PHOENIX MECANO

Interim accounts as at 30 June 2019

Company report

Interim accounts as at 30 June 2019

Report by the Board of Directors on the Mid-year report as at June 30, 2019

Dear Ladies and Gentlemen

In a significantly more challenging global market environment, the Phoenix Mecano Group's sales and incoming orders fell slightly in the first half of 2019, with a disproportionate decline in operating result. The global economic slowdown and pronounced inventory cycles led to weaker demand for industrial components. Trade policy uncertainty between the US and China slowed development in the Asian and American furniture market.

Phoenix Mecano has already responded to these market developments. A package of measures to strategically adapt its structures was adopted by the Board of Directors on 14 August 2019. The measures are focused on the Mechanical Components and ELCOM/EMS divisions and include capacity adjustments, streamlining of product portfolios, site optimisations and responses to the ongoing China-US trade conflict. The Group expects one-off expenses in the range of €14-16 million, of which nearly half will affect the cash position. Immediate measures were already initiated in the second quarter, resulting in one-off expenses of €1.4 million in the 2019 half-yearly accounts. The management expects this package of measures to deliver sustained cost savings of around €10 million per year from 2021.

Phoenix Mecano is presenting its **financial statements according to Swiss GAAP FER for the first time** in H1 2019 (see media release of 24 May 2019). In the interests of comparability, the previous year's figures have been adjusted to the new accounting standard. This adjustment has a positive impact of €1.3 million on the result of the period for the first six months of 2018.

Consolidated gross sales fell by 3.7% in the first half of 2019, from €339.3 million to €326.8 million. On an organic basis and in local currency terms, the decline was 6.4%. Net sales totalled €323.9 million (previous year: €336.4 million). Incoming orders decreased by 6.8% from €349.9 million to €326.3 million. The book-to-bill ratio was 99.9% (previous year: 103.2%).

Adjusted for the aforementioned one-off expenses in the first half of 2019 as well as positive one-off items of €1.9 million in the previous year, the operating result was down by 37.3% from €28.7 million to €18.0 million. Operating cash flow declined by 27.5% from €39.9 million to €28.9 million. Without adjustments the operating result fell by 45.7% from €30.6 million to €16.6 million and operating cash flow by 34.1% from €41.8 million to €27.5 million.

The result of the period after taxes was €11.6 million, down 43.6% on the previous year (€20.5 million).

Development of the Group's divisions

In the **Enclosures** division, sales fell by 0.5% to €95.4 million. Corrected for currency effects, sales were down by 1.2%. Despite increasingly challenging conditions, sales in the core market of Germany held steady. Sales in Southeast Asia, a market heavily influenced by the oil and gas project business, also remained stable. The Americas recorded a 5.4% drop in sales.

Owing to future-oriented development expenses in human-machine interfaces (HMIs) and increases in staff costs, the operating result declined by 15.6% to €11.0 million, with a corresponding drop in operating margin from 13.6% to 11.5%.

To expand its technological expertise in the strategically important HMI business, Phoenix Mecano acquired all shares in CRE Rösler Electronic GmbH, based in Hohenlockstedt, Germany, with effect from 1 August 2019. The company generated sales of €6.5 million in 2018 and employs just under 50 people. CRE's product portfolio includes panel PCs in aluminium and stainless steel enclosures, panel monitors, embedded systems and industrial tablets for mobile applications. These customised products will perfectly complement the existing range of suspension systems and mechanical control enclosures manufactured by Phoenix Mecano subsidiary ROSE Systemtechnik, paving the way for innovative electronic automation solutions.

In the **Mechanical Components** division, gross sales fell by 3.5% to €167.0 million. On an organic basis and in local currency terms, the decline was 9.7%. The China-based furniture fittings manufacturer MyHome, acquired on 1 April 2019, contributed €9.8 million to these sales.

While overall global sales remained stable in the Rose & Krieger industrial segment, DewertOkin's furniture and care market saw sales decline. The volatility and uncertainty generated by the ongoing US-China tariff conflict demand a high degree of flexibility from all market participants. This means that permanent adjustments to global value chains and investment decisions are being put off for as long as possible. Previously implemented interim solutions are creating redundancies and additional costs in multi-level, international supply chains. Growth in the Americas and Asia has slowed.

The operating result decreased by 39.3% to €9.2 million while the operating margin fell from 8.7% to 5.5%. Owing to continuing weak demand in the European furniture market, personnel adjustments have been initiated. In addition, measures have been taken to cushion the effects of the aforementioned tariff conflict. This impacted the division's H1 result by a total of €1.2 million.

The integration of MyHome into the division is fully on track. MyHome will enable Phoenix Mecano, with its existing DewertOkin business area, to offer OEM customers complete systems comprising functional fittings and drive, sensor and control technology for intelligent comfort furniture solutions in the smart home environment. The Group holds a world leading position in this growth market.

In the **ELCOM/EMS** division, gross sales were down by 8.3% to €64.4 million, or 5.2% on an organic basis and in local currency terms. The largest business area, Electrotechnical Components, posted a double-digit decline in sales. This was the result of weaker demand in industrial end markets and time-limited inventory cycles in recent months. Sales in the Power Quality and Electronic Packaging business areas were maintained at the previous year's level.

The operating result was -€1.6 million, following an operating profit of €4.3 million the previous year or €2.4 million excluding the gain from the sale of Wijdeven Inductive Solutions BV. The Electrotechnical Components business area posted a loss due to the significant drop in sales and losses on inventories. Capacity adjustments have been initiated. The Power Quality business area also weighed on the division's result. Ongoing activities to boost efficiency and enhance cost structures are being stepped up in this area. In the profitable Electronic Packaging business area, customer postponements of project activities led to a lower half-year result.

Outlook

Since late 2018, geopolitical risks and trade policy uncertainty have been steadily increasing, weakening the already fragile state of global capital goods activity. Industrial purchasing managers' indices (PMIs) are declining in virtually all countries, with no suggestion of a recovery in the second half of the year.

Phoenix Mecano has already responded to this by implementing immediate measures and approving structural adjustments. At the same time, it continues to push ahead decisively with forward-looking growth initiatives.

The takeover of CRE Rösler puts the Enclosures division on a stronger technological footing. Systematic expansion of the existing product range in the promising HMI field will open up attractive growth opportunities.

The integration of MyHome into the Mechanical Components division is a key element in achieving strategic goals, and systematic efforts are under way to consolidate the market-leading position in system solutions and components for electrically adjustable upholstered furniture.

The Phoenix Mecano Group expects the economic situation to remain challenging in the second half of the year. However, the Group is underpinned by a solid balance sheet structure and the current gap in its operating results compared with the previous year is likely to shrink in percentage terms. The measures that have been adopted will further impact the 2019 year-end result. Even excluding these one-off items, Phoenix Mecano's management and Board of Directors expect the full-year operating result for 2019 to be below that of the previous year, in the range of €33-40 million.

Kind regards

Benedikt Goldkamp	Dr. Rochus Kobler
Executive Chairman	CEO

Information for shareholders

Phoenix Mecano AG bearer shares are traded on main stock exchange in Zurich.

Ticker-Symbols

Valoren-No.	Inh. 218781
Reuters	PM.S
Bloomberg	PM SW Equity
Telekurs/Telerate	PM
ISIN	CH0002187810

Share indicators

		30.06.2019	**30.06.2018***
Share capital (bearer shares at nominal CHF 1.00)	Number	960‘500	960‘500
Entitled to dividend (as of 30 June)	Number	959‘500	959‘500
Entitled to dividend (on average)	Number	959‘500	959‘500
Earning before interest and tax per share	EUR	17.3	31.9
Net result per share	EUR	12.3	21.3
Shareholders’ equity (incl. Minority interest) per share	EUR	231.2	264.7

*Restatement due to change of accounting standard from IFRS to Swiss GAAP FER

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Consolidated balance sheet (unaudited)

Assets

(in EUR million)	**30.06.2019**	**31.12.2018**
Current assets		
Cash and cash equivalents	35.9	53.3
Securities	0.6	0.6
Trade receivables	111.1	90.9
Income tax receivables	1.7	1.7
Other current receivables	11.5	9.3
Inventories	157.0	148.5
Deferred charges and prepaid expenses	2.5	1.8
Total current assets	**320.3**	**306.1**
Non-current assets		
Tangible assets	134.7	130.1
Intangible assets	8.3	8.6
Investment in associated companies	2.1	1.9
Other financial assets	0.9	1.0
Deferred tax assets	5.3	6.9
Total non-current assets	**151.3**	**148.5**
Total assets	**471.6**	**454.6**

From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly to facilitate comparison (see note "Adjustments linked to the first-time application of Swiss GAAP FER").

Consolidated balance sheet (unaudited)

Liabilities and equity (in EUR million)	**30.06.2019**	**31.12.2018**
Liabilities		
Trade liabilities	52.3	45.7
Short-term financial liabilities	59.4	15.4
Derivative financial instruments	0.5	0.5
Short-term provisions	12.8	12.3
Short-term pension obligations	0.3	0.3
Income tax liabilities	2.8	4.2
Other short-term liabilities	26.6	21.5
Deferred income	2.3	1.9
Short-term liabilities	**157.0**	**101.8**
Long-term financial liabilities	80.3	72.4
Long-term provisions	4.1	4.7
Long-term pension obligations	6.1	5.2
Deferred tax liabilities	1.0	2.3
Long-term liabilities	**91.5**	**84.6**
Total liabilities	**248.5**	**186.4**
Equity		
Share capital	0.6	0.6
Treasury shares	-0.4	-0.4
Retained earnings	223.3	268.7
Translation differences	-1.4	-1.8
Equity attributable to shareholders of the parent company	**222.1**	**267.1**
Minority interests	1.0	1.1
Total equity	**223.1**	**268.2**
Total liabilities and equity	**471.6**	**454.6**

From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly to facilitate comparison (see note "Adjustments linked to the first-time application of Swiss GAAP FER").

Consolidated statement of income (unaudited)

(in EUR million)	1st half 2019	1st half 2018
Net sales	**323.9**	**336.4**
Changes in inventories	2.6	1.2
Own work capitalised	0.9	1.2
Other operating income	1.7	3.7
Cost of materials	-158.7	-161.8
Personnel expenses	-104.0	-99.9
Depreciation on intangible assets	-1.4	-1.5
Depreciation on tangible assets	-9.5	-9.4
Impairment of intangible and tangible assets	0.0	-0.3
Other operating expenses	-38.9	-39.0
Results before interest and tax (operating result)	**16.6**	**30.6**
Result from associated companies	-0.1	-0.4
Financial income	2.4	2.8
Financial expenses	-2.8	-5.1
Financial result	-0.5	-2.7
Result before tax	**16.1**	**27.9**
Income tax	-4.5	-7.4
Result of the period	**11.6**	**20.5**
of which		
Shareholders in the parent company	11.8	20.5
Minority interests	-0.2	0.0
Earnings per share		
Earnings per share - undiluted (in EUR)	12.3	21.3
Earnings per share - diluted (in EUR)	12.3	21.3

From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly to facilitate comparison (see note "Adjustments linked to the first-time application of Swiss GAAP FER").

Consolidated statement of cash flow (unaudited)

(in EUR million)	1st half 2019	1st half 2018
Result of the period	11.6	20.5
Income tax	4.5	7.4
Result before tax	**16.1**	**27.9**
Depreciation on intangible assets	1.4	1.5
Depreciation on tangible assets	9.5	9.4
Losses / (gains) from the disposal of intangible and tangible assets	0.0	0.1
Impairment losses / (reversal of impairment losses) on intangible and tangible assets	0.0	0.3
Losses and value adjustments on inventories	1.7	1.2
Result from associated companies	0.1	0.4
Other non-cash expenses / (income)	0.1	0.4
Increase / (decrease) in long-term provisions	0.2	-0.3
Net interest expenses / (income)	0.7	0.5
Interest paid	-1.2	-0.9
Income tax paid	-6.5	-7.0
Operating cash flow before changing in working capital	**22.1**	**33.5**
(Increase) / decrease in inventories	-8.1	-14.4
(Increase) / decrease in trade receivables	-10.7	-21.8
(Increase) / decrease in other receivables, deferred charges and prepaid expenses	-1.0	-1.7
Decrease / (increase) in trade payables	3.1	12.9
Decrease / (increase) in short-term provisions	0.4	-0.1
Decrease / (increase) in other liabilities and deferred income	2.4	4.6
Cash flow from operating activites	**8.2**	**13.0**
Capital expenditure		
Intangible assets	-1.4	-1.4
Tangible assets	-10.5	-10.5
Financial assets	-0.3	-0.2
Acquisition of Group companies	-21.3	0.0
Disinvestments		
Intangible assets	0.3	0.0
Tangible assets	0.2	0.7
Financial assets	0.1	0.9
Securities	0.0	0.8
Disposal of Group companies	0.0	4.6
Interest received	0.3	0.3
Dividendes received	0.1	0.0
Cash used in investing activities	**-32.5**	**-4.8**
Dividends paid (including minority interest)	-14.7	-13.4
Issue of financial liabilities	30.3	10.6
Repayment of financial liabilities	-8.7	-10.2
Cash flow from financing activities	**6.9**	**-13.0**
Translation differences in cash and cash equivalents	0.0	0.1
Change in cash and cash equivalents	**-17.4**	**-4.7**
Cash and cash equivalents as at 1 January	53.3	53.5
Cash and cash equivalents as at 30 June	35.9	48.8
Change in cash and cash equivalents	**-17.4**	**-4.7**

From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly to facilitate comparison (see note "Adjustments linked to the first-time application of Swiss GAAP FER").

Consolidated statement of changes in equity (unaudited)

(in EUR million)	Share capital	Own shares	Retained earnings	Translation differences	Equity attri-butable to shareholders in the parent company	Minority interests	Total equity
Equity as at 1 January 2018 IFRS	**0.6**	**-0.4**	**266.5**	**1.5**	**268.2**	**1.2**	**269.4**
Effect due to conversion to Swiss GAAP FER (see appendix)			**-21.9**	**-1.5**	**-23.4**	**-0.5**	**-23.9**
Equity as at 1 January 2018 Swiss GAAP FER	**0.6**	**-0.4**	**244.6**	**0.0**	**244.8**	**0.7**	**245.5**
Result of the period			**20.5**		**20.5**	**0.0**	**20.5**
Translation differences				-0.3	-0.3	-0.2	-0.5
Change of minority interest			-0.7		-0.7	0.7	0.0
Dividends paid			-13.3		-13.3	-0.1	-13.4
Netting of goodwill against equity			1.7		1.7		1.7
Adjustment purchase price liabilities			0.2		0.2		0.2
Equity as at 30 June 2018	**0.6**	**-0.4**	**253.0**	**-0.3**	**252.9**	**1.1**	**254.0**
Equity as at 31 December 2018 IFRS	**0.6**	**-0.4**	**283.7**	**-0.3**	**283.6**	**1.4**	**285.0**
Effect due to conversion to Swiss GAAP FER (see appendix)			**-15.0**	**-1.5**	**-16.5**	**-0.3**	**-16.8**
Equity as at 1 January 2019 Swiss GAAP FER	**0.6**	**-0.4**	**268.7**	**-1.8**	**267.1**	**1.1**	**268.2**
Result of the period			**11.8**		**11.8**	**-0.2**	**11.6**
Translation differences			0.0	0.4	0.4		0.4
Change of minority interest			-0.2		-0.2	0.2	0.0
Dividends paid			-14.6		-14.6	-0.1	-14.7
Netting of goodwill against equity			-42.4		-42.4		-42.4
Equity as at 30 June 2019	**0.6**	**-0.4**	**223.3**	**-1.4**	**222.1**	**1.0**	**223.1**

From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly to facilitate comparison (see note "Adjustments linked to the first-time application of Swiss GAAP FER").

Consolidated segment information (unaudited)

by division (in EUR million)	Enclosures		Mechanical Components		ELCOM/EMS		Total Segment		Reconciliation*		Total Group	
	1st half 2019	1st half 2018	1st half 2019	1st half 2018	1st half 2019	1st half 2018	1st half 2019	1st half 2018	1st half 2019	1st half 2018	1st half 2019	1st half 2018
Gross sales to third parties	**95.4**	**95.9**	**167.0**	**173.1**	**64.4**	**70.3**	**326.8**	**339.3**	**0.0**	**0.0**	**326.8**	**339.3**
Gross sales between divisions	0.3	0.3	0.4	0.1	2.2	2.2	2.9	2.6	-2.9	-2.6	0.0	0.0
Revenue reductions											-2.9	-2.9
Net sales											**323.9**	**336.4**
Depreciation on intangible assets and tangible assets	-3.3	-3.3	-4.2	-4.5	-2.9	-2.9	-10.4	-10.7	-0.5	-0.5	-10.9	-11.2
Result before interest and tax (operating result)	**11.0**	**13.0**	**9.2**	**15.1**	**-1.6**	**4.3**	**18.6**	**32.4**	**-2.0**	**-1.8**	**16.6**	**30.6**
Financial result											-0.5	-2.7
Result before tax											**16.1**	**27.9**
Income tax											-4.5	-7.4
Result of the period											**11.6**	**20.5**
Segment assets	106.4	101.9	200.2	189.2	114.6	106.4	421.2	397.5			421.2	397.5
Cash and cash equivalents									35.9	48.8	35.9	48.8
Other assets									14.5	17.3	14.5	17.3
Total assets	**106.4**	**101.9**	**200.2**	**189.2**	**114.6**	**106.4**	**421.2**	**397.5**	**50.4**	**66.1**	**471.6**	**463.6**
Segment liabilities	26.4	24.7	55.9	60.0	18.2	19.6	100.5	104.3			100.5	104.3
Interest-bearing liabilities									139.7	93.7	139.7	93.7
Other liabilities									8.3	11.6	8.3	11.6
Total liabilities	**26.4**	**24.7**	**55.9**	**60.0**	**18.2**	**19.6**	**100.5**	**104.3**	**148.0**	**105.3**	**248.5**	**209.6**
Net assets	**80.0**	**77.2**	**144.3**	**129.2**	**96.4**	**86.8**	**320.7**	**293.2**	**-97.6**	**-39.2**	**223.1**	**254.0**

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

by region	1st half 2019	1st half 2018
Net sales		
Switzerland	12.7	10.9
Germany	110.8	112.1
UK	8.0	8.1
France	9.6	8.9
Italy	7.1	7.8
The Netherlands	7.9	9.5
Rest of Europe	42.3	46.9
North and South America	36.4	36.5
Middle and Far East	92.0	98.6
Gross sales	326.8	339.3
Revenue reductions	-2.9	-2.9
Net sales	**323.9**	**336.4**

by product group	1st half 2019	1st half 2018
Net sales		
Industrial enclosures	89.2	89.2
Input systems	6.2	6.7
Enclosures	**95.4**	**95.9**
Industrial assembly systems	25.0	25.1
Linear adjustment and positioning systems	142.0	148.0
Mechanical Components	**167.0**	**173.1**
Electro-mechanical Components	28.6	34.6
Power Quality	12.1	12.0
Electronic Manufacturing and Packaging	23.7	23.7
ELCOM/EMS	**64.4**	**70.3**
Gross sales	326.8	339.3
Revenue reductions	-2.9	-2.9
Net sales	**323.9**	**336.4**

From the start of 2019, the consolidated financial statements are being prepared in accordance with Swiss GAAP FER. The prior periods have been adjusted accordingly to facilitate comparison (see note "Adjustments linked to the first-time application of Swiss GAAP FER").

Annex to the interim financial statements as at 30 June 2019

Consolidation and valuation principles

Principles underlying the interim financial statements

These unaudited interim financial statements for the Phoenix Mecano Group were drawn up in accordance with Swiss GAAP FER 31 "Complementary recommendation for listed companies". The consolidated half-yearly accounts do not cover all the information set out in the consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2018. Until 31 December 2018, the Phoenix Mecano Group prepared its interim financial statements and consolidated financial statements in accordance with IFRS.

The accounting and valuation principles used for the interim financial statements are the same as those applied for the consolidated financial statements under IFRS as at 31 December 2018, except for the adjustments indicated under "Adjustments linked to the first-time application of Swiss GAAP FER", which are required by the first-time application of the Swiss GAAP FER Accounting and Reporting Recommendations.

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 with adjusting of prior year due to the increasing complexity of the detailed rules and disclosure requirements under IFRS. The 2019 interim 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 interim financial statements as at 30 June 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 plan in accordance with Swiss GAAP FER 26. Under Swiss GAAP FER, employer contribution reserves are capitalised. Under IFRS, these pension plans were

calculated using the projected unit credit method and accounted for in accordance with IAS 19. 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 in equity, 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:

Adjustment effects on equity	01.01.2018 in EUR million	30.06.2018 in EUR million	31.12.2018 in EUR million
Equity IFRS	**269.4**	**275.2**	**285.0**
Netting Goodwill from acquisitions	-13.5	-13.7	-13.4
Netting of acquired intangible assets for customer base, know-how and trade marks	-22.4	-18.3	-15.6
Adjustment pension obligations	8.1	7.9	9.9
Deffered tax assets / -liabilities	3.9	2.9	2.3
Equity Swiss GAAP FER	**245.5**	**254.0**	**268.2**

Adjustment effects on result of the period	1st half 2018 in EUR million
Result of the period IFRS	**19.2**
Adjustment gain from sale of Group companies	-0.9
Adjustment depreciation of acquired intangible assets for customer base, know-how and trade marks	2.8
Adjustment impairment losses of acquired intangible assets for customer base, know-how and brands	0.5
Adjustment personnel expenses	-0.1
Financial result	-0.2
Deferred income taxes	-0.8
Result of the period Swiss GAAP FER	**20.5**

Scope of consolidation

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

Date	Company	Change	Division
2019			
02.04.2019	Haining My Home Mechanism Co. Ltd.	Acquisition	Mechanical Components
2018			
31.05.2018	Wijdeven Inductive Solutions B.V.	Sale	ELCOM/EMS
31.05.2018	Wijdeven Power Holding B.V.	Sale	ELCOM/EMS
01.01.2018	Aton Lichttechnik GmbH	Merger with Phoenix Mecano Digital Elektronik GmbH	ELCOM/EMS

Assumptions and estimations

The preparation of the half-yearly accounts necessitates various assumptions and estimations. These are based on the management's assessments, which are regularly verified and amended as and when fresh information or findings necessitate changes.

Notes on the interim financial statements

Seasonality

The Phoenix Mecano Group is active in sectors that are subject to limited seasonal fluctuations.

Acquisition of Group companies

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 company generated sales of around EUR 37 million in 2018 and employs around 400 staff.

The acquired assets and assumed liabilities break down provisionally as follows:

	Fair value in EUR million
Non-current assets	3.4
Current assets	13.7
Liabilities	-12.6
Identifiable net assets	**4.5**
Goodwill from acquisition	42.4
Purchase price	**46.9**
Residual purchase price liability (Earn-out)	-11.1
Residual purchase price liability (Part 2)	-14.3
Purchase price paid in cash and cash equivalents	21.5
Cash and cash equivalents acquired	-0.2
Change in funds (cash outflow)	**21.3**

Disposal of Group companies

On 31 May 2018, 100% of the shares in Wijdeven Inductive Solutions BV and Wijdeven Power Holding BV (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 1.8 million. The reduction of EUR 0.9 million compared to the previous year's interim financial statements under IFRS is due to the offsetting (netting) of goodwill against equity and the recognition of this offset in the event of a sale of a Group company.

	2018 in EUR million
Goodwill	1.7
Non-current assets	0.3
Current assets	2.9
Liabilities	-1.7
Net assets	**3.2**
Gain from disposal of group companies	1.8
Purchase price	**5.0**
Disposal of cash and cash equivalents	-0.4
Change in funds (cash inflow)	**4.6**

Categories of financial instruments

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

	30.06.2019 in EUR million	31.12.2018 in EUR million
Financial assets measured at market value		
Securities	0.6	0.6
Derivative financial instruments	0.0	0.0
Total	**0.6**	**0.6**
Financial liabilities measured at market value		
Derivative financial instruments	-0.5	-0.5
Purchase price liabilities from acquisitions	-26.4	-1.3
Total	**-26.9**	**-1.8**

The following table provides an update on financial liabilities:

	2019 in EUR million	2018 in EUR million
Balance as at 1 January / 1 January	**1.3**	**4.1**
Currency differences	-0.3	0.0
Usage	0.0	-2.4
Allocation (via equity)	25.4	-0.4
Interest expenses	0.0	0.0
Balance as at 30 June / 31 December	**26.4**	**1.3**

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

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, a change in the interest rate or a change in the parameters for determining the purchase price. If the relevant future results were 10% greater, the purchase price liability would increase by EUR 1.3 million, assuming all other variables remained constant.

Other operating income

The decrease in other operating income is mainly due to the aforementioned accounting profit from the sale of the shares in Wijdeven Inductive Solutions BV and Wijdeven Power Holding BV in 2018.

Dividend payment

Pursuant to the decision taken by the Shareholders' General Meeting held on 17 May 2019, on 23 May 2019 shareholders were paid a dividend of CHF 17.00 per share (previous year CHF 16.00).

Events after the balance sheet date

On 5 July 2019, the Phoenix Mecano Group sold its 20% stake in Electroshield-C (RU) for EUR 1.55 million.

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 company generated sales of around EUR 6.5 million in 2018.

The acquired assets and assumed liabilities break down provisionally as follows:

	Fair value in EUR million
Non-current assets	0.9
Current assets	2.7
Liabilities	-3.7
Identifiable net assets	**-0.1**
Goodwill from acquisition	3.1
Purchase price	**3.0**
Purchase price liability (Earn-out)	-2.2
Purchase price paid in cash and cash equivalents	**0.8**
Cash and cash equivalents acquired	0.0
Change in funds (cash outflow)	**0.8**

The EUR 3.0 million acquisition costs for the investment comprise the purchase price of EUR 0.8 million paid in cash on 1 August and the expected contingent purchase price payment of EUR 2.2 million, which is dependent on future sales between 2019 and 2021.

On 14 August 2019, the Board of Directors of the Phoenix Mecano Group adopted a package of measures aimed at making strategic structural adjustments and boosting earnings, with a focus on the Mechanical Components and ELCOM/EMS divisions. Taking into account the one-off items in the first half of the year, totalling EUR 1.2 million in the Mechanical Components and EUR 0.2 million in the ELCOM/EMS division, one-off items of approximately EUR 14-16 million are expected for 2019 as a whole.

Between 30 June 2019 and 14 August 2019, no other events occurred that would alter the book values of the Group’s assets and liabilities as at 30 June 2019 or that should be disclosed here.

Adoption of the condensed interim financial statements

The Board of Directors of Phoenix Mecano AG released this half-yearly report for publication on 14 August 2019.