**8.3**	**20.8**	**32.3**	**16.8**	**12.6**	**12.7**	**17.3**	**17.8**	**14.4**	**153.0**

Proposed dividend
Share buy-back

Dividend per share 2010–2014

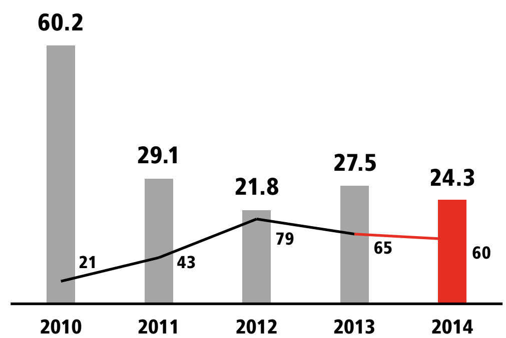
in CHF



* **Proposal to the Shareholders' General Meeting of 22 May 2015.**

Result of the period 2010–2014

in million CHF



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 2014

UBS AG (CH)	joern.iffert@ubs.com
Helvea (CH)	ramstalden@helvea.com
Zürcher Kantonalbank (CH)	richard.frei@zkb.ch

Share information

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

Continuous dialogue

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

Share indicators at a glace	Unit	2014	2013	2012	2011	2010
NUMBER OF SHARES						
Share capital [1,2] (bearer shares with a par value of CHF 1.00)	Number	960 500	978 000	978 000	978 000	978 000
Treasury shares	Number	1 260	20 064	14 803	4 520	5 459
Shares entitled to dividend	Number	959 240	957 936	963 197	973 480	972 541
INFORMATION PER SHARE						
Operating result per share [3]	EUR	30.7	36.6	29.0	37.1	54.1
Result of the period per share [3]	EUR	20.8	23.4	18.8	24.3	45.1
Equity per share [3]	EUR	278.8	265.4	260.3	253.2	242.9
Free cash flow per share [3]	EUR	16.1	24.0	38.9	25.1	12.0
Dividend	CHF	15.00 [6]	15.00	13.00	13.00	13.00
SHARE PRICE						
High	CHF	589	565	575	719	660
Low	CHF	399	436	431	427	404
Year-end price	CHF	460	545	431	490	660
SHARE KEY FIGURES						
Dividend yield [4]	%	3.3 [6]	2.8	3.0	2.7	2.0
Payout ratio [5]	%	59 [6]	52	58	43	21
Price / profit ratio 31 December		18.2	19.0	19.1	14.6	10.6

1 Pursuant to a decision by the Shareholders' General Meeting of 23 May 2014, the share capital was reduced by CHF 17 500 with effect from 26 August 2014 by cancelling 17 500 shares from the 2013/2014 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 Dividend (shares entitled to dividend only) in relation to result of the period.
6 Proposal to the Shareholders' General Meeting of 22 May 2015.

Financial Calendar

13 February 2015 7:00 a.m.	**Media release** Financial year 2014, Provisional figures
22 April 2015 7:00 a.m.	**Media release** Financial year 2014 Q1 2015 Publication of annual report 2014
22 April 2015 9:30 a.m.	**Media conference** Financial year 2014 Q1 2015 Widder Hotel, Rennweg 7, 8001 Zurich
22 April 2015 11:30 a.m.	**Financial analysts' conference** Financial year 2014 Q1 2015 Widder Hotel, Rennweg 7, 8001 Zurich
22 May 2015 3:00 p.m.	**Shareholders' General Meeting** Hotel Chlosterhof, Oehningerstrasse 2, 8260 Stein am Rhein
14 August 2015 7:00 a.m.	**Media release** Financial year 2015 Half-yearly results 2015 Publication of half-yearly results 2015 (detailed report)
30 October 2015 7:00 a.m.	**Media release** Financial year 2015 Q3 2015

Further information

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

Sustainability

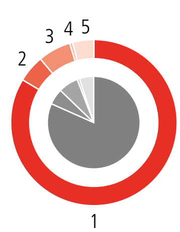
Phoenix Mecano pursues sustainable growth rather than short-term gain and maximum quarterly profits. All of our stake-holder groups benefit from the social and environmental commitment underpinning our corporate philosophy.

Value added

Creation of value added		***2014***	***2013***
in 1 000 EUR	Note		
1 Net sales		500 349	495 352
2 Own work capitalised and other income		4 070	4 762
3 Cost of materials		– 222 305	– 229 275
4 Other operating expenses	A	– 66 544	– 62 226
5 Depreciation / amortisation		– 23 613	– 21 147
6 Other non-operating result	B	584	– 2 205
Value added		**192 541**	**185 261**

Distribution of value added

in %



	Note	***2014***	***2013***
1 Employees	C	83.7	81.7
2 Government (Taxes)	D	5.4	5.6
3 Shareholders	E	6.4	7.1
4 Lenders (net interest expense)		0.5	0.6
5 Companies (retained earnings)	F	4.0	5.0
Value added		**100.0**	**100.0**

A Excluding capital taxes and other non-profit-related taxes.
B Financial result excluding net interest expense plus share of result from associated companies.
C Personnel expenses.

D Current income tax, capital taxes and other non-profit-related taxes.
E Dividends paid in the financial year and share repurchases under the share buy-back programme.
F Result of the period less dividends already paid in the financial year and share repurchases under the share buy-back programme.

Employees

Over 6 200 employees on five continents worked for the Phoenix Mecano Group in 2014. By creating demanding new jobs and promoting knowledge transfer, the company contributes to ongoing economic development in a wide range of countries. With their great expertise and unflagging personal commitment, our employees continually enhance the high quality and reliability of our products and services.

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

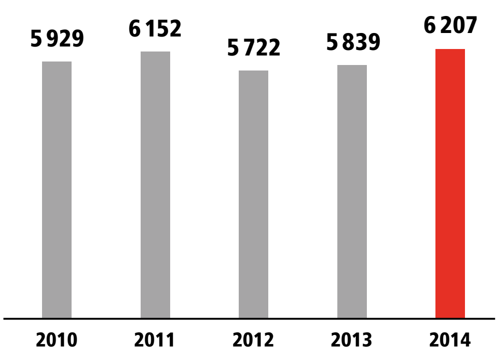
Phoenix Mecano's managerial staff combine technical and social skills. They act as role models, lead the way by setting a good example and ensure fair play and respect for the rights of all employees. Phoenix Mecano encourages open communication and supports its employees in their personal commitments.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

The Group's continuous improvement initiative, "Our Journey towards Operational Excellence" (J2OX), places the interests and demands of our customers, employees and other stakeholders centre stage. It is being systematically pursued and implemented, with certified training seminars held for employees at all levels and in all countries.

In 2014, 42 Phoenix Mecano employees successfully completed Lean Production Master and Lean Office Master training courses. With their newly acquired knowledge, they are now making targeted process optimisations in day-to-day operations, designing successful change processes and acting as trainers and models for their fellow employees.

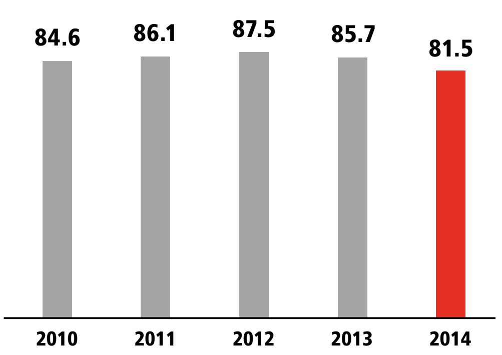
Number of employees 2010–2014

Annual average



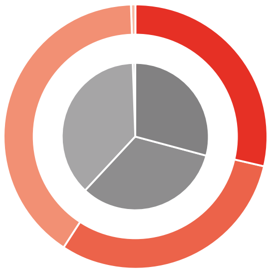
Gross sales per employee 2010–2014

in 1 000 EUR



Employees by division 2014 and 2013

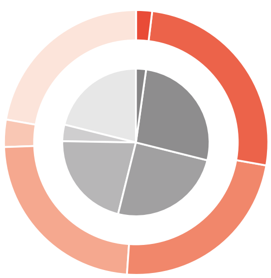
in % (number)



- **Enclosures: 28.7 (1 779)** | 29.4 (1 715)
- **Mechanical Components: 30.7 (1 908)** | 32.8 (1 914)
- **ELCOM / EMS: 40.1 (2 488)** | 37.3 (2 182)
- **Others: 0.5 (32)** | 0.5 (28)

Employees by region 2014 and 2013

in % (number)



- **Switzerland: 2.2 (139)** | 2.4 (137)
- **Germany: 25.6 (1 587)** | 26.6 (1 552)
- **Europe (excluding GER and CH): 23.5 (1 459)** | 25.1 (1 467)
- **Middle and Far East: 23.2 (1 441)** | 21.4 (1 251)
- **North and South America: 3.3 (201)** | 3.5 (204)
- **Rest of the world: 22.2 (1 380)** | 21.0 (1 228)

Key figures at a glance		***2014***	***2013***	***2012***	***2011***	***2010***
Annual average / Number unless otherwise indicated	Change 2014 to 2013 / Number / 1 000 EUR					
Employees	**368**	**6 207**	**5 839**	**5 722**	**6 152**	**5 929**
BY DIVISION						
Enclosures	64	1 779	1 715	1 666	1 628	1 511
Mechanical Components	–6	1 908	1 914	1 906	1 934	1 808
ELCOM / EMS	306	2 488	2 182	2 124	2 564	2 570
Others	4	32	28	26	26	40
BY REGION						
Switzerland	2	139	137	137	133	126
Germany	35	1 587	1 552	1 561	1 591	1 501
Rest of Europe	–8	1 459	1 467	1 647	1 913	1 962
Middle and Far East	190	1 441	1 251	891	819	554
North and South America	–3	201	204	194	185	196
Rest of World (ROW)	152	1 380	1 228	1 292	1 511	1 590
Personnel expenses in 1 000 EUR	**–0.0**	**26.0**	**25.9**	**25.4**	**23.3**	**22.2**
Gross sales per employee in 1 000 EUR	**–4.3**	**81.5**	**85.7**	**87.5**	**86.1**	**84.6**

Code of Conduct

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

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

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

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

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

Society

Our social commitment is decentralised to individual Group companies. Through their involvement in numerous social projects, they help to foster development in their respective regions.

In Switzerland, we are involved in an ETH Zurich project to develop a barrier-free wheelchair and are a gold partner on the go tec! project, which aims to get children and young people interested in technology by means of open days and work experience. Phoenix Mecano Komponenten AG currently employees 12 apprentices, who make up 9.6% of the workforce. In Hungary, we promote education and vocational training as well as cultural development, support research projects at a number of secondary schools and engineering training in Kecskemét. In Germany, too, our subsidiaries work closely with local technical colleges and universities, offer work placements and support research activities. In China there is a project to help street children aged 6 to 13, while in India the provision of basic medical care is the main focus.

Environment

Fostering a sense of ecological responsibility begins with each and every individual in their daily working lives. Accordingly, all of our employees throughout the Group are regularly and comprehensively informed, trained and motivated to ensure that they implement the company's internal principles on environmental protection in their day-to-day work.

However, despite our commitment to the environment, we are aware that the high ecological standards of Switzerland and Germany cannot be applied as a benchmark in all countries. Nonetheless, we continually strive to improve environmental awareness at all levels and in all regions. Our environmental commitment is based heavily on the standards implemented in the EU, and Germany in particular.

New WIENER building

Healthy building, healthy working – good for people and the environment

Sustainable construction has ecological, economic and sociocultural benefits. Protecting the environment and natural resources, optimising economic potential, reducing life-cycle costs, safeguarding health in the building and preserving social and cultural values – all of these come together in a sustainable building.

There are various criteria and measures promoting the goal of eco-friendly and energy-efficient construction. For example, under the German Energy Saving Ordinance (EnEV), new buildings will have to consume less energy in future. Phoenix Mecano operates in a responsible and environmentally sound way and is committed to reducing its energy consumption and making use of renewable energy.

In October 2014, the Phoenix Mecano subsidiary Wiener Plein & Baus moved into its new premises in Burscheid, Germany. Made largely of solid timber, the building meets high energy efficiency standards. Thanks to its sustainable harvesting and biodegradability, the use of wood as a building material fits into the natural cycle. The natural yet unique qualities of wood create a healthy and pleasant indoor environment, which enhances the well-being of employees while also being eco-friendly.

Advantages of timber as a sustainable building material

- Natural moisture control (excess moisture is stored and released later on in a controlled way)
- Indoor environment that promotes well-being
- Excellent insulating properties
- Positive effect on heart rate and stress levels
- Resin content reduces electrosmog
- Enhanced anti-bacterial properties
- Reduced carbon footprint
- Pleasant room temperatures
- Contains no substances harmful to health
- Low thermal conductivity

Certified quality and environmental management systems

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

Certification standards used in subsidiaries worldwide

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

Environmental management systems certified

Bopla Gehäuse Systeme GmbH	ISO 14001:2004	Germany
DewertOkin GmbH	ISO 14001:2004	Germany
Hartmann Codier GmbH	ISO 14001:2004	Germany
Phoenix Mecano Kecskemét Kft.	ISO 14001:2004	Hungary
PTR Messtechnik GmbH + Co. KG	ISO 14001:2009	Germany

Corporate Governance

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.

Structure of the Phoenix Mecano Group

Finance and service companies

Switzerland
Germany
United Kingdom
The Netherlands
Hungary

Divisions

Enclosures
Mechanical Components
ELCOM / EMS

Production and sales companies worldwide

Australia
Austria
Belgium
Brazil
Denmark
France
Germany
Hungary
India
Italy
Korea (South Korea)
Morocco
The Netherlands
People's Republic of China
Romania
Singapore
Spain
Sweden
Switzerland
Tunisia
Turkey
United Arab Emirates
United Kingdom
USA

Responsible corporate governance

The corporate governance report generally follows the structure of the Directive on Corporate Governance (DCG) published by SIX Swiss Exchange.
The remuneration report follows in a separate section on pages 70–77.

Group structure and shareholders

Phoenix Mecano is a global technology enterprise in the enclosures and industrial components sectors and has significant market shares in all international growth markets. It manufactures technical enclosures, electronics components, linear actuators and complete system integrations in three technical divisions. Its core markets are mechanical engineering, measurement and control technology, medical technology, aerospace technology, alternative energy, and home and hospital care. The Group is split into three divisions: Enclosures, Mechanical Components and ELCOM/EMS. Within these divisions, parent companies responsible for product management operate with the help of global production sites and sales companies. In Switzerland, Phoenix Mecano is present at two locations: Kloten, from where Phoenix Mecano Management AG runs the Group's operations, and Stein am Rhein, which is home to the headquarters of the Group's holding company as well as to Phoenix Mecano Komponenten AG, which distributes the various products manufactured by Phoenix Mecano subsidiaries in Switzerland, and the purchasing company Phoenix Mecano Trading AG. The Group's overall structure has always been very lean. Operational responsibility lies with the management, also referred to as the Executive Committee. The Extended Group Leadership Committee, including the operational managers of the Group's divisions, main business units and regions, assists with the coordination of business activities. The Group's operational structure is presented on pages 78 and 79. Detailed information about the scope of consolidation can be found on pages 109 and 110 of the consolidated financial statements. None of the shareholdings is listed.

As at 31 December 2014, the following major shareholders were known to the company, each holding a share of the voting rights equivalent to over 3% of the share capital.

Name	Head office	2014	2013
in %			
Planalto AG	Luxembourg City, Luxembourg	34.6	34.0*
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5*	5.5
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	5.4*	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	3.5*	3.5

* Shareholding not notified in the year indicated.
This information is based on notifications by the aforementioned shareholders.

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

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

Shareholders' agreements There are no shareholders' agreements.

Capital structure

Capital / shares and participation certificates As at 31 December 2014, Phoenix Mecano AG's share capital was fully paid up and consisted of 960 500 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 1 260 treasury bearer shares. There are no nominal shares and no participation or dividend-right certificates.

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

Changes in capital The Shareholders' General Meeting of 23 May 2014 approved the cancellation of 17 500 shares from the 2012 / 2013 buy-back programme. The share capital was reduced from CHF 978 000 to CHF 960 500, with effect from 26 August 2014, and was then re-divided into 960 500 bearer shares with a par value of CHF 1.00 each. No changes in capital took place in 2013, 2012 and 2011. The Shareholders' General Meeting of 28 May 2010 approved the cancellation of 10 000 shares from the 2008 / 2009 buy-back programme. The share capital was reduced from CHF 988 000 to CHF 978 000, with effect from 2 September 2010, and was then re-divided into 978 000 bearer shares with a par value of CHF 1.00 each. Pursuant to a decision by the Shareholders' General Meeting of 5 June 2009, 81 500 bought-back shares were cancelled from the 2007 / 2008 and 2008 / 2009 share buy-back programmes and the share capital reduced from CHF 1 069 500 to CHF 988 000, with effect from 28 September 2009. No changes in capital took place in 2008 and 2007. Following a decision by the Shareholders' General Meeting of 26 May 2006, the share capital was reduced from CHF 1 100 000 to CHF 1 069 500 as of 15 September 2006 by cancelling 30 500 shares from the 2005 / 2006 share buy-back programme.

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

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

Board of Directors

The Board of Directors is the company's senior management body and comprises at least four members. The Board of Directors met four times in 2014, each meeting lasting an average of three-and-a-half hours.

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

Definition of areas of responsibility 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 other natural persons, pursuant to its own rules of procedure governing organisational matters, except where mandatory legal provisions stipulate otherwise. To this end it may set up committees, appoint, monitor or recall delegates or appoint a management comprising one or more of its own members or external persons. The Board of Directors determines the powers and obligations of committees, delegates, management and executives with a power of attorney.

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

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

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

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

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

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

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

Official functions and political posts
- Member of the Government Commission of the German Corporate Governance Code
- German Financial Reporting Enforcement Panel (FREP), Member of the Governing Board

Mr Benedikt Goldkamp, Delegate of the Board of Directors and CEO, fulfils the following additional mandates:

Activities in governing and supervisory bodies
- Model Holding AG, Weinfelden, Switzerland (Member of the Board of Directors)

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

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

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

Number of permitted activities pursuant to Article 12(1)(1) ERCO (rules laid down in Article 22 of the Articles of Incorporation) Members of the Board of Directors, the management and any advisory board may not hold or perform more than the following number of additional positions or activities in senior management or administrative bodies of other legal entities which are required to register themselves in the commercial register or an equivalent foreign register and which do not control or are not controlled by the company:

- 5 mandates with companies whose equity securities are listed on a stock exchange, where multiple mandates with different companies belonging to the same group count as one mandate; and
- 10 paid mandates with other legal entities, where multiple mandates with different companies belonging to the same group count as one mandate; and
- 10 unpaid mandates, where the reimbursement of expenses is not considered as remuneration.

Mandates fulfilled by a member of the Board of Directors or the management at the instruction of the company are not covered by this restriction on additional mandates.

There are no rules in the Articles of Incorporation that differ from the statutory legal provisions with regard to the appointment of the Chairman of the Board of Directors, the members of the Compensation Committee or the independent proxy.

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 member of the Board of Directors.

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 2014, each lasting an average of three hours. The Audit Committee works in an advisory capacity and prepares draft resolutions and recommendations for the attention of all members of the Board of Directors. Decisions are taken by the whole Board of Directors.

At its meeting on 20 December 2013, the Board of Directors set up a Compensation Committee for the first time, comprising three members of the Board of Directors: Beat Siegrist (Chairman), Ulrich Hocker, Dr Martin Furrer. As of the 2014 ordinary Shareholders' General Meeting, the members of the Compensation Committee are elected by the Shareholders' General Meeting. The Compensation Committee is the remuneration committee required by the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The present members of the Compensation Committee were proposed to the 2014 Shareholders' General Meeting for election individually and elected by the Shareholders' General Meeting. The Compensation Committee draws up proposed remuneration guidelines for the Board of Directors and management. It also makes recommendations for Board of Directors compensation and the fixed and variable remuneration components for management. It prepares the Board of Directors' decision concerning the remuneration of the Board of Directors and management and submits a proposal to the Board of Directors on this matter. Based on the Compensation Committee's proposal, the whole Board of Directors decides on the remuneration of members of the Board of Directors and management and submits its decision to the Shareholders' General Meeting for approval, in accordance with the Articles of Incorporation. To prevent conflicts of interest, the Chairman and Delegate of the Board of Directors abstain from votes relating to their own remuneration. At the 2015 ordinary Shareholders' General Meeting, the Shareholders' General Meeting will vote on Board of Directors and management remuneration for the first time.

Members of the Board of Directors

Name	Position	On the Board since	In current position since	Term expires in	Operational management tasks
Ulrich Hocker	Chairman of the Board of Directors Member of the Compensation Committee Member of the Audit Committee	1988	2003	2015	No
Benedikt A. Goldkamp	Delegate of the Board of Directors	2000	2001	2015	Yes
Dr Florian Ernst	Member of the Board of Directors Chairman of the Audit Committee	2003	2003	2015	No
Dr Martin Furrer	Member of the Board of Directors Member of the Compensation Committee	2003	2003	2015	No
Beat Siegrist	Member of the Board of Directors Chairman of the Compensation Committee	2003	2003	2015	No

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

In 2002, a dedicated, full-time Internal Auditing Department was set up. It is accountable to the Board of Directors and reports directly to it. Key audit issues in 2014 were accounts receivable and inventory management, the internal control system, the risk management system and transfer pricing documentation. A quality assessment conducted by an external auditor (Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany) in early 2012 confirmed that the Phoenix Mecano Group's Internal Auditing Department complied with international standards. A quality assessment is carried out every five years.
The Internal Auditing Department conducted a self-assessment in early 2014. The positive outcome was reported to the Audit Committee.

A Group-wide risk management system was introduced in 2002 and a Group-wide internal control system in 2008. Both systems have proved invaluable and are continuously updated. Integrated software for both areas was rolled out in the fourth quarter of 2012. Based on experiences over the past two years, a fundamental review of internal control guidelines took place in September 2014, covering control requirements and frequencies as well as documentation requirements.

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

As at 31 December 2014 the Board of Directors comprised the following members:

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

Benedikt A. Goldkamp (D) Delegate of the Board of Directors. Member of the Board of Directors since 2000. Delegate of the Board of Directors and CEO since 1 July 2001. Lufingen (Switzerland), born 1969. Gained a degree in financial consultancy, followed by a Master of Business Administration from Duke University. 1996 – 1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998 – 2000 Managed the Group's own production facility in Hungary and several Group-internal restructuring projects. Has been a member of the management and Board of Directors of Phoenix Mecano AG since 2000.

Dr Florian Ernst (CH) Member of the Board of Directors since 2003. Zollikon (Switzerland), born 1966. Graduated as Dr oec. HSG in 1996. Qualified as an auditor in 1999. Worked as an auditor at Deloitte & Touche AG in Zurich until 1999. Then held various positions in the banking sector, including as a mergers & acquisitions consultant and the CFO of an alternative investment company in Pfäffikon, Schwyz. Has been working for Deutsche Bank (Switzerland) AG in Zurich since 2008, in a variety of roles, and currently advises clients on asset & wealth management.

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

Beat Siegrist (CH) Member of the Board of Directors since 2003. Herrliberg (Switzerland), born 1960. Gained the following qualifications: Dipl. Ing. ETH 1985, MBA INSEAD, Fontainebleau and McKinsey Fellowship 1988. Development engineer for data transfer with Contraves, Senior Consultant and Project Manager at McKinsey & Co. responsible for reorganisations and turnaround projects in the machine industry. CEO of Schweiter Technologies, Horgen, from 1996 – 2008. Since 2008 member and since 2011 chairman of the Board of Directors of Schweiter Technologies Horgen. Member of the Board of Directors of INFICON Holding AG, Bad Ragaz, since 2010. 2008 – 2012 Managing Director of the Satisloh Group. Since 2013 Chairman of the Board of Directors of Garaventa Accessibility AG, Goldau.

Management

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

Other activities and vested interests

Mr Benedikt Goldkamp, Delegate of the Board of Directors, CEO, fulfils the following additional mandates:

Activities in governing and supervisory bodies

› Model Holding AG, Weinfelden, Switzerland (Member of the Board of Directors)

No other members of the management have any relevant activities or vested interests to declare.

Number of permitted activities pursuant to Article 12(1)(1) ERCO The number of permitted activities for members of the management is laid down in Article 22 of the company's Articles of Incorporation. The relevant rules are cited on page 60 in the Board of Directors section.

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

As at 31 December 2014, the management comprised the following members:

Benedikt A. Goldkamp (D) CEO | Delegate of the Board of Directors. Member of the Board of Directors since 2000. Delegate of the Board of Directors and CEO since 1 July 2001. Dipl. Finanzwirt, MBA Duke University, Lufingen (Switzerland). Born 1969. 1996 – 1997 Worked as an auditor and strategy consultant at McKinsey & Co. 1998 – 2000 Managed the Group's own production facility in Hungary and several Group-internal restructuring projects. Has been a member of the management and Board of Directors of Phoenix Mecano AG since 2000.

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

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

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

Compensation, shareholdings and loans

Remuneration report, page 75/Financial statements, page 165

Share ownership by members of the Board of Directors and management and persons related to them

Name	Position	31.12.2014	31.12.2013
Ulrich Hocker	Chairman of the Board of Directors	8 798	8 798
Benedikt A. Goldkamp	Delegate of the Board of Directors	1 865	1 740
Dr Florian Ernst	Board member	10	10
Dr Martin Furrer	Board member	100	100
Beat Siegrist	Board member	400	400
Shares held by the Board of Directors		**11 173**	**11 048**
Dr Rochus Kobler	Member of the management	200	200
René Schäffeler	Member of the management	80	80
Shares held by the management		**280**	**280**

Shareholders' participation rights

Voting rights and proxy voting One share entitles the holder to one vote at the Shareholders' General Meeting. There is no restriction on voting rights. Shareholders may be represented at the Shareholders' General Meeting by their legal representative, another third party with written authorisation or the independent proxy. All of the shares held by a shareholder can only be represented by one person.

Instructions to the independent proxy The Board of Directors ensures that shareholders can also transmit their proxies and instructions to the independent proxy by electronic means. The Board of Directors determines the requirements applying to proxies and instructions. Ahead of the 2015 Shareholders' General Meeting, shareholders will be able for the first time to transmit their proxies and instructions to the independent proxy by electronic means.

Quorums required by the Articles of Incorporation 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. Shareholders representing shares totalling 10% of the share capital may request the inclusion of an item on the agenda.

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

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

Changes of control and defence measures

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

Clauses on changes of control There are no change-of-control clauses. Nor are there any agreements about extending contracts in the event of a hostile takeover. This applies to serving members of the Board of Directors and management as well as to other executive staff.

Auditors

Duration of the mandate and term of office of the lead auditor By a decision of the Shareholders' General Meeting of 23 May 2014, 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 lead auditor, Mr Kurt Stocker, has been in office since the 2012 Shareholders' General Meeting. The lead auditor is replaced every seven years.

Auditing fees In the reporting year, KPMG received fees totalling EUR 700 000 for auditing the financial statements and consolidated financial statements.

Additional fees KPMG received additional fees of EUR 658 000 in the reporting year: EUR 444 000 for tax consultancy, EUR 198 000 for legal advice and EUR 16 000 for miscellaneous services including support for the Internal Auditing Department.

Auditing fees / Additional fees	2014	2013
in 1 000 EUR		
Total auditing fees	**700**	**670**
Tax consultancy	444	396
Legal advice (mainly support with due diligence)	198	–
Miscellaneous (mainly support with VAT return)	16	21
Total additional fees	**658**	**417**
Total	**1 358**	**1 087**

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 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 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.

Information policy

Phoenix Mecano informs its stakeholders in an open and comprehensive way to create trust and promote understanding of the company. Its high level of transparency in communication enables all stakeholder groups to make a full and accurate assessment of business development and prospects and the sustainability of management and corporate policy.

Relevant information about the Group's business activities is provided in its annual reports, semi-annual reports and media releases as well as at media and analysts' conferences and the Shareholders' General Meeting.

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

The calendar of events and publications and the contact details of the investor relations manager can be found in the “Share Information” section on page 42. Detailed information is also available online at www.phoenix-mecano.com, from where the Group’s annual reports, latest media information and Articles of Incorporation can be downloaded:

- Annual reports/Semi-annual reports:
  http://www.phoenix-mecano.com/annualreports.html
- Media information:
  http://www.phoenix-mecano.com/current-media-releases.html
- Articles of Incorporation:
  http://www.phoenix-mecano.com/articles-of-incorporation.html
- Shareholders’ General Meeting (invitation, results of votes):
  http://www.phoenix-mecano.com/general-meeting.html

For ad hoc disclosures, the relevant pages are:

- 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.

Remuneration report

The report details the remuneration paid in 2014. It contains information about the principles, procedures for determining remuneration and components of remuneration of the Board of Directors and management of Phoenix Mecano AG.

Principles of remuneration

Remuneration of the management and Board of Directors is based on the following principles:

Transparency
(simplicity, clarity)

Business success
(value creation, shareholder benefit)

Adherence to market rates of executive pay
(benchmarking of similar companies, qualifications and experience)

The remuneration report is based on the Articles of Incorporation, the transparency requirements set out in the Swiss Code of Obligations (CO), the SIX Swiss Exchange Directive on Information relating to Corporate Governance and the principles of the Swiss Code of Best Practice for Corporate Governance drawn up by Economiesuisse. The disclosures required under Articles 13–16 of the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) are contained in a separate section at the end of this remuneration report. They replace the information pursuant to Article 663bbis CO in the notes to the balance sheet.

Governance

At its meeting on 20 December 2013, the Board of Directors set up a Compensation Committee for the first time, comprising three members of the Board of Directors: Beat Siegrist (Chairman), Ulrich Hocker, Dr Martin Furrer. As of the 2014 ordinary Shareholders' General Meeting, the members of the Compensation Committee are elected by the Shareholders' General Meeting. The Compensation Committee is the remuneration committee required by the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The present members of the Compensation Committee were proposed to the 2014 Shareholders' General Meeting for election individually and elected by the Shareholders' General Meeting. The Compensation Committee draws up proposed remuneration guidelines for the Board of Directors and management. It also makes recommendations for Board of Directors compensation and the fixed and variable remuneration components for management. It prepares the Board of Directors' decision concerning the remuneration of the Board of Directors and management and submits a proposal to the Board of Directors on this matter. Based on the Compensation Committee's proposal, the whole Board of Directors decides on the remuneration of members of the Board of Directors and management and submits its decision to the Shareholders' General Meeting for approval, in accordance with the Articles of Incorporation. To prevent conflicts of interest, the Chairman and Delegate of the Board of Directors abstain from votes relating to their own remuneration. At the 2015 ordinary Shareholders' General Meeting, the Shareholders' General Meeting will vote on Board of Directors and management remuneration for the first time.

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

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

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

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

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

Procedures for determining remuneration

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

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

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

Structure of remuneration and compensation

The Board of Directors is remunerated in cash for all of its duties, including ordinary and any extraordinary meetings, committee activities and other extraordinary activities. Expenses are not reimbursed separately. Only in the case of cross-border travel the actual costs are reimbursed.

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

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

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

No shares were allocated and no options were organised in the reporting year. There are no shareholding programmes for members of the Board of Directors or management under which shares or options could be issued.

Social security and fringe benefits

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

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

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

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

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

Additional fees

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

Contractual terms and conditions

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

Severance pay

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

Amendment to the Articles of Incorporation

The revised version of the Articles of Incorporation with regard to Board of Directors and management compensation, taking into account the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO), was approved by the 2014 Shareholders' General Meeting.

Rules laid down in the articles of incorporation

The Articles of Incorporation include the following rules concerning the vote on Board of Directors and management remuneration, the determination of performance-related pay and the allocation of equity securities, convertible rights and options, as well as concerning loans, credit facilities and post-employment benefits for members of the Board of Directors and management (extract from the Articles of Incorporation of Phoenix Mecano AG, version dated 23 May 2014):

Article 13 Each year the Shareholders' General Meeting shall, with binding effect, separately approve, based on a proposal by the Board of Directors, the maximum total amounts of the remuneration of the Board of Directors, the management (including any Delegate) and any advisory board, for the next financial year commencing after the ordinary Shareholders' General Meeting (the "approval period"). The maximum total amounts approved by the Shareholders' General Meeting may be paid by the company and/or by one or more Group companies.

If an approved maximum total amount for remuneration of the management is insufficient to compensate any members appointed after the resolution of the Shareholders' General Meeting up to the commencement of the next approval period, the company shall have at its disposal an additional amount per person of up to 50% of the previously approved maximum total remuneration of the management for the approval period in question. The Shareholders' General Meeting shall not vote on the additional amount appropriated.

In addition to the approval pursuant to paragraph 1, the Shareholders' General Meeting may, each year, with binding effect, separately approve, based on a proposal by the Board of Directors, an increase in the approved maximum total amounts for remuneration of the Board of Directors, the management and any advisory board for the approval period ongoing at the time of the relevant Shareholders' General Meeting and/or for the preceding approval period. The Board of Directors shall be entitled to pay all kinds of authorised remuneration using the approved maximum total amounts and/or the additional amounts.

In addition, the Board of Directors may give the Shareholders' General Meeting the opportunity to hold an advisory vote on the remuneration report for the financial year preceding the Shareholders' General Meeting in question.

If the Shareholders' General Meeting refuses to approve a maximum total amount for the members of the Board of Directors, the management or any advisory board, the Board of Directors may submit new proposals at the same Shareholders' General Meeting. If the Board of Directors does not submit new proposals or if the new proposals are also rejected, the Board of Directors may convene another Shareholders' General Meeting at any time, subject to legal requirements and the Articles of Incorporation.

Article 20 The company may pay executive members of the Board of Directors and the members of the management performance-related remuneration. The amount of this remuneration shall be based on the qualitative and quantitative targets and parameters set by the Board of Directors, in particular the overall success of the Group. The performance-related remuneration may be paid in cash or through the allocation of equity securities, conversion or option rights or other rights to equity securities. The Board of Directors shall specify detailed rules for the performance-related remuneration of members of the Board of Directors, the management and any advisory board. Non-executive members of the Board of Directors shall receive a fixed remuneration only.

The company may allocate equity securities, conversion or option rights or other rights to equity securities to members of the Board of Directors, the management and any advisory board as part of their remuneration. If equity securities, conversion or option rights or other rights to equity securities are allocated, the amount of the remuneration shall correspond to the value of the allocated securities and/or rights at the time of the allocation according to generally accepted valuation methods. The Board of Directors may stipulate a lock-up period for retaining the securities and/or rights and determine when and to what extent the beneficiaries acquire permanent entitlement and under what conditions any lock-up periods lapse and the beneficiaries immediately acquire permanent entitlement (e.g. in the event of a change of control, substantial restructuring or certain types of employment contract termination). The Board of Directors shall specify detailed rules.

Article 21 Loans and credit to members of the Board of Directors, the management and any advisory board may not as a rule exceed 100% of the annual remuneration of the individual in question.

Remuneration for financial years 2014 and 2013 pursuant to ERCO

The following remuneration was awarded for financial year 2014:

Name	Position	Fixed remuneration	Variable remuneration	Social security and pension	**Total remuneration 2014**
in 1 000 CHF					
Ulrich Hocker	Chairman of the Board of Directors	261		20	281
Benedikt A. Goldkamp	Delegate of the Board of Directors	64		11	75
Dr Florian Ernst	Board member	64		5	69
Dr Martin Furrer	Board member	64		5	69
Beat Siegrist	Board member	64		5	69
Remuneration of the Board of Directors		**517**	**0**	**46**	**563**
Remuneration of the management		**1 600**	**446**	**328**	**2 374**
Remuneration of the Board of Directors and of the management		**2 117**	**446**	**374**	**2 937**
Highest individual management salery: Benedikt A. Goldkamp	CEO	726	248	145	**1 119**

The following remuneration was awarded for financial year 2013:

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

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

The Phoenix Mecano Group's consolidated statement of income for 2014 includes no compensation for former members of the Group's bodies who left in the preceding period or before.

Loans to corporate officers

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

Report of the Statutory Auditor to the General Meeting of Shareholders of Phoenix Mecano AG, Stein am Rhein

We have audited the remuneration report dated 24 March 2015 of Phoenix Mecano AG for the year ended 31 December 2014. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies contained on page 75 (table) of the Annual Report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended 31 December 2014 of Phoenix Mecano AG complies with Swiss law and articles 14 – 16 of the Ordinance.

Zurich, 24 March 2015

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

KPMG AG

Group operational structure

GROUP HEADQUARTERS, SWITZERLAND
Phoenix Mecano AG
CH-8260 Stein am Rhein

Finance and service companies

SWITZERLAND

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

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

GERMANY

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

HUNGARY

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

THE NETHERLANDS

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

UNITED KINGDOM

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

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

Enclosures

Dr H. W. Rixen

GERMANY

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

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

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

Mechanical Components

M. Kleinle

GERMANY

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

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

ELCOM/EMS

Dr R. Kobler

GERMANY

ATON Lichttechnik GmbH
D-99848 Wutha-Farnroda
Managing director:
R. Bormet

Phoenix Mecano Power Quality GmbH + Co. KG
D-61279 Grävenwiesbach
Managing directors:
K. H. Goos, F. Kauert, E. Sorg

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

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

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

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

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

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

Production and sales companies

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

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

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

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

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

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

GERMANY
REDUR Messwandler GmbH
D-52399 Merzenich
Managing directors:
K. H. Goos, F. Kauert

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

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

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

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

ITALY
Phoenix Mecano S.r.l.
I-20065 Inzago (Milano)
Managing director:
E. Giorgione

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

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

THE NETHERLANDS
PM Komponenten B.V.
NL-7005 AG Doetinchem
Managing directors:
E. R. de Veen, G. H. B. Hartman

PM Special Measuring Systems B.V.
NL-7532 SN Enschede
Managing director:
R. Lachminarainsingh

PEOPLE'S REPUBLIC OF CHINA
Bond Tact Hardware (Dongguan) Co., Ltd.
Dongguan, Guangdong
Managing director:
E. Lam

Bond Tact Industrial Ltd.
Hong Kong
Managing director:
E. Lam

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

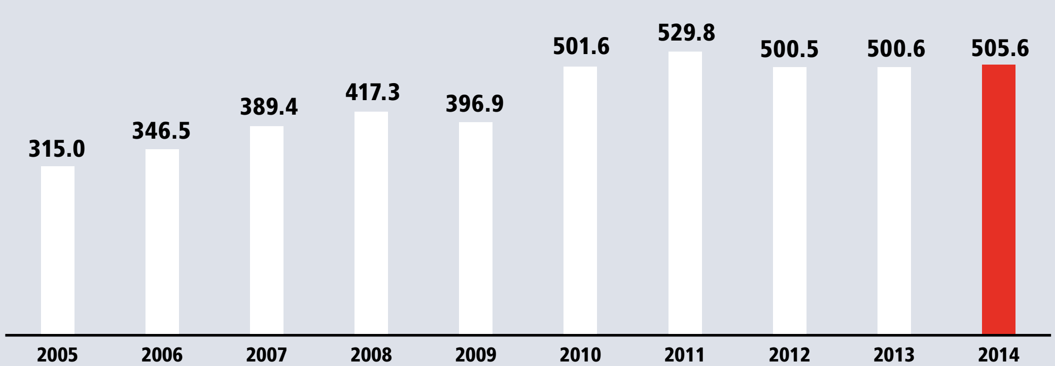
Orion Technologies, LLC
Orlando, FL 32826
Managing director:
N. Pandya

Phoenix Mecano Group consolidated financial statements 2014

Gross sales were up slightly on the previous year, despite challenging market conditions. The operating result was impacted mainly by non-recurring expenses such as patent disputes and customer insolvencies.

Gross sales development 2005–2014

in EUR million



Contents

Consolidated balance sheet as at 31 December 2014

Assets		***2014***	***2013***
in 1 000 EUR	Note No.		
NON-CURRENT ASSETS			
Goodwill	3	20 809	14 161
Other intangible assets	4	28 211	16 843
Investment properties	5	940	958
Tangible assets	5	115 170	107 352
Investments in associated companies	6	1 282	422
Other financial assets	7	371	338
Deferred tax assets	21	4 565	3 334
Total non-current assets		**171 348**	**143 408**
CURRENT ASSETS			
Inventories	8	117 844	109 908
Trade receivables	9	62 208	57 769
Derivative financial instruments	18	85	835
Income tax receivables		3 932	4 985
Other receivables	10	8 269	9 669
Current securities	11	4 711	7 266
Cash and cash equivalents	12	44 185	60 409
Deferred charges and prepaid expenses		1 425	1 309
Total current assets		**242 659**	**252 150**
Total assets		**414 007**	**395 558**

Equity and liabilities		***2014***	***2013***
in 1 000 EUR	Note No.		
EQUITY			
Share capital	13	594	609
Treasury shares	14	– 582	– 7 795
Retained earnings		258 725	259 459
Profits / losses from IAS 39		98	4
Translation differences		6 764	45
Equity attributable to shareholders of the parent company		**265 599**	**252 322**
Minority interest	15	1 871	1 915
Total equity		**267 470**	**254 237**
LIABILITIES			
Liabilities from financial leasing	16	131	0
Long-term financial liabilities	17	24 098	22 941
Long-term provisions	19	3 977	3 774
Long-term pension obligations	20	11 798	8 272
Deferred tax liabilities	21	6 844	4 483
Long-term liabilities		**46 848**	**39 470**
Trade payables	22	28 704	26 322
Short-term financial liabilities	23	37 155	43 186
Derivative financial instruments	18	636	197
Short-term provisions	19	11 034	11 774
Short-term pension obligations	20	270	222
Income tax liabilities		2 554	2 833
Other liabilities	24	16 992	15 185
Deferred income		2 344	2 132
Short-term liabilities		**99 689**	**101 851**
Total liabilities		**146 537**	**141 321**
Total equity and liabilities		**414 007**	**395 558**

Consolidated statement of income 2014

in 1 000 EUR	Note No.	2014	2013
Sales revenue	32	**500 349**	**495 352**
Changes in inventories		– 1 036	440
Own work capitalised		1 597	1 357
Other operating income	33	3 509	2 965
Cost of materials	34	– 222 305	– 229 275
Personnel expenses	35	– 161 128	– 151 332
Amortisation of intangible assets	36	– 7 109	– 5 296
Depreciation on tangible assets	37	– 16 326	– 15 680
Impairment and reversal of impairment losses on intangible and tangible assets	38	– 178	– 171
Other operating expenses	39	– 67 890	– 63 318
Result before interest and tax (operating result)		**29 483**	**35 042**
Result from associated companies	6	– 74	116
Financial income	40	3 832	5 122
Financial expenses	41	– 4 210	– 8 502
Financial result		**–452**	**– 3 264**
Result before tax		**29 031**	**31 778**
Income tax	42	– 9 043	– 9 386
Result of the period		**19 988**	**22 392**
of which			
– Shareholders in the parent company		20 181	22 255
– Minority shareholders		– 193	137
EARNINGS PER SHARE			
Earnings per share – undiluted (in EUR)	43	21.04	23.22
Earnings per share – diluted (in EUR)	43	21.04	23.22

Consolidated statement of comprehensive income 2014

in 1 000 EUR	Note No.	2014	2013
Result of the period		**19 988**	**22 392**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Fluctuations in fair value of financial assets		77	–21
Realised results of financial assets		17	0
Realised results of cash flow hedges		0	–34
Translation differences attributable to the parent company		6 719	–3 330
Translation differences attributable to minority interest		102	–185
Deferred tax	21	0	–8
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS			
Revaluation of pension obligations	20	–3 456	29
Deferred tax	21	724	0
Other comprehensive income (after tax)		**4 183**	**–3 549**
Comprehensive income		**24 171**	**18 843**
of which			
– Shareholders in the parent company		24 262	18 891
– Minority shareholders		–91	–48

Consolidated statement of cash flow 2014

in 1 000 EUR	Note No.	2014	2013
Result of the period		19 988	22 392
Income tax	42	9 043	9 386
Result before tax		**29 031**	**31 778**
Amortisation of intangible assets	4	7 109	5 296
Depreciation on tangible assets	5	16 326	15 680
Losses / (gains) from the disposal of intangible and tangible assets	33, 39	– 5	– 146
Impairment of intangible and tangible assets	4, 5	178	171
Losses and value adjustments on inventories	8	4 682	1 487
Result from associated companies	6	74	– 116
Other non-cash expenses / (income)		– 203	2 612
Increase / (decrease) in long-term provisions and pension obligations		188	– 726
Net interest expense / (income)	40, 41	1 036	1 059
Interest paid		– 1 135	– 1 218
Income tax paid		– 10 646	– 13 094
Operating cash flow before changes in working capital		**46 635**	**42 783**
(Increase) / decrease in inventories		– 8 464	– 1 426
(Increase) / decrease in trade receivables		– 1 011	– 6 982
(Increase) / decrease in other receivables, deferred charges and prepaid expenses		1 692	– 1 441
(Decrease) / increase in trade payables		8	6 110
(Decrease) / increase in short-term provisions and pension obligations		– 1 000	779
(Decrease) / increase in other liabilities and deferred income		948	2 526
Cash flow from operating activities		**38 808**	**42 349**

Table continued on page 87

in 1 000 EUR	Note No.	2014	2013
CAPITAL EXPENDITURE			
Intangible assets	4	–2 401	–2 059
Tangible assets	5	–21 638	–18 288
Financial assets		–1 046	0
Current securities		–9	–2 239
Acquisition of Group companies	46	–17 809	–1 356
DISINVESTMENTS			
Intangible assets		1	0
Tangible assets	5, 33, 39	667	1 036
Financial assets		14	21
Current securities		2 690	2 533
Disposal of Group companies		0	0
Interest received		617	883
Dividends received	6	100	100
Cash used in investing activities		**–38 814**	**–19 369**
Dividends paid (including minority interest)		–12 289	–10 444
Change in minority interests		819	0
Purchase of treasury shares		–140	–2 770
Sale of treasury shares		672	692
Issue of financial liabilities		14 537	6 451
Repayment of financial liabilities		–21 235	–18 513
Cash flow from financing activities		**–17 636**	**–24 584**
Translation differences in cash and cash equivalents		1 418	–811
Change in cash and cash equivalents		**–16 224**	**–2 415**
Cash and cash equivalents as at 1 January	12	60 409	62 824
Cash and cash equivalents as at 31 December	12	44 185	60 409
Change in cash and cash equivalents		**–16 224**	**–2 415**

Consolidated statement of changes in equity 2013 and 2014

in 1 000 EUR	Note No.	Share capital	Treasury shares	Retained earnings
Equity as at 31 December 2012		**609**	**–5616**	**250440**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Fluctuations in fair value of financial assets				
Realised results of cash flow hedges				
Translation differences				
Deferred taxes not affecting income				
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Revaluation of pension obligations				29
Deferred tax				0
Total other comprehensive income (after tax)		**0**	**0**	**29**
Result of the period				**22255**
Total comprehensive income		**0**	**0**	**22284**
Change in minority interest				–3 315
Capital increase				
Change in treasury shares	14		–2 179	101
Dividends paid				–10 051
Total equity transactions with owners		**0**	**–2179**	**–13265**
Equity as at 31 December 2013		**609**	**–7795**	**259459**

Table continued on pages 90/91

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

Consolidated statement of changes in equity 2013 and 2014

in 1 000 EUR	Note No.	Share capital	Treasury shares	Retained earnings
Equity as at 31 December 2013		**609**	**–7 795**	**259 459**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS				
Fluctuations in fair value of financial assets				
Realised results of financial assets				
Translation differences				
ITEMS THAT MAY NOT BE RECLASSIFIED TO PROFIT OR LOSS				
Revaluation of pension obligations				– 3 456
Deferred tax				724
Total other comprehensive income (after tax)		**0**	**0**	**–2 732**
Result of the period				**20 181**
Total comprehensive income		**0**	**0**	**17 449**
Change in minority interest				263
Capital reduction	14	– 15	6 733	– 6 718
Change in treasury shares	14		480	52
Dividends paid				– 11 780
Total equity transactions with owners		**–15**	**7 213**	**–18 183**
Equity as at 31 December 2014		**594**	**–582**	**258 725**

Table continued from pages 88/89

Profits / (losses) cash flow hedge from IAS 39	Profits / (losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	***Total equity***
0	**4**	**45**	**252 322**	**1 915**	**254 237**
	77		77		77
	17		17		17
		6 719	6 719	102	6 821
			– 3 456		– 3 456
			724		724
0	**94**	**6 719**	**4 081**	**102**	**4 183**
			20 181	**– 193**	**19 988**
0	**94**	**6 719**	**24 262**	**– 91**	**24 171**
			263	556	819
			0		0
			532		532
			– 11 780	– 509	– 12 289
0	**0**	**0**	**– 10 985**	**47**	**– 10 938**
0	**98**	**6 764**	**265 599**	**1 871**	**267 470**

Consolidated segment information 2014

By division	Enclosures		Mechanical Components	
	2014	***2013***	***2014***	***2013***
in 1 000 EUR				
Gross sales to third parties	**164 932**	**159 827**	**235 119**	**236 415**
Gross sales between divisions	155	118	53	83
Revenue reductions				
Sales revenue				
Impairment of intangible and tangible assets	0	0	– 178	– 42
Amortisation of intangible assets and depreciation on tangible assets	– 5 959	– 5 873	– 8 891	– 8 737
Result before interest and tax (operating result)	**22 093**	**21 047**	**15 336**	**17 375**
Financial result				
Result before tax				
Income tax				
Result of the period				
Purchases of intangible and tangible assets	**6 174**	**5 589**	**8 957**	**9 329**
Segment assets	82 708	78 020	158 528	150 710
Cash and cash equivalents				
Other assets				
Total assets	**82 708**	**78 020**	**158 528**	**150 710**
Segment liabilities	21 119	17 639	33 723	31 910
Interest-bearing liabilities				
Other liabilities				
Total liabilities	**21 119**	**17 639**	**33 723**	**31 910**
Net assets	**61 589**	**60 381**	**124 805**	**118 800**

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

ELCOM / EMS		Total segments		Reconciliation*		Total Group	
2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
105 570	**104 308**	**505 621**	**500 550**	**0**	**0**	**505 621**	**500 550**
3 859	4 434	4 067	4 635	– 4 067	– 4 635	0	0
						– 5 272	– 5 198
						500 349	**495 352**
0	– 129	– 178	– 171	0	0	– 178	– 171
– 8 018	– 5 936	– 22 868	– 20 546	– 567	– 430	– 23 435	– 20 976
– 5 340	**– 603**	**32 089**	**37 819**	**– 2 606**	**– 2 777**	**29 483**	**35 042**
						– 452	– 3 264
						29 031	**31 778**
						– 9 043	– 9 386
						19 988	**22 392**
7 929	**5 115**	**23 060**	**20 033**	**979**	**314**	**24 039**	**20 347**
107 005	82 879	348 241	311 609	4 547	3 603	352 788	315 212
				44 185	60 409	44 185	60 409
				17 034	19 937	17 034	19 937
107 005	**82 879**	**348 241**	**311 609**	**65 766**	**83 949**	**414 007**	**395 558**
13 914	13 245	68 756	62 794	6 329	4 858	75 085	67 652
				61 384	66 127	61 384	66 127
				10 068	7 542	10 068	7 542
13 914	**13 245**	**68 756**	**62 794**	**77 781**	**78 527**	**146 537**	**141 321**
93 091	**69 634**	**279 485**	**248 815**	**– 12 015**	**5 422**	**267 470**	**254 237**

Consolidated segment information 2014

Sales revenue	***2014***	***2013***
in 1 000 EUR		
BY REGION		
Switzerland	23 559	22 655
Germany	187 561	188 594
UK	14 217	14 334
France	21 876	22 200
Italy	16 271	14 453
The Netherlands	13 481	13 116
Rest of Europe	76 650	70 515
North and South America	53 846	54 159
Middle and Far East	98 160	100 524
Gross sales	**505 621**	**500 550**
Revenue reductions	–5 272	–5 198
Sales revenue	**500 349**	**495 352**
BY PRODUCT GROUP		
Industrial enclosures	146 797	141 444
Input systems	18 135	18 383
Enclosures	**164 932**	**159 827**
Industrial assembly systems	37 564	32 845
Linear adjustment and positioning systems	197 555	203 570
Mechanical Components	**235 119**	**236 415**
Electro-mechanical Components	49 972	49 810
Power Quality	22 003	22 883
Electronic Packaging	33 595	31 615
ELCOM/EMS	**105 570**	**104 308**
Gross sales	**505 621**	**500 550**
Revenue reductions	–5 272	–5 198
Sales revenue	**500 349**	**495 352**

Long-term assets (tangible assets, intangible assets and investments in associated companies)	***2014***	***2013***
in 1 000 EUR		
BY REGION		
Switzerland	7 127	6 660
Germany	53 490	48 940
UK	4 717	5 228
France	438	499
Italy	1 360	1 441
The Netherlands	15 977	275
Rest of Europe	36 163	34 166
North and South America	5 377	4 236
Middle and Far East	41 763	38 291
Total	**166 412**	**139 736**

Principles of consolidation and valuation

Accounting principles

Phoenix Mecano AG with its subsidiaries (the Phoenix Mecano Group) operates worldwide as a manufacturer and seller of components for industrial customers in the electronics, electrical and mechanical engineering segments as well as of electric drives and control systems for adjustable ergonomic and healthcare furniture and hospital and healthcare beds. It is a leader in many of its markets. The Group's main activities are presented under Segment Information. Phoenix Mecano AG has its head office in Stein am Rhein, Switzerland, and has been listed on SIX Swiss Exchange 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 2014, 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, liabilities hedged by fair value hedges and residual purchase price liabilities from acquisitions are measured at fair value. In addition, assets held for sale (intangible assets, tangible assets) are measured at fair value less costs to sell, provided that this value is lower than the book value. The consolidated statement of income was drawn up using the total cost method.

Application of new accounting standards

The following amendments to IFRS/IAS standards were applied for the first time from 1 January 2014:

- IFRIC 21: Levies
- Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting

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

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.

NEW STANDARDS OR INTERPRETATIONS			Entry into force	Planned implementation by Phoenix Mecano
IFRS 15	Revenue from Contracts with Customers: IFRS 15 states that revenue is recognised at the time (or over the time) when control over goods or services is passed from entity to customer, at the amount to which the entity expects to be entitled.	2	1 January 2017	Financial year 2017
IFRS 9	Financial Instruments	2	1 January 2018	Financial year 2018
REVISIONS AND AMENDMENTS OF STANDARDS AND INTERPRETATIONS				
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	1	1 July 2014	Financial year 2015
Annual Improvements to IFRS 2010 – 2012		1	1 July 2014	Financial year 2015
Annual Improvements to IFRS 2011 – 2013		1	1 July 2014	Financial year 2015
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	2	1 January 2016	Financial year 2016
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	2	1 January 2016	Financial year 2016
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	2	1 January 2016	Financial year 2016
Annual Improvements to IFRS 2012 – 2014 Cycle		2	1 January 2016	Financial year 2016
Amendments to IAS 1	Disclosure Initiative	2	1 January 2016	Financial year 2016

1 No or negligible impact expected on Phoenix Mecano’s consolidated financial statements.
2 Impact on Phoenix Mecano’s consolidated financial statements is being examined in detail and cannot yet be determined with sufficient certainty.

Scope of consolidation

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

Associated companies

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

Capital consolidation

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

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

Currency conversion

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

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

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

Intercompany profits

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

Segment information

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

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

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

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

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

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

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

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

Goodwill

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

Other intangible assets

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

Concessions, licences, similar rights and assets These other intangible assets are measured at acquisition cost less accumulated depreciation and, where appropriate, additional impairment losses. The depreciation rates are determined on a straight-line basis over the estimated useful life of the asset, which must not exceed 10 years, in accordance with standard Group practice. Financing costs on eligible assets are capitalised.

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

Investment properties

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

Tangible assets

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

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

The useful lives of assets are estimated as follows:

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

Leased assets

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

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

Impairment losses

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

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

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

Investments in associated companies

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

Other financial assets

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

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

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

Inventories

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

Receivables

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

Current securities

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

Cash and cash equivalents

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

Assets held for sale

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

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

Financial liabilities

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

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

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

Provisions

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

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

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

Employee participation plans There are no employee participation plans.

Pension obligations

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

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

Pension costs consist of the following three components:
› Service cost, which is recognised in the statement of income under Personnel expenses;
› Net interest expense, which is recognised in the statement of income under Financial expenses;
› Revaluation components, which are recognised in the statement of comprehensive income.

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

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

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

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

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

Trade payables and other liabilities

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

Equity

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

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

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

Derivative financial instruments

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

Revenue recognition

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

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

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

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

Government subsidies

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

Income tax

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

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

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

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

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

Statement of cash flow

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

Assumptions and estimations

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

The most important assumptions and estimations are set out below:

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

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

Provisions Guarantee provisions are calculated based on estimates of potential future guarantees and on past experience. There is a higher guarantee risk for linear drives used in the hospital and care sector. Individual Group companies are exposed to litigation. On the basis of currently available knowledge, an assessment of the potential consequences of these court cases was conducted and provisions were constituted where necessary. For the book values of provisions, see note 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 (defined benefit obligations) are determined based on statistical and actuarial calculations made by external assessors, which in turn are based on a wide range of assumptions (about salary trend, pension trend, life expectancy and so on). For the book values of the pension obligations posted on the balance sheet, see note 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 2014

1 Currency exchange rates

Euro for	Balance sheet 2014	Balance sheet 2013	Statements of income and cash flow 2014	Statements of income and cash flow 2013
1 CHF	0.832	0.816	0.823	0.813
1 GBP	1.288	1.202	1.241	1.178
1 USD	0.826	0.725	0.754	0.753
100 HUF	0.316	0.336	0.324	0.337
1 RON	0.223	0.224	0.225	0.227
1 SEK	0.106	0.113	0.110	0.116
1 TND	0.443	0.441	0.445	0.465
1 SGD	0.624	0.574	0.595	0.602
1 CNY	0.133	0.120	0.122	0.122
1 BRL	0.311	0.307	0.321	0.352
1 INR	0.013	0.012	0.012	0.013
1 TRY	0.353	0.337	0.345	0.397
1 AUD	0.675	0.647	0.679	0.730

2 Scope of consolidation

In 2014 and 2013 the scope of consolidation changed as follows:

Change in scope of consolidation

Date	Company	Change	Division
2014			
18.07.2014	Phoenix Mecano Beteiligungen AG	Merger with Phoenix Mecano AG	Reconciliation
01.07.2014	Redur Messwandler GmbH	Acquisition	ELCOM / EMS
26.03.2014	I2 Mechanical and Electrical Co. Ltd.	Foundation	Mechanical Components
01.01.2014	PM Special Measuring Systems B. V.	Acquisition	ELCOM / EMS
01.01.2014	Lohse GmbH	Merger with Phoenix Mecano Power Quality GmbH & Co. KG	ELCOM / EMS
2013			
31.12.2013	Robco Designs Ltd.	Acquisition of remaining shares	Mechanical Components
02.05.2013	Phoenix Mecano Maroc S.à.r.l.	Foundation	ELCOM / EMS
31.03.2013	Bond Tact Hardware (Dongguan) Co., Ltd.	Acquisition	ELCOM / EMS
31.03.2013	Bond Tact Industrial Ltd.	Acquisition	ELCOM / EMS
01.01.2013	Datatel Elektronik GmbH	Merger with HARTU Technologie GmbH & Co. KG	ELCOM / EMS

The following companies were fully consolidated as at 31 December 2014:

Scope of consolidation

Company	Head office	Activity	Currency	Regis-tered capital in 1 000	Stake 2014 in %	Stake 2013 in %
Phoenix Mecano AG	Stein am Rhein, Switzerland	Finance	CHF	961	n/a	n/a
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production / Sales	CHF	2 000	100	100
Rose Systemtechnik GmbH	Porta Westfalica, Germany	Production / Sales	EUR	1 053	100	100
Bopla Gehäuse Systeme GmbH	Bünde, Germany	Production / Sales	EUR	750	100	100
Kundisch GmbH + Co. KG	Villingen-Schwenningen, Germany	Production / Sales	EUR	300	100	100
Hartmann Codier GmbH	Baiersdorf, Germany	Production / Sales	EUR	300	100	100
PTR Messtechnik GmbH + Co. KG	Werne, Germany	Production / Sales	EUR	300	100	100
Phoenix Mecano Power Quality GmbH + Co. KG (former HARTU Technologie GmbH & Co. KG)	Grävenwiesbach, Germany	Production / Sales	EUR	300	100	100
Platthaus GmbH Elektrotechnische Fabrik	Alsdorf, Germany	Production / Sales	EUR	900	100	100
Redur Messwandler GmbH	Merzenich, Germany	Production / Sales	EUR	25	100	n/a
RK Rose + Krieger GmbH	Minden, Germany	Production / Sales	EUR	496	100	100
RK Rose + Krieger GmbH System- & Lineartechnik	Salem-Neufrach, Germany	Production / Sales	EUR	250	90	90
RK Schmidt Systemtechnik GmbH	St. Wendel, Germany	Production / Sales	EUR	500	100	100
DewertOkin GmbH	Kirchlengern, Germany	Production / Sales	EUR	1 000	100	100
Hartmann Electronic GmbH	Stuttgart, Germany	Production / Sales	EUR	222	100	100
Plein & Baus GmbH	Burscheid, Germany	Production / Sales	EUR	51	100	100
Phoenix Mecano Digital Elektronik GmbH	Wutha-Farnroda, Germany	Production / Sales	EUR	350	100	100
ATON Lichttechnik GmbH	Wutha-Farnroda, Germany	Production / Sales	EUR	100	100	100
IFINA Beteiligungsgesellschaft mbH	Porta Westfalica, Germany	Finance	EUR	4 000	100	100
Götz Udo Hartmann GmbH	Grävenwiesbach, Germany	Finance	EUR	26	100	100
Kundisch Beteiligungs-GmbH	Villingen-Schwenningen, Germany	Finance	EUR	26	100	100
PTR Messtechnik Verwaltungs-GmbH	Werne, Germany	Finance	EUR	26	100	100
Phoenix Mecano S.à.r.l.	Fontenay-sous-Bois, Cedex, France	Sales	EUR	620	100	100
Phoenix Mecano Ltd.	Aylesbury, UK	Sales	GBP	300	100	100
Integrated Furniture Technologies Ltd.	Cheltenham, UK	Development	GBP	1	85	100
Robco Designs Ltd.	London, UK	Development	GBP	1	85	100
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands, GB	Finance	USD	1 969	100	100
Phoenix Mecano AB	Ingelstad, Sweden	Sales	SEK	100	100	100
Phoenix Mecano ApS	Odense, Denmark	Sales	DKK	125	100	100
Phoenix Mecano S.r.l.	Inzago, Milano, Italy	Sales	EUR	300	100	100

Scope of consolidation

Company	Head office	Activity	Currency	Registered capital in 1 000	Stake 2014 in %	Stake 2013 in %
OMP Officina Meccanica di Precisione S.r.l. in Liquidation	Milano, Italy	–	EUR	5 000	100	100
Sistemas Phoenix Mecano España S.A.	Zaragoza, Spain	Sales	EUR	60	90	90
PM Komponenten B. V.	Doetinchem, The Netherlands	Sales	EUR	20	100	100
PM Special Measuring Systems B. V.	Enschede, The Netherlands	Production / Sales	EUR	18	100	n / a
PM International B. V.	Doetinchem, The Netherlands	Finance	EUR	4 500	100	100
PM Komponenten N.V.	Deinze, Belgium	Sales	EUR	100	100	100
Phoenix Mecano Kecskemét Kft.	Kecskemét, Hungary	Production / Sales	EUR	6 500	100	100
Phoenix Mecano Kecskemét Research and Development Kft.	Kecskemét, Hungary	Development	EUR	502	100	100
Okin Hungary Gépgyártó Kft.	Hajdúdorog, Hungary	Production	HUF	30 000	100	100
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania	Production	EUR	750	100	100
Phoenix Mecano Inc.	Frederick, USA	Production / Sales	USD	10 000	100	100
WIENER, Plein & Baus Corp.	Springfield, USA	Sales	USD	100	100	100
Okin America Inc.	Shannon, USA	Production / Sales	USD	10	100	100
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales	BRL	7 601	100	100
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance	BRL	1 062	100	100
Phoenix Mecano S.E. Asia Pte Ltd.	Singapore	Sales	SGD	1 000	75	75
Phoenix Mecano Korea Co., Ltd.	Busan, South Korea	Sales	KRW	370 000	75	75
Phoenix Mecano (India) Pvt. Ltd.	Pune, India	Production / Sales	INR	299 452	100	100
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China	Production / Sales	USD	3 925	100	100
Shenzhen ELCOM Co., Ltd.	Shenzhen, China	Production / Sales	CNY	8 000	100	100
Okin Refined Electric Technology Co., Ltd.	Jiaxing, China	Production / Sales	CNY	77 780	100	100
I2 Mechanical and Electrical Co. Ltd.	Jiaxing, China	Production / Sales	USD	5 000	55	n / a
Phoenix Mecano Components (Taicang) Co., Ltd.	Taicang, China	Production / Sales	USD	6 500	100	100
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance / Sales	EUR	2 500	100	100
Bond Tact Industrial Ltd.	Hong Kong, China	Sales	HKD	500	100	80
Bond Tact Hardware (Dongguan) Co., Ltd.	Dongguan, China	Production / Sales	CNY	4 234	100	80
Phoenix Mecano Mazaka AŞ	Ankara, Turkey	Sales	TRY	430	91	91
Rose Systemtechnik Middle East (FZE)	Sharjah, U.A.E.	Sales	AED	150	100	100
Phoenix Mecano Australia Pty Ltd.	Tullamarine Victoria, Australia	Sales	AUD	204	70	70
Hartu S.à.r.l. in Liquidation	Boumhel, Tunisia	–	TND	10	100	100
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	500	100	100
Phoenix Mecano ELCOM S.à.r.l.	Bouhejba, Tunisia	Production	TND	500	100	100
Phoenix Mecano Digital Tunisie S.à.r.l.	Borj-Cedria, Tunisia	Production	TND	100	100	100
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Marocco	Production	EUR	93	100	100

3 Goodwill

in 1 000 EUR	Note No.	2014	2013
Acquisition costs 1 January		**14 161**	**14 362**
Additions of companies included in consolidation	46	5 343	0
Translation differences		1 305	– 201
Acquisition costs 31 December		**20 809**	**14 161**
Accumulated impairment losses 31 December		**0**	**0**
Net values 31 December		**20 809**	**14 161**

The goodwill of EUR 20.8 million (previous year EUR 14.2 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, EUR 1.8 million (previous year EUR 1.8 million), and PM Special Measuring Systems B.V., acquired in 2014, which will be assigned to the instrument transformers product area, EUR 5.3 million, both in the ELCOM / EMS division; and Okin Refined Electric Technology Co. Ltd. in China, acquired in 2010, in the Mechanical Components division EUR 13.4 million (previous year EUR 12.1 million). The change in goodwill in 2014 is due to currency effects relating to the goodwill of Okin Refined Electric Technology Co. Ltd. and the above-mentioned acquisition (see note 46). The recoverability of this goodwill was tested using five-year plans for the relevant cash-generating units (CGUs). A pre-tax discount rate (WACC) of 8.0% (previous year 8.5%), and of 9.0% (previous year 9.5%) to measure the goodwill from the acquisition of Okin Refined in China, was applied to determine the present value (value in use). Growth of between 0 and 1% was assumed after the projection period. The recoverability was also tested using sensitivity analyses.

Impairment test on Platthaus The impairment test on the goodwill of Platthaus resulted in a value in use that exceeded the book value by EUR 1.3 million (previous year EUR 0.6 million). An increase in the discount rate from 8.0% to 8.9% or a reduction in the perpetuity growth rate from 1% to -0.2% would bring the value in use into line with the book value.

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

4 Other intangible assets

in 1 000 EUR	Note No.	Development costs	Concessions, licences, similar rights and assets	Development projects in progress	Total
Acquisition costs 31 December 2012		**11 527**	**54 666**	**818**	**67 011**
Additions of companies included in consolidation	46		723		**723**
Translation differences			– 657		**–657**
Addition		207	1 215	637	**2 059**
Disposals		– 524	– 10 030		**– 10 554**
Reclassification		464		– 464	**0**
Acquisition 31 December 2013		**11 674**	**45 917**	**991**	**58 582**
Accumulated amortisation 31 December 2012		**10 544**	**36 787**	**0**	**47 331**
Translation differences			– 385		**–385**
Amortisation	36	399	4 897		**5 296**
Impairment losses	38	51			**51**
Reversal of impairment losses	38				**0**
Disposals		– 524	– 10 030		**– 10 554**
Reclassification					**0**
Accumulated amortisation 31 December 2013		**10 470**	**31 269**	**0**	**41 739**
Net values 31 December 2013		**1 204**	**14 648**	**991**	**16 843**
Acquisition costs 31 December 2013		**11 674**	**45 917**	**991**	**58 582**
Additions of companies included in consolidation	46		15 428		**15 428**
Translation differences			1 884	2	**1 886**
Additions		118	1 097	1 186	**2 401**
Disposals		– 1 945	– 2 202		**–4 147**
Reclassification		217	379	– 596	**0**
Acquisition costs 31 December 2014		**10 064**	**62 503**	**1 583**	**74 150**
Accumulated amortisation 31 December 2013		**10 470**	**31 269**	**0**	**41 739**
Translation differences			1 059		**1 059**
Amortisation	36	433	6 676		**7 109**
Impairment losses	38	178			**178**
Reversal of impairment losses	38				**0**
Disposals		– 1 945	– 2 201		**–4 146**
Reclassification					**0**
Accumulated amortisation 31 December 2014		**9 136**	**36 803**	**0**	**45 939**
Net values 31 December 2014		**928**	**25 700**	**1 583**	**28 211**

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 0.02 million (previous year EUR 0.03 million) were subject to reservation of title as at the balance sheet date.

Complete write-offs of development projects were performed within the framework of the impairment tests on cash-generating units (CGUs) and assets at the balance sheet date, since these 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 8.0% (previous year 8.5%) was applied to determine the present value (value in use). Growth of between 0 and 1% was assumed after the projection period.

The breakdown of impairment losses by division is clear from the segment information provided. In the statement of income, impairment losses on intangible assets of EUR 0.2 million (previous year EUR 0.1 million) are included under Impairment of intangible and tangible assets (see note 38).

5 Tangible assets

in 1 000 EUR	Note No.	Investment properties	Land and buildings	Machinery and equipment	Construction in progress	**Total**
Acquisition costs 31 December 2012		**1 877**	**108 991**	**187 088**	**7 356**	**305 312**
Additions of companies included in consolidation	46			3 326		3 326
Translation differences		– 107	– 824	– 1 179	– 52	– 2 162
Addition			2 961	12 993	2 334	18 288
Disposals			– 203	– 7 599	– 516	– 8 318
Reclassification			3 473	3 253	– 6 726	0
Acquisition costs 31 December 2013		**1 770**	**114 398**	**197 882**	**2 396**	**316 446**
Accumulated depreciation 31 December 2012		**817**	**51 160**	**148 742**	**0**	**200 719**
Translation differences		– 29	– 276	– 650		– 955
Depreciation	37	24	3 119	12 537		15 680
Impairment losses	38			144		144
Reversal of impairment losses	38			– 24		– 24
Disposals			– 198	– 7 230		– 7 428
Reclassification						0
Accumulated depreciation 31 December 2013		**812**	**53 805**	**153 519**	**0**	**208 136**
Net values 31 December 2013		**958**	**60 593**	**44 363**	**2 396**	**108 310**
Acquisition costs 31 December 2013		**1 770**	**114 398**	**197 882**	**2 396**	**316 446**
Additions of companies included in consolidation	46		288	528		816
Translation differences		5	1 904	2 399	83	4 391
Additions			2 944	16 549	2 145	21 638
Disposals			– 517	– 5 423	– 3	– 5 943
Reclassification			402	1 586	– 1 988	0
Acquisition costs 31 December 2014		**1 775**	**119 419**	**213 521**	**2 633**	**337 348**
Accumulated depreciation 31 December 2013		**812**	**53 805**	**153 519**	**0**	**208 136**
Translation differences			660	1 397	0	2 057
Depreciation	37	23	3 197	13 106		16 326
Impairment losses	38					0
Reversal of impairment losses	38					0
Disposals			– 306	– 4 975		– 5 281
Reclassification						0
Accumulated depreciation 31 December 2014		**835**	**57 356**	**163 047**	**0**	**221 238**
Net values 31 December 2014		**940**	**62 063**	**50 474**	**2 633**	**116 110**

Land and buildings is divided into developed and undeveloped land with a book value of EUR 11.3 million (previous year EUR 10.1 million) and factory and administration buildings with a balance sheet value of EUR 50.8 million (previous year EUR 50.5 million).

The balance sheet value of capitalised leased financial assets (machinery) was EUR 0.2 million, compared with EUR 0.0 the previous year. These are the result of acquisitions.

The fire insurance value of the tangible assets amounted to EUR 304.4 million on the balance sheet date, compared with EUR 281.2 million the previous year.

Land and buildings with a book value of EUR 10.7 million (previous year EUR 9.1 million) were mortgaged to cover debts. The amount of the corresponding credit taken up totalled EUR 6.9 million (previous year EUR 4.4 million). Tangible assets with a balance sheet value of EUR 0.06 million (previous year EUR 0.02 million) were subject to reservation of title on the balance sheet date.

Write-downs of machinery and tools were performed in the previous year within the framework of the impairment tests on cash-generating units (CGUs) and assets at the balance sheet date. The five-year plans for the corresponding CGUs were used as a basis. A pre-tax discount rate (WACC) of 8.0% (previous year 8.5%) was applied to determine the present value (value in use) in the reporting year. Growth of between 0 and 1% was assumed after the projection period (previous year 0%).

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 in the previous year of EUR 0.1 million are included under Impairment of intangible and tangible assets (see note 38).

The fair value of investment properties in Germany and Brazil is EUR 1.8 million (previous year EUR 1.8 million). The investment properties are classified in Level 3 of the fair value hierarchy. The fair value was calculated using an income value method, bearing in mind that the property in Germany is not currently let. The rental income of the investment properties is EUR 0.1 million and their direct operating expenses are EUR 0.1 million.

6 Investments in associated companies

		2014	2013
in 1 000 EUR	Investement in %		
Update of investment in associated companies			
AVS Phoenix Mecano GmbH, Vienna (A)	50		
Robco Designs Ltd., London (GB)	*50		
Orion Technologies LLC, Orlando (USA)	**20		
As at 1 January		**422**	**407**
Purchases / sales		961	– 1
Result		– 74	116
Dividends paid		– 100	– 100
Translation differences		73	0
As at 31 December		**1 282**	**422**

* Until 30 December 2013
** From 1 April 2014

Phoenix Mecano products are sold in Austria through the joint venture AVS-Phoenix Mecano GmbH (A). Purchases of goods from Group companies totalled EUR 2.6 million (previous year EUR 2.9 million). The result of the period and the comprehensive income totalled EUR 0.1 million (previous year EUR 0.1 million).

On 31 March 2014, the Phoenix Mecano Group acquired a 20% stake in Orion Technologies LLC, Florida, USA, with a call option to acquire the remaining shares between 2017 and 2020. The company develops and produces industrial computer systems for customised applications. Orion Technologies LLC purchased goods from Group companies totalling EUR 0.03 million and a loan from Group companies to Orion totalled EUR 0.07 million. The result of the period and the comprehensive income totalled EUR –0.8 million.

The remaining 50% of Robco Ltd. (GB) was acquired on 31 December 2013. The company has been fully consolidated as of that date.

7 Other financial assets

in 1000 EUR	Note No.	2014	2013
Loans		399	369
Investments (under 20%)		228	228
Non-current securities		270	273
Current portion of long-term financial assets	10	–288	–294
Value adjustments		–238	–238
Balance sheet value		**371**	**338**
BY CURRENCY			
EUR		155	122
Other currencies		216	216
Balance sheet value		**371**	**338**
BY MATURITY			
in 2 years		9	11
in 3 years		134	9
in 4 years		0	90
in 5 years		0	0
after 5 years		0	0
none		228	228
Balance sheet value		**371**	**338**
INTEREST RATES (LOANS)			
EUR		3.5%	3.7%

The loans are fixed rate.

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

The value adjustment on loans remains unchanged at EUR 0.2 million.

8 Inventories

in 1 000 EUR	2014	2013
Raw and ancillary materials	75 907	69 900
Work in progress	5 709	6 045
Finished goods and merchandise for resale	48 714	45 034
Value adjustments	– 12 486	– 11 071
Balance sheet value	**117 844**	**109 908**

The value adjustments were determined based on marketability and range of the stocks. Changes in value adjustments and losses on inventories totalling EUR 4.7 million (previous year EUR 1.5 million) are included in the statement of income under Other operating expenses (see note 39).

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2014 and 2013.

9 Trade receivables

in 1 000 EUR	2014	2013
Trade receivables	65 018	60 218
Receivables due from associated companies	102	162
Value adjustments	– 2 912	– 2 611
Balance sheet value	**62 208**	**57 769**
BY CURRENCY OF TRADE RECEIVABLES		
CHF	1 539	1 449
EUR	29 548	30 305
USD	7 409	4 608
HUF	127	305
CNY	16 299	14 734
Other currencies	7 286	6 368
Balance sheet value	**62 208**	**57 769**
REGIONAL BREAKDOWN OF TRADE RECEIVABLES		
Switzerland	2 150	2 076
Germany	9 288	10 078
UK	2 126	2 169
France	3 611	3 835
Italy	4 634	4 149
The Netherlands	1 698	1 603
Rest of Europe	8 841	8 664
North and South America	7 782	5 310
Middle and Far East	22 078	19 885
Balance sheet value	**62 208**	**57 769**
UPDATE OF VALUE ADJUSTMENT ON TRADE RECEIVABLES		
Individual value adjustments		
As at 1 January	**1 617**	**1 323**
Change	– 97	294
As at 31 December	**1 520**	**1 617**
Flat-rate value adjustments		
As at 1 January	**994**	**1 111**
Change	398	– 117
As at 31 December	**1 392**	**994**
Total	**2 912**	**2 611**

in 1 000 EUR	2014 Gross	2014 Value adjustment	2013 Gross	2013 Value adjustment
AGING ANALYSIS OF TRADE RECEIVABLES NOT SUBJECT TO INDIVIDUAL VALUE ADJUSTMENTS				
Gross values	65 120		60 380	
Gross value of receivables subject to individual value adjustments	– 1 644		–1 634	
Total	**63 476**		**58 746**	
of which:				
Not due	48 478		44 650	
Overdue for 1 – 30 days	10 962		10 439	
Overdue for 31 – 60 days	1 737		2 093	
Overdue for 61 – 90 days	713	171	388	93
Overdue for 91 – 180 days	660	325	364	148
Overdue for more than 180 days	926	896	812	753
Total	**63 476**	**1 392**	**58 746**	**994**

The average payment term was 51 days (previous year 50 days).

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

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

10 Other receivables

in 1 000 EUR	Note No.	2014	2013
Tax receivables from VAT and other taxes		3 737	3 947
Current portion of long-term financial assets	7	288	294
Financial receivables		583	1 127
Advanced payments for inventories		1 354	1 060
Other		2 307	3 241
Balance sheet value		**8 269**	**9 669**

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 1.7% (previous year 2.4%) and are secured by liens in favour of the employees concerned.

11 Current securities

in 1 000 EUR	2014	2013
AVAILABLE-FOR-SALE SECURITIES		
Bonds and bond funds	4 711	7 266
Balance sheet value	**4 711**	**7 266**
BY CURRENCY		
EUR	4 702	7 262
Other currencies	9	4
Balance sheet value	**4 711**	**7 266**
BY MATURITY		
in 1 year	768	2 607
in 2 years	636	625
in 3 years	2 192	650
in 4 years	1 115	2 209
in 5 years	0	1 104
after 5 years	0	0
none	0	71
Balance sheet value	**4 711**	**7 266**
EFFECTIVE INTEREST RATE FOR BONDS		
EUR	1.5%	1.4%
Other currencies	8.9%	8.5%

The current securities can be converted into cash and cash equivalents at short notice. They are kept as cash reserves.

12 Cash and cash equivalents

in 1 000 EUR	2014	2013
MEANS OF PAYMENT		
Cash at bank and in postal accounts	20 747	18 526
Cash on hand	109	102
Total	**20 856**	**18 628**
OTHER CASH AND CASH EQUIVALENTS		
Fixed-term deposits (up to 3 months)	23 329	41 781
Balance sheet value	**44 185**	**60 409**
BY CURRENCY		
CHF	1 386	1 421
EUR	23 516	41 875
USD	5 997	6 635
HUF	287	325
CNY	7 467	5 598
Other currencies	5 532	4 555
Balance sheet value	**44 185**	**60 409**
INTEREST RATES		
CHF	0.1%	0.1%
EUR	0.5%	1.4%
USD	0.0%	0.1%
HUF	0.6%	1.7%
CNY	0.4%	0.4%

13 Share capital and reserves

The share capital is fully paid up and divided into 960 500 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. The reduction in share capital is due to the cancellation of 17 500 bearer shares from the 2012/2013 share buy-back programme. There is no authorised or contingent capital. Each share entitles the holder to attend the Shareholders' General Meeting and cast one vote. The reserve for translation differences contains the accumulated translation differences resulting from translation of the financial statements of Group companies.

The major shareholders of Phoenix Mecano AG are:

Name	*Head office*	*2014*	*2013*
in %			
Planalto AG	Luxembourg City, Luxembourg	34.6	34.0*
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5*	5.5
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	5.4*	5.4*
UBS Fund Management (Switzerland) AG	Basel, Switzerland	3.5*	3.5

* Stake not reported in the year indicated.

This information is based on notifications by the aforementioned shareholders.

14 Treasury shares

	Number of shares		Acquisition costs	
	2014	*2013*	*2014*	*2013*
Number/in 1 000 EUR				
As at 1 January	**20 064**	**14 803**	**7 795**	**5 616**
Share purchases	360	0	140	0
Share sales	– 1 664	– 1 939	– 620	– 591
Share buy-backs (2nd trading line)	0	7 200	0	2 770
Capital reduction	– 17 500	0	– 6 733	0
As at 31 December	**1 260**	**20 064**	**582**	**7 795**

The share buy-back programme launched on 22 June 2012 was terminated prematurely by a decision of the Board of Directors on 20 September 2013 due to the increase in the payout ratio planned by the Board of Directors. As part of this 2012/2013 share buy-back programme, 17 500 shares were repurchased and cancelled in 2014.

Detailed information on the purchases and sales effected in 2014 can be found in the notes to the financial stements of Phoenix Mecano AG on page 161 (see note 4).

15 Minority interest

The minority interests are:

in %	2014	2013
I2 Mechanical and Electrical Co. Ltd.	45	0
Phoenix Mecano Australia Pty Ltd.	30	30
Phoenix Mecano S.E. Asia Pte Ltd.	25	25
Phoenix Mecano Korea Co. Ltd.	25	25
Integrated Furniture Technologies Ltd.	15	0
Robco Designs Ltd.	15	0
Sistemas Phoenix Mecano Espana S.A.	10	10
RK System- und Lineartechnik GmbH	10	10
Phoenix Mecano Mazaka A.S.	9	9
Bond Tact Industrial Ltd.	0	20
Bond Tact Hardware (Dongguan) Company Ltd.	0	20

A 15% stake in Integrated Furniture Technologies Ltd. and its subsidiary Robco Designs Ltd. was sold on 10 January 2014. The sale price was EUR 0.7 million. I2 Mechanical and Electrical Co. Ltd. was founded on 26 March 2014 with a minority shareholder holding a 45% stake. Its share of the company's equity at the time of founding was EUR 0.3 million. On 3 July 2014, the Phoenix Mecano Group acquired the remaining 20% of the shares in Bond Tact Ltd., Hong Kong and its subsidiary Bond Tact Hardware (Dongguan) Company Ltd. The purchase price was EUR 0.2 million. These transactions are recognised in the statement of changes in equity.

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

16 Liabilities from financial leasing

in 1 000 EUR	Note No.	2014	2013
MINIMUM LEASING COMMITMENT			
Minimum leasing commitments due within 1 year		39	0
Minimum leasing commitments due within 1 – 5 years		143	0
Total		**182**	**0**
less future interest charge		– 19	0
Present value of leasing commitments		**163**	**0**
less current portion	23	– 32	0
Balance sheet value (long-term portion)		**131**	**0**

The average interest rate for liabilities from financial leasing was 4.1%. These resulted from acquisitions.

17 Long-term financial liabilities

in 1 000 EUR	Note No.	2014	2013
Liabilities to financial institutions		30 299	28 664
Residual purchase price liabilities from acquisitions		3 823	17 804
Other financial liabilities		47	0
Current portion of long-term financial liabilities	23	– 10 071	– 23 527
Balance sheet value		**24 098**	**22 941**
BY CURRENCY			
CHF		10 816	9 996
EUR		9 840	9 138
CNY		3 442	3 807
Balance sheet value		**24 098**	**22 941**
BY MATURITY			
in 2 years		8 080	8 530
in 3 years		6 271	6 464
in 4 years		2 073	2 416
in 5 years		3 164	500
after 5 years		4 510	5 031
Balance sheet value		**24 098**	**22 941**
INTEREST RATES			
CHF		1.6 %	1.8 %
EUR		2.9 %	2.4 %
CNY		4.8 %	5.3 %

For Okin Refined Electric Technology Co., Ltd., acquired in 2010, there is a purchase commitment for the remaining shares held by a third party resulting from call and put options totalling EUR 3.8 million (previous year EUR 17.8 million) (see note 25).

The liabilities to financial institutions are all in principle fixed rate.

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

There are no covenants.

18 Derivative financial instruments

	Contract values		Receivables due from derivative financial instruments		Liabilities from derivative financial instruments	
	2014	2013	2014	2013	2014	2013
in 1 000 EUR						
FORWARD EXCHANGE CONTRACTS BY CURRENCY						
USD	0	200	0	0	0	3
HUF	15 400	25 600	0	626	427	39
RON	5 900	5 760	85	98	19	0
CNY	0	9 596	0	95	0	0
Other currencies	0	100	0	0	0	6
Total	**21 300**	**41 256**	**85**	**819**	**446**	**48**
FORWARD EXCHANGE CONTRACTS BY MATURITY						
in 1 year			85	819	446	48
Total			**85**	**819**	**446**	**48**
of which classified as:						
Trading			85	819	446	48
Total			**85**	**819**	**446**	**48**
INTEREST RATE CHANGE CONTRACTS BY CURRENCY						
EUR	6 000	6 000	0	0	142	78
CHF	6 240	6 120	0	16	48	66
USD	0	1 814	0	0	0	5
Total	**12 240**	**13 934**	**0**	**16**	**190**	**149**
INTEREST RATE CHANGE CONTRACTS BY MATURITY						
in 1 year			0	16	190	149
Total			**0**	**16**	**190**	**149**
of which classified as:						
Trading			0	16	190	149
Total			**0**	**16**	**190**	**149**
NET BALANCE SHEET VALUE BY MATURITY						
Total short-term			85	835	636	197
Net balance sheet value			**85**	**835**	**636**	**197**

The forward exchange purchases of HUF and RON for EUR are used for partial hedging of the planned operating expenses in local currency in Hungary and Romania. All forward exchange contracts in the consolidated financial statements at 31 December 2014 and 31 December 2013 are held for trading purposes.

The interest rate change contracts relate to payer swaps in EUR, CHF and USD (previous year) and are held for trading purposes in the consolidated financial statements at 31 December 2014 and 31 December 2013.

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

19 Provisions

in 1 000 EUR	Provisions for long-term employee benefits	Guarantee provisions	Other provisions	Total 2014	Total 2013
Provisions as at 1 January	**3 763**	**3 736**	**8 049**	**15 548**	**15 686**
Change in scope of consolidation			6	6	0
Translation differences	8	37	184	229	– 105
Usage	– 817	– 1 182	– 5 778	– 7 777	– 7 136
Releases	– 41	– 1 059	– 711	– 1 811	– 1 948
Allocation	854	1 062	6 900	8 816	9 051
Provisions as at 31 December	**3 767**	**2 594**	**8 650**	**15 011**	**15 548**
Due within 1 year	798	2 498	7 738	11 034	11 774
Due after 1 year	2 969	96	912	3 977	3 774

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

Other provisions include provisions for short-term payments to employees (e.g. indemnities and salary bonuses) totalling EUR 5.5 million (previous year EUR 4.9 million), and provisions for litigation risks, impending losses and other conceivable risks from contractual or constructive obligations. This includes a provision of EUR 0.8 million (previous year EUR 0.2 million) for legal costs in connection with patent disputes. The outcome of these proceedings cannot yet be determined, so no further provision has been set aside apart from the costs of the legal proceedings.

20 Pension obligations

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

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

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

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

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

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

In setting benefits, the minimum requirements of the Swiss Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA) and its implementing provisions must be observed. The OPA stipulates the minimum wage to be insured and the minimum retirement credits. The minimum interest rate to be applied to these minimum retirement savings is determined by the Swiss Federal Council at least every two years. In 2014 it was 1.75% (2013: 1.5%).

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

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

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

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

Financial position of defined benefit pension plans as at 31 December 2014 and 2013	**Switzerland**	**Germany**	**31.12.2014** **Total**	Switzerland	Germany	**31.12.2013** **Total**
in 1 000 EUR						
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS						
As at 1 January	**17 139**	**5 215**	**22 354**	**17 729**	**5123**	**22 852**
Service costs	779	45	824	691	88	779
Employee contributions	658	0	658	607	0	607
Interest expense	342	153	495	302	151	453
Capital	1 026	0	1 026	868	0	868
Pension payments	– 1 004	– 243	– 1 247	– 2 811	– 190	– 3 001
Actuarial (gains) / losses	2 468	1 023	3 491	13	43	56
Plan amendments	0	0	0	– 29	0	– 29
Translation differences	359	0	359	– 231	0	– 231
As at 31 December	**21 767**	**6 193**	**27 960**	**17 139**	**5 215**	**22 354**
FAIR VALUE OF PLAN ASSETS (SWITZERLAND)						
As at 1 January			**13 860**			**14 384**
Interest income			280			247
Employer contributions			746			689
Employee contributions			658			607
Capital			1 026			868
Pension payments			– 1 004			– 2 811
Income from plan assets excluding interest income			35			85
Translation differences			291			– 209
As at 31 December			**15 892**			**13 860**
NET BALANCE SHEET VALUE OF PENSION OBLIGATIONS (SWITZERLAND AND GERMANY)						
Present value of defined benefit obligations			– 27 960			– 22 354
Fair value of plan assets			15 892			13 860
Balance sheet value			**– 12 068**			**– 8 494**

Table continued on pages 130 and 131

Financial position of defined benefit pension plans as at 31 December 2014 and 2013	***31.12.2014*** Total	***31.12.2013*** Total
in 1 000 EUR		
THE NET PENSION OBLIGATION HAS DEVELOPED AS FOLLOWS (SWITZERLAND AND GERMANY)		
As at 1 January	**–8494**	**–8 468**
Total expenses recognised in the statement of income	–1 039	–956
Total expenses recognised in other comprehensive income	–3 456	29
Pension payments	243	190
Employer contributions	746	689
Translation differences	–68	22
As at 31 December	**–12 068**	**–8494**
Weighted average duration of pension obligations (in years)	16.4	16.1
PENSION EXPENSE (SWITZERLAND AND GERMANY)		
Service costs	824	779
Net interest expenses	215	206
Plan amendments	0	–29
Pension expense for defined benefit plans	**1 039**	**956**
Pension expense for defined contribution plans	**658**	**593**
Pension expense	**1 697**	**1 549**
THE EXPENSES RECOGNISED IN OTHER COMPREHENSIVE INCOME BROKE DOWN AS FOLLOWS (SWITZERLAND AND GERMANY)		
(Gains) / losses from changed financial assumptions	3088	–393
(Gains) / losses from changed demographic assumptions	0	0
Experience (gains) / losses	403	449
Income from plan assets excluding amounts contained in interest income	–35	–85
(Income) / expenses in other comprehensive income	**3456**	**–29**

Table continued on page 131

Actuarial assumptions	***31.12.2014*** Total	***31.12.2013*** Total
in %		
Discount rate Switzerland	1.25	2.0
Discount rate Germany	1.75	3.0
Interest rate payable on retirement savings in Switzerland	1.75	2.0
Expected rate of salary increase Switzerland	1.5	1.5
Expected rate of salary increase Germany	2.5	2.5
Expected rate of pension increase Germany	1.5	1.5
Life expectancy Switzerland	OPA 2010 generation table	OPA 2010 generation tablel

The expected outflow of funds for employer contributions from defined benefit plans in 2015 is EUR 0.8 million.

The increase in actuarial losses is mainly due to the reduction in the discount rate.

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

Sensitivities as at 31 December 2014	***31.12.2014*** +0.25% Effect on DBO	***31.12.2014*** −0.25% Effect on DBO
in %		
Discount rate Switzerland	−3.9	+4.5
Discount rate Germany	−3.3	+3.4
Interest rate payable on retirement savings in Switzerland	+3.9	−4.5
Future salary increases Switzerland	+0.2	−0.2
Future pension increase Germany	+2.9	−2.8
Increase in life expectancy Switzerland (+ / − 1 year)	+1.5	−1.3

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

21 Deferred Tax

in 1 000 EUR	2014	2013
DEFERRED TAX ASSETS		
› Non-current assets	400	396
› Inventories	2 017	1 658
› Receivables	293	219
› Provisions	2 382	1 564
› Other	587	673
Deferred tax assets	**5 679**	**4 510**
Deferred tax on losses carried forward	1 324	1 364
Total deferred tax assets	**7 003**	**5 874**
Netting with deferred tax liabilities	–2 438	–2 540
Balance sheet value	**4 565**	**3 334**
DEFERRED TAX LIABILITIES		
› Non-current assets	–7 861	–5 310
› Inventories	–1 113	–1 071
› Receivables	–95	–72
› Provisions	–158	–122
› Other	–55	–448
Total deferred tax liabilities	**–9 282**	**–7 023**
Netting with deferred tax assets	2 438	2 540
Balance sheet value	**–6 844**	**–4 483**
Net position deferred tax	**–2 279**	**–1 149**
TREND OF DEFERRED TAX		
As at 1 January	**–1 149**	**–422**
Changes of tax rate recognised in the statement of income	93	51
Translation differences	119	–34
Change in scope of consolidation	–4 111	–801
Reduction / (increase) in value adjustments on fluctuations in fair value of cash flow hedges not affecting income / Actuarial gains and losses from IAS 19	724	–8
Change in temporary differences recognised in the statement of income	2 045	65
As at 31 December	**–2 279**	**–1 149**

Table continued on page 133

in 1 000 EUR	2014	2013
NON-CAPITALISED TAX LOSSES CARRIED FORWARD		
2–3 years	370	0
3–4 years	857	0
4–5 years	893	251
Over 5 years	47 553	33 505
Total	**49 673**	**33 756**
VALUATION DIFFERENCES ON WHICH NO DEFERRED TAXES WERE CAPITALISED		
Non-current assets	820	742
Inventories	1 675	911
Receivables	69	123
Provisions	1 511	886
Other	208	61
Total	**4 283**	**2 723**

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 49.7 million (previous year EUR 33.8 million), no deferred tax assets were recorded on this amount. Of the tax losses carried forward which expire after five years, EUR 26.1 million (previous year EUR 12.4 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period. The increase compared with the previous year is mainly owing to a change in tax legislation regarding the use of losses carried forward.

No deferred tax liabilities were recorded on temporary differences on investments in fully consolidated companies totalling EUR 76.2 million (previous year EUR 95.1 million).

22 Trade payables

	2014	2013
in 1 000 EUR		
Trade payables	28 704	26 322
Balance sheet value	**28 704**	**26 322**
BY CURRENCY		
CHF	1 110	1 123
EUR	9 560	9 431
USD	3 658	3 167
HUF	247	292
CNY	11 526	10 353
Other currencies	2 603	1 956
Balance sheet value	**28 704**	**26 322**

23 Short-term financial liabilities

in 1 000 EUR	Note No.	2014	2013
Liabilities to financial institutions		27 007	19 630
Other		45	29
Current portion of:			
› Liabilities from financial leasing	16	32	0
› Long-term financial liabilities	17	10 071	23 527
Balance sheet value		**37 155**	**43 186**
BY CURRENCY			
CHF		13 729	11 914
EUR		15 583	11 460
USD		7 437	5 593
CNY		381	13 997
Other currencies		25	222
Balance sheet value		**37 155**	**43 186**
BY MATURITY			
in < 3 months		27 520	33 718
in 3 – 6 months		4 650	4 091
in 6 – 12 months		4 985	5 377
Balance sheet value		**37 155**	**43 186**
INTEREST RATES			
CHF		1.2 %	1.2 %
EUR		1.4 %	1.8 %
USD		1.7 %	2.0 %
CNY		4.8 %	5.5 %
Other currencies		6.0 %	8.0 %

24 Other liabilities

in 1 000 EUR	2014	2013
Social security liabilities	1 853	1 623
Liabilities to employees	6 328	5 670
Liabilities arising from VAT and other taxes	4 383	4 197
Other	4 428	3 695
Balance sheet value	**16 992**	**15 185**

25 Categories of financial instruments

As at 31 December 2014 and 31 December 2013, the book values of financial assets and liabilities (including long-term fixed-interest financial liabilities), as shown below, correspond approximately to the IFRS fair value. The fair value of financial liabilities is EUR 1.1 million (previous year EUR 0.7 million) higher than the book value. Financial liabilities are classified in Level 2 of the fair value hierarchy (see below). The fair value corresponds to the present value of the estimated future cash flows based on the terms and maturities of each individual contract, discounted at a market interest rate as at the measurement date.

in 1 000 EUR	Note No.	2014	2013
Other financial assets (excluding investments and advance payments for investments)	7	143	110
Trade receivables	9	62 208	57 769
Other receivables (excluding VAT and other taxes and advance payments for inventories)	10	3 178	4 662
Cash and cash equivalents (excluding cash on hand)	12	44 076	60 307
Loans and receivables		**109 605**	**122 848**
Current securities	11	4 711	7 266
Available-for-sale financial assets		**4 711**	**7 266**
Derivative financial instruments (not used for hedging)	18	85	835
Financial assets at fair value through profit or loss		**85**	**835**
Liabilities from financial leasing	16	– 131	0
Financial liabilities (excluding residual purchase price liabilities)	17, 23	– 57 430	– 48 323
Trade payables	22	– 28 704	– 26 322
Other liabilities (excluding social security, employees, VAT and other taxes)	24	– 4 428	– 3 695
Liabilities at amortised cost		**– 90 693**	**– 78 340**
Derivative financial instruments (not used for hedging)	18	– 636	– 197
Residual purchase price liabilities from acquisitions	17	– 3 823	– 17 804
Financial liabilities at fair value through profit or loss		**– 4 459**	**– 18 001**

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

in 1 000 EUR	Note No.	2014	2013	Hierarchy
FINANCIAL ASSETS MEASURED AT MARKET VALUE				
Current securities	11	4 711	7 266	Level 1
Derivative financial instruments	18	85	835	Level 2
Total		**4 796**	**8 101**	
FINANCIAL LIABILITIES MEASURED AT MARKET VALUE				
Derivative financial instruments	18	– 636	– 197	Level 2
Residual purchase price liabilities from acquisitions	17	– 3 823	– 17 804	Level 3
Total		**–4459**	**– 18 001**	

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

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

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

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

in 1 000 EUR	Note No.	2014	2013
As at 1 January		**17 804**	**21 043**
Currency differences		252	– 389
Usage		– 14 211	– 9 883
Releases (Other financial income)	40	– 419	– 1 250
Allocation (Other financial expense)	41	0	4 199
Allocation (via equity)		0	3 315
Interest expense	41	397	769
Balance as at 31 December		**3 823**	**17 804**

The fair value of the residual purchase price liabilities is dependent on results (i.e. earnings) benchmarks, which are based partly on target figures. The residual purchase price liabilities may alter owing to a change in exchange rates (see note 27), a change in the interest rate, the addition of accrued interest or a change in the parameters for determining the residual purchase price. If the relevant future results were 10% greater, the residual purchase price liability would increase by EUR 0.4 million, assuming all other variables remained constant. The usage of EUR 14.2 million relates to the payment as part of the existing residual purchase price liability (call and put agreement on existing minority interest) from the 2010 acquisition of Okin Refined Electric Technology Co., Ltd.

The release of the residual purchase price liability totalling EUR 0.4 million was due to an adjustment of the plan for 2015 to 2018 at Okin Refined Electric Technology Co. Ltd., with a corresponding impact on the residual purchase price (see note 40).

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.

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 (i.e. no single receivable accounts for more than 10% of the total).

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

The maximum credit risk on the balance sheet date was:

in 1 000 EUR	Note No.	2014	2013
Other financial assets (excluding investments and advance payments for investments)	7	143	110
Derivative financial instruments	18	85	835
Trade receivables	9	62 208	57 769
Other receivables (excluding VAT and other taxes and advance payments for inventories)	10	3 178	4 662
Current securities	11	4 711	7 266
Cash and cash equivalents (excluding cash on hand)	12	44 076	60 307
Total		**114 401**	**130 949**

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 by 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 2014, unused credit lines with major banks totalled EUR 77.4 million (previous year EUR 63.2 million).

Maturity analysis as at 31 December 2014 and 2013

Maturity analysis of financial liabilities as at 31 December 2014	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
in 1 000 EUR							
NON-DERIVATIVE FINANCIAL INSTRUMENTS							
Trade payables	28 704	–28 704	–28 337	–359	–8		
Other liabilities (excluding social security, employees, VAT and other taxes)	4 428	–4 428	–4 428				
Financial liabilities (excluding financial leasing)	61 221	–63 202	–27 643	–4 856	–5 166	–20 857	–4 680
Liabilities from financial leasing (long- and short-term)	163	–182	–10	–10	–19	–143	
Total	**94 516**	**–96 516**	**–60 418**	**–5 225**	**–5 193**	**–21 000**	**–4 680**
DERIVATIVE FINANCIAL INSTRUMENTS							
INTEREST RATE SWAP CLASSIFIED AS TRADING	190	–190	–190				
FORWARD EXCHANGE TRANSACTION CLASSIFIED AS TRADING	361						
› Outflow of funds		–21 300	–21 300				
› Inflow of funds		20 939	20 939				
Total	**95 067**	**–97 067**	**–60 969**	**–5 225**	**–5 193**	**–21 000**	**–4 680**

Maturity analysis of financial liabilities as at 31 December 2013	Book value	Outflow of funds	in < 3 months	in 3–6 months	in 6–12 months	in 1–5 years	in > 5 years
in 1 000 EUR							
NON-DERIVATIVE FINANCIAL INSTRUMENTS							
Trade payables	26 322	–26 322	–26 257	–60	–5		
Other liabilities (excluding social security, employees, VAT and other taxes)	3 695	–3 695	–3 695				
Financial liabilities (excluding financial leasing)	66 127	–68 498	–34 552	–4 324	–5 616	–18 453	–5 553
Total	**96 144**	**–98 515**	**–64 504**	**–4 384**	**–5 621**	**–18 453**	**–5 553**
DERIVATIVE FINANCIAL INSTRUMENTS							
INTEREST RATE SWAP CLASSIFIED AS TRADING	133	–133	–133				
FORWARD EXCHANGE TRANSACTION CLASSIFIED AS TRADING	–771						
› Outflow of funds		–41 256	–41 256				
› Inflow of funds		42 027	42 027				
Total	**95 506**	**–97 877**	**–63 866**	**–4 384**	**–5 621**	**–18 453**	**–5 553**

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 52% of its sales in the euro area (previous year 52%) 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 at production locations in Hungary and Romania and occasionally in USD, CHF, GBP, CNY, INR and AUD, with hedges declining as a proportion of the planned currency exposure the further ahead the transaction is due to take place. The extent of the items to be hedged is reviewed regularly. Such hedges cover a maximum period of three years. The Group realises both income and expenditure in USD and aims to minimise the resulting currency exposure primarily by means of operational measures (alignment of income and expenditure flows).

Financing from financial institutions is mainly in EUR, CHF and USD and is recorded by Group companies in the relevant functional currency. An exception to this are USD financing arrangements relating to Phoenix Mecano AG and Phoenix Mecano Hong Kong Ltd. There are also residual purchase price liabilities from an acquisition in CNY of a subsidiary that draws up its balance sheet in EUR.

The following tables set out currency risks associated with financial instruments, where the currency differs from the functional currency of the Group company holding the instruments. The tables only include risks from positions in the consolidated financial statements (i.e. excluding positions between Group companies):

Currency risk as at 31 December 2014	EUR	CHF	USD	HUF	CNY
in 1 000 EUR					
NON-DERIVATIVE FINANCIAL INSTRUMENTS					
Trade receivables	2 028	0	1 736	127	0
Cash and cash equivalents	482	16	4 030	282	4
Trade payables	– 258	– 24	– 1 546	– 244	0
Financial liabilities			– 4 543		– 2 044
Net risk	**2 252**	**– 8**	**– 323**	**165**	**– 2 040**

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

In relation to the above-mentioned currency risks, the following sensitivity analysis for the main currency pairs, based on the consolidated financial statements, 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.

Sensitivity analysis as at 31 December 2014	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY	USD/CNY	EUR/RON
in 1 000 EUR							
Change in result of the period (+/–)	**35**	**245**	**32**	**1 557**	**205**	**199**	**545**

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

The reduced impact on the result of the period for the currency pairs EUR/HUF and EUR/CNY is owing to a reduction in the hedging volume for EUR/HUF and a reduction in the residual purchase price liability for EUR/CNY.

Significantly greater effects on the statement of income may arise from price movements relating to ongoing foreign currency transactions during the financial year. Currency risks also arise from intercompany receivables and liabilities, which are not taken into account in the above sensitivity assessment. If the sensitivity analysis as at 31 December 2014 is expanded to include loans between affiliated companies where the currency of the loan differs from the lender and/or borrower company's functional currency, there is an additional risk of around EUR 1.5 million in the event of a 10% fluctuation, primarily for the CHF/EUR currency pair.

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

Sensitivity analyses as at 31 December 2014 and 2013 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 2014 would have been EUR 0.1 million (previous year EUR 0.3 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 2014 or 31 December 2013, 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 40–50% of sustainable net profit. Capital increases should be avoided as far as possible in order to prevent profit dilution. Where appropriate, the Group uses share buy-backs as a means of adjusting its capital structure and reducing capital costs.

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

Net indebtedness as at 31 December 2014 and 31 December 2013 was as follows:

in 1 000 EUR	Note No.	2014	2013
Liabilities from financial leasing	16	131	0
Long-term financial liabilities	17	24 098	22 941
Short-term financial liabilities	23	37 155	43 186
Interest-bearing liabilities		**61 384**	**66 127**
less current securities	11	4 711	7 266
less cash and cash equivalents	12	44 185	60 409
Net indebtedness/(Net liquidity)		**12 488**	**–1 548**
Equity		267 470	254 237
Gearing		**4.7 %**	**–**

29 Contingent liabilities

in 1 000 EUR	2014	2013
Sureties and guarantees	1 098	1 005
Commitments from bills of exchange	51	45
Total	**1 149**	**1 050**

30 Commitments to purchase tangible assets

The purchase commitment for tangible assets as at 31 December 2014 was EUR 2.7 million (previous year EUR 3.5 million).

31 Operating leases, rent and leasehold rent

in 1 000 EUR	2014	2013
Minimum commitments due within 1 year	3 526	3 056
Minimum commitments due within 1 – 5 years	6 572	5 570
Minimum commitments due after 5 years	4 934	5 782
Minimum operating leasing, rent and leasehold rent commitments	**15 032**	**14 408**
Minimum claims due within 1 year	90	191
Minimum claims due within 1 – 5 years	0	7
Minimum claims from rent / leasehold rent	**90**	**198**

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

32 Sales revenue

in 1 000 EUR	2014	2013
Gross sales	505 621	500 550
Revenue reductions	– 5 272	– 5 198
Sales revenue (Net Sales)	**500 349**	**495 352**

Gross sales rose by 1.0% compared with the previous year (previous year 0.0%). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by – 0.3% and 1.0% respectively (previous year – 1.1% and 0.8%).

33 Other operating income

in 1 000 EUR	2014	2013
Reimbursement from insurance	114	180
Gains on the disposal of intangible and tangible assets	352	301
Goverment subsidies	597	391
Other	2 446	2 093
Total	**3 509**	**2 965**

34 Cost of materials

in 1 000 EUR	2014	2013
Cost of raw and ancillary materials, merchandise for resale and external services	214 297	221 097
Incidental acquisition costs	8 008	8 178
Total	**222 305**	**229 275**

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

35 Personnel expenses

in 1 000 EUR	2014	2013
Wages and salaries	129 311	121 272
Social costs	25 396	24 146
Supplementary staff costs	6 421	5 914
Total	**161 128**	**151 332**

36 Amortisation of intangible assets

in 1 000 EUR	2014	2013
Concessions, licences, similar rights and assets	6 676	4 897
Development services	433	399
Total	**7 109**	**5 296**

37 Depreciation on tangible assets

in 1 000 EUR	2014	2013
Investment properties	23	24
Land and buildings	3 197	3 119
Machinery and equipment	13 106	12 537
Total	**16 326**	**15 680**

38 Impairment of intangible and tangible assets

in 1 000 EUR	Note No.	2014	2013
Reversal of impairment losses on intangible and tangible assets	4 / 5	0	– 24
Impairment losses on other intangible assets	4	178	51
Impairment losses on tangible assets	5	0	144
Total		**178**	**171**

39 Other operating expenses

in 1 000 EUR	Note No.	2014	2013
External development costs		1 125	1 081
Establishment expenses		22 351	21 141
Rent, leasehold rent, leases		4 111	4 014
Administration expenses		9 686	8 063
Advertising expenses		4 030	4 053
Sales expenses		16 513	16 256
Losses from the disposal of intangible and tangible assets		347	155
Losses and value adjustments on inventories	8	4 682	1 487
Capital and other taxes		1 346	1 092
Other		3 699	5 976
Total		**67 890**	**63 318**

Total research and development costs, including internal costs, amounted EUR 8.1 million. EUR (previous year EUR 8.0 million).

40 Financial income

in 1 000 EUR	Note No.	2014	2013
Interest income from third parties		489	907
Gain from financial instruments at fair value through profit or loss (trading derivative)	18	190	1 117
Exchange rate gains		2 704	1 829
Other financial income		449	1 269
Total		**3 832**	**5 122**

Other financial income includes the adjustment (recognised in the statement of income) of residual purchase price liabilities from acquisitions totalling EUR 0.4 million (previous year EUR 1.3 million).

41 Financial expenses

in 1 000 EUR	Note No.	2014	2013
Interest expense		1 128	1 197
Interest expense for accrued interest on residual purchase price liability	25	397	769
Loss from financial instruments at fair value through profit or loss (trading derivative)	18	1 379	290
Exchange rate losses		1 132	1 816
Other financial expense		174	4 430
Total		**4 210**	**8 502**

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

42 Income tax

in 1 000 EUR	2014	2013
Current income tax	11 181	9 502
Deferred tax	– 2 138	– 116
Income tax	**9 043**	**9 386**
RECONCILIATION FROM THEORETICAL TO EFFECTIVE INCOME TAX		
Result before tax	**29 031**	**31 778**
Theoretical income tax	**6 788**	**6 584**
Weighted income tax rate	**23.4 %**	**20.7 %**
Changes of tax rate deferred tax	– 93	– 51
Tax-free income	– 848	– 580
Non-deductible expenses	1 641	2 621
Tax effect on losses in the reporting year	1 731	960
Tax effect of losses carried forward from previous years	– 14	– 125
Income tax relating to other periods	– 298	71
Other	136	– 94
Effective income tax	**9 043**	**9 386**
Effective income tax rate	**31.1 %**	**29.5 %**

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

The reduction in non-deductible expenses in 2014 was mainly owing to an increase in the fair value of a residual purchase price liability from acquisitions in 2013 (see note 25), not affecting tax.

43 Earnings per share

in 1 000 EUR	2014	2013
Result of the period attributable to shareholders of the parent company	**20 181**	**22 255**

Number	2014	2013
NUMBER OF SHARES		
Shares issued on 1 January	978 000	978 000
Capital reduction	– 17 500	0
Treasury shares (annual average)	– 1 461	– 19 465
Shares outstanding	**959 039**	**958 535**
Basis for diluted earnings per share	959 039	958 535
Basis for undiluted earnings per share	959 039	958 535

44 Operating cash flow

in 1 000 EUR	Note No.	2014	2013
Operating result		29 483	35 042
Amortisation of intangible assets	36	7 109	5 296
Depreciation on tangible assets	37	16 326	15 680
Impairment and reversal of impairment losses on intangible and tangible assets	38	178	171
Operating cash flow		**53 096**	**56 189**

45 Free cash flow

in 1 000 EUR	Note No.	2014	2013
Cash flow from operating activities		38 808	42 349
Purchases of intangible assets	4	– 2 401	– 2 059
Purchases of tangible assets	5	– 21 638	– 18 288
Disinvestments in intangible assets		1	0
Disinvestments in tangible assets		667	1 036
Free cash flow (before financial investments)		**15 437**	**23 038**

46 Acquisitions of Group companies

The acquired assets and assumed liabilities break down as follows:

	2014	2013
in 1 000 EUR		
Customer base	2 333	723
Other intangible assets	13 095	0
Tangible assets	816	3 326
Inventories	1 574	56
Trade receivables	683	633
Other current assets	374	8
Cash and cash equivalents	1 105	366
Deferred tax	– 4 111	– 801
Other liabilities	– 2 298	– 1 624
Identifiable net assets	**13 571**	**2 687**
Minority interest	0	– 537
Goodwill from acquisitions	5 343	0
Purchase price paid in cash and cash equivalents	**– 18 914**	**– 2 150**
Advance payment from 2012	0	428
Cash and cash equivalents acquired	1 105	366
Change in funds	**– 17 809**	**– 1 356**

On 1 January 2014, the Phoenix Mecano Group acquired 100% of the shares in Hitec Special Measuring Systems B.V., based in Almelo, The Netherlands. Subsequently renamed PM Special Measuring Systems B.V. and relocated to Enschede, the company is a successful niche player in the field of high-precision measuring systems for electrical current. Its core product technology, known as zero-flux measurement, is used mainly in research laboratories as well as in high-voltage direct current (HVDC) transmission systems, which enable the highly efficient transmission of electricity across large distances. HVDC systems are also used to connect offshore wind turbines to the alternating current (AC) network and to connect AC networks with different frequencies (e.g. 50/60-Hz networks). The company has been integrated into the ELCOM/EMS division. As expected, the acquired receivables totalling EUR 0.4 million were paid in full at the time of acquisition.

On 1 July 2014, the Phoenix Mecano Group acquired all shares in REDUR Messwandler GmbH, Merzenich (Germany). REDUR is a successful manufacturer of instrument transformers for low-voltage applications and of measurement transducers, the main areas of application for these technologies being electricity measurements. End users include substation builders, energy supply companies and manufacturers of control-technology devices. The company has been integrated into the ELCOM/EMS division. As expected, the acquired receivables totalling EUR 0.3 million were paid in full at the time of acquisition.

The EUR 5.3 million goodwill from acquisitions in 2014 is based on synergy effects and staff skills.

The acquired companies generated sales revenue with third parties of EUR 4.3 million in 2014 (post-acquisition). Their contribution to the Phoenix Mecano Group's result of the period was EUR –1.5 million. Had the companies been consolidated since 1 January 2014, sales revenue would have totalled EUR 507.2 million and consolidated result of the period EUR 19.8 million.

In the previous year, the Phoenix Mecano Group acquired 80% of the shares in Bond Tact Industrial Ltd., Hong Kong, with effect from 31 March. The company specialises in the manufacture of electromechanical precision components and has a subsidiary in Dongguan, China. The acquired companies generated sales revenue with third parties of EUR 3.9 million in 2013 (post-acquisition). Their contribution to the Phoenix Mecano Group's result of the period was EUR –1.1 million. Had the companies been consolidated since 1 January 2013, sales revenue would have totalled EUR 501.9 million and consolidated result of the period EUR 22.1 million.

47 Transactions with related parties

in 1 000 EUR	2014	2013
Chairman of the Board of Directors	215	106
Delegate of the Board of Directors	53	35
Other members of the Board of Directors	158	113
Remuneration of the Board of Directors	**426**	**254**
Remuneration of the management	**1 684**	**2 043**
Remuneration of the Board of Directors and management	**2 110**	**2 297**
Social security contributions	165	151
Pension obligations	143	173
Total remuneration of the Board of Directors and management	**2 418**	**2 621**

The reduction in management compensation is due to the decision of the Board of Directors on 5 June 2013 to reduce the number of management members to three with effect from 1 July 2013.

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

Detailed information on transactions with related parties is provided in the notes to the financial statements of Phoenix Mecano AG on page 165 (see note 19).

No significant transactions with other related parties outside the scope of consolidation took place in 2014 or 2013.

48 Events after the balance sheet date

On 15 January 2015, the Swiss National Bank announced the scrapping of the minimum exchange rate of 1.20 Swiss francs to one euro. The appreciation of the Swiss franc in early 2015 will affect Phoenix Mecano in Switzerland but have only a limited impact on the Group as a whole because the Group currency is euro and only a small portion of its sales revenue and costs are incurred in CHF. However, the Group anticipates a negative impact in the low single-digit million range on the Group's financial result in the first quarter of 2015 due to devaluations of the euro reserves and receivables of Group companies that draw up their accounts in CHF (see note 27).

No other events occurred between 31 December 2014 and 24 March 2015 that would alter the book values of assets and liabilities or should be disclosed under this heading.

49 Approval of the consolidated financial statements

At its meeting on 24 March 2015, the Board of Directors of Phoenix Mecano AG released the 2014 consolidated financial statements for publication. They will be submitted to the Shareholders' General Meeting on 22 May 2015 with a recommendation for their approval.

50 Dividend

The Board of Directors recommends to the Shareholders' General Meeting of 22 May 2015 that a dividend of CHF 15.00 per share (CHF is the statutory currency of Phoenix Mecano AG) be paid out (see Proposal for the appropriation of retained earnings on page 168). The total outflow of funds is expected to be CHF 14.4 million. The dividend paid out in 2014 was CHF 15.00 per share (previous year CHF 13.00). The outflow of funds in 2014 was CHF 14.4 million (previous year CHF 12.5 million).

Report of the Statutory Auditor to the General Meeting of Shareholders of Phoenix Mecano AG, Stein am Rhein

Report of the Statutory Auditor on the Consolidated Financial Statements

As statutory auditor, we have audited the consolidated financial statements of Phoenix Mecano AG, presented on pages 82 to 153, which comprise the 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 2014.

Board of Directors' Responsibility

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2014 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Zurich, 24 March 2015

Kurt Stocker
Licensed Audit Expert
Auditor in Charge

Thomas Lehner
Licensed Audit Expert

KPMG AG

Five-year overview

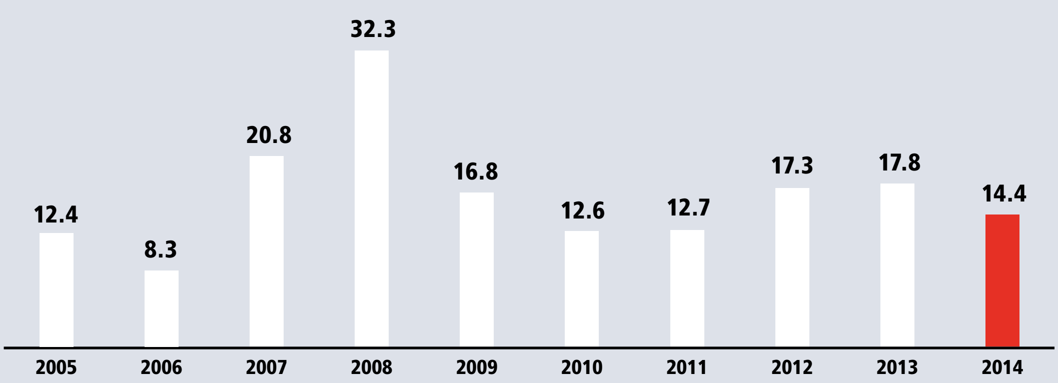
in 1 000 EUR	2014	2013	2012	2011	2010
Consolidated balance sheet					
Total assets	**414 007**	**395 558**	**389 961**	**389 796**	**381 433**
Non-current assets	**171 348**	**143 408**	**143 802**	**139 993**	**142 862**
in % of total assets	41.4	36.3	36.9	35.9	37.5
Tangible assets	116 110	108 310	104 593	100 717	98 596
Current assets	**242 659**	**252 150**	**246 159**	**249 803**	**238 571**
in % of total assets	58.6	63.7	63.1	64.1	62.5
Inventories	117 844	109 908	110 271	131 989	131 531
Cash and cash equivalents	44 185	60 409	62 824	43 500	31 800
Equity	**267 470**	**254 237**	**250 694**	**246 472**	**236 226**
in % of total assets	64.6	64.3	64.3	63.2	61.9
Liabilities	**146 537**	**141 321**	**139 267**	**143 324**	**145 207**
in % of total assets	35.4	35.7	35.7	36.8	38.1
Net indebtedness/(Net liquidity)	**12 488**	**–1 548**	**715**	**17 326**	**24 862**
in % of equity	4.7	–	0.3	7.0	10.5
Consolidated statement of income					
Gross sales	**505 621**	**500 550**	**500 461**	**529 755**	**501 558**
Sales revenue (net sales)	**500 349**	**495 352**	**495 581**	**524 419**	**495 944**
Total operating performance	**504 419**	**500 114**	**501 429**	**524 938**	**509 572**
Personnel expenses	**161 128**	**151 332**	**145 491**	**143 285**	**131 663**
Amortisation of intangible assets	**7 109**	**5 296**	**6 063**	**5 679**	**4 032**
Depreciation on tangible assets	**16 326**	**15 680**	**15 557**	**14 404**	**13 792**
Result before interest and tax (operating result)	**29 483**	**35 042**	**27 914**	**36 101**	**52 592**
Financial result	**–452**	**–3 264**	**–1 252**	**–4 297**	**–1 745**
Result before tax	**29 031**	**31 778**	**26 662**	**31 804**	**50 847**
Income tax	**9 043**	**9 386**	**8 589**	**8 159**	**6 963**
Result of the period	**19 988**	**22 392**	**18 073**	**23 645**	**43 884**
in % of total assets	4.0	4.5	3.6	4.5	8.7
in % of equity	7.5	8.8	7.2	9.6	18.6
Consolidated statement of cash flow					
Cash flow from operating activities	**38 808**	**42 349**	**62 148**	**44 617**	**29 361**
Cash used in investing activities	**–38 814**	**–19 369**	**–28 109**	**–23 815**	**–35 985**
Purchases of tangible and intangible assets	24 039	20 347	25 436	20 873	19 643
Cash flow from financing activities	**–17 636**	**–24 584**	**–14 550**	**–9 117**	**–5 189**
Free cash flow	**15 437**	**23 038**	**37 515**	**24 427**	**11 673**

Phoenix Mecano AG Financial statements 2014

Proposed dividend per share unchanged at CHF 15.00. The proposed dividend corresponds to 60% of the result of the period. Over the past 10 years, share buy-backs and dividend payments totalling CHF 165.4 million have been made.

Dividend payout and return of capital to shareholders

in million CHF



Balance sheet as at 31 December 2014

Assets		2014	2013
in CHF	Note No.		
NON-CURRENT ASSETS			
Financial assets			
Investments	1	170 581 862	169 944 369
Loans to Group companies	2	15 277 270	16 176 700
Total non-current assets		**185 859 132**	**186 121 069**
CURRENT ASSETS			
Receivables			
Financial receivables from Group companies	3	7 818 614	4 749 950
Other receivables		29	55
		7 818 643	**4 750 005**
Treasury shares	4	551 994	8 951 688
Cash and cash equivalents	10	471 420	716 402
Total current assets		**8 842 057**	**14 418 095**
Total assets		**194 701 189**	**200 539 164**
Equity and liabilities			
EQUITY			
Share capital	5	960 500	978 000
Statutory reserves		2 500 000	2 500 000
Reserve for treasury shares	6	675 192	9 507 160
Special reserves	7	90 559 724	88 994 949
Retained earnings	8	64 967 775	65 804 935
Total equity		**159 663 191**	**167 785 044**
LIABILITIES			
Provisions	9	5 876 100	5 456 400
Long-term liabilities			
Bank loans	10	8 500 000	9 250 000
Short-term liabilities			
Bank liabilities	10	17 485 000	15 322 500
Financial liabilities to Group companies	11	2 612 187	2 126 343
Liabilities to shareholders		1 280	343
Other liabilities		96 589	60 558
		20 195 056	**17 509 744**
Deferred income		466 842	537 976
Total liabilities		**35 037 998**	**32 754 120**
Total equity and liabilities		**194 701 189**	**200 539 164**

Statement of income 2014

in CHF	Note No.	2014	2013
INCOME			
Income from investments	13	14 179 014	29 925 442
Financial income	14	1 225 785	1 231 078
Other income	15	442 005	1 034
Total income		**15 846 804**	**31 157 554**
EXPENSES			
Financial expenses	16	– 1 328 547	– 1 568 015
Administration expenses		– 1 393 368	– 971 711
Other expenses	17	– 515 000	– 15 000
Income and capital taxes		– 61 913	– 33 778
Total expenses		**– 3 298 828**	**– 2 588 504**
Profit for the year		**12 547 976**	**28 569 050**

Notes to the financial statements 2014

General

The 2014 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 2014 in %	Investment 2013 in %
Phoenix Mecano Management AG	Kloten, Switzerland	Finance	CHF	50	100	100
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance	CHF	250	100	100
Phoenix Mecano Beteiligungen AG	Stein am Rhein, Switzerland	Finance	CHF	100	0	100
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing	CHF	100	100	100
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production / Sales	CHF	2 000	100	100
Phoenix Mecano Finance Ltd.	St. Helier, Kanalinseln, GB	Finance	USD	1 969	100	100
PM International B.V.	Doetinchem, The Netherlands	Finance	EUR	4 500	100	100
AVS Phoenix Mecano GmbH	Vienna, Austria	Sales	EUR	40	1	1
Phoenix Mecano Inc.	Frederick, USA	Production / Sales	USD	10 000	100	100
WIENER, Plein & Baus Corp.	Springfield, USA	Sales	USD	100	100	100
Phoenix Mecano S.E. Asia Pte Ltd.	Singapore	Sales	SGD	1 000	75	75
Phoenix Mecano (India) Pvt. Ltd.	Pune, India	Production / Sales	INR	299 452	100	100
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China	Production / Sales	USD	3 925	100	100
Shenzhen ELCOM Co., Ltd.	Shenzhen, China	Production / Sales	CNY	8 000	100	100
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance / Sales	EUR	2 500	100	100
Phoenix Mecano Mazaka AŞ	Ankara, Turkey	Sales	TRY	430	2	1
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales	BRL	7 601	100	100
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance	BRL	1 062	1	1
Integrated Furniture Technologies Ltd.	Cheltenham, UK	Development	GBP	1	85	100
Phoenix Mecano Components (Taicang) Co., Ltd.	Taicang City, China	Production / Sales	USD	6 500	100	100
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Marocco	Production	MAD	1 000	100	100
Hartu S.à.r.l. in Liquidation	Boumhel, Tunisia	–	TND	10 000	25	0
Phoenix Mecano Elcom S.à.r.l.	Zaghouan, Tunisia	Production	TND	500 000	25	0
Phoenix Mecano Hartu S.à.r.l.	Ben Arous, Tunisia	Production	TND	500 000	20	0
Phoenix Mecano Digital Tunisie S.à.r.l.	Bori-Cedria, Tunisia	Production	TND	100 000	20	0

The CHF 1.7 million change in the balance sheet value compared with the previous year is owing to the acquisition by merger of the former subsidiary Phoenix Mecano Beteiligungen AG, which contributed five investments to Phoenix Mecano AG. In addition, 15% of Integrated Furniture Technologies Ltd. was sold.

An overview of all directly and indirectly held investments is given on page 109 and 110.

2 Loans to Group companies

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

3 Financial receivables from Group companies

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

4 Treasury shares

In the period 2012/2013, 17 500 shares were repurchased under a share buy-back programme. Pursuant to the decision of the Shareholders' General Meeting of 23 May 2014, these 17 500 repurchased shares were cancelled and the share capital reduced accordingly. As a result, Phoenix Mecano AG no longer holds any shares from share buy-back programmes.

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

	Share purchases	Average price
	Number	in CHF
August	210	483.51
September	150	456.48
Total year	**360**	**472.25**

	Share sales	Average price
	Number	in CHF
January	194	580.12
February	294	564.38
March	258	556.00
April	234	550.38
May	284	573.47
June	170	575.19
July	30	545.00
August	200	458.17
Total year	**1 664**	**552.49**

No purchases or sales were made in the other months.

At the balance sheet date, the company owned a total of 1 260 treasury shares (previous year 20 064), which are booked according to the strict lower-of-cost-or-market principle. These shares represent 0.1% of the overall share portfolio.

5 Share capital

Pursuant to the decision of the Shareholders' General Meeting of 23 May 2014, the share capital was reduced from CHF 978 000 to CHF 960 500 through the cancellation of 17 500 shares with a par value of CHF 1.00 each from the 2012/2013 share buy-back programme, with effect from 26 August 2014. The share capital was then re-divided into 960 500 bearer shares with a par value of CHF 1.00 each. As at the balance sheet date, major shareholders held the following stakes in the share capital of Phoenix Mecano AG:

Name	Head office	2014	2013
in %			
Planalto AG	Luxemburg City, Luxemburg	34.6	34.0*
Tweedy, Browne Global Value Fund (A subdivision of Tweedy, Browne Fund Inc., New York, USA)	New York, USA	5.5*	5.5
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Schweiz	5.4*	5.4*
UBS Fund Management (Switzerland) AG	Basel, Schweiz	3.5*	3.5

* Stake not reported in the year indicated.

This information is based on notifications by the aforementioned shareholders.

6 Reserve for treasury shares

Articles 659a(2) and 671a of the Swiss Code of Obligations state that the company must set aside an amount equivalent to the cost of acquiring its own shares as a separate reserve. In 2014, this reserve for treasury shares was reduced by CHF 8 831 968, mainly due to the cancellation of 17 500 treasury shares from the aforementioned share buy-back programme.

7 Special reserves

The change in special reserve is attributable to the merger with Phoenix Mecano Beteiligungen AG.

8 Retained earnings

Financial year 2014 closed with a profit for the year of CHF 12 547 976. The retained earnings brought forward from the previous year totalled CHF 51 416 935. Taking into account the release of the reserve for treasury shares of CHF 8 831 968 (see note 6) and the charge for the difference between the par value and balance sheet value of the treasury shares cancelled as part of the capital reduction totalling CHF 7 829 104, the ordinary Shareholders' General Meeting of 22 May 2015 has at its disposal retained earnings totalling CHF 64 967 775. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 168.

9 Provisions

This item comprises provisions to cover investment risks totalling CHF 3.5 million (unchanged from the previous year), as well as provisions to cover exchange rate risks totalling CHF 2.1 million (previous year CHF 1.8 million), a provision of CHF 0.1 million for a legal dispute in Brazil (previous year CHF 0.1 million) and a provision for derivative financial instrument risks totalling CHF 0.2 million (previous year CHF 0.1 million), used for structuring of external debts.

10 Bank loans / Bank liabilities

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

in 1 000 CHF	2014	2013
BY CURRENCY		
CHF	23 500	22 350
USD	2 485	2 223
Balance sheet value	**25 985**	**24 573**
BY MATURITY		
in 1 year	17 485	15 323
in 2 years	4 750	3 500
in 3 years	3 750	4 750
in 4 years	0	1 000
Balance sheet value	**25 985**	**24 573**

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

in 1 000 CHF	2014	2013
Guarantees and letters of comfort	**133 680**	**110 172**

Contingent liabilities are given for subsidiaries, predominantly in favour of financial institutions. The actual book value of Group company liabilities was CHF 38.9 million (previous year CHF 31.3 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.

15 Other income

Other income in 2014 mainly includes revenue from the sale of 15% of the shares in Integrated Furniture Technologies Ltd.

16 Financial expense

This item comprises interest and securities expenses as well as a provision in the reporting year for derivative financial instrument risks totalling CHF 0.1 million (previous year CHF 0.1 million) and net exchange rate losses totalling CHF 0.6 million (exchange rate losses of CHF 1 million minus exchange rate gains of CHF 0.4 million, previous year CHF 0.5 million).

17 Other expenses

Other expenses in 2014 mainly included a value adjustment on investments totalling CHF 500 000.

18 Net release of hidden reserves

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

19 Compensation and participations

Compensation paid to members of the Board of Directors and management The following compensation was paid by the Phoenix Mecano Group to serving corporate officers in 2014:

in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2014
Ulrich Hocker	Chairman of the Board of Directors	261		20	**281**
Benedikt A. Goldkamp	Delegate of the Board of Directors	64		11	**75**
Dr Florian Ernst	Board Member	64		5	**69**
Dr Martin Furrer	Board Member	64		5	**69**
Beat Siegrist	Board Member	64		5	**69**
Remuneration of the Board of Directors		**517**	**0**	**46**	**563**
Remuneration of the management		**1 600**	**446**	**328**	**2 374**
Remuneration of the Board of Directors and management		**2 117**	**446**	**374**	**2 937**
Highest individual management salary: Benedikt A. Goldkamp	CEO	726	248	145	**1 119**

The following compensation was paid by the Phoenix Mecano Group to serving corporate officers in 2013:

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

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

The variable remuneration is based on individual employment contracts and annual bonus agreements. The amount depends on the attainment of return-on-capital targets. It includes the variable compensation 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 compensation was paid in the reporting year or the previous year to former corporate officers who left the company in previous years.

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

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

Share ownership by members of the Board of Directors and management and persons related to them

Name	Position	31.12.2014	31.12.2013
Ulrich Hocker	Chairman	8 798	8 798
Benedikt A. Goldkamp	Delegate	1 865	1 740
Dr Florian Ernst	Board Member	10	10
Dr Martin Furrer	Board Member	100	100
Beat Siegrist	Board Member	400	400
Shares held by the Board of Directors		**11 173**	**11 048**
Dr Rochus Kobler	Member	200	200
René Schäffeler	Member	80	80
Shares held by the management		**280**	**280**

In addition, Planalto AG, Luxembourg, which is owned by the Goldkamp family, holds a 34.6% stake (previous year 34.0%).

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

Aside from the compensation paid to the Board of Directors and the management and the standard contributions to pension funds, no significant transactions with related persons or companies took place.

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 the Group's risk management. To this end it set up the Internal Auditing Department, which is responsible for developing and monitoring compliance with risk management principles. The Internal Auditing Department reports regularly to the Audit Committee of the Phoenix Mecano AG Board of Directors. The risk management principles that have been established are geared towards identifying and analysing the risks to which the Group is exposed, developing checks and balances and monitoring risks. The specific risks facing Phoenix Mecano AG have also been identified. Risk management principles and the processes associated with them are regularly reviewed to take account of changes in market conditions and the Group's activities.

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

21 Events after the balance sheet date

The appreciation of the Swiss franc in early 2015 will affect Phoenix Mecano AG due to devaluations of its euro reserves and receivables, entailing a negative impact in the low single-digit million range on Phoenix Mecano AG's financial result in the first quarter of 2015.

No other events occurred between 31 December 2014 and 24 March 2015 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 2014	12 547 976
Retained earnings brought forward 2013	51 416 935
Difference between par value and balance sheet value of treasury shares in connection with capital reduction	– 7 829 104
Release of reserve for treasury shares	8 831 968
Retained earnings	**64 967 775**

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

	CHF
Dividend of CHF 15.00 per share[1]	14 407 500
Carried forward to new account	50 560 275
Total	**64 967 775**

1 Total dividends are calculated based on the 960 500 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 to the General Meeting of Shareholders of Phoenix Mecano AG, Stein am Rhein

Report of the Statutory Auditor on the Financial Statements
As statutory auditor, we have audited the accompanying financial statements of Phoenix Mecano AG, presented on pages 158 to 167, which comprise the balance sheet, income statement and notes for the year ended 31 December 2014.

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 2014 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 728 a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

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

Zurich, 24 March 2015

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

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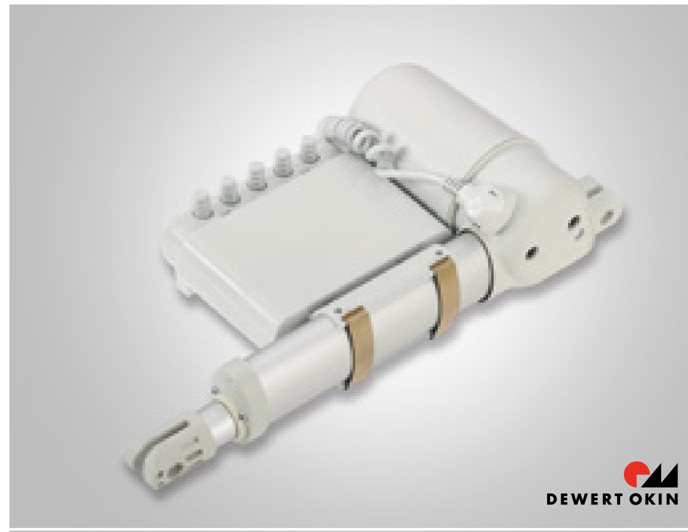

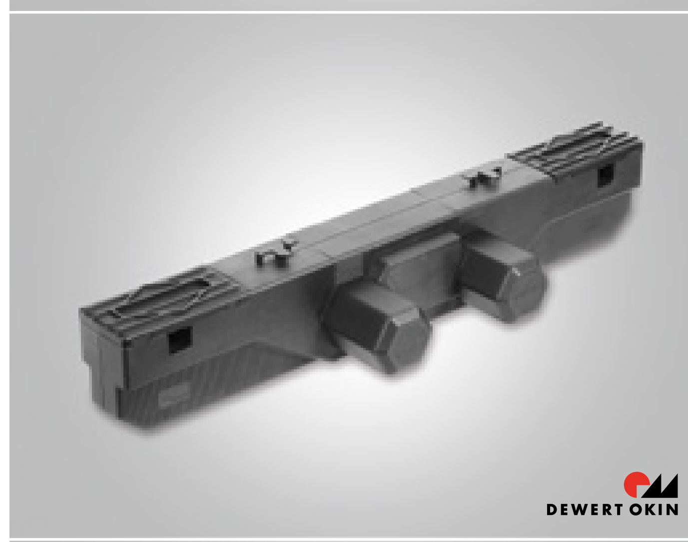

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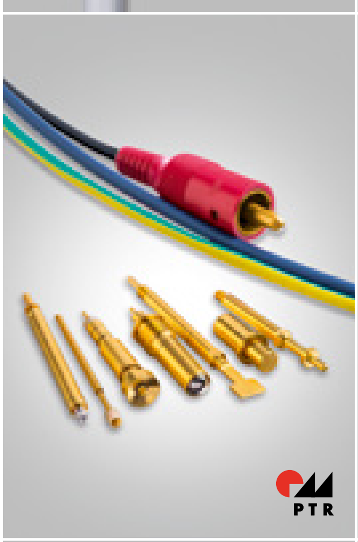
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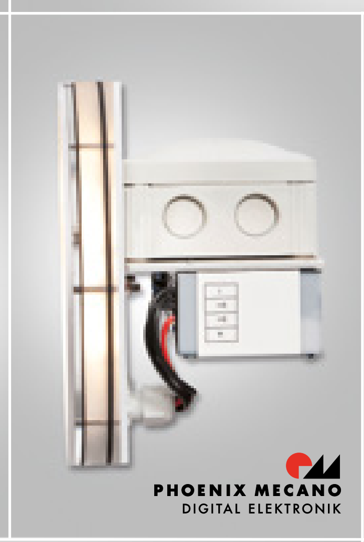
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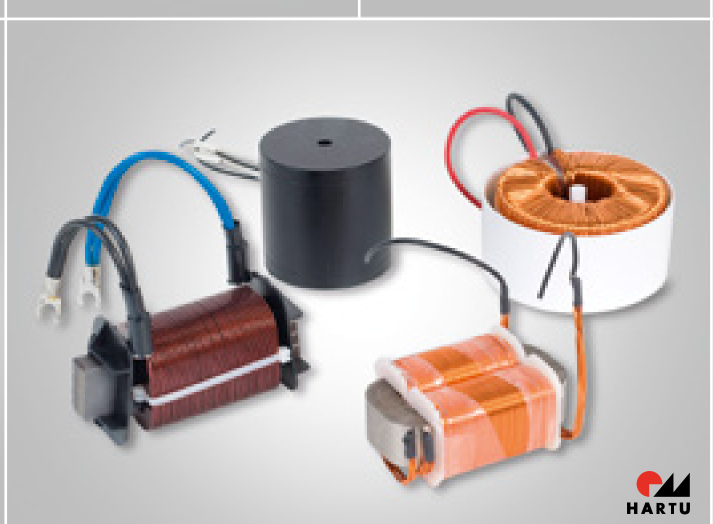
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This annual report is also
available in German.
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