ANNUAL REPORT 2019

GLOBAL.
INNOVATIVE.
EFFICIENT.

PHOENIX MECANO

Phoenix Mecano Group – Profile

We are a global technology company with a presence in the international growth markets. With our three divisions – Enclosures, Mechanical Components and ELCOM / EMS – we are leaders in many of our markets. Important areas of application are mechanical engineering, measurement and control technology, electrical engineering, automotive and railway technology, energy technology, medical technology, aerospace technology and home and hospital care.

Mission statement

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

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

VALUE
Reliability vis-à-vis all interested parties is a prerequisite for credibility. Every day we work on putting these maxims into practice, with the management setting an example by fulfilling a responsible leadership function. Profitability and growth are key requirements for maintaining competitiveness and value added and for creating new jobs both at home and abroad. The sustainability factor is underpinned by our careful use of natural resources and our commitment to corporate responsibility.

KEY FIGURES OF THE PHOENIX MECANO GROUP

KEY FINANCIAL FIGURES	Units	2019	2018	2017	2016	2015
Gross sales	EUR million	680.0	650.8	627.6	583.2	559.8
Change	%	4.5	3.7	7.6	4.2	10.7
Operating cash flow (EBITDA)	EUR million	48.8	74.0	59.7	59.1	52.3
Change	%	−34.0		1.0	12.9	−1.4
in % of sales	%	7.2	11.4	9.5	10.1	9.4
Operating result	EUR million	23.4	51.3	30.7	34.5	15.0
Change	%	−54.5		−10.9	129.8	−49.2
in % of sales	%	3.4	7.9	4.9	5.9	2.7
in % of net operating assets	%	7.8	17.3	10.4	11.6	5.4
Result of the period	EUR million	13.9	36.1	21.9	23.0	6.7
Change	%	−61.5		−4.7	244.1	−66.6
in % of sales	%	2.0	5.5	3.5	3.9	1.2
in % of equity	%	6.4	13.5	8.1	8.4	2.5
Total assets/capital	EUR million	488.1	453.4	471.8	452.4	426.7
Equity	EUR million	217.3	268.0	269.7	272.8	262.6
in % of total assets	%	44.5	59.1	57.2	60.3	61.5
Net indebtedness	EUR million	88.1	33.9	38.1	30.5	24.5
in % of equity	%	40.5	12.7	14.1	11.2	9.3
Cash flow from operating activities	EUR million	43.6	37.9	37.1	48.7	39.0
Free cash flow	EUR million	18.0	12.9	11.4	29.6	13.6
Purchases of tangible and intangible assets	EUR million	26.1	25.6	26.0	23.9	26.7
SHARE INDICATORS						
Share capital (bearer shares with a par value of CHF 1.00)	CHF	960 500	960 500	960 500	960 500	960 500
Shares entitled to dividend[1]	Number	959 500	959 500	959 500	959 080	960 015
Operating result per share[3]	EUR	24.3	53.5	32.0	35.9	15.6
Result of the period per share[3]	EUR	14.5	37.6	22.9	24.0	7.0
Equity per share[3]	EUR	226.5	279.3	281.1	284.4	273.6
Free cash flow per share[3]	EUR	18.7	13.5	11.9	30.9	14.2
Dividend	CHF	10.00[2]	17.00	16.00	15.00	15.00
Share price						
High	CHF	519	728	614	528	560
Low	CHF	374	456	475	406	407
Year-end price	CHF	478.5	503	614	469	467

1 As at the balance sheet date, the company owned 1 000 treasury shares, which are not entitled to dividend.
2 Proposal to the Shareholders' General Meeting on 20 May 2020.
3 Based on shares entitled to dividend as at 31 December.

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly. The years 2015–2017 are presented according to IFRS.

ENCLOSURES

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

KEY FIGURES in EUR million	**2019**	2018
Gross sales	189.3	186.6
Purchases of tangible and intangible assets	8.1	9.4
Operating result	19.5	22.4
Margin in %	10.3	12.0
Employees	2 086	2 129

MECHANICALCOMPONENTS

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 ergonomic workstation design.

KEY FIGURES in EUR million	**2019**	2018
Gross sales	360.6	327.9
Purchases of tangible and intangible assets	8.0	7.3
Operating result	11.5	25.4
Margin in %	3.2	7.8
Employees	2 649	2 388

ELCOM / EMS

This division comprises three business areas: Electromechanical Components, including terminal blocks, connector systems, test probes, series terminals and switches for industrial electronics; Electronic Manufacturing and Packaging, comprising power supplies, backplanes and electronic assemblies, used in areas such as medical technology, measurement technology, astrophysics and research facilities like CERN; and Power Quality, encompassing transformers, instrument transformers and inductors for use in renewable energies, drive technology, switchgear and power distribution networks.

KEY FIGURES in EUR million	**2019**	2018
Gross sales	130.1	136.3
Purchases of tangible and intangible assets	9.4	8.1
Operating result	−4.7	6.8
Margin in %	−3.6	5.0
Employees	2 378	2 754

Global. Innovative. Efficient.

As a global business, we are present in all major growth markets and are well positioned to remain on track for long-term growth in the midst of current market dynamics. Innovation, efficiency and agility help us to overcome even difficult times and turn them into opportunities. In doing so, our strength lies in our confidence in our high-quality products, flexible processes and motivated employees worldwide.

Operating result per share in EUR

24.3

Operating cash flow (EBITDA) in EUR million

48.8

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NOTE

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly. The years 2015–2017 are presented according to IFRS.

Letter to shareholders

DEAR SHAREHOLDERS

2019 was a year of ups and downs for our industrial group, with successes as well as some setbacks. On a positive note, incoming orders began to pick up towards the end of the year. More important for Phoenix Mecano, however, were the strategic steps we took to keep our three divisions on a sustainable footing.

A key acquisition in 2019 was the market-leading Chinese functional fittings manufacturer My Home, which has given us a foothold in the systems business for mechanism and drive technology used in comfort and care furniture. This strategic acquisition already delivered added value in the year of purchase. The restructuring and realignment of the ELCOM/EMS division proceeded at full pace, despite the economic challenges. In the Enclosures division, the acquisition of CRE Rösler in Germany was an important step in developing expertise in electronic input modules and industrial computers. These, combined with our high-quality enclosure solutions, are increasingly in demand as human-machine interfaces in the industrial manufacturing and automation sector.

Meanwhile, the on-and-off trade war between the US and China, with its constantly shifting goalposts, presented us with some complex challenges that necessitated expensive duplications in production and logistics.

In the industrial sector, the faltering economy made its effects felt in the target markets of mechanical engineering and the capital goods business for oil and gas. Nevertheless, we still managed to return to growth, particularly in the second half of the year.

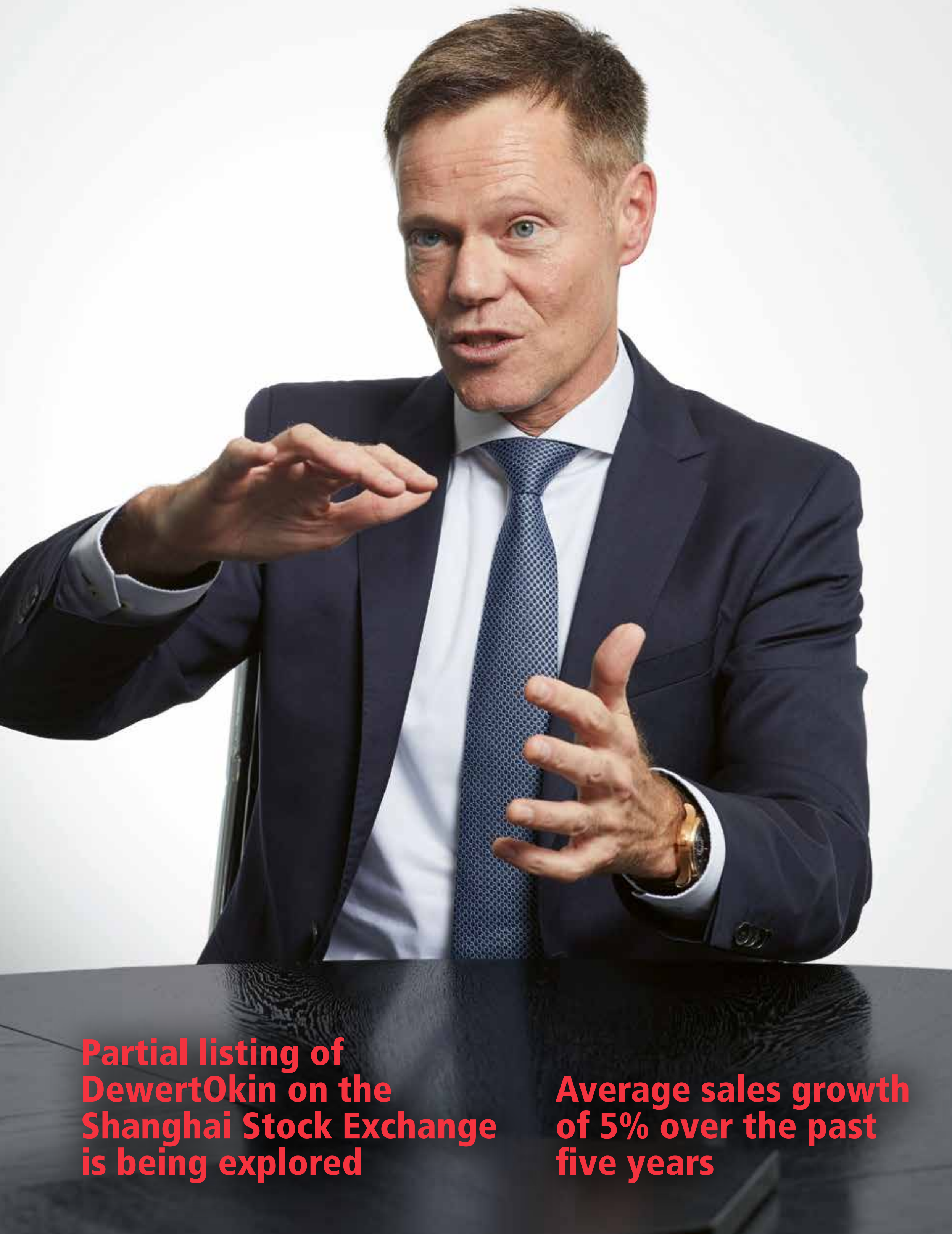
In our core business of components – a market characterised by large product quantities, constant productivity pressures and global competition – sustainable growth is indispensable for future viability. Our sales performance over the past five years, with cumulative average growth of 5%, shows that our growth strategy is bearing fruit.

Individual target sectors sometimes offer unique opportunities to grow quickly and profitably. We have been in this situation for some years with drive systems for motor-adjustable, ergonomic comfort, care and office furniture. China is increasingly proving to be the global centre of expertise and production in this sector. This year, therefore, we will be investigating the possibility of financing growth by partially listing the DewertOkin business on the Shanghai Stock Exchange. With the leading providers of these solutions concentrated in China, employees, investors

Sales
EUR million
680.0

Incoming orders
EUR million
691.6

Operating result
EUR million
23.4



Partial listing of DewertOkin on the Shanghai Stock Exchange is being explored

Average sales growth of 5% over the past five years

Involving, nurturing and learning from our "digital natives"

Investing in future-proof products and service packages

and suppliers in the country have built up considerable expertise, which is why we have chosen to relocate key headquarters functions for this product area to Jiaxing. That is the only way that we can participate fully in the expected growth of this sector in the years ahead.

Thank you to our employees

The operating environment in our target industries is changing fast. Mobile working facilitated by connectivity and modern communication tools, and the smart division of labour between humans and machines on the one hand and suppliers and customers on the other, pose enormous challenges for our employees. Getting to grips with digital as well as analogue processes is a prime example of this. Younger colleagues are particularly adept at navigating this new world of work, as can be seen in many Group locations. That is why we undertook a series of projects last year to garner ideas and critical input from young employees, so that the Group as a whole can benefit from the knowledge of our "digital natives", irrespective of their position in the corporate hierarchy. We would like to say a special thank you to everyone who contributed to this initiative.

Outlook and dividend

At the time of going to print (late March 2020), there is great uncertainty about how the Covid-19 pandemic will develop, but it is already clear that a sharp economic downturn is likely in virtually all sectors and regions of the world. Following the initial supply-side shock to global industrial supply chains triggered by the lockdown in China, the huge insecurity felt by people around the world has severely impacted the demand side too. Navigating these stormy waters will place a heavy strain on our managers and employees. However, alongside the necessary measures to secure liquidity, we will continue to pursue our strategic initiatives so that we can emerge on a strong footing from the recession that now looks inevitable. The Group retains a strong balance sheet, which, following the switch to Swiss GAAP FER accounting, no longer includes the fair-weather item "goodwill". Our liquidity is sufficient to carry us through even extreme storms.

We are aware that you, our valued shareholders, attach great importance to a stable dividend payment. However, you also expect the management and Board of Directors to act responsibly to safeguard the Group's long-term success and propose a dividend that is fair and appropriate to current circumstances. The Board of Directors therefore proposes to reduce the dividend from CHF 17 in 2019 to CHF 10 in 2020 in order to preserve liquidity and support important investment plans. It should be borne in mind that the Phoenix Mecano Group has increased the dividend incrementally by 70% over the past 10 years, in line with its long-term, shareholder-friendly dividend policy. Once the Covid-19 crisis is over, there will be nothing to prevent a return to this historic dividend level.

While the way out of the crisis is not yet clear to us, we have great faith in the qualities of our Group, with its rich tradition and strong track record, as well as our motivated workforce and diverse portfolio of future-oriented products and services. Having successfully weathered, and learnt from, many previous crises, we continue to look to the future with confidence.

Benedikt A. Goldkamp
Executive Chairman of the Board of Directors

Dr Rochus Kobler
CEO

Value creation

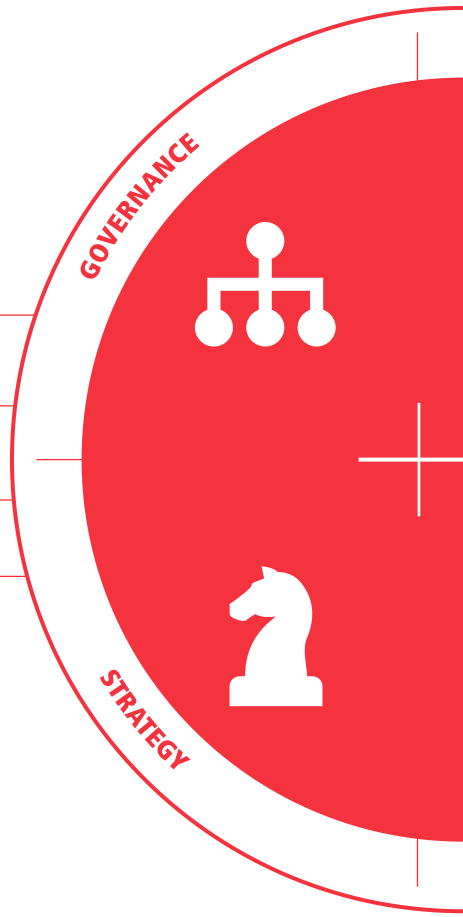
INPUT

Intellectual resources
Experience in integrating acquired companies, knowledge of local market conditions, flexible production processes, J2OX, complete customised solutions, patents

Financial resources
Solid capital structure, free cash flow enabling investments to strengthen the Group's innovation and organic growth

Material resources
State-of-the-art manufacturing facilities, global production and sales locations. Global sourcing: optimisation of global material procurement activities in India, South-East Asia and Eastern Europe, recycling and waste management

Social resources
Key stakeholders (suppliers, customers, investors). Responsible employees: flat management structures and hierarchies, customised workstation environments



Governance
Flat and decentralised organisational structure, group-wide and cross-division standards, flexible allocation of company resources

Culture
Long-term focus, continuous improvement (J2OX), nurturing talent, sustainability as a guiding principle of process design

OUTPUT

Intellectual resources
Continuous improvements in LEAN processes, product and process innovations, international expansion, in-depth knowledge of customer and market needs, expertise

Financial resources
Reasonable return on capital employed (ROCE) ensuring long-term access to the capital market, operating margins, free cash flow to be used for dividend payments and capital expenditure, targeted acquisitions

Material resources
Sustainable productivity improvements and cost reductions through relocation of production facilities, streamlining of logistics, energy-efficient solutions in product developments

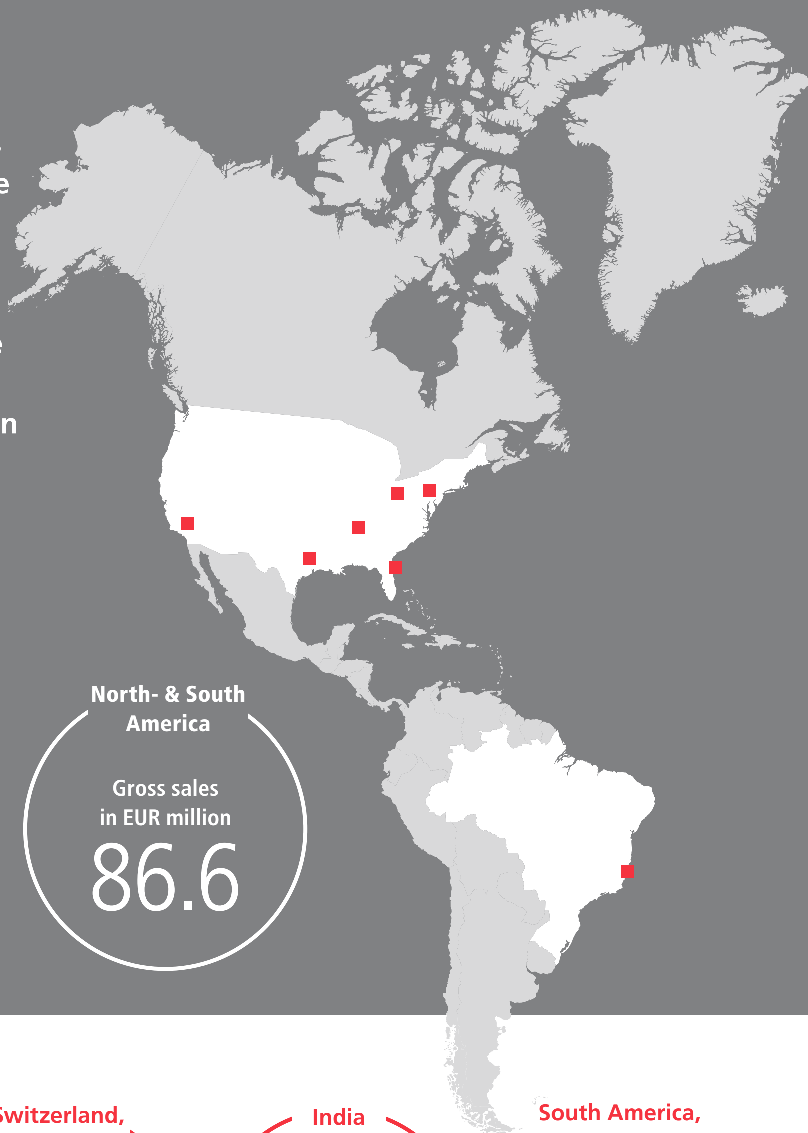
Social resources
Excellent customer service, local expertise, high-level skills, global network, reliable long-term partnership for system solutions, creation of cross-division and interregional expertise in developing new processes and technologies, high level of employee loyalty

Strategy
Harnessing value creation potential in existing markets, growth through targeted acquisitions, value-oriented allocation of company resources, global sales network

Performance
Standardised Group-wide financial and controlling systems, result-oriented division targets, cross-division performance measurement

Global presence

We are a global business offering a comprehensive range of products and services in all important growth markets. This means we can guarantee our customers efficient production, market-driven solutions and resource-saving logistics.



North- & South America

Gross sales in EUR million

86.6

Market entries

Switzerland, Europe, USA

since 1975

India

1994

South America, Singapore

1995

China
1996

North Africa
1998

Australia
2005

Russia
2016

Innovation and efficiency

INNOVATION

Highly-qualified employees with many years of expertise are continuously developing pioneering products, apps and future-oriented system solutions for various industrial applications. The focus is always on innovations that provide real added value for the user and customer. The many patents and usage applications every year attest to this efficiency and excellent innovation potential.

ROSE SYSTEMTECHNIK has always been one step ahead. As the inventor of the aluminium enclosure, the company was setting innovative standards for industry as early as 1969. More than 50 years later, the innovation continues unabated. Its acquisition of CRE Rösler is the latest step in ROSE's development from component supplier to innovative solution provider. From now on, it can supply users with the full package of customised control enclosure, industrial PC and support arm system, which they can easily integrate into their own applications using plug and play. Industrial enclosures and explosion-proof enclosure systems complete the ROSE product range, giving the company a broad market presence.

Operating and display devices are used in the food industry as well as in car manufacturing, research facilities, logistics and general mechanical engineering. Industrial PC systems can be found wherever machinery, equipment and processes are controlled via computerised operating units. Industrial and panel PCs and data processing systems are already playing a huge role in the fourth industrial revolution. This technology is forward-looking and offers further potential for innovation in many ways, whether in terms of energy efficiency, optimising processes to boost manufacturing intensity, or easing the burden on employees. Industrial and panel PCs have already become must-have tools for companies and are set to become even more important in the future.

EFFICIENCY

Combining a range of expertise in mechanics, electrical engineering, electronics and software into a new integrated whole is key to increasing production efficiency. We also make our skills available to our customers.

OKIN'S OKIN Commander voice control module combines the advantages of adjustable armchairs with the comfort of using Amazon Alexa voice control. One voice command and the motion furniture moves to the desired position, effortlessly and intuitively.

The intelligent voice control module is connected either via the power outlet to the mains power or directly to the particular motion furniture. The OKIN Commander uses Wi-Fi to connect with Alexa.

OKIN Commander technology enables users to configure individual voice commands and store favourite positions in the app so that they can be called up quickly at any time.

ROSE+KRIEGER subsidiary RK Antrieb- und Handhabungstechnik offers single-source solutions to address precisely this problem. To this end, it works with expert partners such as the Fraunhofer Institute in Paderborn, a collaboration that resulted in the development of the robot-controlled Teach In welding machine.

These days, the human-machine interface **(HMI)** is integral to many innovations and efficiency improvements. The HMI is often an industrial enclosure with built-in electronics and integrated software that enables the user to communicate with machinery or production facilities. It translates a large amount of complex data into accessible information, giving operators all the tools required to control the production process in a user-friendly way that is tailored to their needs.

Risk management

The Phoenix Mecano Group understands risk management as the entrepreneurial activity of weighing up risks and opportunities. Active and swift risk management is a competitive advantage, the aim being not only to identify potential risks early on and avoid them but also to create long-term scope for action that allows informed entrepreneurial risktaking.

In 2002, the Phoenix Mecano Board of Directors introduced a Group-wide, system-based risk management system, which is continuously enhanced through consultation between the Board of Directors, management, Group Controlling and the Internal Auditing Department.

GROUP-WIDE RISK AND OPPORTUNITY MANAGEMENT

The Board of Directors is responsible for monitoring risk and opportunity management. Regular reporting to the management and Board of Directors ensures that key threats arising from entrepreneurial risks as well as potential opportunities are identified at an early stage and suitable measures are adopted in a timely manner.

The objectives of risk management are to achieve and maintain a consistently high level of risk awareness and to create risk transparency throughout the Phoenix Mecano Group. It also aims to ensure compliance with legal obligations and the requirements pertaining to a listed company. Risk management within the Phoenix Mecano Group is undertaken autonomously by individual Group companies and is the decentralised responsibility of each company's managing director(s). It involves identifying, assessing and managing risks and determining and continuously updating measures to address them.

Group companies' risk management processes are regularly reviewed by the Internal Auditing Department at the request of the Board of Directors. The Internal Auditing Department reports on a half-yearly basis to the management and the Board of Directors' Audit Committee concerning significant risks and Group companies' risk management processes. Internal Auditing Department risk reports are discussed in the Audit Committee on a half-yearly basis. The Internal Auditing Department reports to the whole Board of Directors once a year. In between regular reporting dates, Group companies are required to report on an ad-hoc basis if significant new risks arise. This process ensures that risks are recorded and assessed in a timely and comprehensive way and allows the Board of Directors to carry out its own risk assessment.

The risks faced by the Phoenix Mecano Group are divided into five main categories:

- external risks
- financial risks
- operational risks
- legal risks
- strategic risks.

More information about financial risk management can be found in the consolidated financial statements (pages 114 ff.).

MANAGEMENT REPORT

Contents

Business performance Group

Operating result
EUR million

23.4

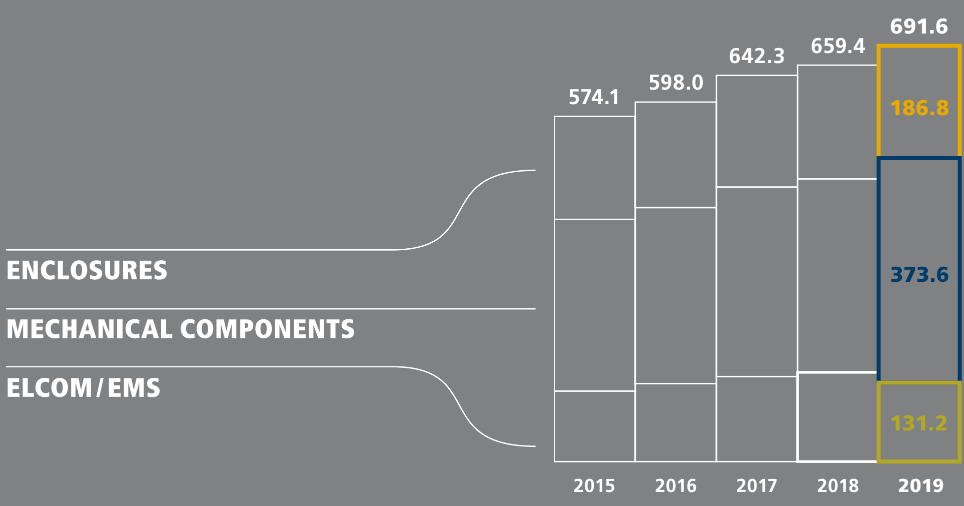
Margin
in %

3.4

Investments
EUR million

26.1

Incoming orders Group and Divisions
in EUR million



Financial year 2019 saw a slowdown in the global economy, with markets hit by global trade disputes, resulting sanctions and tariff volatility. These factors were largely responsible for the year-on-year fall (in organic terms) in the Phoenix Mecano Group's incoming orders and sales.

The Group successfully weathered these challenging economic conditions and still managed to grow. Thanks to a number of successful acquisitions, it took strategically important steps that have already delivered quantifiable growth effects. Robust demand in key end markets, consistent investment in promising and innovative technologies aligned with megatrends, and an increase in internal added value all contributed to the Group's growth.

The strongest growth was in the Mechanical Components division. The acquisition on 1 April 2019 of Haining My Home Mechanism Co. Ltd., a Chinese manufacturer of fittings technology for motion furniture, contributed significantly to this success.

The Enclosures division successfully expanded its business in innovative and customised human-machine interface (HMI) solutions, partially offsetting the decline in sales of explosion-proof enclosures.

The economic headwinds were felt most acutely by the ELCOM/EMS division, which saw a double-digit drop in sales in some industrial segments, and frequent delays to call-offs in its project business. Even the division's established, and historically most profitable, product areas suffered losses. However, thanks to positive trends in smaller up-and-coming product areas such as industrial computing, the division as a whole achieved a break-even operating result (EBIT) once again.

BUSINESS ACTIVITY

To maintain market leadership in a competitive international arena, a company has to remain highly innovative, offer a work environment that attracts the best talent, and strategically harness the latest megatrends to deliver organic growth.

In recent months, Phoenix Mecano's international management team has been engaging closely with the Group's younger employees to learn more about their ambitions, values and principles and foster trust and communication between the generations. This has strengthened the Phoenix Mecano brand as an attractive employer for talented young people on all continents.

The greatest growth potential for the Enclosures division lies in development, in particular sector-specific custom enclosures with high IP ratings and the integration of state-of-the-art electronic operating units into customised industrial enclosures. Applications involving safe, ergonomic HMIs offer further market opportunities. The takeover of CRE Rösler in Germany has put the Enclosures division on a stronger technological footing in precisely this area, equipping it to systematically expand its existing product range in the promising HMI field.

The steady trend towards partially and fully automated, interconnected production facilities remains a lucrative growth driver, particularly for the tried-and-tested industrial linear drives and modern ergonomic workstation systems produced by the Mechanical Components division. Smart electric drive systems for the care and comfort furniture sector are the strongest growth lever for this division. In this area, a high degree of integrated value creation is vital for gaining a competitive edge. The integration of My Home into the Mechanical Components division is a key element in achieving the strategic goal of consolidating its market leadership position.

Smart, digitally connected production systems and the integration of decentralised, autonomous manufacturing cells using state-of-the-art information and communications technology require ever more powerful computers and reliable electrotechnical components. Companies in the ELCOM/EMS division develop and manufacture high-quality electrotechnical components, which power and monitor electrical systems and power grids. Their contact probes test complex cable systems and electronic assemblies, and their high-performance components are deployed in industrial computers. The ELCOM/EMS divisional strategy is focused on securing strategic positions in these attractive future markets by supplying cutting-edge products.

In mid-2019, the Group's management launched an extensive performance enhancement programme focusing on capacity adjustments, streamlining of product portfolios and location optimisation in the Mechanical Components and ELCOM/EMS divisions. Implementation is on track and will generate sustainable added value in the years ahead.

SALES AND PROFITABILITY

Change of accounting

From 1 January 2019, the Group's accounting was changed to Swiss GAAP FER on cost/benefit grounds. The previous year's figures have been adjusted for the sake of comparability. The effects on equity as at 31 December 2018 and the 2018 result of the period are shown in the consolidated financial statements on page 79.

Improvement in order situation in H2

Consolidated incoming orders for the Phoenix Mecano Group rose by 4.9% in 2019, from EUR 659.4 million to EUR 691.6 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 101.7%, compared with 101.3% the previous year. This positive trend was driven by the Mechanical Components division as well as double-digit growth in incoming orders in the second half of the year.

Acquisition-related sales growth

The Phoenix Mecano Group's consolidated gross sales increased by 4.5%, from EUR 650.8 million to EUR 680.0 million. In organic, local-currency terms, they were down by 2.2%. The China-based furniture fittings manufacturer Haining My Home Mechanism Co. Ltd., acquired on 1 April 2019, contributed EUR 37.5 million to sales.

In Europe, sales were down by 2.8% (3.4% in organic, local-currency terms) in a challenging industrial market and a saturated furniture market. Performance varied from market to market. Sales increases were achieved mainly in Switzerland (thanks in part to some major projects), France, Spain and Russia, while the biggest declines were in the core market of Germany, as well as in Italy, Scandinavia and Eastern Europe. The Asian markets saw an acquisition-related sales increase of 13.0%, but organic, local-currency sales fell by 2.5%. In North and South America, sales were up by 22.0% (4.5% in organic, local-currency terms). Performance in Asia and North America was affected by the US-China trade war.

The Enclosures division increased its sales by 1.4%. Adjusted for acquisitions and measured in local currencies, sales were down by 1.3%. HMI sales improved once again, but sales of explosion-proof enclosures declined slightly in the important Asian market.

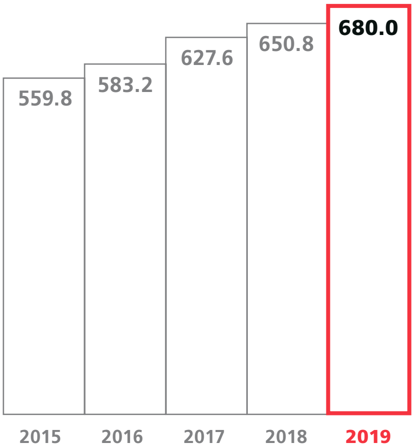
Sales in the Group's largest division, Mechanical Components, rose by 10.0%. Organic, local-currency sales were down by 2.3%. The comfort and healthcare furniture sector saw double-digit sales growth in Asia and North America, driven by acquisitions. Conversely, weaker demand in Europe and the US-China tariff dispute hampered sales of drive systems. In the industrial segment, sales were down slightly in an economically challenging environment.

The ELCOM/EMS division recorded a 4.6% fall in sales (3.3% in organic, local-currency terms). There was dynamic sales growth in power supplies for research and customised industrial computer systems. The Electrotechnical Components and Power Quality business areas, both operating in the general industrial segment, were hit by weaker demand.

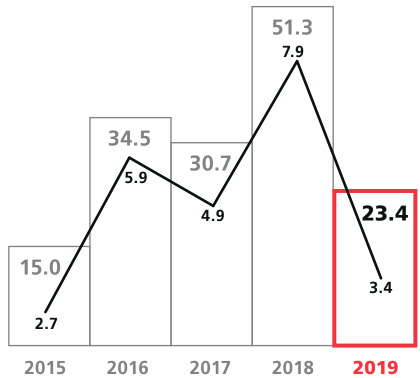
Operating result impacted by one-off expenses

An extensive performance enhancement programme was launched in 2019, focusing on the Mechanical Components and ELCOM/EMS divisions. Measures include capacity adjustments, streamlining of product portfolios, site optimisations and responses to the US-China trade conflict. Implementation is on track. This programme resulted in one-off expenses of

Gross sales 2015–2019
in EUR million



Operating result and margin 2015–2019
in EUR million
— in %



Gross sales by region
in 1 000 EUR

	Change in %	2019	2018
Switzerland	15.0	24 570	21 362
Germany	–1.9	211 874	215 944
UK	–5.5	14 972	15 843
France	8.9	17 621	16 178
Italy	–19.7	11 920	14 844
The Netherlands	–7.2	15 103	16 278
Rest of Europe	–7.4	82 960	89 598
North and South America	22.0	86 617	71 011
Middle and Far East	13.0	214 356	189 726
Gross sales	**4.5**	**679 993**	**650 784**

EUR 16.2 million. Adjusted for these expenses and an exceptional income of EUR 1.9 million in 2018, the operating result fell by 20.1% from EUR 49.5 million to EUR 39.5 million and the operating cash flow by 13.8% from EUR 72.1 million to EUR 62.1 million. Thanks to increasing business momentum and the measures taken to boost performance, the Group achieved an adjusted operating result in the second half of the year that was on a par with the previous year's level. On an annual basis, the operating result including one-off items was down by 54.5% from EUR 51.3 million to EUR 23.4 million, while the operating cash flow fell by 34.0% from EUR 74.0 million to EUR 48.8 million.

The operating result of the Enclosures division declined by 13.0% to EUR 19.5 million, with a corresponding drop in profitability of 5.2 percentage points.

Excluding the aforementioned one-off expenses, the operating profit of the Mechanical Components division was down by 16.5% to EUR 21.2 million. Including one-off expenses, the operating profit was EUR 11.5 million (down 54.8%). Profitability decreased by 10.7 percentage points.

Adjusted for the above-mentioned one-off expenses, the ELCOM/EMS division generated an operating profit of EUR 1.5 million, following a EUR 4.9 million profit the previous year. Including one-off expenses, it made an operating loss of EUR 4.7 million.

Owing to shifts in product mix, pricing pressure in various market segments, higher material prices and negative exchange rate effects, the Phoenix Mecano Group's material use rate rose to 49.8% as a percentage of gross sales (compared with 47.4% the previous year).

Personnel expenses were up by 9.1%, which was disproportionately high compared with the increase in sales. This includes costs of EUR 9.1 million for staffing measures linked to the performance enhancement programme. Average staff numbers over the year fell from 7 316 to 7 157. Most of the job cuts were in North Africa.

Amortisation of intangible assets and depreciation on tangible assets rose from EUR 22.7 million to EUR 25.5 million due to special write-downs related to the performance enhancement measures.

Other operating expenses were up by 6.4% as a result of higher expenses from value adjustments on inventories.

Establishment expenses (maintenance, operating supplies, etc.) and administration expenses developed in proportion to sales, while selling expenses remained at the previous year's level.

Lower result of the period

The financial result improved from EUR –3.3 million to EUR –2.5 million, mainly due to the EUR 0.7 million increase in result from associated companies.

The change in the effective income tax rate from 24.8% to 33.4% is primarily attributable to non-tax-deductible expenses linked to the restructuring programme and the non-capitalisation of tax effects on losses at individual companies.

The result of the period fell by 61.5% from EU 36.1 million to EUR 13.9 million, and the net margin from 5.5% to 2.0%.

ASSET AND CAPITAL STRUCTURE

Capital expenditure on a par with the previous year

Purchases of tangible assets totalled EUR 23.3 million (previous year EUR 22.4 million) and purchases of intangible assets EUR 2.8 million (previous year EUR 3.2 million). The largest single investment was a new factory in Lechang, China. The ELCOM/EMS division's manufacturing activities in China will be concentrated at this site in the first half of 2020.

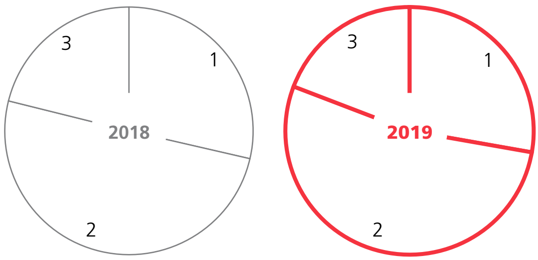
Low equity ratio due to change in accounting

Following the change in accounting standards to Swiss GAAP FER and the associated offsetting of goodwill against equity – particularly in connection with the acquisition of Haining My Home Mechanism Co. Ltd. – the equity ratio fell from 59.1% to 44.5%. However, this is still well above the target minimum equity ratio of 40%.

Acquisition-related increase in net indebtedness

Net indebtedness at the end of 2019 was EUR 88.1 million (previous year EUR 33.9 million). The main reason for the increase was the acquisition of Haining My Home Mechanism Co. Ltd. in China. As a percentage of equity, net indebtedness was 40.5% (previous year 12.7%). Taking out a five-year

Gross sales by division 2018 and 2019
in %



1 Enclosures: 28.7 | **27.9**
2 Mechanical Components: 50.4 | **53.0**
3 ELCOM/EMS: 20.9 | **19.1**

Operating result by division
in 1 000 EUR

	Change in %	2019	2018
Enclosures	–13.0	19 541	22 450
Mechanical Components	–54.8	11 480	25 424
ELCOM/EMS	169.4	–4 697	6 766
Total for all divisions	**–51.8**	**26 324**	**54 640**
Reconciliation *	9.9	–2 974	–3 300
Group	**–54.5**	**23 350**	**51 340**

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

Profitability by division *
in %

	Change in % points	2019	2018
Enclosures	–5.2	24.1	29.3
Mechanical Components	–10.7	9.0	19.7
ELCOM/EMS	–12.5	–5.1	7.4
Group	**–9.5**	**7.8**	**17.3**

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

promissory note loan of EUR 30 million eased pressure on existing credit lines and strengthened the Group's financial flexibility.

OUTLOOK

The current Covid-19 pandemic will lead to a significant slowdown in global growth. At present, the duration of any recession is purely a matter of speculation, and forecasting the pandemic's medium-term impact on the real economy is extremely difficult.

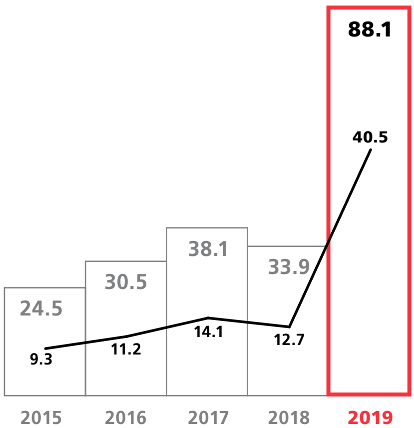
The first supply-side shock waves have already been felt around the world, triggered by sudden disruptions to cross-border logistics chains and in some cases a drastic reduction in production capacity. Adverse effects on the demand side are also likely, as governments are forced to close borders, restrict individual freedom of movement and minimise economic activity in order to protect their countries and populations.

Our Group is not immune to these developments. Our own production facilities, and those of our customers and suppliers, will only be able to maintain or resume their operations under strict conditions. For all of us, of course, the health and safety of employees is our top priority.

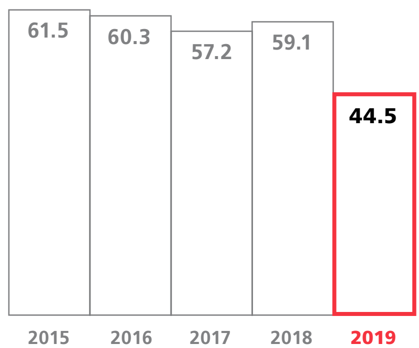
The management and Board of Directors of the Phoenix Mecano Group are anticipating a downturn. At uncertain times like these, the priority is securing liquidity to safeguard our strong balance sheet. In addition, the Group will continue to implement rigorously the global performance enhancement programme launched in 2019.

Notwithstanding the current uncertainties, Phoenix Mecano's management and Board of Directors are optimistic about the future. This is reflected in plans to invest up to EUR 100 million over a period of around five years in a brand-new industrial complex at the Jiaxing site in Xiuzhou, China. Also, structural growth trends such as digitalisation, industrial automation and the development of renewable energy sources will remain steady drivers of future growth in the Phoenix Mecano Group. With a high level of innovation in our three divisions, continuous performance improvements in all operational areas and targeted investments, we will continue to generate sustainable added value for Phoenix Mecano into the future.

Net debt and gearing 2015–2019
in EUR million
— in % of equity



Equity ratio 2015–2019
in %



Purchases of tangible and intangible assets

	2019 in 1 000 EUR	2019 in %	2018 in 1 000 EUR	2018 in %
BY TYPE OF ASSET				
Intangible assets	2 816	10.8	3 215	12.6
Land and buildings	1 427	5.5	2 133	8.3
Machinery and equipment	11 725	44.9	12 163	47.5
Tools	2 574	9.7	1 705	6.7
Construction in progress	7 600	29.1	6 380	24.9
Total	**26 142**	**100.0**	**25 596**	**100.0**
BY DIVISION				
Enclosures	8 125	31.1	9 393	36.7
Mechanical Components	8 032	30.7	7 300	28.5
ELCOM/EMS	9 371	35.8	8 096	31.6
Total for all divisions (segments)	**25 528**	**97.6**	**24 789**	**96.8**
Reconciliation *	614	2.4	807	3.2
Total	**26 142**	**100.0**	**25 596**	**100.0**

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

Business performance Enclosures

The acquisition of CRE Rösler strengthened the division's human-machine interface business, enabling a modest increase in its overall sales. A slight reduction in the gross profit margin as well as increased development and staff costs led to a lower operating result.

Operating result EUR million

19.5

Investments EUR million

8.1

Margin in %

10.3

KUNDISCH

INPUT SYSTEMS combining sturdy design with optimal functionality, even in harsh environments. Designed for equipment manufacture and plant engineering, agriculture, mechanical engineering, measurement and control technology, medical technology and the consumer market.

BOPLA

ALU-TOPLINE ENCLOSURE with integrated touch/display unit for a range of uses in agricultural technology, audio, video and lighting technology, and security and building technology.

ROSE

EXPLOSION-PROOF ALUMINIUM ENCLOSURE for use in process engineering, measurement and control technology, marine applications as well as onshore and offshore applications.

ORDERS, SALES AND PROFITABILITY

Orders

Despite a slight upturn in the second half of the year, incoming orders stood at EUR 186.8 million in 2019, down 1.4% on the previous year (3.6% in organic, local-currency terms). The book-to-bill ratio (incoming orders as a percentage of gross sales) was 98.7% (previous year 101.5%).

Sales

The division recorded a 1.4% increase in gross sales to EUR 189.3 million. Organic, local-currency sales were down by 1.3%. Thanks to the acquisition on 1 August 2019 of CRE Rösler Electronic GmbH, based in Hohenlockstedt, Germany, sales in Europe were up 2.2% (organic sales down 1.5%). CRE's product portfolio includes panel PCs, panel monitors, embedded systems and industrial tablets for mobile applications. These customised products complement the division's existing range of support arm systems and control enclosures, paving the way for innovative electronic automation solutions. Sales in North and South America increased by 1.1% due to exchange rate effects. In the Middle and Far East, sales were down 1.6%, mainly due to a decline in sales in the energy technology sector.

Gross sales of industrial enclosures (including control panels and equipment carriers) rose by 1.7% worldwide. The human-machine interface (HMI) business continued to grow its sales, while sales of standard industrial enclosures fell slightly. In 2019, the division pushed ahead with the development of panel PC solutions and completely overhauled its height adjustment system. The upgraded system will be introduced to the market in 2020.

Gross sales of input systems decreased by 2.9%, although, encouragingly, sales were up in the key market segment of medical technology.

Result

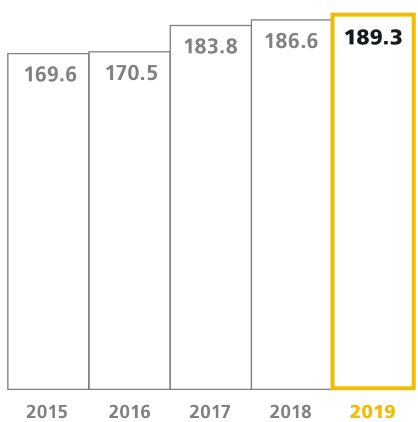
Against the backdrop of the organic decline in sales, the operating result fell by 13.0% to EUR 19.5 million. A slightly lower gross profit margin, increased development expenses for HMIs as well as staff cost increases and underutilised manufacturing facilities at a number of sites impacted the result.

ASSET AND CAPITAL STRUCTURE

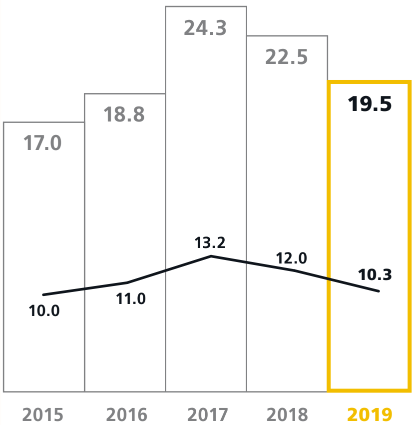
Purchases of tangible and intangible assets totalled EUR 8.1 million, down 13.5% on the previous year. The previous year's capital expenditure included a factory expansion in India, which was completed in the first half of 2019.

Capital expenditure and the acquisition of CRE Rösler caused net operating assets to rise by 5.6% to EUR 81.0 million. This, together with the lower operating result, saw the return on capital employed (ROCE) fall to 24.1% (previous year 29.3%).

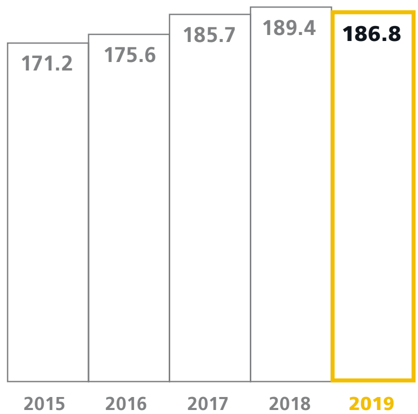
Gross sales 2015–2019
in EUR million



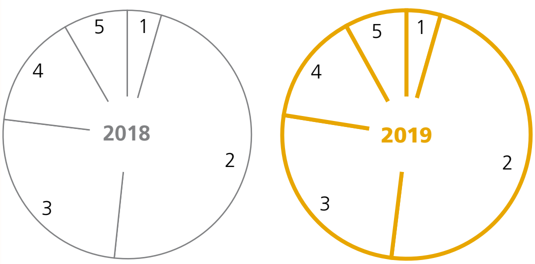
Operating result and margin 2015–2019
in EUR million
— in %



Incoming orders 2015–2019
in EUR million



Gross sales by region 2018 and 2019
in %



1 Switzerland: 4.7 | **4.5**
2 Germany: 47.2 | **47.6**
3 Europe (excl. GER and CH): 25.1 | **25.5**
4 Middle and Far East: 14.9 | **14.4**
5 North and South America: 8.1 | **8.0**

Purchases of tangible and intangible assets

	2019	2019	2018	2018
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	636	7.8	655	7.0
Land and buildings	785	9.7	894	9.5
Machinery and equipment	5 354	65.9	4 210	44.8
Tools	422	5.2	580	6.2
Construction in progress	928	11.4	3 054	32.5
Total	**8 125**	**100.0**	**9 393**	**100.0**

Business performance Mechanical Components

The acquisition of Haining My Home Mechanism Co. Ltd. in China drove further strong sales growth in a challenging environment while also strategically expanding the product portfolio. A comprehensive package of measures was launched to improve profitability. This had a negative impact on the 2019 operating result.

Operating result EUR million

11.5

Margin in %

3.2

Investments EUR million

8.0

LIFTING COLUMN for height-adjustable desks.

RK EASYWORK WORKSTATION SYSTEM
Individually height-adjustable workbench for ergonomic workstation design.

DUOMAT 9 double drive with integrated synchronous control for nursing beds and hospital beds.

ORDERS, SALES AND PROFITABILITY

Orders

Incoming orders were up 16.2% on the previous year at EUR 373.6 million (2.7% in organic, local-currency terms). The book-to-bill ratio (incoming orders as a percentage of gross sales) was 103.6% (previous year 98.1%), due to an improved order situation in the second half of the year compared with the previous year.

Sales

Gross sales rose by 10.0% to EUR 360.6 million, but fell 2.3% in organic, local-currency terms. The EUR 37.5 million contribution from Haining My Home Mechanism Co. Ltd. drove the growth in sales. The acquisition of the Chinese functional fittings manufacturer is a further boost to the system approach being rolled out in the DewertOkin business area. Amid difficult market conditions, sales in Europe declined by 6.3%. Sales were up by 33.0% in North and South America (6.2% in organic, local-currency terms) and by 19.6% in the Middle and Far East (–0.4% in organic, local-currency terms). The trade dispute between the United States and China affected development in both these market regions.

In the industrial components business, there was weaker demand in mechanical and plant engineering, apart from in Asia. Overall, gross sales of industrial assembly systems fell slightly, by 3.2%. Two small acquisitions in Germany in early 2020 will strengthen the system solutions business for automation and production technology and expand access to aerospace, semiconductor and cleanroom technology.

The expansion of the fittings technology product range drove a further double-digit sales increase in the furniture and care market, in both Asia and North and South America. The situation was different in Europe, with sales down due to a saturated furniture market and investment restraint in the care sector. Worldwide, gross sales of linear adjustment and positioning systems (including fittings systems) increased by 12.4%. Product development highlights in 2019 included the completion of a new telescopic column, the expansion of the office product family in China and the introduction of a sleep tracking solution using sensor technology.

Result

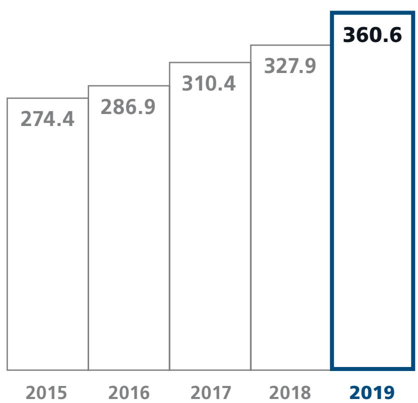
A package of measures to adjust capacity and streamline the product portfolio and to respond to the US-China trade dispute had a negative impact of EUR 9.7 million on the division's 2019 result. Excluding these one-off expenses, the division's operating result decreased by 16.5% to EUR 21.2 million. Including one-off expenses, there was an operating profit of EUR 11.5 million (down 54.8%).

ASSET AND CAPITAL STRUCTURE

Capital expenditure rose slightly from EUR 7.3 million to EUR 8.0 million due to increased spending on tools.

Owing to the drop in net current assets, net operating assets decreased by 1.0% to EUR 127.9 million. The reduced operating result negatively impacted ROCE, which was down from 19.7% to 9.0%.

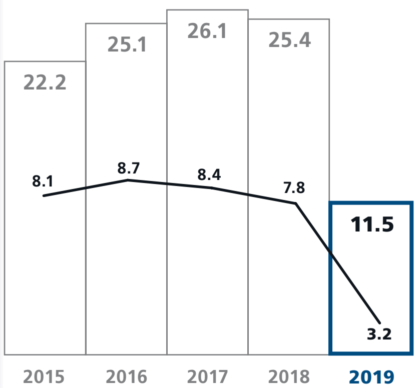
Gross sales 2015–2019
in EUR million



Operating result and margin 2015–2019

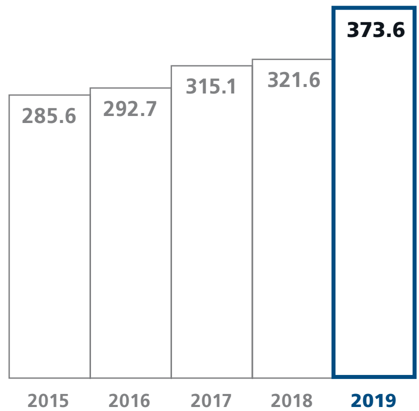
in EUR million

— in %



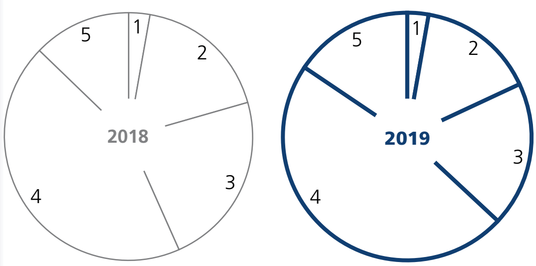
Incoming orders 2015–2019

in EUR million



Gross sales by region 2018 and 2019

in %



1 Switzerland: 2.8 | **3.0**
2 Germany: 18.0 | **15.2**
3 Europe (excl. GER and CH): 22.8 | **18.9**
4 Middle and Far East: 43.8 | **47.6**
5 North and South America: 12.6 | **15.3**

Purchases of tangible and intangible assets

	2019	**2019**	2018	2018
	in 1 000 EUR	in %	in 1 000 EUR	in %
Intangible assets	1 656	20.6	1 775	24.3
Land and buildings	336	4.2	282	3.9
Machinery and equipment	3 934	49.0	3 652	50.0
Tools	1 216	15.1	587	8.0
Construction in progress	890	11.1	1 004	13.8
Total	**8 032**	**100.0**	**7 300**	**100.0**

Business performance ELCOM/EMS

The Electronic Manufacturing and Packaging business area posted double-digit sales growth in 2019, while the other business areas saw significant sales declines due to a slump in demand. A programme of measures, aimed primarily at adjusting capacity, was launched and systematically implemented. Before the resulting one-off items, the division achieved a positive operating result once again.

Operating result EUR million

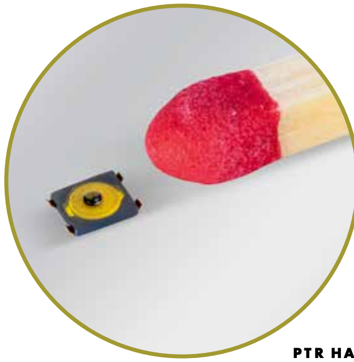
–4.7

Margin in %

–3.6

Investments EUR million

9.4



PTR HARTMANN

TACT SWITCHES – very small, very flat and waterproof, for use in wearables, in-ear headphones and portable electronic devices.

REDUR

CURRENT SENSOR that can be retrofitted in electrical systems to measure and monitor currents up to 800 amperes.

WIENER

MARATON multi-channel power supply for areas with ionising radiation and high magnetic fields.

ORDERS, SALES AND PROFITABILITY

Orders

Despite a rise in orders in the fourth quarter, incoming orders for the year as a whole were 11.6% down on the previous year at EUR 131.2 million. The book-to-bill ratio (incoming orders as a percentage of gross sales) was 100.9%, compared with 108.9% the previous year.

Sales

Gross sales fell by 4.6% to EUR 130.1 million. In organic, local-currency terms, they were down by 3.3%. In a difficult industrial environment for electrotechnical components, sales declined by 4.8% in Europe and by 16.6% in the Middle and Far East. Sales in North and South America increased by 12.3%, partly due to currency effects.

A combination of factors, including the deteriorating economic situation, the trend towards e-mobility and the loss of sales from a Group company sold in 2018, saw gross sales in the Electromechanical Components business area drop by 17.1% to EUR 53.0 million. Work is under way to expand the range of integrated connection systems and test probes (incorporating new contact blocks, for example).

The Power Quality business area, which includes instrument transformer products and transformers, was also hit by weaker demand in mechanical engineering and automation and control technology. It saw gross sales fall by 6.3% to EUR 23.8 million. However, sales of instrument transformers for low-voltage applications rose on the back of increased demand for current measurements in distribution and sub-distribution networks.

The Electronic Manufacturing and Packaging business area recorded an encouraging 13.5% increase in sales, to EUR 53.3 million. Higher research spending in 2019 boosted sales of power supplies, and VPX power supplies made an appreciable contribution to sales for the first time. Sales of Orion Technologies' customised industrial computer systems also grew.

Result

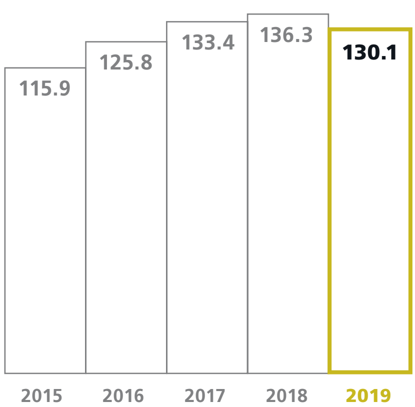
The ELCOM/EMS division embarked on its own comprehensive package of performance enhancement measures in 2019, including capacity adjustments, site consolidations and streamlining of product portfolios. This resulted in one-off expenses of EUR 6.2 million in 2019. Adjusted for these one-off expenses and the gain from the sale of a Group company in 2018, the division posted an operating profit of EUR 1.5 million, compared with EUR 4.9 million the previous year. Including one-off expenses, it made an operating loss of EUR 4.7 million.

ASSET AND CAPITAL STRUCTURE

Purchases of tangible and intangible assets rose to EUR 9.4 million (up 15.7%) due to the construction of a new factory in China (recognised under Construction in progress). When this factory opens in the first half of 2020, all the division's manufacturing activities in Asia will be concentrated at a single location.

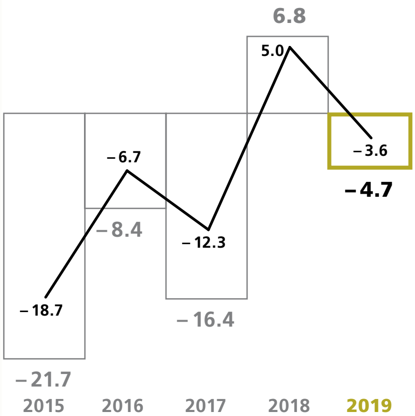
Net operating assets increased by 1.2% to EUR 92.6 million. The negative operating result triggered a corresponding decline in ROCE.

Gross sales 2015–2019
in EUR million



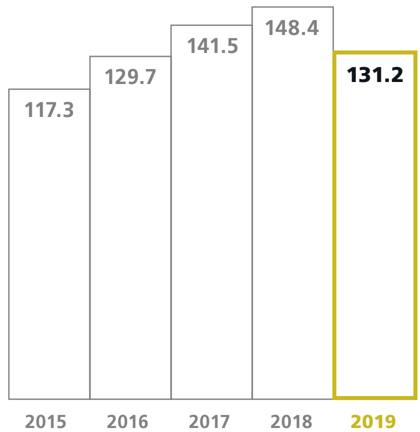
Operating result and margin 2015–2019

in EUR million
— in %



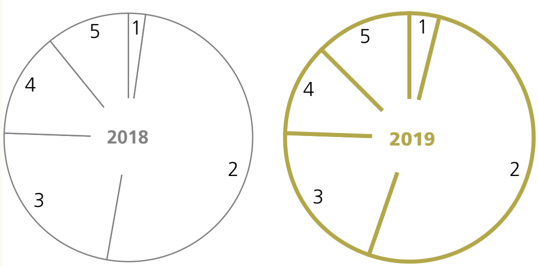
Incoming orders 2015–2019

in EUR million



Gross sales by region 2018 and 2019

in %



1 Switzerland: 2.3 | **4.0**
2 Germany: 50.5 | **51.4**
3 Europe (excl. GER and CH): 23.0 | **20.2**
4 Middle and Far East: 13.6 | **11.9**
5 North and South America: 10.6 | **12.5**

Purchases of tangible and intangible assets

	2019 in 1 000 EUR	**2019** in %	2018 in 1 000 EUR	2018 in %
Intangible assets	487	5.2	521	6.4
Land and buildings	305	3.2	936	11.6
Machinery and equipment	1 847	19.7	3 810	47.1
Tools	936	10.0	538	6.7
Construction in progress	5 796	61.9	2 291	28.2
Total	**9 371**	**100.0**	**8 096**	**100.0**

Share information

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.

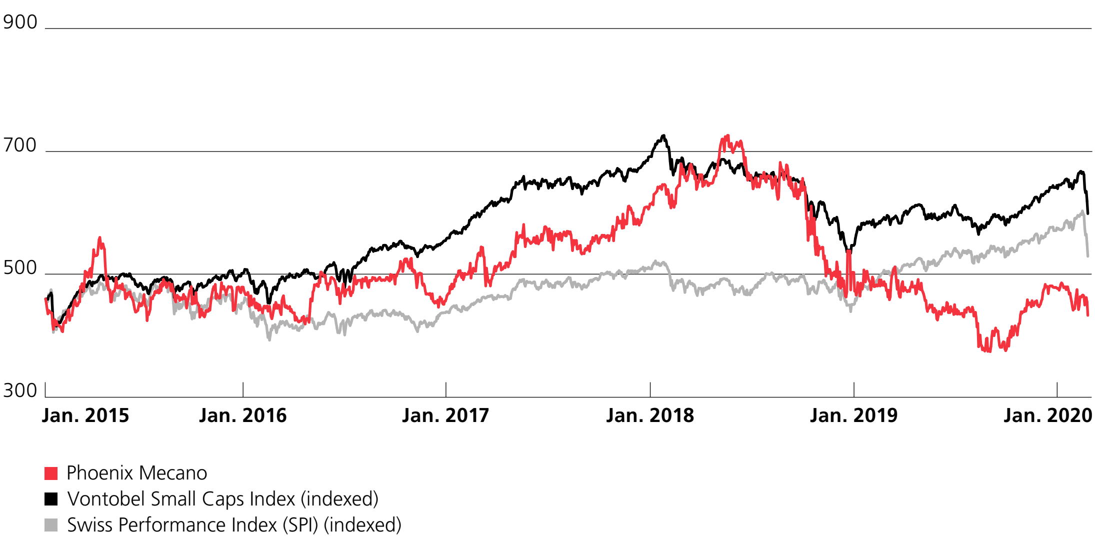
Opting-out and opting-up

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. 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 voting rights.

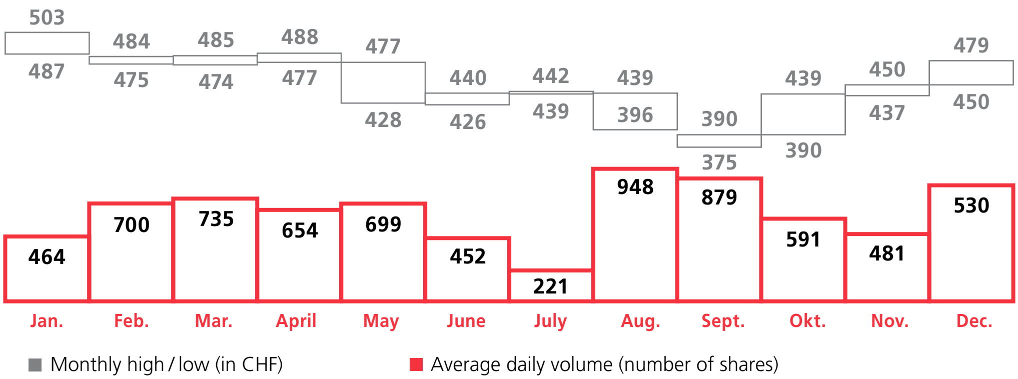
Payout and dividend policy

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 20 May 2020 a dividend of CHF 10 per share. This corresponds to a payout ratio of 62%.

Share price 1 January 2015–28 February 2020
in CHF

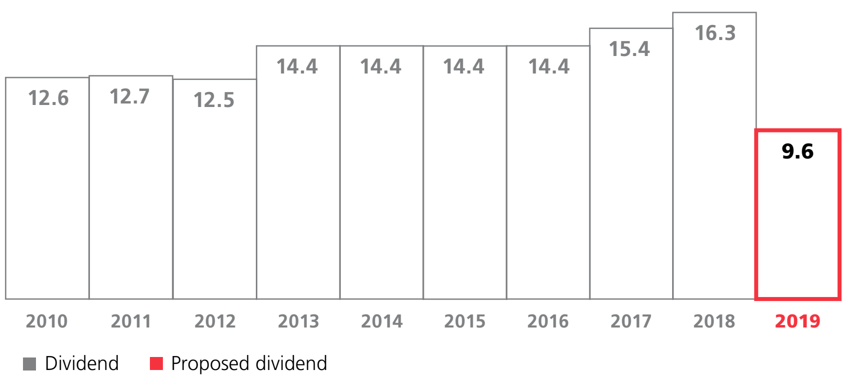


Monthly highs and lows and average daily volume 2019



Dividend payout 2010–2019

in CHF million



Dividend payout and return of capital to shareholders 2006–2019

in CHF million	2006–2014	2015	2016	2017	2018	2019	Total
Proposed dividend	101.9	14.4	14.4	15.4	16.3	9.6	172.0
Share buy-back	51.0	–	–	–	–	–	51.0
Total		**14.4**	**14.4**	**15.4**	**16.3**	**9.6**	**223.0**

Dialogue with the capital market

To help nurture the ongoing relationship with shareholders and investors, various roadshows and analyst presentations were held in Zurich during the reporting year. A number of one-on-one meetings also took place at the company's headquarters.

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:

- UBS AG (CH): joern.iffert@ubs.com
- Research Partners (CH): reto.huber@researchpartners.ch
- 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 SE Equity
Telekurs / Telerate	PM
Legal Entity Identifier (LEI)	529900SWF06EKVI1JY11.

Share indicators at a glance

	Unit	2019	2018	2017	2016	2015
Share capital (bearer shares with a par value of CHF 1.00)	CHF	960 500	960 500	960 500	960 500	960 500
Treasury shares	Number	1 000	1 000	1 000	1 420	485
Shares entitled to dividend	Number	959 500	959 500	959 500	959 080	960 015
Operating result per share [1]	EUR	24.3	53.5	32.0	35.9	15.6
Result of the period per share [1]	EUR	14.5	37.6	22.9	24.0	7.0
Equity per share [1]	EUR	226.5	279.3	281.1	284.4	273.6
Free cash flow per share [1]	EUR	18.7	13.5	11.9	30.9	14.2
Dividend	CHF	10.00 [4]	17.00	16.00	15.00	15.00
Share price						
High	CHF	519	728	614	528	560
Low	CHF	374	456	475	406	407
Year-end price	CHF	478.5	503	614	469	467
Market capitalisation	CHF million	459.6	483.1	589.7	450.5	448.6
Dividend yield [2]	%	2.1 [4]	3.4	2.4	3.2	3.2
Total shareholder return	%	–1.5	–15.5	34.1	3.6	4.8
Payout ratio [3]	%	62 [4]	39	63	57	202
Price / profit ratio 31 December		29.7	11.6	24.2	17.9	62.8

1 Based on shares entitled to dividend as at 31 December.
2 Dividend in relation to year-end price.
3 Dividend (shares entitled to dividend only) in relation to result of the period.
4 Proposal to the Shareholders' General Meeting of 20 May 2020.

Corporate responsibility

We pursue a strategy of sustainable growth geared towards long-term success for the company and its stakeholders. This means taking account of environmental and social aspects, as well as economic factors, in our activities, and acting responsibly towards our employees, the environment and society. We give shareholders, employees and all other interested parties a comprehensive insight into the company and build trust through transparent and open communication.

Creation of value added

in 1 000 EUR	Note	2019	2018
1 Net sales		674 004	645 015
2 Own work capitalised and other income		9 141	10 857
3 Cost of materials		–338 378	–308 589
4 Other operating expenses	A	–80 599	–76 023
5 Depreciation / amortisation		–25 485	–22 667
6 Other non-operating result	B	–837	–2 184
Value added		**237 846**	**246 409**

A Excluding capital taxes and other non-profit-related taxes.

B Financial result excluding net interest expense plus share of result from associated companies.

Distribution of value added

in %	Note	2019	2018
1 Employees	C	89.6	79.3
2 Government (taxes)	D	3.8	5.6
3 Shareholders	E	6.2	5.5
4 Lenders (net interest expense)		0.7	0.5
5 Companies (retained earnings)	F	–0.3	9.2
Value added		**100.0**	**100.0**

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.

PHOENIX MECANO LIVES UP TO ITS RESPONSIBILITIES

Responsible towards employees

Our employees are the foundation of our success, which is why we always act as a reliable employer, offering our staff continuous and tailored support in both their professional and personal development.

Responsible towards the environment

Environmentally responsible behaviour and sustainable use of natural resources are cornerstones of our business philosophy, which is geared towards long-term success and creating value for our stakeholders.

Responsible towards society

Societal commitment is an integral part of sustainable and responsible business. We support numerous social projects all over the world, helping to foster development in the regions concerned.

EMPLOYEES

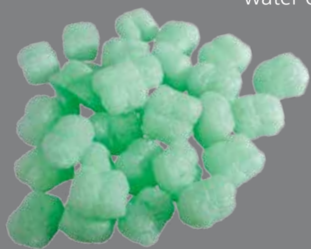
In 2019, 7 157 employees from a diverse range of cultural backgrounds made a vital contribution to the success and ongoing development of our Group. Phoenix Mecano offers these employees an inspiring and rewarding work environment. We foster initiative and personal responsibility by involving employees at all levels in problem-solving processes and process optimisation. This strengthens their identification with the whole Phoenix Mecano Group while also boosting their motivation. By creating new, high-quality jobs and promoting knowledge transfer, the company contributes to ongoing economic development in a wide variety of countries.

The Phoenix Mecano Group operates as a responsible employer, always acting in accordance with ethical values and principles. Equal opportunities, equal treatment of employees and respect for health and safety are firmly enshrined in the Group's Code of Conduct and embedded in all its divisions and subsidiaries. Cultural characteristics and differences between sites and subsidiaries are naturally respected and used as an opportunity to learn from one another.

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.

REDUR GOES GREEN

Last year saw REDUR (Germany) switch to environmentally friendly flo-pak BIO as its packaging filling material. Made of corn starch, it is highly cushioning and shock-absorbing during transport but completely biodegradable afterwards. It can be used multiple times, and is easy to dispose of by spraying with water or burying.



SUPPORT FOR PRIMARY SCHOOL READING

Phoenix Mecano Digital Elektronik in Wutha-Farnroda, Germany, has been sponsoring reading at Hörselschule primary school in Eisenach for several years. The company pays for newspaper subscriptions, enabling the children of Class 4c to read the papers every day and discuss articles enthusiastically with each other. Phoenix Mecano Sales Manager Angela Krah visited the class and gifted them a fun workbook on road safety to help the children prepare for their upcoming cycling proficiency test. The children were also invited to visit the company, to see for themselves how street lamps and their electronic components are made.

PHOENIX MECANO AND ITS MILLENNIALS

Generations Y and Z are enthusiastic about technology and value a work-life balance. Last year, we held a number of workshops to find out more about our younger employees and their outlook.

Most commonly cited motivations for work:

Meaningful activity

Security and stability

Financial reward/benefits

Areas where Phoenix Mecano could improve:

- Greater flexibility (working hours, working from home, special leave, etc.)
- Closer interaction between management and employees, better internal communication
- Employee development (training, professional development, etc.)
- Making the workplace environment more appealing (furnishings, plants, air conditioning, etc.)
- Commitment to sustainability and health (e.g. fitness programmes)

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.

Key figures at a glance

Annual average / Number unless otherwise indicated	Change 2019 to 2018 Number / 1 000 EUR	2019	2018	2017	2016	2015
Employees	**–159**	**7157**	**7316**	**6759**	**6252**	**6204**
BY DIVISION						
Enclosures	–43	2086	2129	1989	1906	1848
Mechanical Components	261	2649	2388	2238	2017	1917
ELCOM/EMS	–376	2378	2754	2490	2290	2401
Others	–1	44	45	42	39	38
BY REGION						
Switzerland	2	141	139	129	128	137
Germany	–31	1614	1645	1661	1663	1630
Rest of Europe	–95	1481	1576	1595	1540	1459
North and South America	–5	262	267	250	211	214
Middle and Far East	309	2401	2092	1834	1550	1454
Africa	–338	1241	1579	1275	1145	1296
Australia	–1	17	18	15	15	14
BY GENDER						
Men	234	4365	4131	3709		
Women	–393	2792	3185	3050		
Personnel expenses per employee in 1 000 EUR	3.1	29.8	26.7	28.7	29.0	28.5
Gross sales per employee in 1 000 EUR	6.1	95.0	89.0	92.9	93.3	90.2

ENVIRONMENT

Phoenix Mecano always complies with the standards laid down by relevant environmental legislation and has established the issue of environmental awareness as part of its corporate culture. Where possible, measures are adopted and extended to continuously minimise negative environmental impacts and to enhance environmental protection. As part of this process, where reasonable and feasible the Group has its quality and environmental management systems certified according to recognised standards such as ISO 9001 (since 2000) and ISO 14001 (since 2004), to ensure uniform Group-wide assessment of companies' environmental protection measures. To date, 19 companies have acquired ISO 9001 quality management certification and seven are also ISO 14001-certified for environmental management.

ISO 9000 quality management principles

ISO 9001 builds on the principles and concepts set out in ISO 9000:

- Customer focus
- Leadership
- Engagement of people
- Process approach and system approach to management
- Continuous improvement
- Evidence-based decision making
- Mutually beneficial supplier relationships


SGS

Certificate CH97/0087

The management system of

Phoenix Mecano Komponenten AG

Hofwisenstrasse 6
CH - 8260 Stein am Rhein

has been assessed and certified as meeting the requirements of

ISO 9001:2015

For the following activities

Development, production and distribution of components for machine, electrical and electronic industry and automation technology

This certificate is valid from 13 June 2018 until 12 June 2021 and remains valid subject to satisfactory surveillance audits
Recertification audit due before 31 May 2021
Issue 9. Certified since April 1997

Authorised by

SGS Société Générale de Surveillance SA
Technoparkstrasse 1 8005 Zurich Switzerland
t +41 (0)44 445 16 80 f +41 (0)44 445 16 88 www.sgs.com

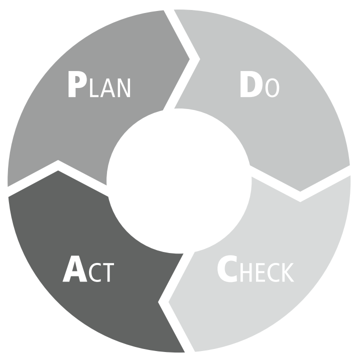
Phoenix Mecano Komponenten AG is one of 19 Group companies with ISO 9001 certification.

Environmental management standard ISO 14001

The environmental management standard ISO 14001 follows a similar rationale and structure to ISO 9001 in many areas, so it makes sense to integrate the two systems. Both are based on the PDCA cycle:

- Plan: establish environmental objectives and corresponding measures, responsibilities and procedures;
- Do: implement the established measures and procedures;
- Check: monitor the responsibilities, procedures and measures against the organisation's environmental objectives and guidelines (environmental policy);
- Act: adjust the responsibilities, procedures and measures, and if necessary the environmental objectives and guidelines.

Phases of the PDCA cycle

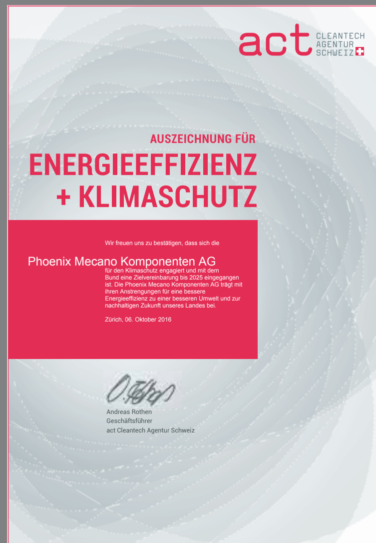


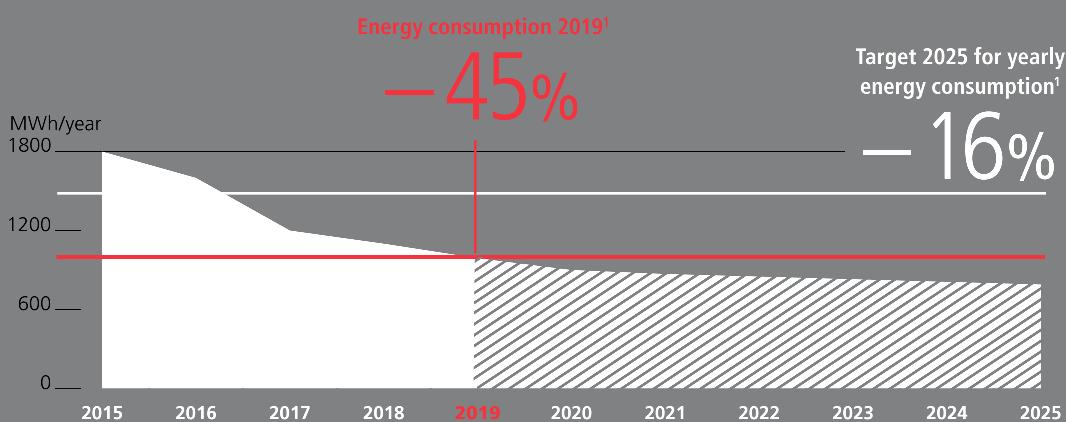
Phoenix Mecano Komponenten AG, Switzerland

2025 ENERGY EFFICIENCY AND CLIMATE TARGET ALREADY WELL EXCEEDED

Energy is one of our biggest costs. As a large energy consumer, we deploy an extensive system of energy monitoring in order to counteract rising energy costs. This entails keeping track of our energy consumption at all times and taking steps to boost our energy efficiency. In 2015, Phoenix Mecano Komponenten AG consumed around 1 800 MWh of energy per year.

A target was set to cut energy consumption by around 300 MWh by 2025, i.e. a drop of around 16% to 1 500 MWh a year. By optimising its facilities, the company succeeded in slashing its energy consumption to 1 000 MWh a year in 2019, a reduction of almost 45%, far outstripping the 2025 target well ahead of schedule. Since 2016, these measures have saved around 140 tonnes of CO_2. In terms of energy costs, that equates to annual savings of approximately CHF 100 000. So as well as protecting the environment we are also helping to make the business more sustainable.





1 Compared to baseline year 2015.

PTR HARTMANN GmbH, Germany

EXTENSIVE ACTION ON THE ENVIRONMENT AND SUSTAINABILITY

With environmental awareness and sustainability increasingly important watchwords, PTR HARTMANN GmbH has for some time been assessing various aspects of its operations with a view to identifying environmentally sound solutions. For example, all used machine oil used to be discarded but it is now filtered through special equipment, enabling around 70% to be reused. Other initiatives include recycling metal shavings from the turning shop, and offering a recycling scheme for test probes to customers purchasing these products. Mining precious gold ore consumes large quantities of water and energy, and can also involve the use of chemicals that harm the environment. Gold recycling is therefore a more environmentally friendly alternative. All of these efforts can be seen as part of the "circular economy" approach (see diagram on the right).

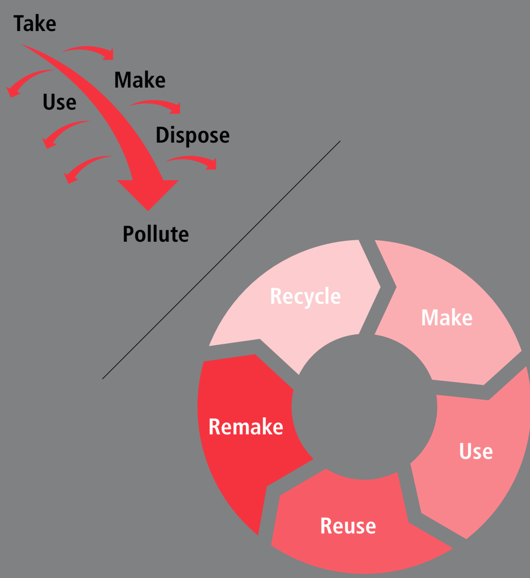
PTR HARTMANN GmbH has also introduced energy saving measures while renovating an existing building and constructing a new one. A new heating system installed in 2018 has cut consumption by around 12%, and the new building is equipped with a heat pump. Both the new and renovated buildings were fitted with energy-efficient windows and facades, and all the lighting uses LED technology.

Internal processes have also been enhanced, one example being the introduction of the "paperless office". All documents are saved in the Easy Archive and sent electronically. In ordering processes alone, this has already saved 124 000 sheets of paper since the middle of last year, compared with the same period the previous year.

Preparations are already under way to install charging stations for electric vehicles, with the necessary cables having been laid in the car park of the new building.

PTR HARTMANN GmbH is committed to continuous improvement, and always strives to involve its employees in this process. Its "Suggest an improvement" tool allows any member of staff to contribute to and participate actively in taking the business forward.

Linear versus Circular Economy



CORPORATE GOVERNANCE

Contents

Corporate governance report

Phoenix Mecano's corporate governance promotes transparent and responsible management of the business and sustainable value creation. This 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 starting on page 58.

GROUP STRUCTURE AND SHAREHOLDERS

Phoenix Mecano is a global technology enterprise in the enclosures and industrial components sectors and has significant market shares in the international growth markets. It manufactures technical enclosures, mechanical components, electrical drives, electronics components and complete system integrations in its three divisions. Its important areas of application are mechanical engineering, measurement and control technology, electrical engineering, automotive and railway technology, energy technology, medical technology, aerospace technology 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 Phoenix Mecano's various product ranges in Switzerland.

The Group's overall structure has always been very lean. Operational responsibility lies with the management. The Extended Group Leadership Committee, including the operational managers of the Group's divisions, main business units and regions, as well as sales and production, assists with the coordination of business activities. The Group's operational structure is presented on pages 64 and 65. Detailed information about the scope of consolidation can be found on pages 90–93 of the consolidated financial statements. None of the shareholdings is listed.

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

The bearer shares of Phoenix Mecano AG, Stein am Rhein, are listed on SIX Swiss Exchange, Zurich. As at 31 December 2019, the share capital was fully paid up and consisted of 960 500 bearer shares (securities no.: Inh. 218781; ISIN: CH0002187810; Reuters: PM.S; Telekurs/Telerate: PM, Bloomberg: PM SE Equity) 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 1 000 treasury bearer shares. Based on the 2019 year-end price of CHF 478.50, the market capitalisation as at 31 December 2019 was CHF 459.6 million. There are no nominal shares and no participation or dividend-right certificates.

Contingent and authorised capital

At present the Group has no contingent or authorised capital.

Changes in capital

There have been no changes in capital since 2015.

Major shareholders, each holding a share of the voting rights equivalent to over 3% of the share capital as at 31 December 2019

Name in %	Head office	2019	2018
Planalto AG[2]	Luxembourg, Luxembourg	34.6[1]	34.6[1]
Tweedy, Browne Company LLC, Stamford, USA[3]	Stamford, USA	8.5[1]	8.5[1]
Tweedy, Browne Global Value Fund[4] *(A subdivision of Tweedy, Browne Fund Inc.)*	*Stamford, USA*	*7.2*[1]	*7.2*[1]
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	4.9[1]	4.9[1]
Credit Suisse Funds AG	Zurich, Switzerland	3.06[1]	3.06

1 Shareholding not notified in the year indicated.

2 The economic beneficiary and person entitled to exercise voting rights is Gisela Goldkamp. The owner of the underlying rights is Benedikt Goldkamp.

3 Tweedy, Browne Company LLC (TBC) is not an economic beneficiary owner of the shares. TBC has been delegated voting authority pursuant to separate investment advisory agreements. Please note that included in the shares reported with this filing are 68 640 shares held by Tweedy, Browne Global Value Fund, a direct acquirer and economic beneficiary.

4 Pursuant to an investment advisory agreement between Tweedy, Browne Global Value Fund (TBGVF) and TBC, TBGVF has delegated voting authority with respect to 68 640 bearer shares of Phoenix Mecano AG to TBC. TBC is not an economic beneficiary of any of the shares. TBGVF is the sole economic beneficiary of the shares.

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/en/home/publications/significant-shareholders.html

Limitations on transferability and nominee registrations

Since Phoenix Mecano AG has issued 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. In 2019, the Board of Directors had five members. It usually holds meetings quarterly. The Board of Directors met four times in 2019, each meeting lasting an average of four hours, and held two additional meetings by conference call.

Changes in capital

Year of buy-back	Cancelled shares Number	Average repurchase price CHF	Shares outstanding Number
2007/2008	58 500	510.74	1 011 000
2008/2009	33 000	336.42	978 000
2012/2013	17 500	467.54	960 500

Elections and terms of office

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. 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, deputy directors 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. If the Chairman is unable to attend or is excluded from the decision-making, the Independent Lead Director 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
- Preparation of the remuneration report

The Chairman performs an executive role. In the event of potential conflicts of interest, the Chairman is represented by the Independent Lead Director. The Chairman's executive duties include in particular:

- representing the company and the Group externally and overseeing public relations, including media contacts and corporate identity, as agreed internally with the CEO;
- monitoring compliance with and enforcement of Board of Directors' decisions;
- setting HR and wage policy, including pensions, unless otherwise determined by law, the Articles of Incorporation or the rules of procedure governing organisational matters;
- overseeing the acquisition and sale of investments and submitting proposals for approval to the Board of Directors;
- monitoring subsidiaries' budgeting processes.

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 since 2003 is Ulrich Hocker, a non-executive member of the Board of Directors. Mr Benedikt Goldkamp, Chairman of the Board of Directors, has been an Audit Committee member since 28 September 2016. These members were proposed to the 2019 Shareholders' General Meeting for election individually and re-elected. The CFO also attends meetings. The Committee held two meetings in 2019, each lasting an average of three hours, and held one meeting by conference call. 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.

The Compensation Committee is the remuneration committee required by the Swiss Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO). The Compensation Committee meets as often as required, but at least once a year. Two meetings took place in 2019, each lasting three quarters of an hour. The existing members Beat Siegrist, Ulrich Hocker and Dr Martin Furrer were proposed to the 2019 Shareholders' General Meeting for election individually and re-elected. The Compensation Committee draws up proposed remuneration guidelines for the Board of Directors and management. It can call in external compensation specialists to offer neutral advice or provide studies or data as a basis for comparison in setting remuneration. 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. The Chairman of the Board of Directors attends meetings of the Compensation Committee in an advisory capacity. He leaves the meeting when his own remuneration is being discussed. The CFO also attends meetings. The management has no say in determining its remuneration.

Information and control instruments vis-à-vis the management

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 product areas and companies at any time. Reporting takes place monthly. The Chairman of the Board of Directors discusses the earnings and financial position with the management on a monthly basis. Regular meetings with members of the management ensure that the other Board members are fully informed and have a sound basis for decision-making.

Set up in 2002, the dedicated, full-time Internal Auditing Department is accountable to the Board of Directors and reports directly to it. Key audit issues in 2019 were accounts receivable and inventory management, the internal control system, the risk management system, transfer pricing documentation, compliance, tangible assets and IT. A review of construction expenditure was also conducted at one company. A quality assessment performed by an external auditor (Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, Germany) in early 2017 confirmed that the Phoenix Mecano Group's Internal Auditing Department complied with international standards. A quality assessment is carried out every five years.

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 2012. An in-depth review of internal control guidelines took place in 2014, covering control requirements and frequencies as well as documentation requirements. Risk management system processes were optimised in 2016. Information on risks and how they are dealt with can be found in the risk management chapter on page 12 and in notes 21 and 22 to the consolidated financial statements on page 114.

Members of the Board of Directors and its committees

Board of Directors

Benedikt A. Goldkamp
Chairman
Executive role
Member since 2000

Ulrich Hocker
Independent Lead Director
Non-executive role
Member since 1988

Dr Florian Ernst
Non-executive role
Member since 2003

Dr Martin Furrer
Non-executive role
Member since 2003

Beat Siegrist
Non-executive role
Member since 2003

Audit Committee

Dr Florian Ernst (Chairman)
Member since 2003

Ulrich Hocker
Member since 2003

Benedikt A. Goldkamp
Member since 2016

Compensation Committee

Beat Siegrist (Chairman)
Member since 2013

Ulrich Hocker
Member since 2013

Dr Martin Furrer
Member since 2013

All members of the Board of Directors are elected for one year until the 2020 Shareholders' General Meeting.

Board of Directors
as at 31 December 2019

BENEDIKT A. GOLDKAMP (CH)
Executive role

Chairman of the Board of Directors since 20 May 2016
Member of the Board of Directors since 2000
Delegate of the Board of Directors and CEO from 1 July 2001 to 20 May 2016
Born in 1969
Resident in Lufingen (Switzerland)

Gained a degree in financial consultancy, followed by a Master of Business Administration from Duke University. 1996–1997 worked as a strategy consultant at McKinsey & Co. 1998–2000 managed the Group's own production company 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.

Other activities and vested interests
– Activities in governing and supervisory bodies: Model Holding AG, Weinfelden, Switzerland (Member of the Board of Directors).

ULRICH HOCKER (D)
Non-executive role

Independent Lead Director
Member of the Board of Directors since 1988
Chairman of the Board of Directors from 2003 to 20 May 2016
Born in 1950
Resident in Düsseldorf (Germany)

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.

Other activities and vested interests
– Activities in governing and supervisory bodies: Feri Finance AG, Bad Homburg, Germany (Deputy Chairman of the Supervisory Board); DMG Mori Seiki AG, Bielefeld, Germany (Deputy Chairman of the Supervisory Board).
– Permanent management and consultancy functions: Deutsche Schutzvereinigung für Wertpapierbesitz e. V. (DSW), Düsseldorf, Germany.
– Official functions and political posts: German Financial Reporting Enforcement Panel (FREP), Member of the Governing Board.

DR FLORIAN ERNST (CH)
Non-executive role

Member of the Board of Directors since 2003
Born in 1966
Resident in Zollikon (Switzerland)

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. 2008–2015 occupied a number of posts at Deutsche Bank (Switzerland) AG, Zurich, including as Global Head Private Equity Distribution and advising clients in the Asset & Wealth Management Division. Since 2016 has performed various roles in the field of private markets, real estate and infrastructure as a partner at AnP Partners AG, Zurich.

Other activities and vested interests
- Activities in governing and supervisory bodies: Tolomeo Capital AG, Zurich, Switzerland (Member of the Board of Directors).

DR MARTIN FURRER (CH)
Non-executive role

Member of the Board of Directors since 2003
Born in 1965
Resident in Zumikon (Switzerland)

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 mergers & acquisitions, real estate transactions, private equity and employee participation models. Has been a partner at Baker McKenzie since 2002 and co-managing partner since 2016.

Other activities and vested interests
None

BEAT SIEGRIST (CH)

Non-executive role

Member of the Board of Directors since 2003
Born in 1960
Resident in Herrliberg (Switzerland)

Gained the following qualifications: Dipl. Ing. ETH in 1985, MBA INSEAD, Fontainebleau and McKinsey Fellowship. 1985–1986 development engineer for data transfer with Contraves. 1987–1993 consultant and project manager at McKinsey & Co. responsible for reorganisation and turnaround projects in the machine industry. 1993–1996 founder and CEO of Outsourcing AG. 1996–2008 CEO of Schweiter Technologies, Horgen. 2008–2012 CEO of the Satisloh Group and member of the Management Committee of Essilor. 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. 2013–2018 Chairman of the Board of Directors of Garaventa Accessibility AG, Goldau.

Other activities and vested interests

- 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); The Island Rum Company AS, Oslo, Norway (Member of the Board of Directors).

MANAGEMENT

The management comprises the company's CEO and CFO. It is chaired by the CEO. The CEO and CFO are appointed by the Chairman of the Board of Directors. The management aids the Chairman of the Board by coordinating the Group's companies and advises on matters affecting more than one division.

Other activities and vested interests

No 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 48 f. in the Board of Directors section.

Management contracts

There are no management contracts between the Group and companies or persons with management duties.

COMPENSATION, SHAREHOLDINGS AND LOANS

Remuneration report, pages 58 ff.; financial statements: pages 66 ff.

SHAREHOLDERS' PARTICIPATION RIGHTS

Voting rights and proxy voting

Each 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. In the run-up to the ordinary Shareholders' General Meeting, shareholders can transmit their proxies and instructions to the independent proxy by electronic means. The independent proxy is elected for one year by shareholders at the ordinary Shareholders' General Meeting.

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) is the company's top body. It 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 3% of the share capital may request the inclusion of an item on the agenda. The written request including the shareholder's agenda items and proposals must reach the company at least 45 days prior to the Shareholders' General Meeting.

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 AG has only issued bearer shares, no share register is kept.

Management
as at 31 December 2019

DR ROCHUS KOBLER (CH)
CEO

Member of the management since 2010
Dr oec. HSG, Dipl. Ing. ETH/MSc.
Born in 1969
Resident in Unterägeri (Switzerland)

1997 – 2002 Senior Engagement Manager at McKinsey in Zurich, Johannesburg and Chicago. 2002 – 2010 CEO and Member of the Board of Directors of the international production and trading group Gutta. He was COO from 1 September 2010 to May 2016, and in June 2016 became CEO with responsibility for the operational management of the Phoenix Mecano Group.

RENÉ SCHÄFFELER (CH)
CFO

Member of the management since 2000
Certified accountant/controller
Born in 1966
Resident in Stein am Rhein (Switzerland)

Commercial training and active for several years in the banking sector. 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 CFO since 2000. In this post he is responsible for finances, group accounting, controlling, taxes and IT.

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

Name	Position	Number 31.12.2019	Number 31.12.2018
Benedikt A. Goldkamp	Chairman of the Board of Directors	3244	2844
Ulrich Hocker	Independent Lead Director	8898	8898
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		**12652**	**12252**
Dr Rochus Kobler	Member of the management/CEO	964	400
René Schäffeler	Member of the management/CFO	500	300
Shares held by the management		**1464**	**700**

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 on 17 May 2019, BDO 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. BDO AG, Zurich, assumes the mandate as statutory and Group auditors for the first time for financial year 2019. The lead auditor is Mr Christoph Tschumi. The lead auditor is replaced every seven years.

Auditing fees

In the reporting year, BDO AG received fees totalling EUR 504000 for auditing the 2019 financial statements and consolidated financial statements.

Additional fees

BDO AG received additional fees of EUR 14000 in the reporting year for tax consultancy. The additional fees paid to BDO are significantly lower than those paid to KPMG in the previous year since the tax consultancy is largely provided by KPMG in the interests of independence.

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 and independence 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. Other services provided by BDO are approved by either the CFO or the Audit Committee, depending on their scope.

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 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 on page 153. 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: www.phoenix-mecano.com/en/investor-relations/annual-reports/annual-reports
- Media information: www.phoenix-mecano.com/en/media/current-media-releases
- Articles of Incorporation: www.phoenix-mecano.com/en/group/articles-of-incorporation
- Shareholders' General Meeting (invitation, results of votes): www.phoenix-mecano.com/en/investor-relations/general-meeting

Information about transactions by members of the Board of Directors and management can be found at the following link:

- www.six-exchange-regulation.com/en/home/publications/management-transactions.html

For ad hoc disclosures, the relevant pages are:

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

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.

Auditing fees / Additional fees

in 1 000 EUR	2019	2018
Total auditing fees	**504**	**651**
Tax consultancy	14	349
Legal advice	0	0
Miscellaneous	0	2
Total additional fees	**14**	**351**
Total	**518**	**1 002**

Remuneration report

This remuneration report contains information about the principles, procedures for determining remuneration and components of remuneration of the Board of Directors and management of Phoenix Mecano AG. It is also 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.

REMUNERATION PRINCIPLES AND GOVERNANCE

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)

At the 2019 ordinary Shareholders' General Meeting, the Shareholders' General Meeting voted on Board of Directors and management remuneration. In addition, the following members of the Compensation Committee were re-elected: Beat Siegrist, Ulrich Hocker, Dr Martin Furrer. The committee is chaired by Beat Siegrist.

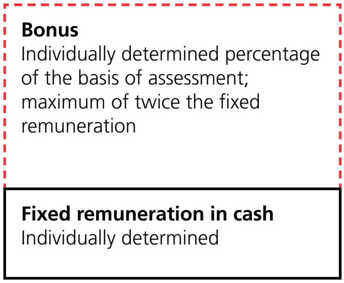
The Compensation Committee meets as often as required, but at least once a year. Two meetings of the Compensation Committee took place in 2019. The tasks, powers, responsibilities and working methods of the Compensation Committee are described on page 49 of the corporate governance report. The Compensation 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

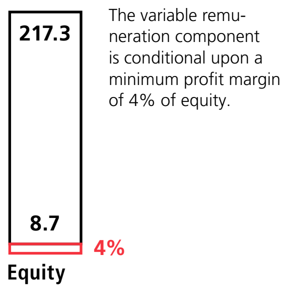
The composition and level of remuneration awarded to the Board of Directors and management are based on sector and labour market comparisons. The Compensation Committee relies in particular on salary comparisons with other industrial companies listed on SIX Swiss Exchange with similar sales (EUR 100 million to EUR 3 billion), headcounts (1 000 to 15 000) and geographical presence (global), which operate in the same sectors (industrial components, mechanical engineering) and are headquartered in Switzerland.

The variable remuneration of management members and the Executive Chairman of the Board of Directors 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

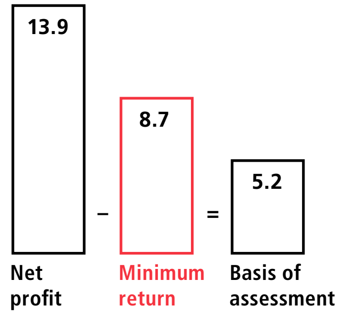
Management remuneration structure



Minimum return 2019
in EUR million



Calculation of basis of assessment for 2019 variable remuneration
in EUR million



account, as they also impact on shareholders. In the interests of transparency, leverage effects and complex derivative structures are excluded from the outset.

The non-executive members of the Board of Directors receive only a fixed remuneration in cash, so that they can exercise their supervisory and overall guidance function free from conflicts of interest with the management.

STRUCTURE OF REMUNERATION

The non-executive 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 are the actual costs reimbursed.

The management of Phoenix Mecano consists of two members: the CEO and CFO. Both hold responsible positions with an overall management role. Remuneration for all members therefore follows the same model, based on a simple but effective formula. Remuneration for the Executive Chairman of the Board of Directors is also based on this formula.

Each member of the management and the Executive Chairman of the Board of Directors receive 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, the members of the management and the Executive Chairman of the Board of Directors receive a variable remuneration component (bonus). To determine this component, a minimum profit margin, calculated in relation to the Phoenix Mecano Group's balance-sheet equity, is first set aside. As a result of the change in accounting to Swiss GAAP FER with a corresponding impact on the Group's equity, this is set at 4% from 2019 (3% until 2018). This minimum profit 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 (for shareholders). No bonus is paid in the event of losses. All management members and the Executive Chairman of the Board of Directors 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 and the Executive Chairman of the Board of Directors is set in advance, taking into account the individual'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), in which the insurance risks are reinsured and the investment risks are borne by the insured (semi-autonomous pension solution). Members of the management and the Executive Chairman of the Board of Directors are affiliated to this pension plan. Pension payments are based on retirement savings, to which annual retirement credits and interest are added. Upon retirement, the legal framework provides for the payment of an annuity as well as a lump-sum payment. The annuity is calculated by multiplying the relevant retirement savings by the current conversion rate. In addition to retirement benefits, pension benefits also include disability pensions and, in the event of death, partner's and orphan's pensions and, where applicable, a lump-sum death benefit. 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 and the Executive Chairman of the Board of Directors.

Management members and the Executive Chairman of the Board of Directors receive lump-sum expenses in accordance with the expense regulations approved by the relevant tax authorities. If they wish, members of the management and the Executive Chairman of the Board of Directors 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 Chairman, 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.

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 20 May 2016):

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.

LOANS TO CORPORATE OFFICERS

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

Remuneration for financial years 2019 and 2018 pursuant to ERCO

The following remuneration was awarded for financial year 2019:

Name in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2019
Benedikt A. Goldkamp	Chairman of the Board of Directors	678	74	157	909
Ulrich Hocker	Independent Lead Director	257		16	273
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		**1 127**	**74**	**188**	**1 389**
Remuneration of the management		**1 063**	**100**	**230**	**1 393**
Remuneration of the Board of Directors and management		**2 190**	**174**	**418**	**2 782**
Highest individual management salary: Dr Rochus Kobler	CEO	641	74	143	858

The following remuneration was awarded for financial year 2018:

Name in 1 000 CHF	Position	Fixed remuneration	Variable remuneration	Social security and pension	Total remuneration 2018
Benedikt A. Goldkamp	Chairman of the Board of Directors	704	328	163	1195
Ulrich Hocker	Independent Lead Director	256		16	272
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		**1 152**	**328**	**194**	**1 674**
Remuneration of the management		**996**	**362**	**225**	**1 583**
Remuneration of the Board of Directors and management		**2 148**	**690**	**419**	**3 257**
Highest individual management salary: Dr Rochus Kobler	CEO	592	258	138	988

All compensation is short term in nature.

The Phoenix Mecano Group's consolidated statement of income for 2019 and 2018 includes no compensation for former members of the Group's bodies who left in the preceding period or before. In financial years 2019 and 2018, legal fees of CHF 7 000 and CHF 18 000 respectively were paid to law firm Baker McKenzie Zurich, in which Dr Martin Furrer is a partner.

REPORT OF THE STATUTORY AUDITOR

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

Report of the Statutory Auditor on the Audit of the Remuneration report

We have audited the remuneration report of Phoenix Mecano AG for the year ended December 31, 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on page 62 of the remuneration 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 December 31, 2019 of Phoenix Mecano AG complies with Swiss law and articles 14–16 of the Ordinance.

Other Matter
The remuneration report of Phoenix Mecano AG for the year ended December 31, 2018, was audited by another auditor who expressed an unmodified opinion on that report on March 26, 2019.

Zurich, March 31, 2020
BDO Ltd

Christoph Tschumi
Auditor in Charge
Licensed Audit Expert

David Hämmerli
Licensed Audit Expert

Group operational structure

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:
W. Schmid

BRAZIL

Phoenix Mecano Holding Ltda.
CEP 06460-110 Barueri – SP
Managing director:
D. Weber

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

ENCLOSURES

Dr H. W. Rixen

GERMANY

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

CRE Rösler Electronic GmbH
D-25551 Hohenlockstedt
Managing director:
B. Rössler

HPC Sekure GmbH
D-82234 Wessling
Managing director:
M. Bergler

Kundisch GmbH & Co. KG
D-78056 Villingen-Schwenningen
Managing director:
R. Bokämper

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

MECHANICAL COMPONENTS

M. Kleinle

GERMANY

DewertOkin GmbH
D-32278 Kirchlengern
Managing directors:
Dr J. Gross, M. Kersting

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

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

RK System & Lineartechnik GmbH
D-88682 Salem-Neufrach
Managing director:
H. Hoffmann

RK Antriebs- und Handhabungs-Technik GmbH
D-29553 Bienenbüttel
Managing director:
H. Hoffmann

PEOPLE'S REPUBLIC OF CHINA

DewertOKIN Technology Group Co., Ltd. (formerly Okin Refined Electric Technology Co., Ltd.)
314024 Jiaxing
Managing directors:
Dr J. Gross, S. Li

Haining My Home Mechanism Co. Ltd.
Haining
Managing directors:
Dr J. Gross, C. Fei

USA

OKIN America Inc.
Shannon, MS 38868
Managing directors:
P. Brown, Dr J. Gross, M. Kleinle

ELCOM / EMS

Dr R. Kobler

CZECH REPUBLIC

Ismet transformátory s.r.o.
CZ-67139 Běhařovice
Managing directors:
I. Kljucar, O. Huppertz

GERMANY

Hartmann Codier GmbH
D-91083 Baiersdorf
Managing director:
P. Scherer

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

Ismet GmbH
D-78056 VS-Schwenningen
Managing director:
J. Reinecke

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

PTR HARTMANN GmbH
D-59368 Werne
Managing director:
P. Scherer

REDUR GmbH & Co KG
D-52382 Niederzier
Managing director:
Dr L. Schunk

Wiener Power Electronics GmbH
D-51399 Burscheid
Managing directors:
A. Köster, Dr G. Zahnenbenz

MOROCCO

Phoenix Mecano Maroc Sarl
MA-93000 Tétouan
Managing director:
B. Odink

THE NETHERLANDS

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

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

PRODUCTION AND SALES COMPANIES

PEOPLE'S REPUBLIC OF CHINA
Bond Tact Hardware (Dongguan) Company Ltd.
Dongguan, Guangdong
Managing directors:
E. Lam, P. Scherer

Shenzhen Elcom Co., Ltd.
Lechang
Managing directors:
E. Lam, P. Scherer

TUNISIA
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 Zaghouan
Managing director:
C. Fitouri

Phoenix Mecano Hartu S.à.r.l.
TN-2013 Ben Arous
Managing director:
W. Masmoudi

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

Tefelen LLC
Frederick, MD 21704
Managing director:
P. Brown

WIENER, Plein & Baus Corp.
Springfield, OH 45503
Managing director:
Dr A. Ruben

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

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

BELGIUM
Phoenix Mecano NV (formerly PM Komponenten N.V.)
B-9800 Deinze
Managing director:
P. Wieme

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:
P. Nilsson

FRANCE
Phoenix Mecano S.à.r.l.
F-94120 Fontenay-sous-Bois, Cedex
Managing director:
L. Morlet

HUNGARY
Phoenix Mecano Kecskemét Kft.
H-6000 Kecskemét
Managing director:
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

THE NETHERLANDS
Phoenix Mecano B.V. (formerly PM Komponenten B.V.)
NL-7005 AG Doetinchem
Managing director:
P. Wieme

PEOPLE'S REPUBLIC OF CHINA
Mecano Components (Shanghai) Co., Ltd.
201802 Shanghai
Managing director:
K. W. Phoon

Phoenix Mecano Components (Taicang) Co., Ltd.
215413 Taicang,
Jiangsu Province
Managing director:
K. W. Phoon

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

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

RUSSIA
Phoenix Mecano OOO
RUS-124489 Zelenograd, Moscow
Managing director:
M. Opeshansky

SAUDI ARABIA
Phoenix Mecano Saudi Arabia LLC
SA-3451, Dammam
Managing director:
S. Shukla

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

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Sistemas Phoenix Mecano España S.A.
E-50197 Zaragoza
Managing director:
S. Hutchinson

SWEDEN
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SE-355 72 Ingelstad
Managing director:
P. Nilsson

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

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:
S. Shukla

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

URUGUAY
Phoenix Mecano Latin America Electromechanical Components Trading S.A.
Montevideo, 11.300
Managing director:
D. Weber

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

CONSOLIDATED FINANCIAL STATEMENTS

2019 PHOENIX MECANO GROUP

Contents

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

ASSETS

in 1 000 EUR	Note No.	2019	2018
CURRENT ASSETS			
Cash and cash equivalents	3	60 052	53 244
Securities		11	636
Trade receivables	4	113 569	90 880
Income tax receivables		1 444	1 718
Derivative financial instruments	12	96	21
Other short-term receivables	5	10 110	9 310
Inventories	6	148 046	148 513
Deferred charges and prepaid expenses		2 285	1 760
Total current assets		**335 613**	**306 082**
NON-CURRENT ASSETS			
Tangible assets	7	136 367	129 890
Investment properties	7	74	235
Intangible assets	8	6 924	8 599
Investments in associated companies	9	522	1 928
Other financial assets	10	647	1 026
Deferred tax assets	16	7 972	5 667
Total non-current assets		**152 506**	**147 345**
Total assets		**488 119**	**453 427**

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

EQUITY AND LIABILITIES

in 1 000 EUR	Note No.	2019	2018
LIABILITIES			
Trade payables		59 421	45 737
Short-term financial liabilities	11	36 442	15 413
Derivative financial instruments	12	614	460
Short-term provisions	13	19 325	12 294
Short-term pension obligations	14	240	255
Income tax liabilities		3 487	4 178
Other short-term liabilities	15	25 178	21 540
Deferred income		2 033	1 903
Short-term liabilities		**146 740**	**101 780**
Long-term financial liabilities	11	111 748	72 410
Long-term provisions	13	4 826	4 688
Long-term pension obligations	14	6 079	5 363
Deferred tax liabilities	16	1 380	1 178
Long-term liabilities		**124 033**	**83 639**
Total liabilities		**270 773**	**185 419**
EQUITY			
Share capital	17	852	852
Treasury shares	18	–385	–385
Retained earnings		218 181	267 922
Translation differences		–2 365	–1 510
Equity attributable to shareholders of the parent company		**216 283**	**266 879**
Minority interest	19	1 063	1 129
Total equity		**217 346**	**268 008**
Total equity and liabilities		**488 119**	**453 427**

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

CONSOLIDATED STATEMENT OF INCOME 2019

in 1 000 EUR	Note No.	2019	2018
Net revenue	**27**	**674 004**	**645 015**
Changes in inventories		3 382	2 991
Own work capitalised		1 873	2 490
Other operating income	28	3 886	5 376
Cost of materials	29	–338 378	–308 589
Personnel expenses	30	–213 150	–195 453
Depreciation on tangible assets		–19 838	–18 661
Amortisation of intangible assets		–3 069	–3 637
Impairment losses and reversal of impairment losses on tangible and intangible assets		–2 578	–369
Other operating expenses	31	–82 782	–77 823
Operating result		**23 350**	**51 340**
Result from associated companies	9	–1	–714
Financial income	32	4 034	4 526
Financial expenses	33	–6 498	–7 150
Financial result		**–2 465**	**–3 338**
Result before tax		**20 885**	**48 002**
Income tax	34	–6 966	–11 893
Result of the period		**13 919**	**36 109**
of which			
Shareholders of the parent company		14 138	36 222
Minority shareholders		–219	–113
EARNINGS PER SHARE			
Earnings per share – undiluted (in EUR)	35	14.73	37.75
Earnings per share – diluted (in EUR)	35	14.73	37.75

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

CONSOLIDATED STATEMENT OF CASH FLOW 2019

in 1 000 EUR	Note No.	2019	2018
Result of the period		13 919	36 109
Income tax	34	6 966	11 893
Result before tax		**20 885**	**48 002**
Depreciation on tangible assets	7	19 838	18 661
Amortisation of intangible assets	8	3 069	3 637
Losses/(gains) from the disposal of tangible and tangible assets	28, 31	123	–2
Impairment losses/(reversal of impairment losses) on tangible and intangible assets	7, 8	2 578	369
Losses and value adjustments on inventories	6	4 529	2 931
Result from associated companies	9	1	714
Gain on the disposal of Group companies	39	0	–1 881
Other non-cash expenses/(income)		–1 587	1 921
Increase / (decrease) in long-term provisions and pension obligations		851	–159
Net interest expense / (income)	32, 33	1 628	1 154
Interest paid		–2 403	–1 516
Income tax paid		–10 395	–12 370
Operating cash flow before changes in working capital		**39 117**	**61 461**
(Increase)/decrease in inventories		–8	–21 083
(Increase)/decrease in trade receivables		–12 052	–4 333
(Increase)/decrease in other receivables, deferred charges and prepaid expenses		392	–325
(Decrease)/increase in trade payables		9 160	884
(Decrease)/increase in short-term provisions and pension obligations		6 723	1 156
(Decrease)/increase in other liabilities and deferred income		228	168
Cash flow from operating activities		**43 560**	**37 928**

Table continued on page 71.

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under “Principles of consolidation and valuation” in the consolidated financial statements, p. 78–80).

in 1 000 EUR	Note No.	2019	2018
CAPITAL EXPENDITURE			
Tangible assets	7	–23 326	–22 381
Intangible assets	8	–2 816	–3 215
Financial assets/Investments in associated companies		–300	–790
Securities		0	–10
Acquisition of Group companies	38	–22 032	0
DISINVESTMENTS			
Intangible assets		33	0
Tangible assets	7, 28, 29	513	593
Financial assets/Investments in associated companies		1 797	1 398
Securities		630	1 009
Disposal of Group companies	39	0	4 649
Interest received		831	605
Dividends received	9	151	150
Cash used in investing activities		**–44 519**	**–17 992**
Dividends paid (including minority interest)		–14 744	–13 432
Purchase of treasury shares	18	–33	0
Sale of treasury shares	18	36	0
Issue of financial liabilities		46 241	7 400
Repayment of financial liabilities		–23 874	–13 941
Cash flow from financing activities		**7 626**	**–19 973**
Translation differences in cash and cash equivalents		141	–228
Change in cash and cash equivalents		**6 808**	**–265**
Cash and cash equivalents as at 1 January	3	53 244	53 509
Cash and cash equivalents as at 31 December	3	60 052	53 244
Change in cash and cash equivalents		**6 808**	**–265**

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 2018 AND 2019

in 1 000 EUR	Note No.	Share capital	Treasury shares
As at 1 January 2018 IFRS		**594**	**–406**
Effect of change to Swiss GAAP FER*		**258**	**21**
As at 1 January 2018 Swiss GAAP FER		**852**	**–385**
Result of the period			
Dividends paid			
Translation differences			
Change in treasury shares	18		
Change in minority interest	19		
Netting of goodwill against equity	39/41		
Adjustment of purchase price liability through acquisition of minority interests	20		
As at 31 December 2018		**852**	**–385**

As at 31 December 2018 IFRS		**594**	**–406**
Effect of change to Swiss GAAP FER*		**258**	**21**
As at 1 January 2019 Swiss GAAP FER		**852**	**–385**
Result of the period			
Dividends paid			
Translation differences			
Currency differences from sale/liquidation recognised directly in equity			
Change in treasury shares	18		
Change in minority interest	19		
Netting of goodwill against equity	38/41		
Adjustment of purchase price liability with impact on shadow statement	20/41		
Adjustment of purchase price liability through acquisition of minority interests	20		
Change in Phoenix Mecano AG's functional currency from CHF to EUR			
As at 31 December 2019		**852**	**–385**

* From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

Retained earnings	Translation differences	Equity attributable to shareholders of the parent company	Minority interest	**Total equity**
266 502	**1 468**	**268 158**	**1 211**	**269 369**
–22 724	**–1 468**	**–23 913**	**–550**	**–24 463**
243 778	**0**	**244 245**	**661**	**244 906**
36 222		**36 222**	**–113**	**36 109**
–13 250		–13 250	–182	–13 432
	–1 510	–1 510	–154	–1 664
		0		0
–917		–917	917	0
1 681		1 681		1 681
408		408		408
267 922	**–1 510**	**266 879**	**1 129**	**268 008**

283 709	**–320**	**283 577**	**1 430**	**285 007**
–15 780	**–1 197**	**–16 698**	**–301**	**–16 999**
267 929	**–1 517**	**266 879**	**1 129**	**268 008**
14 138		**14 138**	**–219**	**13 919**
–14 582		–14 582	–162	–14 744
	–848	–848	–13	–861
–268		–268		–268
3		3		3
–328		–328	328	0
–45 295		–45 295		–45 295
–4 946		–4 946		–4 946
–128		–128		–128
1 658		1 658		1 658
218 181	**–2 365**	**216 283**	**1 063**	**217 346**

* From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

CONSOLIDATED SEGMENT INFORMATION 2019

By division	Enclosures		Mechanical Components	
in 1 000 EUR	**2019**	2018	**2019**	2018
Gross sales to third parties	189 262	186 611	360 619	327 855
Gross sales between divisions	533	711	231	133
Revenue reductions				
Net revenue				
Impairment losses/(reversal of impairment losses) on tangible and intangible assets	–116	–47	–2 180	–322
Depreciation on tangible assets and amortisation of intangible assets	–6 968	–6 735	–8 895	–9 074
Operating result	**19 541**	**22 450**	**11 480**	**25 424**
Financial result				
Result before tax				
Income tax				
Result of the period				
Purchases of tangible and intangible assets	**8 125**	**9 393**	**8 032**	**7 300**
Segment assets	102 717	99 544	195 957	174 469
Cash and cash equivalents				
Other assets				
Total assets	**102 717**	**99 544**	**195 957**	**174 469**
Segment liabilities	21 674	22 826	68 058	45 310
Interest-bearing liabilities				
Other liabilities				
Total liabilities	**21 674**	**22 826**	**68 058**	**45 310**
Net assets	**81 043**	**76 718**	**127 899**	**129 159**
GROSS SALES TO THIRD PARTIES BY REGION				
Europe	146 703	143 763	133 896	142 951
North and South America	15 308	15 140	55 049	41 388
Middle and Far East	27 251	27 708	171 674	143 516
Gross sales to third parties	**189 262**	**186 611**	**360 619**	**327 855**

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

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

ELCOM/EMS		Total segments		Reconciliation*		Total Group	
2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
130 112	136 318	679 993	650 784	0	0	679 993	650 784
3 099	3 788	3 863	4 632	–3 863	–4 632	0	0
						–5 989	–5 769
						674 004	**645 015**
–282	0	–2 578	–369	0	0	–2 578	–369
–6 134	–5 590	–21 997	–21 399	–910	–899	–22 907	–22 298
–4 697	**6 766**	**26 324**	**54 640**	**–2 974**	**–3 300**	**23 350**	**51 340**
						–2 465	–3 338
						20 885	**48 002**
						–6 966	–11 893
						13 919	**36 109**
9 371	**8 096**	**25 528**	**24 789**	**614**	**807**	**26 142**	**25 596**
115 877	111 080	414 551	385 093	2 408	2 707	416 959	387 800
				60 052	53 244	60 052	53 244
				11 108	12 383	11 108	12 383
115 877	**111 080**	**414 551**	**385 093**	**73 568**	**68 334**	**488 119**	**453 427**
23 273	19 534	113 005	87 670	3 681	3 758	116 686	91 428
				148 190	87 823	148 190	87 823
				5 897	6 168	5 897	6 168
23 273	**19 534**	**113 005**	**87 670**	**157 768**	**97 749**	**270 773**	**185 419**
92 604	**91 546**	**301 546**	**297 423**	**–84 200**	**–29 415**	**217 346**	**268 008**
98 421	103 333	379 020	390 047			379 020	390 047
16 260	14 483	86 617	71 011			86 617	71 011
15 431	18 502	214 356	189 726			214 356	189 726
130 112	**136 318**	**679 993**	**650 784**	**0**	**0**	**679 993**	**650 784**

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

CONSOLIDATED SEGMENT INFORMATION 2019

NET REVENUE in 1 000 EUR	2019	2018
BY REGION		
Switzerland	24 570	21 362
Germany	211 874	215 944
UK	14 972	15 843
France	17 621	16 178
Italy	11 920	14 844
The Netherlands	15 103	16 278
Rest of Europe	82 960	89 598
North and South America	86 617	71 011
Middle and Far East	214 356	189 726
Gross sales	**679 993**	**650 784**
Revenue reductions	–5 989	–5 769
Net revenue	**674 004**	**645 015**
BY PRODUCT GROUP		
Industrial enclosures	177 069	174 056
Input systems	12 193	12 555
Enclosures	**189 262**	**186 611**
Industrial assembly systems	48 946	50 577
Linear adjustment and positioning systems	311 673	277 278
Mechanical Components	**360 619**	**327 855**
Electromechanical Components	53 014	63 973
Power Quality	23 801	25 399
Electronic Manufacturing and Packaging	53 297	46 946
ELCOM/EMS	**130 112**	**136 318**
Gross sales	**679 993**	**650 784**
Revenue reductions	–5 989	–5 769
Net revenue	**674 004**	**645 015**

The Phoenix Mecano Group had no customers in 2019 or 2018 whose sales revenue accounted for more than 10% of Group sales.

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

LONG-TERM ASSETS (TANGIBLE ASSETS, INTANGIBLE ASSETS AND INVESTMENTS IN ASSOCIATED COMPANIES) in 1 000 EUR	**2019**	**2018**
BY REGION		
Switzerland	6 894	6 978
Germany	45 917	46 233
UK	140	908
France	347	389
Italy	234	286
The Netherlands	433	700
Rest of Europe	34 603	37 706
North and South America	5 778	6 100
Middle and Far East	49 541	41 352
Total	**143 887**	**140 652**

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly for comparability (see explanation under "Principles of consolidation and valuation" in the consolidated financial statements, p. 78–80).

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, fittings 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 2019 consolidated financial statements of Phoenix Mecano AG were drawn up in accordance with Swiss GAAP FER 31 "Complementary recommendation for listed companies" and comply with Swiss law. Until 31 December 2018, Phoenix Mecano AG prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS). For better comparability, the previous year's statements have been adjusted to Swiss GAAP FER.

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 2019, 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, securities, investments <20%, receivables and liabilities from derivative financial instruments and contingent purchase price payments from acquisitions (receivables and liabilities) are measured at fair value. The consolidated statement of income was drawn up using the total cost method.

Adjustments linked to the first-time application of Swiss GAAP FER

As announced in the press release of 24 May 2019, the Board of Directors has decided to switch its accounting from IFRS to Swiss GAAP FER with retroactive effect from 1 January 2019 due to the increasing complexity of the detailed rules and disclosure requirements under IFRS. The 2019 consolidated financial statements are the first to be prepared in accordance with the provisions of Swiss GAAP FER. The accounting and valuation principles used to prepare and present the consolidated financial statements as at 31 December 2019 differ from those used for the IFRS-based 2018 consolidated financial statements in the following respects:

- Goodwill from acquisitions is directly offset (netted) against equity at the date of acquisition, as permitted by Swiss GAAP FER 30. Under IFRS, the goodwill was capitalised and not amortised but tested annually for impairment. Under IFRS, all identifiable intangible assets such as customer base, know-how and trademark rights were also measured at acquisition and recognised separately. According to the new goodwill accounting principles under Swiss GAAP FER, any unrecognised intangible assets are not separated at acquisition but instead allocated to goodwill. Under Swiss GAAP FER, when a Group company is sold, acquired goodwill previously offset against equity is recognised at the original acquisition cost in order to determine the effect on income, which results in different profits or losses compared to IFRS.
- For the Group's Swiss pension plans, an economic benefit or an economic obligation is determined in accordance with Swiss GAAP FER 16, based on the financial statements drawn up by the pension institution in accordance with Swiss GAAP FER 26. Under Swiss GAAP FER, employer contribution reserves are capitalised. Under IFRS, these pension plans were calculated and accounted for using the projected unit credit method. The economic impact of German pension plans will continue to be calculated using the projected unit credit method. The revaluation of pension plans in Germany is now fully accounted for in the statement

of income under Personnel expenses and no longer partly in other comprehensive income, as was the case under IFRS.
- Revaluations from purchase price liabilities from acquisitions (call/put options) or other purchase price liabilities were previously recognised in the financial result as income/expense under IFRS 3. Under Swiss GAAP FER, these adjustments are made in equity via goodwill, without affecting income.
- Cumulative translation differences in equity were offset against retained earnings at the changeover date of 1 January 2018. Under IFRS, in the event of loss of control of a Group company, translation differences in equity were reclassified to the financial result as income/expense. Under Swiss GAAP FER, such translation differences remain in equity.
- The aforementioned valuation and accounting adjustments have implications for deferred income taxes. These have been taken into account in the balance sheet and statement of income.

The presentation and structure of the balance sheet, statement of income, statement of changes in equity and statement of cash flow have been adjusted to the requirements of Swiss GAAP FER. The statement of comprehensive income is not required under Swiss GAAP FER and will therefore be discontinued.

The prior period has been adjusted accordingly to facilitate comparison with the current financial period (restatement).

The effects of the adjustments on equity and the result of the period are shown in the following tables:

in 1 000 EUR	01.01.2018	31.12.2018
ADJUSTMENT EFFECTS ON EQUITY		
Equity according to IFRS	**269 369**	**285 007**
Offsetting of goodwill from acquisitions	– 13 512	– 13 432
Offsetting of acquired intangible assets for customer base, know-how and brands	– 22 368	– 15 623
Adjustment of pension obligations	7 570	9 797
Deferred tax assets/liabilities	3 847	2 259
Equity according to Swiss GAAP FER	**244 906**	**268 008**

ADJUSTMENT EFFECTS ON RESULT OF THE PERIOD	January to December 2018
Result of the period according to IFRS	**32 268**
Adjustment of gain on the sale of Group companies	– 937
Adjustment of amortisation of acquired intangible assets for customer base, know-how and brands	5 555
Adjustment of impairment loss on acquired intangible assets for customer base, know-how and brands	511
Adjustment of personnel expenses	399
Financial result	– 228
Deferred income tax	– 1 459
Result of the period according to Swiss GAAP FER	**36 109**

Compared with the published 2019 interim financial statements, there have been some minor changes in the adjustment effects and balance sheet items. Equity decreased from EUR 268.2 million to EUR 268.0 million as at 31 December 2018 and from EUR 245.5 million to EUR 244.9 million as at 1 January 2018.

Adjustment due to change in Phoenix Mecano AG's functional currency

As of 1 January 2019, Phoenix Mecano AG's functional currency was changed to the euro, bringing it into line with the Group currency.

Application of new accounting standards

The Accounting and Reporting Recommendations (Swiss GAAP FER) did not change during the reporting year.

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 equity and result generated as well as by any dividends or impairment.

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 in the statement of income. In the context of acquisitions, potentially existing intangible assets such as customer base, know-how or brands, which have not yet been capitalised by the acquired company, are not recognised separately upon initial consolidation, but remain as part of goodwill. The goodwill arising from a company acquisition is offset directly against equity. 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. In the event of a negative difference, the remaining surplus is offset against equity without affecting income, following a further measurement of the fair value of the net assets taken over. When a part of the business is sold, the goodwill previously offset against equity must be taken into account at the original cost. The effects of a theoretical capitalisation and amortisation of goodwill are disclosed as a shadow statement in the notes to the consolidated financial statements.

If the Phoenix Mecano Group offers a minority shareholder a put option on the remaining minority interest, resulting in a de facto obligation to buy, this option is recognised as a 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 purchase price liability. Subsequent adjustments to such purchase price liabilities are recognised in equity. Deferred purchase price payments are recognised in the statement of cash flow as cash flow from financing activities.

In the case of step acquisitions, when the Phoenix Mecano Group obtains control, the fair value of the investment is determined at the time of the change of control and any difference between this fair value and the share of equity due to the prior accounting under the equity method is recognised in equity.

Currency conversion

Owing to the great importance of the euro to the Group – a substantial proportion 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, including explosion-proof enclosures as well as membrane keypads and touch systems)

- **Mechanical Components** (aluminium profiles, pipe connection systems, conveyor components, linear units, electric cylinders, lifting columns as well as linear drives and drive systems including fittings technology for industry and electrically adjustable furniture for the home and hospital care sector)

– **ELCOM / EMS** (switches, plug connectors, inductive components, transformers, instrument transformers, backplanes, customised industrial computer systems, power supplies as well as circuit board equipment and 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. Segment 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 consolidated financial statements prepared in accordance with Swiss GAAP FER, except for the presentation of sales.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, in bank and in postal accounts. They also include fixed deposits with a term not exceeding three months from the balance sheet date.

Trade receivables and other receivables

Receivables are initially recognised at transaction price. Phoenix Mecano holds receivables with the aim of collecting the contractual cash flows and subsequently measures the receivables 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 based on expected bad debt losses for the group of receivables in question. The flat-rate value adjustments 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.

Inventories

Inventories are reported at acquisition or production cost, which must not exceed the net realisable 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 turnover and coverage.

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	4–15 years

Leased assets

In general, lease contracts are reported as finance leases if:

- at the signing date of the contract, the present value of the lease payments including a possible final payment approximates the acquisition cost or the market value of the leased asset, or
- the expected lease term does not differ substantially from the economic useful life of the leased asset, or
- the leased asset will become the property of the lessee at the end of the lease term, or
- a possible final payment at the end of the lease term is substantially below its respective current market value.

They are measured at the lower of the present value of the minimum lease payments and the fair value. The corresponding financial leasing commitments are posted as liabilities. The lease payments are divided up into interest and repayment sums in accordance with the annuity method. The leased assets are depreciated over the shorter of the estimated useful life and the lease term. Operating lease payments are expensed directly to the statement of income on a straight-line basis over the lease term.

Intangible assets

Capitalised development costs

Development services for new products, which satisfy the criteria for capitalisation specified by Swiss GAAP FER 10 (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.

Impairment losses

Intangible and tangible assets as well as goodwill (in the shadow statement) are consistently checked for impairment if there are indications to suggest that this has taken place. The recoverable amount (the higher of the net selling price less costs to sell and the value in use) of the asset or cash-generating unit is estimated and an adjustment to the previous book value (carrying amount) is made in the statement of income in the case of intangible and tangible assets and in the shadow statement in the case of goodwill, provided the book value exceeds the recoverable amount. 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 in the shadow statement) 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

Investments under 20% and long-term loans to associated companies and third parties contained in Other financial assets are initially recognised at acquisition cost, taking account of any reductions in value (impairment) through corresponding devaluations in the statement of income.

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).

Trade payables and other liabilities

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

Derivative financial instruments

All derivative financial instruments are measured at fair value in accordance with Swiss GAAP FER 27 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. The Group hedges interest and currency risks as part of its risk policy, but these operations are not treated as derivatives for hedging purposes. Changes in the market value of derivative financial instruments used in this way are recognised directly in the financial result as income/expense.

Financial liabilities

Financial liabilities are stated at their nominal value. Any discrepancy between the disbursement amount and the repayable amount is capitalised and amortised over the term using the effective interest method and recognised in the statement of income. 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. They also include anticipated warranty claims arising from service provision.

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. These provisions are determined 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 Phoenix Mecano Group has a number of pension plans worldwide. These plans are normally financed through contributions from employees and the relevant subsidiaries. The economic impact of employee pension plans is assessed annually. Any surpluses or deficits are determined on the basis of the financial statements of the respective pension institutions, which are drawn up based on Swiss GAAP FER 26 (Swiss plans) or accepted methods in other countries (non-Swiss plans). In the case of Swiss plans, an economic benefit is recognised as an asset if it is permitted and intended to use the pension institution's surplus for the future pension expense of the company. Where freely available employer contribution reserves exist, these are also recognised as assets. An economic obligation is recognised as a liability if the conditions for establishing a provision are met. Changes to the economic benefit or economic obligation, as well as the contributions for the period, are recognised in the statement of income under Personnel expenses.

Equity

Equity is divided up into Phoenix Mecano AG's share capital (consisting of bearer shares), treasury shares, retained earnings, 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.

Revenue recognition

Sales are measured at the amount to which Phoenix Mecano expects to be entitled. They include the sale of goods and, to a limited extent, services in the course of the Group's ordinary activities. Gross and net sales are recognised net of value added tax and credit notes, as well as of discounts and rebates in the case of net sales. Sales of products and services are recognised following the transfer of control to the customer (usually upon the transfer of significant risks and rewards). This is determined by the specific contract terms (Incoterms). Phoenix Mecano normally fulfils its performance obligation upon delivery.

Value adjustments on recognised receivables are not recognised as adjustments to sales but as other operating expenses.

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. In such cases, the corresponding income taxes are also recognised directly in equity.

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

Deferred taxes are calculated on temporary differences between the values in the tax accounts and the consolidated financial statements in accordance with the balance sheet liability method. No deferred taxes on the valuation differences upon initial recognition of goodwill or on investments in subsidiary companies and purchase price liabilities from 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.

Key figures not defined by Swiss GAAP FER

The operating result corresponds to the earnings before taxes plus financial result and share in the profit/loss of associated companies.

The operating cash flow corresponds to the operating result plus depreciation on tangible assets, amortisation of intangible assets and impairment losses or reversal of impairment losses on tangible and intangible assets (see note 36).

The free cash flow comprises the cash flow from operating activities and the cash flow from investments and disinvestments in tangible and intangible assets (see note 37).

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:

Inventories

An international 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 and some inventory items are customised, leading to increased storage risks. On the basis of appropriate inventory turnover and coverage analyses, assessments of recoverability and impairment are carried out. For the book values of inventories, see note 6.

Tangible and intangible assets (including goodwill)

These are tested for impairment if indicators exist. To ascertain whether impairment applies, the anticipated future cash flow generated by the use or the potential disposal of the assets in question is estimated. The latter is associated with a wide range of uncertainties, especially in the case of company property in unfavourable locations or product-specific manufacturing plants and tools as well as intangible assets. Estimates are also necessary when determining the discount rate to be applied. For the book values of tangible and intangible assets, see notes 7 and 8.

Financial liabilities
To determine the 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.

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. For the book values of provisions, see note 13.

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 2019

1 Currency exchange rates

Euro for	Balance Sheet 2019	Balance Sheet 2018	Statements of income and cash flow 2019	Statements of income and cash flow 2018
1 CHF	0.921	0.887	0.899	0.866
1 GBP	1.175	1.118	1.141	1.130
1 USD	0.890	0.873	0.893	0.847
100 HUF	0.303	0.312	0.308	0.314
1 RON	0.209	0.214	0.211	0.215
1 TND	0.320	0.294	0.305	0.324
1 CNY	0.128	0.127	0.129	0.128
1 INR	0.013	0.013	0.013	0.012

2 Scope of consolidation

In 2019 and 2018 the scope of consolidation changed as follows:

Date	Company	Change	Division
2019			
31.12.19	PM International B.V.	Merger with Phoenix Mecano B.V. (formerly PM Komponenten B.V.)	Reconciliation
06.12.19	I2 Mechanical and Electrical Co. Ltd.	Liquidation	Mechanical Components
28.08.19	Phoenix Mecano Finance Ltd.	Liquidation	Reconciliation
01.08.19	CRE Rösler Electronic GmbH	Acquisition	Enclosures
01.04.19	Haining My Home Mechanism Co. Ltd.	Acquisition	Mechanical Components
2018			
19.09.18	Phoenix Mecano Saudi Arabia LLC	Foundation	Enclosures
31.05.18	Wijdeven Inductive Solutions B.V.	Sale	ELCOM/EMS
31.05.18	Wijdeven Power Holding B.V.	Sale	ELCOM/EMS
01.01.18	Aton Lichttechnik GmbH	Merger with Phoenix Mecano Digital Elektronik GmbH	ELCOM/EMS

The following companies were fully consolidated as at 31 December 2019:

SCOPE OF CONSOLIDATION

Company	Head office
Phoenix Mecano AG	Stein am Rhein, Switzerland
Phoenix Mecano Management AG	Kloten, Switzerland
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland
Rose Systemtechnik GmbH	Porta Westfalica, Germany
CRE Rösler Electronic GmbH	Hohenlockstedt, Germany
Bopla Gehäuse Systeme GmbH	Bünde, Germany
Kundisch GmbH & Co. KG	Villingen-Schwenningen, Germany
HPC Sekure GmbH	Wessling, Germany
Hartmann Codier GmbH	Baiersdorf, Germany
PTR Hartmann GmbH	Werne, Germany
Redur GmbH + Co. KG	Niederzier, Germany
ismet GmbH	Villingen-Schwenningen, Germany
Hartmann Electronic GmbH	Stuttgart, Germany
Wiener Power Electronics GmbH	Burscheid, Germany
Phoenix Mecano Digital Elektronik GmbH	Wutha-Farnroda, Germany
RK Rose + Krieger GmbH	Minden, Germany
RK System- & Lineartechnik GmbH	Salem-Neufrach, Germany
RK Schmidt Systemtechnik GmbH	St. Wendel, Germany
DewertOkin GmbH	Kirchlengern, Germany
IFINA Beteiligungsgesellschaft mbH	Porta Westfalica, Germany
Götz Udo Hartmann GmbH	Niederzier, Germany
Kundisch Beteiligungs-GmbH	Villingen-Schwenningen, Germany
Phoenix Mecano S.à.r.l.	Fontenay-sous-Bois, Cedex, France
Phoenix Mecano Ltd.	Aylesbury, UK
Integrated Furniture Technologies Ltd.	Aylesbury, UK
Phoenix Mecano AB	Ingelstad, Sweden
Phoenix Mecano ApS	Odense, Denmark
Phoenix Mecano S.r.l.	Inzago, Milano, Italy
Sistemas Phoenix Mecano España S.A.	Zaragoza, Spain
Phoenix Mecano B.V. (formerly PM Komponenten B.V.)	Doetinchem, The Netherlands
PM Special Measuring Systems B.V.	Enschede, The Netherlands

Activity	Currency	Registered capital in 1 000	2019 Stake in %	2018 Stake in %
Finance	CHF	961	n/a	n/a
Finance	CHF	50	100	100
Finance	CHF	250	100	100
Purchasing	CHF	100	100	100
Production / Sales	CHF	2 000	100	100
Production / Sales	EUR	1 053	100	100
Production / Sales	EUR	26	100	–
Production / Sales	EUR	750	100	100
Production / Sales	EUR	300	100	100
Sales	EUR	500	100	100
Production / Sales	EUR	300	100	100
Production / Sales	EUR	100	100	100
Production / Sales	EUR	300	100	100
Production / Sales	EUR	512	100	100
Production / Sales	EUR	222	100	100
Production / Sales	EUR	51	100	100
Production / Sales	EUR	350	100	100
Production / Sales	EUR	496	100	100
Production / Sales	EUR	250	100	100
Production / Sales	EUR	500	100	100
Production / Sales	EUR	1 000	100	100
Finance	EUR	4 000	100	100
Finance	EUR	26	100	100
Finance	EUR	26	100	100
Sales	EUR	620	100	100
Sales	GBP	300	100	100
Development	GBP	1	100	100
Sales	SEK	100	100	100
Sales	DKK	125	100	100
Sales	EUR	300	100	100
Sales	EUR	60	90	90
Sales	EUR	1 000	100	100
Production / Sales	EUR	18	100	100

SCOPE OF CONSOLIDATION

Company	Head office
Phoenix Mecano NV (formerly PM Komponenten N.V.)	Deinze, Belgium
Phoenix Mecano Kecskemét KFT	Kecskemét, Hungary
Phoenix Mecano Kecskemét Research and Development KFT	Kecskemét, Hungary
Phoenix Mecano Plastic S.r.l.	Sibiu, Romania
ismet transformatory s.r.o.	Beharovice, Czech Republic
Phoenix Mecano OOO	Moskau, Russia
Phoenix Mecano Inc.	Frederick, USA
WIENER, Plein & Baus Corp.	Springfield, USA
OKIN America Inc.	Shannon, USA
Orion Technologies LLC	Orlando, USA
Tefelen LLC	Frederick, USA
Phoenix Mecano Comercial e Tecnica Ltda.	Barueri, Brazil
Phoenix Mecano Holding Ltda.	Barueri, Brazil
Phoenix Mecano America Latina S.A.	Montevideo, Uruguay
Phoenix Mecano S. E. Asia Pte Ltd.	Singapore
Phoenix Mecano Korea Co. Ltd.	Busan, South Korea
Phoenix Mecano (India) Pvt. Ltd.	Pune, India
Phoenix Mecano Saudi Arabia LLC	Dammam, Saudi Arabia
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China
Shenzhen Elcom Co., Ltd.	Lechang, China
DewertOkin Technology Group Co., Ltd. (formerly OKIN Refined Electric Technology Co., Ltd.)	Jiaxing, China
Haining My Home Mechanism Co. Ltd.	Haining, China
Phoenix Mecano Components (Taicang) Co., Ltd.	Taicang, China
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China
Bond Tact Industrial Limited	Hong Kong, China
Bond Tact Hardware (Dongguan) Company Limited	Dongguan, China
Phoenix Mecano Mazaka A.S.	Ankara, Turkey
Rose Systemtechnik Middle East (FZE)	Sharjah, U.A.E.
Phoenix Mecano Australia Pty. Ltd.	Tullamarine Victoria, Australia
Phoenix Mecano Hartu S.à.r.l. in liquidation	Ben Arous, Tunesia
Phoenix Mecano ELCOM S.à.r.l.	Zaghouan, Tunesia
Phoenix Mecano Digital Tunisie S.à.r.l.	Borj-Cedria, Tunesia
Phoenix Mecano Maroc S.à.r.l.	Tétouan, Morocco

Activity	Currency	Registered capital in 1 000	2019 Stake in %	2018 Stake in %
Sales	EUR	100	100	100
Production / Sales	EUR	62 000	100	100
Development	EUR	502	100	100
Production	EUR	750	100	100
Production	CZK	200	100	100
Sales	RUB	21 300	100	100
Production / Sales	USD	10 000	100	100
Sales	USD	100	100	100
Production / Sales	USD	10	100	100
Production / Sales	USD	33	90	90
Production / Sales	USD	300	51	51
Sales	BRL	10 176	100	100
Finance	BRL	1 062	100	100
Sales	UYU	200	100	100
Sales	SGD	1 000	100	100
Sales	KRW	370 000	100	100
Production / Sales	INR	299 452	100	100
Sales	SAR	2 000	100	100
Production / Sales	USD	3 925	100	100
Production / Sales	CNY	40 000	100	100
Production / Sales	CNY	100 000	100	100
Production / Sales	CNY	3 100	100	–
Production / Sales	USD	10 000	100	100
Finance / Sales	EUR	10 000	100	100
Finance	HKD	500	100	100
Production / Sales	HKD	58 000	100	100
Sales	TRY	430	91	91
Sales	AED	150	100	100
Sales	AUD	204	70	70
Production	TND	2 500	100	100
Production	TND	1 800	100	100
Production	TND	100	100	100
Production	MAD	34 000	100	100

3 Cash and cash equivalents

in 1 000 EUR	2019	2018
MEANS OF PAYMENT		
Cash at bank and in postal accounts	54 406	47 722
Cash on hand	152	149
Total	**54 558**	**47 871**
OTHER CASH AND CASH EQUIVALENTS		
Fixed-term deposits (up to 3 months)	5 494	5 373
Balance sheet value	**60 052**	**53 244**
INTEREST RATES IN %		
CHF	0.0	0.0
EUR	0.0	0.0
USD	0.0	0.1
HUF	0.0	0.0
CNY	0.4	0.4

No losses are expected on cash and cash equivalents, so no value adjustments have been made.

4 Trade receivables

in 1 000 EUR	2019	2018
Trade receivables	117 595	94 921
Receivables due from associated companies	162	175
Value adjustments	–4 188	–4 216
Balance sheet value	**113 569**	**90 880**
REGIONAL BREAKDOWN OF TRADE RECEIVABLES		
Switzerland	2 260	2 014
Germany	12 826	13 162
UK	1 907	1 915
France	3 084	2 928
Italy	2 271	3 670
The Netherlands	1 795	2 148
Rest of Europe	11 311	11 807
North and South America	19 580	9 768
Middle and Far East	58 535	43 468
Balance sheet value	**113 569**	**90 880**

in 1 000 EUR	2019	2018
UPDATE OF VALUE ADJUSTMENT ON TRADE RECEIVABLES		
Individual value adjustments		
As at 1 January	834	1 016
Change	13	–182
As at 31 December	847	834
Flat-rate value adjustments		
As at 1 January	3 382	2 322
Change	–41	1 060
As at 31 December	3 341	3 382
Total	**4 188**	**4 216**

Trade receivables totalling EUR 0.6 million (previous year EUR 0.6 million) have been derecognised.

	2019		2018	
in 1 000 EUR	Gross	Value adjustment	Gross	Value adjustment
AGING ANALYSIS OF TRADE RECEIVABLES NOT SUBJECT TO INDIVIDUAL VALUE ADJUSTMENTS				
Gross values	117 757		95 096	
Gross value of receivables subject to individual value adjustments	–862		–855	
Total	**116 895**		**94 241**	
of which:				
Not due	89 328	312	72 466	265
Overdue for 1–30 days	18 873	436	15 185	165
Overdue for 31–60 days	2 914	136	1 592	77
Overdue for 61–90 days	574	81	607	63
Overdue for 91–180 days	575	287	958	587
Overdue for more than 180 days	4 631	2 089	3 433	2 225
Total	**116 895**	**3 341**	**94 241**	**3 382**

Impairment is determined on the basis of expected credit losses corresponding to the present value of the defaults expected over the anticipated remaining life of the financial assets. As well as historical customer default rates, Phoenix Mecano also draws on forward-looking information and classifies groups of receivables by region. Securities and potential offsetting against liabilities totalling around EUR 2.5 million are taken into account in the overdue receivables.

The individual value-adjusted receivables relate mainly to debtors who are involved in bankruptcy proceedings or have been directed to a collection agency.

The largest single receivable from a customer as at the balance sheet date of 31 December 2019 was EUR 14.7 million (previous year EUR 13.2 million). It is not due.

The average payment term was 60 days (previous year 58 days).

5 Other receivables

in 1 000 EUR	2019	2018
Tax receivables from VAT and other taxes	3 996	4 475
Current portion of long-term financial assets	331	677
Financial receivables	359	534
Advance payments for inventories	3 879	1 870
Other	1 545	1 754
Balance sheet value	**10 110**	**9 310**

6 Inventories

in 1 000 EUR	2019	2018
Raw and ancillary materials	95 076	98 081
Work in progress	8 862	6 860
Finished goods and merchandise for resale	65 165	62 575
Value adjustments	– 21 057	– 19 003
Balance sheet value	**148 046**	**148 513**

The value adjustments were determined based on marketability and range of the stocks. Changes in value adjustments and losses on inventories totalling EUR 4.5 million (previous year EUR 2.9 million) are included in the statement of income under Other operating expenses (see note 31).

Other than the usual reservations of title applied in typical business operations, no stocks had liens on them as at 31 December 2019 and 2018.

7 Tangible assets

in 1 000 EUR	Note No.	Investment properties	Land and buildings	Machinery and equipment	Construction in progress	Total
Acquisition costs 31 December 2017		**431**	**135 841**	**229 261**	**4 210**	**369 743**
Disposals of companies included in consolidation	39		–109	–299		–408
Translation differences		–48	441	2	–22	373
Additions			2 133	13 868	6 380	22 381
Disposals			–1 295	–9 985	–205	–11 485
Reclassification			339	3 076	–3 415	0
Acquisition costs 31 December 2018		**383**	**137 350**	**235 923**	**6 948**	**380 604**
Accumulated depreciation 31 December 2017		**158**	**63 764**	**178 207**	**0**	**242 129**
Disposals of companies included in consolidation	39		–42	–175		–217
Translation differences		–18	431	151		564
Depreciation		8	4 013	14 640		18 661
Impairment losses				263		263
Disposals			–1 236	–9 685		–10 921
Reclassification			39	–39		0
Accumulated depreciation 31 December 2018		**148**	**66 969**	**183 362**	**0**	**250 479**
Net values 1 January 2018		**273**	**72 077**	**51 054**	**4 210**	**127 614**
Net values 31 December 2018		**235**	**70 381**	**52 561**	**6 948**	**130 125**
Acquisition costs 31 December 2018		**383**	**137 350**	**235 923**	**6 948**	**380 604**
Additions of companies included in consolidation	38		979	2 206	1 055	4 240
Translation differences		–7	627	551	–29	1 142
Additions			1 427	14 299	7 600	23 326
Disposals			–83	–8 864	–174	–9 121
Reclassification		–251	2 932	4 821	–7 502	0
Acquisition costs 31 December 2019		**125**	**143 232**	**248 936**	**7 898**	**400 191**
Accumulated depreciation 31 December 2018		**148**	**66 969**	**183 362**	**0**	**250 479**
Translation differences		–3	406	424		827
Depreciation		3	4 234	15 601		19 838
Impairment losses			88	1 003		1 091
Disposals			–80	–8 405		–8 485
Reclassification		–97	97			0
Accumulated depreciation 31 December 2019		**51**	**71 714**	**191 985**	**0**	**263 750**
Net values 31 December 2019		**74**	**71 518**	**56 951**	**7 898**	**136 441**

Land and buildings is divided into developed and undeveloped land and land use rights in China with a book value of EUR 13.5 million (previous year EUR 13.4 million) and factory and administration buildings with a balance sheet value of EUR 58.0 million (previous year EUR 57.0 million).

The fire insurance value of the tangible assets amounted to EUR 386.3 million on the balance sheet date, compared with EUR 356.9 million the previous year.

Land and buildings with a book value of EUR 6.5 million (previous year EUR 8.8 million) were mortgaged to cover debts. The amount of the corresponding credit taken up totalled EUR 4.9 million (previous year EUR 5.7 million).

Tangible assets with a balance sheet value of EUR 0.005 million (previous year EUR 0.002 million) were subject to reservation of title on the balance sheet date.

Write-downs of buildings (leasehold improvements), machinery and tools (previous year machinery and tools) were performed in the reporting year within the framework of the impairment tests on cash-generating units (CGUs) and assets at the balance sheet date. For these write-downs, the present value (value in use) was used as a basis for the valuation.

The breakdown by division of impairment losses and reversals of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on tangible assets of EUR 1.1 million (previous year EUR 0.3 million) are included under Impairment losses on intangible and tangible assets.

The fair value of the investment property in Brazil is EUR 0.9 million (previous year EUR 0.9 million). The decrease in the net carrying amount of the investment property is due to the property being partly used in-house from 2019. The fair value was calculated using an income value method. The rental income of the investment properties is EUR 0.03 million and their direct operating expenses are EUR 0.01 million.

8 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 2017		**12 588**	**37 995**	**1 645**	**52 228**
Disposals of companies included in consolidation	39				0
Translation differences		28	164		192
Additions		534	1 593	1 088	3 215
Disposals		–1 394	–6 440	–27	–7 861
Reclassification		776		–776	0
Acquisition costs 31 December 2018		**12 532**	**33 312**	**1 930**	**47 774**
Accumulated amortisation 31 December 2017		**10 575**	**32 625**	**0**	**43 200**
Disposals of companies included in consolidation	39				0
Translation differences		6	59		65
Amortisation		1 280	2 358		3 638
Impairment losses		106			106
Reversal of impairment losses					0
Disposals		–1 394	–6 440		–7 834
Reclassification					0
Accumulated amortisation 31 December 2018		**10 573**	**28 602**	**0**	**39 175**
Net values 1 January 2018		**2 013**	**5 370**	**1 645**	**9 028**
Net values 31 December 2018		**1 959**	**4 710**	**1 930**	**8 599**
Acquisition costs 31 December 2018		**12 532**	**33 312**	**1 930**	**47 774**
Additions of companies included in consolidation	38		19		19
Translation differences		31	192		223
Additions		255	1 768	793	2 816
Disposals			–833		–833
Reclassification		1 475		–1 475	0
Acquisition costs 31 December 2019		**14 293**	**34 458**	**1 248**	**49 999**
Accumulated amortisation 31 December 2018		**10 573**	**28 602**	**0**	**39 175**
Translation differences		10	134		144
Amortisation		671	2 398		3 069
Impairment losses		1 496			1 496
Reversal of impairment losses		–9			–9
Disposals			–800		–800
Reclassification					0
Accumulated amortisation 31 December 2019		**12 741**	**30 334**	**0**	**43 075**
Net values 31 December 2019		**1 552**	**4 124**	**1 248**	**6 924**

Concessions, licences, similar rights and assets includes primarily software licences and distribution rights and other intangible rights and assets paid for.

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

Within the framework of the impairment tests on CGUs and assets at the balance sheet date, write-downs of EUR 1.5 million (previous year EUR 0.1 million) were performed on capitalised development projects in the Mechanical Components division, because these business activities had not developed as originally planned. A pre-tax discount rate (WACC) of 10.5% (previous year 10.0%) was applied to determine the present value (value in use).

The breakdown by division of impairment losses and reversal of impairment losses is clear from the segment information provided. In the statement of income, impairment losses on intangible assets in the reporting year of EUR 1.5 million (previous year EUR 0.1 million) are included under Impairment losses/Reversal of impairment losses on tangible and intangible assets.

9 Investments in associated companies

in 1 000 EUR	Investment in %	2019	2018
UPDATE OF INVESTMENT IN ASSOCIATED COMPANIES			
AVS Phoenix Mecano GmbH, Vienna (A)	50		
As at 1 January		**1 928**	**3 452**
Capital increases		0	250
Disposals (proceeds of sales)		– 1 550	0
Disposals (profit/(loss))		145	0
Result		– 1	– 714
Impairment loss		0	– 760
Dividends paid		– 150	– 150
Translation differences		150	– 150
As at 31 December		**522**	**1 928**

Phoenix Mecano products are sold in Austria through the joint venture AVS-Phoenix Mecano GmbH (A).

On 5 July 2019, the Phoenix Mecano Group sold its 20% stake in Electroshield-C (RU) for EUR 1.55 million. In the previous year, a write-down of EUR 0.8 million was performed on this investment due to the uncertainties surrounding the sale (see note 33). In 2019, there was a gain of EUR 0.3 million from the sale of the shares (see note 32).

On 12 December 2019, the Phoenix Mecano Group sold its 50% stake in Tefelen Preissinger GmbH (D) for the price of EUR 1. This sale resulted in a loss of EUR 0.1 million (see note 33). At the balance sheet date in the reporting year, there was a loan from a Group company to Tefelen Preissinger GmbH for a gross amount of EUR 0.3 million (previous year EUR 1.0 million), guaranteed by the share buyers. The remaining, value-adjusted loans were derecognised in connection with the sale (see note 10).

Total purchases of goods from Group companies amounted to EUR 3.5 million (previous year EUR 3.9 million) for all investments in associated companies and sales of goods to Group companies totalled EUR 0.003 million (previous year EUR 0.02 million).

The result of the period for all investments in associated companies in 2019 totalled EUR –0.0 million (previous year EUR –0.7 million).

10 Other financial assets

in 1 000 EUR	Note No.	2019	2018
Other loans		635	1 014
Investments (under 20%)		12	12
Balance sheet value		**647**	**1 026**
INTEREST RATES (LOANS)			
EUR		3.3%	2.9%
CNY		–	4.0%
UPDATE OF VALUE ADJUSTMENT ON OTHER FINANCIAL ASSETS			
As at 1 January		**260**	**432**
Release of value adjustment (inflow of funds)	32	0	–129
Release of value adjustment (disposal)		–1 040	–303
Allocation of value adjustment	33	780	260
As at 31 December		**0**	**260**

The allocation of the value adjustment of EUR 0.8 million in 2019 and EUR 0.3 million in the previous year concerns loans to Tefelen Preissinger GmbH (D) (see note 9).

The loans are fixed rate.

11 Financial liabilities

in 1 000 EUR	2019 Short-term	2019 Long-term	2019 Total	2018 Short-term	2018 Long-term	2018 Total
Liabilities to financial institutions	32 458	14 910	47 368	15 282	21 178	36 460
Promissory note loans		77 015	77 015		46 786	46 786
Purchase price liabilities from acquisitions	3 330	17 177	20 507		1 369	1 369
Other financial liabilities	654	2 646	3 300	88	3 077	3 165
Present value of leasing commitments			0	43		43
Balance sheet value	**36 442**	**111 748**	**148 190**	**15 413**	**72 410**	**87 823**
BY MATURITY						
in < 1 year	36 442		36 442	15 413		15 413
in 1–2 years		12 293	12 293		10 195	10 195
in 2–3 years		64 718	64 718		9 414	9 414
in 3–4 years		4 064	4 064		48 744	48 744
in 4–5 years		30 526	30 526		4 013	4 013
in > 5 years		147	147		44	44
Balance sheet value	**36 442**	**111 748**	**148 190**	**15 413**	**72 410**	**87 823**

	2019 in 1 000 EUR	2019 in %	2019 Interest rate in %	2018 in 1 000 EUR	2018 in %	2018 Interest rate in %
BY CURRENCY						
CHF	10 592	7.1	1.1	11 310	12.9	1.1
EUR	79 743	53.8	0.9	52 378	59.6	0.9
USD	45 698	30.8	3.2	21 716	24.7	3.9
CNY	12 109	8.2	4.5	2 206	2.5	5.2
Other currencies	48	0.1	12.0	213	0.3	8.7
Balance sheet value	**148 190**	**100**	**–**	**87 823**	**100**	**–**

RECONCILIATION OF FINANCIAL LIABILITIES 2019	**2018**	**Cash items**	**Non-cash items**			**2019**
in 1 000 EUR			Change in scope of consolidation	Currency differences	Change in fair value	
Long-term liabilities to financial institutions	21 178	–6 711		443		14 910
Short-term liabilities to financial institutions	15 282	14 152	2 927	97		32 458
Promissory note loans	46 786	30 000		229		77 015
Purchase price liabilities from acquisitions	1 369	–14 310	28 554	–180	5 074	20 507
Other financial liabilities	3 165	–721	843	13		3 300
Present value of leasing commitments	43	–43		–		0
Balance sheet value	**87 823**	**22 367**	**32 324**	**602**	**5 074**	**148 190**

RECONCILIATION OF FINANCIAL LIABILITIES 2018	**2017**	**Cash items**	**Non-cash items**		**2018**
in 1 000 EUR			Currency differences	Change in fair value	
Long-term liabilities to financial institutions	17 151	3 473	554		21 178
Short-term liabilities to financial institutions	22 538	–7 577	321		15 282
Promissory note loans	46 192		594		46 786
Purchase price liabilities from acquisitions	4 118	–2 372	30	–407	1 369
Other financial liabilities	3 157	–12	20		3 165
Present value of leasing commitments	95	–53	1		43
Balance sheet value	**93 251**	**–6 541**	**1 520**	**–407**	**87 823**

On 3 November 2017, a purchase agreement was signed for the acquisition of the remaining 25% interests in Phoenix Mecano S.E. Asia Pte. Ltd. and Phoenix Mecano Korea Co. Ltd. An equivalent purchase price liability was set aside for the expected purchase price in 2017. In 2018, the payment of the first instalment took place and the purchase price liability was adjusted to the fair value, and in 2019 a further adjustment of the purchase price liability to the fair value was made via equity (see note 20). The remaining purchase price liability is due at the end of the first quarter of 2020.

On 1 April 2019, the Phoenix Mecano Group acquired a majority stake of 80% in Chinese functional fittings specialist Haining My Home Mechanism Co. Ltd., with a call/put option for the remaining 20%. At the end of 2019, the purchase price liability was adjusted to the fair value via equity (see note 38). The call/put option can be exercised after 31 December 2021.

On 1 August 2019, the Phoenix Mecano Group acquired all shares in CRE Rösler Electronic GmbH, Germany, entailing a purchase price liability that falls due in 2022. At the end of 2019, the purchase price liability was adjusted to the fair value via equity (see note 38).

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

On 6 March 2017, the Phoenix Mecano Group took out five-year promissory note loans (Schuldscheindarlehen) for EUR 35 million at a fixed interest rate and USD 13.5 million at a variable interest rate. On 18 November 2019, the Phoenix Mecano Group took out another promissory note loan for EUR 30 million with a fixed interest rate and a term of five years.

For the securing of long-term financial liabilities to financial institutions by mortgage, see note 7.

The promissory note loans and long-term liabilities to financial institutions do not include any financial covenants.

12 Derivative financial instruments

in 1 000 EUR	Contract values 2019	Contract values 2018	Receivables due from derivative financial instruments 2019	Receivables due from derivative financial instruments 2018	Liabilities from derivative financial instruments 2019	Liabilities from derivative financial instruments 2018
FORWARD EXCHANGE CONTRACTS BY CURRENCY						
CHF	9 670		41			
USD		900				
HUF	20 380	22 680	55	21	199	264
RON	3 600	6 000			130	138
Total	**33 650**	**29 580**	**96**	**21**	**329**	**402**
FORWARD EXCHANGE CONTRACTS BY MATURITY						
in 1 year			96	21	329	402
Total			**96**	**21**	**329**	**402**
INTEREST RATE CHANGE CONTRACTS BY CURRENCY						
USD	8 900	8 730			285	58
Total	**8 900**	**8 730**	**0**	**0**	**285**	**58**
INTEREST RATE CHANGE CONTRACTS BY MATURITY						
in 1 year					285	58
Total			**0**	**0**	**285**	**58**
NET BALANCE SHEET VALUE BY MATURITY						
Total short-term			96	21	614	460
Net balance sheet value			**96**	**21**	**614**	**460**

The forward exchange purchases of HUF and RON for EUR were used for partial hedging of the planned operating expenses in local currency in Hungary and Romania. The forward exchange purchase of CHF for EUR in the reporting year was used to hedge Phoenix Mecano AG’s dividend payment in the following year.

In 2017, in connection with the promissory note loan taken out in USD, a cross currency swap of USD 10 million for CHF was performed to fix the interest rate and adjust the payment flows to the functional currency of the reporting company.

13 Provisions

RECONCILIATION OF PROVISIONS 2019 in 1 000 EUR	Provisions for long-term employee benefits	Guarantee provisions	Restructuring provisions	Other provisions	**Total 2019**
Provisions as at 1 January	**4 117**	**3 065**	**0**	**9 800**	**16 982**
Change in scope of consolidation		97		55	152
Translation differences	3	4	–6	5	6
Usage	–733	–1 512	–950	–7 363	–10 558
Releases	–92	–250		–814	–1 156
Allocation	1 222	1 693	8 305	7 505	18 725
Provisions as at 31 December	**4 517**	**3 097**	**7 349**	**9 188**	**24 151**
Due within 1 year	732	2 769	7 343	8 481	19 325
Due after 1 year	3 785	328	6	707	4 826

RECONCILIATION OF PROVISIONS 2018 in 1 000 EUR	Provisions for long-term employee benefits	Guarantee provisions	Other provisions	**Total 2018**
Provisions as at 1 January	**4 057**	**2 858**	**9 551**	**16 466**
Change in scope of consolidation	–27		–275	–302
Translation differences	–6		28	22
Usage	–544	–824	–6 681	–8 049
Releases	–166	–336	–1 134	–1 636
Allocation	803	1 367	8 311	10 481
Provisions as at 31 December	**4 117**	**3 065**	**9 800**	**16 982**
Due within 1 year	645	3 029	8 620	12 294
Due after 1 year	3 472	36	1 180	4 688

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.

The restructuring costs mainly comprise staff costs arising from the announced package of measures to improve performance in the Mechanical Components and ELCOM/EMS divisions. The provision created in this regard during the year was partially used in 2019.

Other provisions include provisions for short-term payments to employees (primarily salary bonuses but also indemnities not related to restructuring measures) totalling EUR 6.4 million (previous year EUR 6.6 million) and provisions of EUR 0.8 million (previous year EUR 1.2 million) to cover the remaining lease term following the closure and resizing of sites in Germany, as well as provisions for litigation risks, impending losses and other conceivable risks from contractual or constructive obligations.

14 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.

Swiss pension plan (defined contribution)

The Group operates an employee pension plan in Switzerland with a BVG-Sammelstiftung (collective foundation), in which the insurance risks are reinsured and the investment risks are borne by the insured (semi-autonomous pension solution). The coverage ratio of this collective foundation was 114% at the end of September 2019.

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

Pension payments are based on retirement savings, to which annual retirement credits and interest are added (negative interest is not possible). Upon retirement, the legal framework provides for the payment of an annuity, with the option 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 pensions and, in the event of death, partner’s and orphan’s pensions and, where applicable, a lump-sum death benefit. 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 and the employee contributions to the risks are determined by the Administrative Board consisting of employer and employee representatives. The employer makes at least 50% of the necessary total 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 2020 it was 1% (2019: 1%).

The terms and conditions of the pension plan applicable in the reporting year and the statutory provisions of the OPA give rise to actuarial risks such as investment risk, interest rate risk, disability risk and longevity risk. The latter two are reinsured by a life insurance company.

The pension assets are invested by the collective foundation itself, in accordance with its investment policy and within the legal framework.

In the event of a deficit, the collective foundation must take appropriate measures, which could include restructuring contributions from employers and employees.

Pension plans in other countries (defined contribution)

The Phoenix Mecano Group also operates pension plans in a number of other countries. 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.

German pension plan (defined benefit)

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 one case, benefits are dependent on the development of salaries for civil servants. Individual plans have separate plan assets. 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 12 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. The changes in pension obligations (excluding benefits paid out) are recognised in Personnel expenses in accordance with Swiss GAAP FER 16.

The financial position regarding pension obligations developed as follows in 2018 and 2019:

ECONOMIC BENEFIT/OBLIGATION AND PENSION EXPENSE	Surplus/deficit	Economic part of the organisation		Change from previous year recognised in statement of income in the financial year	Benefits paid out	Pension expense in personnel expenses	
				Expense/(income)	Inflow/(outflow) of funds	Expense/(income)	Expense/(income)
	2019	**2019**	2018	**2019**	**2019**	**2019**	2018
in 1 000 EUR							
Pension plans without surplus/deficit						737	811
Pension plans with surplus						974	919
Pension plans with deficit	–2 187	–2 187	–1 631	582	–26	556	–105
Pension institution without own assets	–4 132	–4 132	–3 987	369	–224	395	–27
Total	**–6 319**	**–6 319**	**–5 618**	**951**	**–250**	**2 662**	**1 598**

The rise in pension expense in 2019 is mainly due to the increase in pension obligations resulting from the fall in interest rates in Germany.

15 Other liabilities

in 1 000 EUR	2019	2018
Social security liabilities	2 937	1 894
Liabilities to employees	9 892	8 784
Liabilities arising from VAT and other taxes	4 686	5 552
Advance payments on orders	4 859	2 883
Other	2 804	2 427
Balance sheet value	**25 178**	**21 540**

The advance payments relate to contract liabilities for advance payments received from customers. Advance payments are reclassified to trade receivables when the rights become unconditional. This usually happens when the Phoenix Mecano Group issues an invoice to the customer for the products supplied. The amount of EUR 2.9 million shown in Advance payments at the start of the reporting period was recognised as sales revenue in financial year 2019.

16 Deferred tax

in 1 000 EUR	2019	2018
DEFERRED TAX ASSETS ON		
Non-current assets	1 014	951
Inventories	2 840	2 951
Receivables	447	563
Provisions/Pension obligations	3 844	2 162
Other	872	596
Deferred tax assets	**9 017**	**7 223**
Deferred tax on losses carried forward	899	637
Total deferred tax assets	**9 916**	**7 860**
Netting with deferred tax liabilities	–1 944	–2 193
Balance sheet value	**7 972**	**5 667**
DEFERRED TAX LIABILITIES ON		
Non-current assets	–2 924	–2 828
Inventories	–256	–273
Receivables	–45	–112
Provisions/Pension obligations	–58	–76
Other	–41	–82
Total deferred tax liabilities	**–3 324**	**–3 371**
Netting with deferred tax assets	1 944	2 193
Balance sheet value	**–1 380**	**–1 178**
Net position deferred tax	**6 592**	**4 489**
TREND OF DEFERRED TAX		
As at 1 January	**4 489**	**4 791**
Changes of tax rate recognised in the statement of income	–23	–8
Translation differences	32	–50
Change in scope of consolidation	44	0
Change in temporary differences recognised in the statement of income	2 050	–244
As at 31 December	**6 592**	**4 489**

in 1 000 EUR	2019	2018
EXPIRY OF NON-CAPITALISED TAX LOSSES CARRIED FORWARD		
Up to 1 year	749	1 124
1–2 years	1 404	1 093
2–3 years	2 180	1 655
3–4 years	1 739	2 859
4–5 years	5 571	2 177
Over 5 years	61 066	49 645
Total	**72 709**	**58 553**
VALUATION DIFFERENCES ON WHICH NO DEFERRED TAXES WERE CAPITALISED		
Non-current assets	2 344	1 114
Inventories	528	520
Receivables	348	12
Provisions	909	4 323
Other	406	88
Total	**4 535**	**6 057**

Due to uncertainties regarding the usability of tax losses carried forward totalling EUR 72.7 million (previous year EUR 58.5 million), no deferred tax assets were recorded on this amount. Of the tax losses carried forward which expire after five years, EUR 30.6 million (previous year EUR 25.6 million) expire within 20 years. The remaining losses can be carried forward for an indefinite period.

17 Share capital and reserves

The share capital is fully paid up and divided into 960,500 bearer shares (previous year 960,500) with a nominal value of CHF 1.00. The conversion into euro is effected at the exchange rate applying when Phoenix Mecano AG's functional currency was changed from CHF to EUR (1 January 2019, 0.8870). 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 significant shareholders of Phoenix Mecano AG are:

Name in %	Head office	**2019**	2018
Planalto AG [2]	Luxembourg, Luxembourg	34.6[1]	34.6[1]
Tweedy, Browne Company LLC, Stamford, USA [3]	Stamford, USA	8.5[1]	8.5[1]
Tweedy, Browne Global Value Fund [4] (A subdivision of Tweedy, Browne Fund Inc.)	*Stamford, USA*	*7.2[1]*	*7.2[1]*
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	4.9[1]	4.9[1]
Credit Suisse Funds AG	Zurich, Switzerland	3.06[1]	3.06

1 Shareholding not notified in the year indicated.

2 The economic beneficiary and person entitled to exercise voting rights is Gisela Goldkamp. The owner of the underlying rights is Benedikt Goldkamp.

3 Tweedy, Browne Company LLC (TBC) is not an economic beneficiary owner of the shares. TBC has been delegated voting authority pursuant to separate investment advisory agreements. Please note that included in the shares reported with this filing are 68 640 shares held by Tweedy, Browne Global Value Fund, a direct acquirer and economic beneficiary.

4 Pursuant to an investment advisory agreement between Tweedy, Browne Global Value Fund (TBGVF) and TBC, TBGVF has delegated voting authority with respect to 68 640 bearer shares of Phoenix Mecano AG to TBC. TBC is not an economic beneficiary of any of the shares. TBGVF is the sole economic beneficiary of the shares.

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/en/home/publications/significant-shareholders.html

18 Treasury shares

	Number of shares		Acquisition costs	
Number/in 1 000 EUR	**2019**	2018	**2019**	2018
As at 1 January	**1 000**	**1 000**	**385**	**385**
Share purchases	86	0	33	0
Share sales	–86	0	–33	0
As at 31 December	**1 000**	**1 000**	**385**	**385**

19 Minority interest

The minority interests are: in %	**2019**	2018
Tefelen LLC	49	49
Phoenix Mecano Australia Pty. Ltd.	30	30
Sistemas Phoenix Mecano España S.A.	10	10
Orion Technologies LLC	10	10
Phoenix Mecano Mazaka A.S.	9	9

The remaining 15% of shares in Integrated Furniture Technologies Ltd. were acquired on 1 April 2018 at a price of EUR 1. The remaining 45% of shares in I2 Mechanical and Electrical Co. Ltd. were acquired on 10 April 2018 at a price of EUR 1. The differences between the purchase price and the existing minority interest were charged to equity attributable to shareholders of the parent company.

Tefelen LLC was founded in 2017. The Phoenix Mecano Group owns 51% of Tefelen LLC and has committed to contribute USD 3 million to the company's capital reserves by mid-2021. Contributions of USD 2.3 million had been made by the end of 2019.

The Phoenix Mecano Group acquired the majority of the capital in Orion Technologies LLC in 2017. Accordingly, this company was fully consolidated for the first time in 2017 and has since been listed under Minority interest.

These transactions are recognised in the statement of changes in equity.

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

20 Categories of financial instruments

As at 31 December 2019 and 31 December 2018, the book values of financial assets and liabilities (excluding long-term fixed-interest financial liabilities), as shown below, correspond approximately to the fair value as per Swiss GAAP FER.

in 1 000 EUR	Note No.	2019	2018
Cash and cash equivalents (excluding cash on hand)	3	59 900	53 095
Trade receivables	4	113 569	90 880
Other receivables (excluding VAT and other taxes and advance payments for inventories)	5	2 235	2 965
Other financial assets (excluding investments)	10	635	1 014
Assets at amortised cost		**176 339**	**147 954**
Current securities		11	636
Financial assets at fair value outside profit or loss		**11**	**636**
Derivative financial instruments (not used for hedging)	12	96	21
Financial assets at fair value through profit or loss		**96**	**21**
Liabilities from financial leasing	11	0	– 43
Financial liabilities (excluding purchase price liabilities)	11	– 127 683	– 86 411
Trade payables		– 59 421	– 45 737
Other liabilities (excluding social security, employees, VAT and other taxes and advance payments on orders)	15	– 2 804	– 2 427
Liabilities at amortised cost		**– 189 908**	**– 134 618**
Purchase price liabilities from acquisitions	11	– 20 507	– 1 369
Derivative financial instruments (not used for hedging)	12	– 614	– 460
Financial liabilities at fair value through profit or loss		**– 21 121**	**– 1 829**

The following table classifies the financial assets and liabilities measured at market value:

in 1 000 EUR	Note No.	2019	2018
FINANCIAL ASSETS MEASURED AT MARKET VALUE			
Current securities		11	636
Derivative financial instruments	12	96	21
Total		**107**	**657**
FINANCIAL LIABILITIES MEASURED AT MARKET VALUE			
Derivative financial instruments	12	–614	–460
Purchase price liabilities from acquisitions	11	–20 507	–1 369
Total		**–21 121**	**–1 829**

The 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 purchase price liabilities from acquisitions:

in 1 000 EUR	Note No.	2019	2018
As at 1 January		**1 369**	**4 118**
Change in scope of consolidation	38	28 554	0
Currency differences		–180	31
Usage		–14 310	–2 372
Allocation/(release) (via equity)		5 074	–408
As at 31 December		**20 507**	**1 369**

The fair value of the purchase price liabilities is dependent on results (i.e. earnings) benchmarks, which are based partly on target figures. The purchase price liabilities may alter owing to a change in exchange rates (see note 22), a change in the interest rate, the addition of accrued interest or a change in the parameters for determining the purchase price. If the relevant future results were 10% greater, the purchase price liabilities would increase by EUR 1.1 million (previous year EUR 0.1 million), assuming all other variables remained constant.

In 2019, the usage of EUR 0.2 million relates to payments under the existing purchase price liability from the remaining 25% interests in Phoenix Mecano S.E. Asia Pte. Ltd. and Phoenix Mecano Korea Co. Ltd. as well as EUR 14.1 million of payments under the existing purchase price liability from the acquisition of Haining My Home Mechanism Co. Ltd., PR China (see note 11).

The aforementioned purchase price liabilities and the purchase price liability from the acquisition of CRE Rösler Electronic GmbH, Germany, were adjusted to the fair value in 2019.

The Phoenix Mecano Group holds a 76.35% stake in Orion Technologies LLC (USA). There is also a call/put option on a minority interest of 13.65%, which can be exercised in 2020. This purchase price liability was measured at a fair value of zero at the end of 2019 and at the end of 2018.

21 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.

22 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. Derivative 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 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 business area to the next, there are no general credit limits applying throughout the Phoenix Mecano Group. Creditworthiness is reviewed on an ongoing basis 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. For incurred and expected losses on receivables, value adjustments are recognised on the basis of an expected credit loss model (see note 4). In the past, actual losses have not exceeded the management's expectations. Except for one trade receivable (see note 4), there are no individual receivables accounting for more than 10% of the total.

The maximum credit risk on financial instruments corresponds to the book values of the individual financial assets (see note 20). There are no guarantees or similar obligations that could cause the risk to exceed book values.

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 2019, unused credit lines with major banks totalled EUR 121.4 million (previous year EUR 103.6 million).

MATURITY ANALYSIS OF FINANCIAL LIABILITIES

Maturity analysis as at 31 December 2019 in 1 000 EUR	Book value	Outflow of funds	in <3 months	in 3–6 months	in 6–12 months	in 1–5 years	in >5 years
NON-DERIVATIVE FINANCIAL INSTRUMENTS							
Trade payables	59 421	–59 421	–59 421				
Other liabilities (excluding social security, employees, VAT and other taxes and advance payments on orders)	2 804	–2 804	–2 804				
Financial liabilities (excluding financial leasing)	148 190	–152 297	–14 104	–15 763	–8 208	–114 064	–158
Liabilities from financial leasing (long- and short-term)	0	0					
Total	**210 415**	**–214 522**	**–76 329**	**–15 763**	**–8 208**	**–114 064**	**–158**
DERIVATIVE FINANCIAL INSTRUMENTS							
Interest rate swap	285	–285	–285				
Forward exchange transaction	233						
Outflow of funds		–33 650	–33 650				
Inflow of funds		33 417	33 417				
Total	**210 933**	**–215 040**	**–76 847**	**–15 763**	**–8 208**	**–114 064**	**–158**

Maturity analysis as at 31 December 2018 in 1 000 EUR	Book value	Outflow of funds	in <3 months	in 3–6 months	in 6–12 months	in 1–5 years	in >5 years
NON-DERIVATIVE FINANCIAL INSTRUMENTS							
Trade payables	45 737	– 45 737	– 45 717	– 13	– 7		
Other liabilities (excluding social security, employees, VAT and other taxes and advance payments on orders)	2 427	– 2 427	– 2 427				
Financial liabilities (excluding financial leasing)	87 780	– 91 463	– 10 209	– 3 581	– 2 825	– 74 804	– 44
Liabilities from financial leasing (long- and short-term)	43	– 46	– 13	– 13	– 20		
Total	**135 987**	**– 139 673**	**– 58 366**	**– 3 607**	**– 2 852**	**– 74 804**	**– 44**
DERIVATIVE FINANCIAL INSTRUMENTS							
Interest rate swap	58	– 58	– 58				
Forward exchange transaction	381						
Outflow of funds		– 29 580	– 29 580				
Inflow of funds		29 199	29 199				
Total	**136 426**	**– 140 112**	**– 58 805**	**– 3 607**	**– 2 852**	**– 74 804**	**– 44**

Contingent liabilities (see note 24) 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

While it generates 42% of its sales in the euro area (previous year 45%) 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, USD and CNY and is generally taken out by Group companies with these currencies as their functional currency. Exceptions to this are USD and EUR financing arrangements and a purchase price liability from an acquisition in USD at a company with EUR as its functional currency, EUR financing at a company with INR as its functional currency and a financial liability in CNY at a company 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 2019 in 1 000 EUR	EUR	CHF	USD	HUF	CNY
NON-DERIVATIVE FINANCIAL INSTRUMENTS					
Trade receivables	3 031		14 705	84	
Cash and cash equivalents	1 424	229	8 236	760	122
Trade payables	–417	–321	–2 564	–256	
Derivatives		–7 000	8 900		
Financial liabilities	–500		–12 015		
Net risk	**3 538**	**–7 092**	**17 262**	**588**	**122**

Currency risk as at 31 December 2018 in 1 000 EUR	EUR	CHF	USD	HUF	CNY
NON-DERIVATIVE FINANCIAL INSTRUMENTS					
Trade receivables	2 641		5 425	64	
Cash and cash equivalents	1 239	60	11 056	1 660	3
Trade payables	–449	–5	–2 326	–340	
Derivatives			8 730		
Financial liabilities	–7 319		–11 786		
Net risk	**–3 888**	**55**	**11 099**	**1 384**	**3**

In relation to the above-mentioned currency risks and taking into account the forward exchange contracts open on the balance sheet date (see note 12), the following sensitivity analysis for the main currency pairs shows how the result of the period would be affected if the exchange rates were to alter by 10%. All other variables, in particular interest rates, are assumed to remain unchanged.

Sensitivity analysis as at 31 December 2019 in 1 000 EUR	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY	USD/CNY	EUR/RON	EUR/INR
Change in result of the period (+/–)	384	311	1 084	2 097	97	1 816	376	20

Sensitivity analysis as at 31 December 2018 in 1 000 EUR	CHF/EUR	CHF/USD	EUR/USD	EUR/HUF	EUR/CNY	USD/CNY	EUR/RON	EUR/INR
Change in result of the period (+/–)	561	304	539	2 406	6	958	609	116

The reduction in the EUR/HUF and EUR/RON currency pairs is attributable to the reduced volume of forward exchange contracts at the balance sheet date. The increase in the USD/CNY currency pair is mainly due to the increased volume resulting from the acquisition of Haining My Home Mechanism Co. Ltd.

The above sensitivity analysis is a consolidated view as at the balance sheet date. 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.

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 2019 and 2018:
An interest rate change of 50 basis points in the financial year and the previous year would have only an insignificant impact of less than EUR 0.1 million on the result of the period and equity.

23 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 purchase price liabilities from acquisitions) less current securities and cash and cash equivalents.

Net indebtedness as at 31 December 2019 and 31 December 2018 was as follows:

in 1 000 EUR	Note No.	2019	2018
Liabilities from financial leasing	11	0	43
Long-term financial liabilities	11	111 748	72 410
Short-term financial liabilities	11	36 442	15 370
Interest-bearing liabilities		**148 190**	**87 823**
less Cash and cash equivalents	3	60 052	53 244
less Current securities		11	636
Net indebtedness		**88 127**	**33 943**
Equity		217 346	268 008
Gearing		**40.5%**	**12.7%**

24 Contingent liabilities

in 1 000 EUR	2019	2018
Sureties and guarantees	1 106	1 642
Commitments from bills of exchange	135	341
Total	**1 241**	**1 983**

25 Commitments to purchase tangible and intangible assets

Purchase commitments as at 31 December 2019 were EUR 2.4 million for tangible assets (previous year EUR 9.4 million) and EUR 0.0 million for intangible assets (previous year EUR 0.0 million).

26 Operating leases, rent and leasehold rent

in 1 000 EUR	2019	2018
Minimum commitments due within 1 year	4 046	3 324
Minimum commitments due within 1 – 5 years	8 797	6 156
Minimum commitments due after 5 years	4 760	4 875
Minimum operating leasing, rent and leasehold rent commitments	**17 603**	**14 355**
Minimum claims due within 1 year	160	164
Minimum claims due within 1 – 5 years	65	249
Minimum claims from rent/leasehold rent	**225**	**413**

The operating leasing, rent and leasehold rent commitments consist almost exclusively of commitments for leased premises and floor space (long-term lease). The increase in commitments is due to new lease agreements concluded in 2019.

27 Sales revenue

in 1 000 EUR	2019	2018
Gross sales	679 993	650 784
Revenue reductions	– 5 989	– 5 769
Sales revenue (net sales) from contracts with customers	**674 004**	**645 015**

Gross sales rose by 4.5% compared with the previous year (previous year 3.7%). Differences in foreign exchange rates and changes to the scope of consolidation affected gross sales by – 6.0% and – 0.7% respectively (previous year – 2.0% and + 0.3% respectively).

The Phoenix Mecano Group is a globally active component manufacturer with a broad product range and a very diversified customer structure, with few large customers. Most customers are served on the basis of customer orders. As a rule, these orders contain only the products ordered, at a fixed price per unit. Manufacturing lead times are generally short. Invoicing and revenue recognition take place immediately after delivery (according to industry-standard Incoterms), as soon as control over the good has been transferred to a customer. Usual payment terms range from 30 to 60 days and contain neither a financing component nor a variable consideration. A provision is recognised for the Phoenix Mecano Group's obligation to repair or replace faulty products under standard warranty terms (see note 13).

The following table shows the total amount of the performance obligations not yet fulfilled at the balance sheet date:

in 1 000 EUR	**2019**	2018
Expected fulfilment in < 1 year	160 316	157 052
Expected fulfilment in > 1 year	14 304	11 649
Total	**174 620**	**168 701**

28 Other operating income

in 1 000 EUR	**2019**	2018
Reimbursement from insurance	120	70
Gains on the disposal of tangible and intangible assets	242	288
Gains on the disposal of Group companies	0	1 881
Government subsidies	1 745	1 225
Other	1 779	1 912
Total	**3 886**	**5 376**

The gain on the disposal of Group companies in 2018 is due to the sale of interests in Wijdeven Inductive Solutions B.V. and Wijdeven Power Holding B.V. (see note 39). The reduction of EUR 0.9 million compared to the previous year's financial reporting under IFRS is due to the offsetting (netting) of goodwill against equity and the recognition of this offset in the sale.

29 Cost of materials

in 1 000 EUR	**2019**	2018
Cost of raw and ancillary materials, merchandise for resale and external services	327 000	298 957
Incidental acquisition costs	11 378	9 632
Total	**338 378**	**308 589**

Losses and value adjustments on inventories are posted under Other operating expenses (see note 31).

30 Personnel expenses

in 1 000 EUR	2019	2018
Wages and salaries	171 940	157 055
Social costs	30 924	28 992
Supplementary staff costs	10 286	9 406
Total	**213 150**	**195 453**

31 Other operating expenses

in 1 000 EUR	Note No.	2019	2018
External development costs		1 492	1 469
Establishment expenses		27 429	26 020
Rent, leasehold rent, leases		4 932	3 881
Administration expenses		10 134	9 696
Advertising expenses		4 696	5 240
Sales expenses		20 267	20 239
Losses from the disposal of tangible and intangible assets		365	286
Losses and value adjustments on receivables	4	316	1 110
Losses and value adjustments on inventories	6	4 529	2 931
Capital and other taxes		2 183	1 800
Other		6 439	5 151
Total		**82 782**	**77 823**

Total research and development costs, including internal costs, amounted to EUR 17.7 million (previous year EUR 15.3 million).

32 Financial income

in 1 000 EUR	Note No.	2019	2018
Interest income from third parties		815	565
Gain from financial instruments at fair value through profit or loss (trading derivatives)	12	98	307
Exchange rate gains		2 670	3 503
Other financial income		451	151
Total		**4 034**	**4 526**

Other financial income in 2019 includes the release of value adjustments on investments in associated companies totalling EUR 0.3 million (see note 9).

33 Financial expenses

in 1 000 EUR	Note No.	**2019**	2018
Interest expense		2 443	1 719
Loss from financial instruments at fair value through profit or loss (trading derivatives)	12	177	587
Exchange rate losses		2 961	3 752
Other financial expense		917	1 092
Total		**6 498**	**7 150**

Other financial expense in 2019 includes value adjustments on other financial assets in associated companies totalling EUR 0.8 million and the loss from the disposal of the associated company Tefelen Preissinger GmbH totalling EUR 0.1 million, and in 2018 value adjustments on investments in associated companies and other financial assets totalling EUR 1.1 million (see notes 9 and 10).

34 Income tax

in 1 000 EUR	**2019**	2018
Current income tax	8 993	11 641
Deferred tax	–2 027	252
Income tax	**6 966**	**11 893**
RECONCILIATION FROM THEORETICAL TO EFFECTIVE INCOME TAX		
Result before tax	**20 885**	**48 002**
Theoretical income tax	**4 459**	**11 297**
Weighted income tax rate	**21.4**	**23.5**
Changes of tax rate deferred tax	23	8
Tax-free income	–1 740	–1 410
Non-deductible expenses	2 288	1 141
Tax effect on losses in the reporting year	2 299	1 085
Tax effect of losses carried forward from previous years	–562	–259
Income tax relating to other periods	–720	–527
Other	919	558
Effective income tax	**6 966**	**11 893**
Effective income tax rate	**33.4%**	**24.8%**

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

The increase in non-deductible expenses in 2019 is primarily due to the tax loss from the sale of Tefelen Preissinger GmbH, which is not tax-deductible.

Other includes the expense resulting from non-creditable withholding taxes on planned and actual dividend payments totalling EUR 0.7 million (previous year EUR 0.4 million).

The increase in the effective income tax rate from 24.8% to 33.4% is mainly due to non-deductible expenses in connection with the restructuring programme and tax loss carryforwards that have not been capitalised and/or subject to value adjustment.

35 Earnings per share

in 1 000 EUR	2019	2018
Result of the period attributable to shareholders of the parent company	14 138	36 222

Number		
NUMBER OF SHARES		
Shares issued on 1 January	960 500	960 500
Treasury shares (annual average)	– 1 025	– 1 000
Shares outstanding	**959 475**	**959 500**
Basis for diluted earnings per share	959 475	959 500
Basis for undiluted earnings per share	959 475	959 500
EARNINGS PER SHARE		
Earnings per share – undiluted (in EUR)	**14.74**	**37.75**
Earnings per share – diluted (in EUR)	**14.74**	**37.75**

36 Operating cash flow

in 1 000 EUR	2019	2018
Operating result	23 350	51 340
Depreciation on tangible assets	19 838	18 661
Amortisation of intangible assets	3 069	3 637
Impairment/(reversal of impairment losses) on tangible and intangible assets	2 578	369
Operating cash flow	**48 835**	**74 007**

37 Free cash flow

in 1 000 EUR	Note No.	**2019**	2018
Cash flow from operating activities		43 560	37 928
Purchases of tangible assets	7	–23 326	–22 381
Purchases of intangible assets	8	–2 816	–3 215
Disinvestments in intangible assets		33	0
Disinvestments in tangible assets		513	593
Free cash flow (before financial investments)		**17 964**	**12 925**

38 Acquisition of Group companies

The acquired assets and assumed liabilities for Haining My Home Mechanism Co. Ltd. break down provisionally as follows:

in 1 000 EUR	**Fair value 2019**
Cash and cash equivalents	193
Trade receivables	9 602
Inventories	1 904
Other current assets	2 017
Tangible assets	3 388
Deferred tax	44
Other liabilities	–11 598
Identifiable net assets	**5 550**
Goodwill from acquisition	42 314
Purchase price	**47 864**
Purchase price liability (call/put option)	–26 388
Cash and cash equivalents acquired	–193
Change in funds (cash outflow)	**21 283**

On 1 April 2019, the Phoenix Mecano Group acquired a majority stake in China-based Haining My Home Mechanism Co. Ltd. (formerly Mei Hui Machinery Co., Ltd.). It acquired 80% of the Chinese functional fittings specialist, with a call/put option for the remaining 20%, as part of its strategy to boost local value added in growth regions. The second instalment of the purchase price was paid in the second half of 2019 and is recognised in the statement of cash flow as cash flow from financing activities. Compared with the interim financial statements, EUR 1.0 million has been reclassified from Other liabilities to Purchase price liabilities (see also the update on financial liabilities in note 20). The call/put option can be exercised at the start of 2022 at the earliest. The company generated sales of approximately EUR 37 million in 2018 and employed around 400 staff.

The acquired assets and assumed liabilities for CRE Rösler Electronic GmbH break down provisionally as follows:

in 1 000 EUR	Fair value 2019
Cash and cash equivalents	1
Trade receivables	1 063
Inventories	1 666
Other current assets	46
Tangible assets	852
Intangible assets	19
Other liabilities	–3 712
Identifiable net assets	**–65**
Goodwill from acquisition	2 981
Purchase price	**2 916**
Purchase price liability (earn-out)	–2 166
Cash and cash equivalents acquired	–1
Change in funds (cash outflow)	**749**

On 1 August 2019, the Phoenix Mecano Group acquired all shares in CRE Rösler Electronic GmbH, Germany, which is active in the development and production of industrial electronics, microprocessor systems and system integration. This will allow the Group to expand its technology and solution expertise in the up-and-coming field of human-machine interfaces (HMIs) for the enclosures sector. The purchase price liability is due in 2022. The company generated sales of around EUR 6.5 million in 2018.

39 Disposals of Group companies

in 1 000 EUR	2019	2018
Intangible assets		94
Reclassification of goodwill from equity		1 681
Tangible assets		191
Other current assets		2 497
Cash and cash equivalents		360
Liabilities		– 1 682
Net assets	**0**	**3 141**
Gain on the disposal of Group companies		1 881
Sale price	**0**	**5 022**
Outflow of cash and cash equivalents		– 373
Change in funds	**0**	**4 649**

On 31 May 2018, 100% of the shares in Wijdeven Inductive Solutions B.V. and Wijdeven Power Holding B.V. (both based in the Netherlands and forming part of the ELCOM/EMS division) were sold to an industrial buyer for a sale price of EUR 5.0 million. This transaction resulted in a pre-tax accounting profit of EUR 1.9 million (see note 28). The reduction of EUR 0.9 million compared to the previous year's financial reporting is due to the offsetting (netting) of goodwill against equity and the recognition of this offset in the sale.

40 Transactions with related parties

in 1 000 EUR	2019	2018
Benedikt A. Goldkamp, Chairman of the Board of Directors	676	894
Ulrich Hocker, Independent Lead Director	230	222
Other members of the Board of Directors	173	166
Remuneration of the Board of Directors	**1 079**	**1 282**
Remuneration of the management	**1 046**	**1 176**
Remuneration of the Board of Directors and management	**2 125**	**2 458**
Social security contributions	201	200
Pension obligations	174	231
Total remuneration of the Board of Directors and management	**2 500**	**2 889**

All compensation is short term in nature.

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.

Transactions with associated companies are presented in notes 4 and 9.

41 Shadow statement of goodwill

A theoretical capitalisation of goodwill would have the following impact on the consolidated financial statements:

in 1 000 EUR	2019	2018
THEORETICAL STATEMENT OF GOODWILL		
Acquisition costs 1 January	**38 809**	**40 209**
Additions of companies included in consolidation	45 295	0
Disposals of companies included in consolidation	0	– 1 681
Adjustment of purchase price liability	4 946	0
Translation differences	– 94	281
Acquisition costs 31 December	**88 956**	**38 809**
Accumulated impairment losses 1 January	**28 287**	**21 305**
Disposals of companies included in consolidation	0	– 952
Amortisation	10 608	7 869
Impairment losses	0	0
Translation differences	– 18	65
Accumulated impairment losses 31 December	**38 877**	**28 287**
Theoretical net values 1 January	**10 522**	**18 904**
Theoretical net values 31 December	**50 079**	**10 522**
IMPACT ON BALANCE SHEET		
Equity according to balance sheet	217 346	268 008
Theoretical capitalisation of net carrying amount of goodwill	50 079	10 522
Theoretical equity including net carrying amount of goodwill	**267 425**	**278 530**
IMPACT ON STATEMENT OF INCOME		
Result of the period	13 919	36 109
Goodwill amortisation	– 10 608	– 7 869
Theoretical result of the period including goodwill amortisation	**3 311**	**28 240**

The goodwill resulting from acquisitions is offset against consolidated equity at the acquisition date. Theoretical depreciation takes place on a straight-line basis over a period of five years.

The sharp increase is due to the acquisition of Haining My Home Mechanism Co. Ltd. and CRE Rösler Electronic GmbH (see note 38).

No indicators of impairment were found at the balance sheet date, except on the goodwill of the Ismet product area. This goodwill was therefore tested for impairment, and the value in use was found to be above the corresponding book value. To determine the present value (value in use), a pre-tax discount rate (WACC) of 10.5% (previous year 10.0%) was used to measure the goodwill of the Ismet product area. Growth of 1.5% was assumed after the projection period. Impairment was also tested using sensitivity analyses. The impairment test on Ismet goodwill resulted in a value in use that exceeded the book value by EUR 1.5 million. Increasing the discount rate from 10.5% to 11.4% or decreasing the perpetuity growth rate from 1.5% to 0.2% would just about bring the value in use into line with the book value.

The recoverability of theoretical goodwill was confirmed for the Ismet product area.

42 Events after the balance sheet date

On 1 January 2020, the Phoenix Mecano Group acquired, under asset deals, the business operations of APT GmbH Automation & Produktionstechnik (in provisional insolvency) and Linear- und Handhabungstechnik GmbH & Co KG, both active in system solutions for automation and production technology, which it merged to form a new company called RK Antriebs- und Handhabungs- Technik GmbH. The acquired businesses generated gross sales of almost EUR 4 million in 2019 and employed a total of 29 staff. The provisional acquisition costs are EUR 0.5 million, provisionally divided up 2:1 between current and non-current assets.

On 23 January 2020, the Phoenix Mecano Group announced that the operations of its high-growth DewertOkin business in China would be consolidated at a new industrial park in Jiaxing, Xiuzhou District. The planned industrial complex will have a total floor space of 115 000 m². The Group intends to invest up to EUR 100 million in construction, infrastructure and manufacturing equipment over a period of around five years. To fund the industrial complex and leverage further growth opportunities in the market, the Phoenix Mecano Group's Board of Directors decided on 22 January 2020 to approve a project designed to assess growth financing options, including accessing the Chinese capital market. This could see DewertOkin partially listed on the Shanghai Stock Exchange's STAR Board in connection with a possible capital increase for the business area. For regulatory reasons, the earliest that this could happen would be towards the end of 2021.

Prior to the 31 March 2020 expiry date, the exercise period for a call/put option on a 13.65% stake in Orion Technologies LLC was moved to January – March 2022.

The Covid-19 outbreak and resulting lockdown in China led to a temporary suspension of production at Phoenix Mecano's plants in February and the first half of March 2020. These factories are now operating at close to normal capacity again. Other plants were affected by similar temporary arrangements in the second half of March. Phoenix Mecano has taken measures to protect employees and safeguard liquidity in view of the expected global decline in demand. At this stage, it is not possible to comment on the pandemic's financial impact on the Group due to the high level of uncertainty surrounding subsequent developments.

No other events occurred between 31 December 2019 and 31 March 2020 that would alter the book values of assets and liabilities or should be disclosed under this heading.

43 Approval of the consolidated financial statements

At its meeting on 31 March 2020, the Board of Directors of Phoenix Mecano AG released the 2019 consolidated financial statements for publication. They will be submitted to the Shareholders' General Meeting on 20 May 2020 with a recommendation for their approval.

44 Dividend

The Board of Directors recommends to the Shareholders' General Meeting on 20 May 2020 that a dividend of CHF 10.00 per share (CHF is the statutory currency of Phoenix Mecano AG) be paid out (see Proposal for the appropriation of retained earnings on page 147). The total outflow of funds is expected to be EUR 8.8 million. The dividend paid out in 2019 was CHF 17.00 per share (previous year CHF 16.00). The outflow of funds in 2019 was EUR 14.6 million (previous year EUR 13.3 million).

STATUTORY AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Phoenix Mecano AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2019 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial state-ments, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 67 to 130) give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Swiss GAAP FER and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Conversion to Swiss GAAP FER	
Phoenix Mecano AG has decided to change its accounting standard from IFRS to Swiss GAAP FER with effect from financial year 2019. When converting, Swiss GAAP FER 31 paragraph 2 requires disclosure of prior year balances in accordance with Swiss GAAP FER. We treated the change in accounting standard as a key audit matter for the following reason: The change in accounting standard contains significant judgments in defining new principles of valuation. The conversion had a material impact on several positions of the consolidated balance sheet as at December 31, 2018 and 2017 as well as the consolidated statement of income of 2018, especially the offset of goodwill against equity, dissolution of longterm pension obligations and corresponding deferred tax effects. Impacts relating to the first time adoption of Swiss GAAP FER are described in the principles of consolidation and valuation. The table of the theoretical capitalization of the goodwill is disclosed in note 41.	We obtained an analysis of the material conversion impacts for the Group, which we critically examined and discussed with management. We aligned and critically assessed new principles of valuation with requirements of Swiss GAAP FER. We verified the reconciliations from IFRS to Swiss GAAP FER as per December 31, 2018 and 2017 as well as for the business year 2018 and table of the theoretical capitalization of the goodwill with detailed documentation provided by the Group and prior year amounts. In addition, we performed arithmetical checks. Moreover, we verified correct disclosure in the consolidated financial statements.

Other Matter
The consolidated financial statements of Phoenix Mecano AG for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2019.

Responsibility of the Board of Directors for the Consolidated Financial Statements
The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Swiss GAAP FER and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements
In accordance with article 728a para. 1 item 3 CO and the 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, March 31, 2020
BDO Ltd

Christoph Tschumi Auditor in Charge Licensed Audit Expert	David Hämmerli Licensed Audit Expert

FIVE-YEAR OVERVIEW

in 1 000 EUR	2019	2018	2017	2016	2015
CONSOLIDATED BALANCE SHEET					
Total assets	488 119	453 427	471 848	452 361	426 720
Non-current assets	152 506	147 345	182 292	185 027	170 330
in % of total assets	31.2	32.5	38.6	40.9	39.9
Tangible assets	136 441	130 125	127 614	128 701	120 777
Current assets	335 613	306 082	289 556	267 334	256 390
in % of total assets	68.8	67.5	61.4	59.1	60.1
Inventories	148 046	148 513	131 832	125 037	122 838
Cash and cash equivalents	60 052	53 244	53 509	43 243	41 951
Equity	217 346	268 008	269 702	272 757	262 626
in % of total assets	44.5	59.1	57.2	60.3	61.5
Liabilities	270 773	185 419	202 146	179 604	164 094
in % of total assets	55.5	40.9	42.8	39.7	38.5
Net indebtedness	88 127	33 943	38 075	30 466	24 455
in % of equity	40.5	12.7	14.1	11.2	9.3
CONSOLIDATED STATEMENT OF INCOME					
Gross sales	679 993	650 784	627 600	583 229	559 806
Sales revenue (net sales)	674 004	645 015	621 663	577 481	554 462
Total operating performance	683 145	655 872	629 710	585 780	560 367
Personnel expenses	213 150	195 453	193 869	181 512	176 506
Depreciation on tangible assets	19 838	18 661	19 382	17 729	17 801
Amortisation of intangible assets	3 069	3 637	8 578	7 381	8 344
Operating result	23 350	51 340	30 711	34 454	14 991
Financial result	−2 465	−3 338	−474	−2 280	−2 173
Result before tax	20 885	48 002	30 237	32 174	12 818
Income tax	6 966	11 893	8 308	9 168	6 133
Result of the period	13 919	36 109	21 929	23 006	6 685
in % of gross sales	2.0	5.5	3.5	3.9	1.2
in % of equity	6.4	13.5	8.1	8.4	2.5
CONSOLIDATED STATEMENT OF CASH FLOW					
Cash flow from operating activities	43 560	37 928	37 062	48 659	38 952
Cash used in investing activities	−44 519	−17 992	−26 629	−36 824	−33 285
Purchases of tangible and intangible assets	26 142	25 596	25 997	23 869	26 674
Cash flow from financing activities	7 626	−19 973	1 129	−10 184	−8 970
Free cash flow	17 964	12 925	11 425	29 630	13 614

From the start of 2019, the consolidated financial statements have been prepared in accordance with Swiss GAAP FER. The previous year's figures have been adjusted accordingly. The years 2015–2017 are presented according to IFRS.

2019 PHOENIX MECANO AG

FINANCIAL STATEMENTS

Contents

BALANCE SHEET AS AT 31 DECEMBER

ASSETS	Note No.	**2019** in EUR	2018 in EUR	**2019** in CHF	2018 in CHF
CURRENT ASSETS					
Cash and cash equivalents		23 234 662	306 906	25 227 639	346 006
Other short-term receivables					
due from investments	2.1	20 832 230	1 260 150	22 619 136	1 420 693
due from third parties		0	5 337	0	6 017
Deferred charges and prepaid expenses		151 320	61 847	164 298	69 725
Total current assets		**44 218 212**	**1 634 240**	**48 011 073**	**1 842 441**
NON-CURRENT ASSETS					
Financial assets					
Loans to investments	2.2	66 914 000	26 271 378	72 653 616	29 618 340
Investments					
Investments	2.3	248 339 970	182 616 581	269 641 579	205 881 848
Value adjustment on investments		–6 346 179	–3 300 958	–6 890 529	–3 721 499
Total non-current assets		**308 907 791**	**205 587 001**	**335 404 666**	**231 778 689**
Total assets		**353 126 003**	**207 221 241**	**383 415 739**	**233 621 130**

EQUITY AND LIABILITIES	Note No.	**2019** in EUR	2018 in EUR	**2019** in CHF	2018 in CHF
SHORT-TERM LIABILITIES					
Other short-term liabilities					
Bank liabilities	2.4	4 302 500	1 108 746	4 671 551	1 250 000
to investments	2.5	30 326 092	1 673 079	32 927 343	1 886 229
to third parties		6 300	6 880	6 840	7 757
to shareholders		482	415	523	468
Short-term provisions	2.6	300 000	528 650	325 733	596 000
Deferred income		495 085	481 442	537 552	542 776
Short-term liabilities		**35 430 459**	**3 799 212**	**38 469 542**	**4 283 230**
LONG-TERM LIABILITIES					
Long-term interest-bearing liabilities	2.4	49 859 500	22 494 244	54 136 248	25 360 000
Long-term liabilities		**49 859 500**	**22 494 244**	**54 136 248**	**25 360 000**
Total liabilities		**85 289 959**	**26 293 456**	**92 605 790**	**29 643 230**
EQUITY					
Share capital	2.7	851 961	851 961	960 500	960 500
Statutory retained earnings					
General statutory retained earnings		2 217 493	2 217 492	2 500 000	2 500 000
Voluntary retained earnings					
Special reserves		80 326 203	80 326 203	90 559 724	90 559 724
Retained earnings	2.8				
– Amount brought forward		83 334 966	59 864 960	94 080 127	67 491 728
– Net profit for the year		101 490 847	38 052 082	112 893 045	42 899 899
– Currency translation differences				–9 750 908	
Treasury shares	2.9	–385 426	–384 913	–432 539	–433 951
Total equity		**267 836 044**	**180 927 785**	**290 809 949**	**203 977 900**
Total equity and liabilities		**353 126 003**	**207 221 241**	**383 415 739**	**233 621 130**

STATEMENT OF INCOME 2019

	Note No.	2019 in EUR	2018 in EUR	2019 in CHF	2018 in CHF
Dividend income	2.10	138 958 495	40 462 033	154 570 073	45 616 877
Other financial income	2.11	1 993 382	1 605 952	2 217 332	1 810 549
Other operating income		1 648	1 702	1 833	1 919
Total income		**140 953 525**	**42 069 687**	**156 789 238**	**47 429 345**
Financial expense	2.12	– 1 075 470	– 1 513 490	– 1 196 295	– 1 706 308
Administration expenses		– 1 268 180	– 1 757 014	– 1 410 656	– 1 980 857
Other operating expenses	2.13	– 5 869 047	– 13 305	– 6 528 417	– 15 000
Losses on investments	2.14	– 31 234 653	– 698 446	– 34 743 775	– 787 428
Direct taxes		– 15 328	– 35 350	– 17 050	– 39 853
Total expenses		**– 39 462 678**	**– 4 017 605**	**– 43 896 193**	**– 4 529 446**
Net profit for the year		**101 490 847**	**38 052 082**	**112 893 045**	**42 899 899**

NOTES TO THE FINANCIAL STATEMENTS 2019

1 Details of the principles applied in the financial statements

These financial statements have been drawn up in accordance with the provisions of Swiss financial reporting law (Title 32 of the Swiss Code of Obligations).

As of 1 January 2019, the company's functional currency and accounting were prospectively switched to EUR, bringing them into line with the Group currency. The background to this change was the restructuring described below, which will result in a significant proportion of transactions taking place in EUR. The closing rate on 1 January 2019 – 0.887 – was used to convert the opening balances from CHF to EUR. This conversion had no effect on the statement of income or on equity.

The balance sheet and statement of income are also shown in CHF. The assets and liabilities are converted at the closing rate for each balance sheet date, equity items at historical exchange rates, and income and expenses on the statement of income at the average exchange rate. Any resulting translation differences are posted as a separate item in equity under Voluntary retained earnings. For the presentation of the balance sheet as at 31 December 2019, the closing rate of 0.921 was used to convert from EUR to CHF. The 2019 statement of income was converted from EUR to CHF at the Phoenix Mecano Group's average exchange rate for the year of 0.899. Comparative information from the previous year was converted from CHF to EUR at the closing rate on 1 January 2019, namely 0.887.

2 Information, breakdowns and explanations relating to items on the balance sheet and in the statement of income

In addition to the changeover to EUR, inter-company loans were restructured and the EUR and USD cash pool was taken over from the Netherlands as part of a reorganisation of cash management. The resulting changes are explained in the notes to the corresponding items.

2.1 Other short-term receivables from investments

This item comprises short-term financial receivables (including credits in clearing accounts and, in the reporting year, credits from pool clearing accounts) in CHF, EUR and USD from subsidiaries in Switzerland and abroad.

2.2 Loans to investments

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

2.3 Investments and the share of the capital and votes held

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

Company	Head office	Activity
Phoenix Mecano Management AG	Kloten, Switzerland	Finance
Phoenix Mecano Technologies AG	Stein am Rhein, Switzerland	Finance
Phoenix Mecano Trading AG	Stein am Rhein, Switzerland	Purchasing
Phoenix Mecano Komponenten AG	Stein am Rhein, Switzerland	Production/Sales
IFINA Beteiligungsgesellschaft mbH	Porta Westfalica, Germany	Finance
Phoenix Mecano Finance Ltd.	St. Helier, Channel Islands, GB	Finance
PM International B.V.	Doetinchem, The Netherlands	Finance
Phoenix Mecano B.V.	Doetinchem, The Netherlands	Sales
AVS Phoenix Mecano GmbH	Vienna, Austria	Sales
Phoenix Mecano Kecskemét KFT	Kecskemét, Hungary	Production/Finance
Phoenix Mecano Inc.	Frederick, USA	Production/Sales
WIENER, Plein & Baus Corp.	Springfield, USA	Sales
Phoenix Mecano S. E. Asia Pte Ltd.	Singapore	Sales
Phoenix Mecano (India) Pvt. Ltd.	Pune, India	Production/Sales
Mecano Components (Shanghai) Co., Ltd.	Shanghai, China	Production/Sales
Shenzhen Elcom Co., Ltd.	Lechang, China	Production/Sales
Phoenix Mecano Hong Kong Ltd.	Hong Kong, China	Finance/Sales
Phoenix Mecano Mazaka A.S.	Ankara, Turkey	Sales
Phoenix Mecano Comercial e Técnica Ltda.	Barueri, Brazil	Sales
Phoenix Mecano Holding Ltda.	Barueri, Brazil	Finance
PM America Latina S.A.	Montevideo, Uruguay	Sales
Integrated Furniture Technologies Ltd.	Aylesbury, UK	Development
Phoenix Mecano Components (Taicang) Co. Ltd.	Taicang, China	Production/Sales
Phoenix Mecano Maroc S.à.r.l.	Tétouan , Morocco	Production
Electroshield-C	Babynino, Russia	Production
Phoenix Mecano OOO	Moscow, Russia	Sales
Phoenix Mecano Saudi Arabia LLC	Dammam, Saudi Arabia	Sales
Phoenix Mecano Elcom S.à.r.l.	Zaghouan, Tunisia	Production
Phoenix Mecano Hartu S.à.r.l. in liquidation	Ben Arous, Tunisia	Production
Phoenix Mecano Digital Tunisie S.à.r.l.	Bori-Cedria, Tunisia	Production

Currency	Registered capital in 1 000	2019 Stake in %	2018 Stake in %
CHF	50	100	100
CHF	250	100	100
CHF	100	100	100
CHF	2 000	100	100
EUR	4 000	100	–
USD	1 969	–	100
EUR	4 500	–	100
EUR	1 000	100	–
EUR	40	1	1
EUR	62 000	100	–
USD	10 000	100	100
USD	100	100	100
SGD	1 000	90	90
INR	299 452	100	100
USD	3 925	100	100
CNY	40 000	100	100
EUR	10 000	100	100
TRY	430	91	2
BRL	10 176	100	100
BRL	1 062	1	1
UYU	200	100	100
GBP	1	100	100
USD	10 000	100	100
MAD	34 000	100	100
RUB	777	–	20
RUB	21 300	100	100
SAR	2 000	100	100
TND	1 800	50	25
TND	2 500	20	20
TND	100	20	20

The EUR 65.7 million change in the balance sheet value compared to the previous year is mainly the result of investment restructuring within the Group, in particular the increase due to the acquisition of shares in Phoenix Mecano Kecskemét KFT, IFINA Beteiligungsgesellschaft mbH and Phoenix Mecano Mazaka AS. In addition, Phoenix Mecano Finance Ltd. was dissolved and PM International B.V. was merged with Phoenix Mecano B.V. Finally, capital increases were undertaken and the investment in Electroshield-C was sold.

An overview of all directly and indirectly held investments is given on page 90–93.

2.4 Bank loans / Bank liabilities

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

in 1 000 EUR	2019	2018
BY CURRENCY		
CHF	6 447	7 318
EUR	35 700	4 500
USD	12 015	11 785
Balance sheet value	**54 162**	**23 603**
BY MATURITY		
in 1 year	4 303	1 109
in 2 years	6 002	4 218
in 3 years	13 857	4 717
in 4 years	0	13 559
in 5 years	30 000	0
Balance sheet value	**54 162**	**23 603**

2.5 Financial liabilities to investments

This item comprises short-term financial liabilities (including debits in clearing accounts and, in the reporting year, liabilities from pool clearing accounts) in CHF, EUR and USD to subsidiaries in Switzerland and abroad.

2.6 Short-term provisions

This item comprises a provision for derivative financial instrument risks totalling EUR 0.3 million (previous year EUR 0.1 million), used for structuring of external debts or for currency management purposes. In the previous year, the item also includes provisions for exchange rate risks totalling EUR 0.47 million.

2.7 Share capital

The share capital is divided into 960 500 bearer shares with a par value of CHF 1.00 each. The conversion into EUR took place at the closing rate on 31 December 2018, giving a total of EUR 851 961.

2.8 Retained earnings
Financial year 2019 closed with a net profit for the year of EUR 101 490 847, which was converted for presentation in CHF at the average exchange rate for 2019 of 0.899. The retained earnings brought forward from the previous year totalled EUR 97 917 042 minus dividends of EUR 14 582 076. The ordinary Shareholders' General Meeting on 20 May 2020 therefore has at its disposal retained earnings totalling EUR 184 825 813. For the Board of Directors' proposal regarding the appropriation of retained earnings, see page 147.

2.9 Treasury shares
At the balance sheet date, the company owned a total of 1 000 treasury shares (previous year 1 000), which are booked at acquisition cost using the FIFO method. These shares represent 0.1% of the overall share portfolio. The shares bought and sold in the reporting year are shown in the table below. Gains and losses from the disposal of treasury shares are recognised in the statement of income.

2019	Purchases number	Average price in CHF	Sales number	Average price in CHF
July	70	434.55		
August	6	377.00	6	391.00
September	10	395.00		
November			80	446.21
Total year	**86**	**425.94**	**86**	**442.35**

No shares were bought or sold in the other months.

2.10 Dividend income
Dividend income comprises dividends paid by subsidiaries in Switzerland and abroad. The massive increase in the reporting year is due to the distribution of all retained earnings from Phoenix Mecano Finance Ltd., which was dissolved in 2019.

2.11 Other financial income
Other financial income includes earnings from interest and commissions, as well as net exchange rate gains of EUR 0.13 million (exchange gains of EUR 1.53 million minus exchange losses of EUR 1.4 million), and in the previous year the release of a provision for risks associated with derivative financial instruments.

2.12 Financial expense
This item comprises interest and securities expenses and expenses for derivative financial instruments, as well as the creation of a provision for risks associated with derivative financial instruments. In the previous year, it includes net exchange rate losses of EUR 0.84 million (exchange losses of EUR 2.39 million minus exchange gains of EUR 1.55 million).

2.13 Other operating expenses
Other operating expenses include a waiver of receivables due from a subsidiary totalling EUR 2.8 million and a value adjustment on investments vis-à-vis a subsidiary totalling EUR 3.1 million.

2.14 Loss on investments

The loss on investments in the reporting year relates to the dissolution of Phoenix Mecano Finance Ltd. (EUR 28.1 million), the loss from the sale of a minority interest (EUR 1.2 million) and the liquidation of Integrated Furniture Technologies Ltd. (EUR 1.9 million). The loss in the previous year relates to the liquidation of Hartu Sarl in Tunisia (EUR 0.7 million).

2.15 Net release of hidden reserves

In the reporting year, the statement of income contains a net release of hidden reserves totalling EUR 0.47 million. In the previous year, EUR 1.51 million of hidden reserves were released.

3. Other information required by law

3.1 Full-time positions

Phoenix Mecano AG has no employees.

3.2 Contingent liabilities

in 1 000 EUR	2019	2018
Guarantees and letters of comfort	219 556	185 841

Contingent liabilities are given for subsidiaries, predominantly in favour of financial institutions. The actual book value of Group company liabilities was EUR 65.3 million (previous year EUR 56.8 million). Letters of support were also issued for individual subsidiaries. In addition, Phoenix Mecano AG has entered into a joint guarantee with its Swiss subsidiaries for the purposes of registration for Group VAT taxation.

In 2017, Phoenix Mecano AG also concluded a share purchase agreement with the minority shareholder of Phoenix Mecano S.E. Asia Pte Ltd. to acquire the latter’s remaining shares in 2020.

3.3 Significant shareholders

As at the balance sheet date, significant shareholders held the following stakes in the share capital of Phoenix Mecano AG:

Name in %	Head office	**2019**	**2018**
Planalto AG [2]	Luxembourg, Luxembourg	34.6[1]	34.6[1]
Tweedy, Browne Company LLC, Stamford, USA [3]	Stamford, USA	8.5[1]	8.5[1]
Tweedy, Browne Global Value Fund [4] (A subdivision of Tweedy, Browne Fund Inc.)	*Stamford, USA*	*7.2[1]*	*7.2[1]*
J. Safra Sarasin Investmentfonds AG (formerly Sarasin Investmentfonds AG)	Basel, Switzerland	4.9[1]	4.9[1]
Credit Suisse Funds AG	Zurich, Switzerland	3.06[1]	3.06

1 Shareholding not notified in the year indicated.

2 The economic beneficiary and person entitled to exercise voting rights is Gisela Goldkamp. The owner of the underlying rights is Benedikt Goldkamp.

3 Tweedy, Browne Company LLC (TBC) is not an economic beneficiary owner of the shares. TBC has been delegated voting authority pursuant to separate investment advisory agreements. Please note that included in the shares reported with this filing are 68 640 shares held by Tweedy, Browne Global Value Fund, a direct acquirer and economic beneficiary.

4 Pursuant to an investment advisory agreement between Tweedy, Browne Global Value Fund (TBGVF) and TBC, TBGVF has delegated voting authority with respect to 68 640 bearer shares of Phoenix Mecano AG to TBC. TBC is not an economic beneficiary of any of the shares. TBGVF is the sole economic beneficiary of the shares.

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/en/home/publications/significant-shareholders.html

3.4 Auditors' fees

The amount agreed for auditing the 2019 annual accounts was CHF 97 000 (EUR 87 200) plus cash expenses for the individual financial statements and for the consolidated financial statements.

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

Name	Position	Number 31.12.2019	Number 31.12.2018
Benedikt A. Goldkamp	Chairman of the Board of Directors	3 244	2 844
Ulrich Hocker	Independent Lead Director	8 898	8 898
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		**12 652**	**12 252**
Dr Rochus Kobler	Member of the management/ CEO	964	400
René Schäffeler	Member of the management/CFO	500	300
Shares held by the management		**1 464**	**700**

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

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.

3.6 Events after the balance sheet date

No events occurred between 31 December 2019 and 31 March 2020 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 959c of the Swiss Code of Obligations.

PROPOSAL FOR THE APPROPRIATION OF RETAINED EARNINGS

	in EUR	in CHF
Net income for the year 2019	101 490 847	112 893 045
Retained earnings brought forward 2018	97 917 042	110 409 439
./. Dividend 2018	– 14 582 076	– 16 329 312
Currency translation differences		– 9 750 908
Retained earnings	**184 825 813**	**197 222 264**

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

	in EUR	in CHF
Dividend of CHF 10.00 per share *	8 846 205	9 605 000
Carried forward to new account	175 979 608	187 617 264
Total	**184 825 813**	**197 222 264**

* 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.

STATUTORY AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Phoenix Mecano AG, which comprise the balance sheet as at December 31, 2019 and the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion the financial statements (pages 136 to 147) as at December 31, 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Matter
The financial statements of Phoenix Mecano AG for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2019.

Responsibility of the Board of Directors for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse: http://expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements
In accordance with article 728a para. 1 item 3 CO and the 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, March 31, 2020
BDO Ltd

Christoph Tschumi Auditor in Charge Licensed Audit Expert	David Hämmerli Licensed Audit Expert

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Financial calendar

18 February 2020 7.00 a.m.	**Media release** Preliminary full-year results 2019	
16 April 2020 6.00 p.m.	**Media release** Results 2019 Q1 results 2020	Publication of Annual Report 2019
20 May 2020	**Shareholders' General Meeting**	
11 August 2020 7.00 a.m.	**Media release** Half-yearly results 2020	Semi-annual report 2020
29 October 2020 7.00 a.m.	**Media release** Q3 results 2020	

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Concept, design, consulting and realisation
PETRANIX
Corporate and Financial Communications AG
CH – 8134 Adliswil-Zurich
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Photography
Scanderbeg Sauer Photography
iStock
Shutterstock

Printed by
Neidhart + Schön Group AG
CH – 8037 Zurich

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