PHOENIX MECANO

Interim accounts as at 30 June 2021

Company report

Interim accounts as at 30 June 2021

Report by the Board of Directors
on the Mid-year report as at June 30, 2021

Dear Ladies and Gentlemen

With the market environment remaining favourable, the Phoenix Mecano Group achieved double-digit growth in sales and incoming orders in the first half of 2021, hitting record highs, and saw a disproportionate improvement in its operating result and result of the period. The Group's performance was not only better than that of H1 2020, which was weak due to COVID-19, but also that of the pre-crisis year 2019.

All divisions contributed to the increase in sales and profits. The Group's performance enhancement programme, completed in 2020, helped to boost production capacity utilisation, resulting in significantly stronger profitability despite downward pressure from raw material price trends.

Consolidated gross sales rose by 33.8% in the first half of 2021, from EUR 302.1 million to EUR 404.3 million. Sales growth in local currencies was 35.7%. Changes in the scope of consolidation impacted the increase in sales by -0.1%.

Net sales totalled EUR 401.5 million (previous year: EUR 299.5 million). Incoming orders climbed by 37.5% from EUR 320.1 million to EUR 440.3 million. The book-to-bill ratio was 108.9% (previous year: 106.0%).

The operating result increased by 285.7% from EUR 6.4 million to EUR 24.7 million and the operating cash flow by 90.9% from EUR 18.5 million to EUR 35.4 million.

The result of the period was EUR 16.6 million, significantly higher than the previous year (EUR 1.2 million).

Development of the Group's divisions

In the interests of comparability, the division figures for 2020 have been adjusted to the new divisional structure introduced at the start of 2021 (*).

The **DewertOkin Technology Group (DOT Group)** division increased its gross sales by 63.7% to EUR 194.1 million. In organic, local-currency terms, the increase was 66.5%. The operating result rose by 96.7% to EUR 4.3 million, while the operating margin climbed from 1.8%* to 2.2%.

The DOT Group pursues a strategy of vertical integration and global expansion, which it implements consistently with a focus on structurally growing end markets. However, the challenging situation on the procurement markets and the associated increases in raw material costs are affecting profitability. In response to this development, the division has introduced price increases, among other measures. These measures are now beginning to take effect, albeit with some delay.

The multi-year project to build a new technology centre and expand capacity at the new Jiaxing site is progressing as planned, and strategic digitalisation initiatives in the smart home and medical technology sectors are being systematically continued. By contrast, the planned partial IPO of the DOT Group in China has been postponed until 2023 at the earliest (see ad hoc announcement of 30 July 2021).

In the **Industrial Components** division, gross sales in the first half of 2021 rose by 16.5% to EUR 111.0 million. In organic, local-currency terms, they were up by 17.6%. The operating result was EUR 8.6 million, following an operating loss of EUR 3.4 million* the previous year. The operating margin was 7.8% (previous year: -3.6%*).

In the Automation Systems subdivision, the positive market trend continued at a high level. In a small bolt-on acquisition, Phoenix Mecano took over X2 Technology AB, which specialises in high-quality lifting columns for medical and industrial applications, with effect from 1 June. The Swedish company will be merged with the existing industrial activities of Rose+Krieger in Scandinavia, giving it access to the Group's global sales network. The Rugged Computing and Measuring Technology subdivisions saw strong product demand from mechanical engineering and from new fields of application in renewable energy (Measuring Technology). The tensions affecting international supply chains are causing Electrotechnical Components and Rugged Computing customers to place orders with increasingly long lead times. This is currently leading to very high levels of incoming orders, especially from the medical technology sector.

Sales in the **Enclosure Systems** division grew by 12.4% from EUR 88.2 million* to EUR 99.2 million. In organic, local-currency terms, the increase was 14.9%. The operating result rose from EUR 8.6 million* to EUR 13.4 million and the operating margin from 9.7%* to 13.5%.

Sales increased in all European markets. In many places the growth rates were in double digits, including the division's main market of Germany, which saw a 12.2% increase. The main drivers of demand were custom HMI projects and integrated system solutions for various electronic enclosure applications with advanced input or Internet of Things interfaces. By contrast, sales declined slightly in North and South America (down 2.8%) and the Middle and Far East (down 1.6%). In these regions, traditionally dominated by the oil and gas business, project delays could not be fully offset by sales from the OEM and series production of explosion-proof enclosures.

Outlook

Industrial activity in key Group markets is stabilising at a high level and the book-to-bill ratio of 108.9% suggests a continued positive trend in business performance. In the procurement markets and supply chains, however, the situation is likely to remain tense in the second half of the year, meaning that further price increases and longer delivery times can be expected.

Phoenix Mecano invests strategically in system solutions for promising fields of application benefiting from long-term megatrends. Examples include workplace ergonomics, production automation, and changes in the healthcare sector driven by demographic trends. In these fields, Phoenix Mecano technologies and products are used in the digitalisation of patient-related services and processes in hospitals, at human-machine interfaces in industrial applications, and in ergonomic workplaces in offices and homes. The Phoenix Mecano Group is ideally positioned to continue leveraging these opportunities to generate sustainable, profitable growth in the future.

Despite considerable ongoing risks and uncertainties associated with the COVID-19 pandemic, Phoenix Mecano is optimistic about the 2021 financial year. The management and Board of Directors anticipate sales growth well into double digits and a significant increase in profitability. Operating profit is expected to exceed EUR 43 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

		30.06.2021	**30.06.2020**
Share capital (bearer shares at nominal CHF 1.00)	Number	960‘500	960‘500
Entitled to dividend (as of 30 June)	Number	960‘311	959‘500
Entitled to dividend (on average)	Number	960‘146	959‘500
Operating income per share	EUR	25.7	6.7
Net result per share	EUR	17.3	1.6
Shareholders’ equity (incl. Minority interest) per share	EUR	215.2	212.7

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Consolidated balance sheet (unaudited)

Assets

(in EUR million)	30.06.2021	31.12.2020
Current assets		
Cash and cash equivalents	69.5	77.2
Trade receivables	162.1	133.8
Income tax receivables	4.4	5.9
Derivative financial instruments	0.2	0.0
Other current receivables	18.6	17.0
Inventories	164.3	157.1
Deferred charges and prepaid expenses	3.2	2.4
Total current assets	**422.3**	**393.4**
Non-current assets		
Tangible assets	134.6	129.5
Intangible assets	10.0	9.6
Investment in associated companies	2.8	2.5
Other financial assets	1.2	1.1
Deferred tax assets	8.3	8.9
Total non-current assets	**156.9**	**151.6**
Total assets	**579.2**	**545.0**

Consolidated balance sheet (unaudited)

Equity and liabilities

(in EUR million)	30.06.2021	31.12.2020
Liabilities		
Trade payables	94.5	85.7
Short-term financial liabilities	107.8	92.0
Derivative financial instruments	0.1	1.7
Short-term provisions	14.9	19.7
Short-term pension obligations	0.2	0.2
Income tax liabilities	4.0	3.6
Other short-term liabilities	35.2	24.7
Deferred income	11.1	10.8
Short-term liabilities	**267.8**	**238.4**
Long-term financial liabilities	94.3	100.6
Long-term provisions	3.7	5.5
Long-term pension obligations	6.2	6.2
Deferred tax liabilities	1.1	1.9
Long-term liabilities	**105.3**	**114.2**
Total liabilities	**373.1**	**352.6**
Equity		
Share capital	0.9	0.9
Treasury shares	-0.1	-0.2
Retained earnings	208.4	199.0
Translation differences	-2.8	-7.2
Equity attributable to shareholders of the parent company	**206.4**	**192.5**
Minority interests	-0.3	-0.1
Total equity	**206.1**	**192.4**
Total equity and liabilities	**579.2**	**545.0**

Consolidated statement of income (unaudited)

(in EUR million)	1st half 2021	1st half 2020
Net revenue	**401.5**	**299.5**
Changes in inventories	-1.8	-3.1
Own work capitalised	1.2	0.4
Other operating income	2.7	2.7
Cost of materials	-216.9	-143.6
Personnel expenses	-110.2	-100.7
Depreciation on tangible assets	-9.4	-9.8
Depreciation on intangible assets	-1.3	-1.4
Impairment losses and reversal of impairment losses on tangible and intangible assets	0.0	-0.9
Other operating expenses	-41.1	-36.7
Operating result	**24.7**	**6.4**
Result from associated companies	0.3	0.1
Financial income	3.3	2.6
Financial expenses	-3.3	-5.4
Financial result	0.3	-2.7
Result before tax	**25.0**	**3.7**
Income tax	-8.4	-2.5
Result of the period	**16.6**	**1.2**
of which		
Shareholders of the parent company	16.7	1.5
Minority shareholders	-0.1	-0.3
Earnings per share		
Earnings per share - undiluted (in EUR)	17.3	1.6
Earnings per share - diluted (in EUR)	17.3	1.6

Consolidated statement of cash flow (unaudited)

(in EUR million)	1st half 2021	1st half 2020
Result of the period	16.6	1.2
Income tax	8.4	2.5
Result before tax	**25.0**	**3.7**
Depreciation on tangible assets	9.4	9.8
Depreciation on intangible assets	1.3	1.4
Losses / (gains) from the disposal of tangible and intangible assets	-0.1	-0.6
Impairment losses / (reversal of impairment losses) on tangible and intangible assets	0.0	0.9
Losses and value adjustments on inventories	1.9	2.8
Result from associated companies	-0.3	-0.1
Expenses from employee participation plan	0.3	0.0
Other non-cash expenses / (income)	-2.5	3.3
Increase / (decrease) in long-term provisions and pension obligations	-0.6	-0.7
Net interest expenses / (income)	1.4	1.2
Interest paid	-1.6	-1.5
Income tax paid	-6.0	-5.9
Operating cash flow before changing in working capital	**28.2**	**14.3**
(Increase) / decrease in inventories	-6.2	-5.8
(Increase) / decrease in trade receivables	-23.8	9.7
(Increase) / decrease in other receivables, deferred charges and prepaid expenses	-1.9	-2.9
Decrease / (increase) in trade payables	5.9	-11.1
Decrease / (increase) in short-term provisions and pension obligations	-6.3	4.0
Decrease / (increase) in other liabilities and deferred income	9.9	-0.2
Cash flow from operating activites	**5.8**	**8.0**
Capital expenditure		
Tangible assets	-13.6	-11.9
Intangible assets	-1.7	-0.9
Acquisition of Group companies	-1.0	-0.4
Disinvestments		
Tangible assets	1.2	1.6
Interest received	0.3	0.3
Cash used in investing activities	**-14.8**	**-11.3**
Dividends paid (including minority interest)	-7.1	-9.1
Sale of own shares	0.1	0.0
Issue of financial liabilities	55.5	19.2
Repayment of financial liabilities	-48.6	-14.6
Cash flow from financing activities	**-0.1**	**-4.5**
Translation differences in cash and cash equivalents	1.4	-0.6
Change in cash and cash equivalents	**-7.7**	**-8.4**
Cash and cash equivalents as at 1 January	77.2	60.1
Cash and cash equivalents as at 30 June	69.5	51.7
Change in cash and cash equivalents	**-7.7**	**-8.4**

Consolidated statement of changes in equity (unaudited)

(in EUR million)	Share capital	Treasury shares	Retained earnings	Translation differences	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Equity as at 31 December 2019	**0.9**	**-0.4**	**218.2**	**-2.4**	**216.3**	**1.1**	**217.4**
Result of the period			**1.5**		**1.5**	**-0.3**	**1.2**
Dividends paid			-9.1		-9.1		-9.1
Translation differences				-4.1	-4.1	-0.1	-4.2
Change of minority interest			-0.2		-0.2	0.2	0.0
Adjustment of purchase price liability with impact on shadow statement			-1.1		-1.1		-1.1
Adjustment of purchase price liability through acquisition of minority interests			-0.1		-0.1		-0.1
Equity as at 30 June 2020	**0.9**	**-0.4**	**209.2**	**-6.5**	**203.2**	**0.9**	**204.1**
Equity as at 31 December 2020	**0.9**	**-0.2**	**199.0**	**-7.2**	**192.5**	**-0.1**	**192.4**
Result of the period			**16.7**		**16.7**	**-0.1**	**16.6**
Dividends paid			-7.0		-7.0	-0.1	-7.1
Translation differences				4.4	4.4		4.4
Currency differences from sale / merger / liquidation recognised directly in equity			-0.4		-0.4		-0.4
Change in treasury shares		0.1			0.1		0.1
Netting of goodwill against equity			-0.2		-0.2		-0.2
Implementation of employee participation plan			0.3		0.3		0.3
Equity as at 30 June 2021	**0.9**	**-0.1**	**208.4**	**-2.8**	**206.4**	**-0.3**	**206.1**

Consolidated segment information (unaudited)

by division (in EUR million)	**DewertOkin Technology (DOT)**		**Industrial Components**		**Enclosures**		**Total Segment**		**Reconciliation***		**Total Group**	
	1st half 2021	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**	**1st half 2021**	**1st half 2020**
Gross sales to third parties	**194.1**	**118.6**	**111.0**	**95.3**	**99.2**	**88.2**	**404.3**	**302.1**	**0.0**	**0.0**	**404.3**	**302.1**
Gross sales between divisions	3.3	3.8	1.5	1.7	0.7	0.3	5.5	5.8	-5.5	-5.8	0.0	0.0
Revenue reductions											-2.8	-2.6
Net revenue											**401.5**	**299.5**
Reversal of impairment losses / (impairment losses) on tangible and intangible assets	0.0	-0.2	0.0	-0.6	0.0	-0.1	0.0	-0.9	0.0	0.0	0.0	-0.9
Depreciation on tangible assets and intangible assets	-3.1	-3.1	-4.0	-4.2	-3.0	-3.6	-10.1	-10.9	-0.6	-0.3	-10.7	-11.2
Operating result	**4.3**	**2.2**	**8.6**	**-3.4**	**13.4**	**8.6**	**26.3**	**7.4**	**-1.6**	**-1.0**	**24.7**	**6.4**
Financial result											0.3	-2.7
Result before tax											**25.0**	**3.7**
Income tax											-8.4	-2.5
Result of the period											**16.6**	**1.2**
Purchases of tangible and intangible assets	**9.9**	**6.6**	**2.3**	**4.4**	**2.3**	**1.4**	**14.5**	**12.4**	**0.8**	**0.4**	**15.3**	**12.8**
Segment assets	225.0	146.9	152.5	155.2	109.6	101.7	487.1	403.8			487.1	403.8
Cash and cash equivalents									69.5	51.7	69.5	51.7
Other assets									22.6	15.4	22.6	15.4
Total assets	**225.0**	**146.9**	**152.5**	**155.2**	**109.6**	**101.7**	**487.1**	**403.8**	**92.1**	**67.1**	**579.2**	**470.9**
Segment liabilities	102.5	48.4	31.9	29.4	27.3	26.4	161.7	104.2			161.7	104.2
Interest-bearing liabilities									202.1	154.3	202.1	154.3
Other liabilities									9.3	8.3	9.3	8.3
Total liabilities	**102.5**	**48.4**	**31.9**	**29.4**	**27.3**	**26.4**	**161.7**	**104.2**	**211.4**	**162.6**	**373.1**	**266.8**
Net assets	**122.5**	**98.5**	**120.6**	**125.8**	**82.3**	**75.3**	**325.4**	**299.6**	**-119.3**	**-95.5**	**206.1**	**204.1**

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

by region	**1st half 2021**	**1st half 2020**
Net revenue		
Switzerland	12.6	11.5
Germany	119.7	99.7
UK	7.7	5.9
France	10.0	8.1
Italy	6.6	5.7
The Netherlands	7.3	7.8
Rest of Europe	46.0	42.5
North and South America	35.7	33.6
Middle and Far East	158.7	87.3
Gross sales	404.3	302.1
Revenue reductions	-2.8	-2.6
Net revenue	**401.5**	**299.5**

by product group	**1st half 2021**	**1st half 2020**
Net revenue		
Actuators	153.3	101.4
Mechanisms	33.9	17.2
Bewatec	6.9	0.0
DewertOkin Technology (DOT)	**194.1**	**118.6**
Automation Modules	47.8	41.1
Electromechanical Components	27.7	23.7
Rugged Computing	24.6	21.3
Measuring Technology	10.9	9.2
Industrial Components	**111.0**	**95.3**
Industrial enclosures	93.0	81.8
Input systems	6.2	6.4
Enclosures	**99.2**	**88.2**
Gross sales	404.3	302.1
Revenue reductions	-2.8	-2.6
Net revenue	**401.5**	**299.5**

In view of the planned partial listing of DewertOkin, the Phoenix Mecano Group reorganised its divisional structure with effect from 1 January 2021. The prior periods have been adjusted accordingly.

Annex to the interim financial statements as at 30 June 2021

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 2020.

The accounting and valuation principles used for the interim financial statements are the same as those applied for the consolidated financial statements under Swiss GAAP FER as at 31 December 2020.

Scope of consolidation

In first half year of 2021 and 2020 the scope of consolidation changed as follows:

Date	Company	Change	Division
2021			
17.06.2021	BEWATEC Connected Care GmbH	Merger with BEWATEC Kommunikationstechnik GmbH	DewertOkin Technology (DOT)
16.06.2021	DewertOkin Services GmbH	Merger with DewertOkin GmbH	DewertOkin Technology (DOT)
01.06.2021	X2 Technology AB	Acquisition	Industrial Components
20.04.2021	Phoenix Mecano Trading AG	Merger with Phoenix Mecano AG	Reconciliation
24.03.2021	Phoenix Mecano Components (Taicang) Co., Ltd.	Liquidation	Industrial Components
2020			
27.05.2020	DewertOkin Services GmbH	Foundation	DewertOkin Technology (DOT)
05.05.2020	Okin Vietnam Company Ltd.	Foundation	DewertOkin Technology (DOT)
02.04.2020	Hartmann Codier GmbH	Merger with PTR HARTMANN GmbH	Industrial Components
03.03.2020	Integrated Furniture Technologies Ltd.	Liquidation	DewertOkin Technology (DOT)
28.01.2020	RK Antriebs- und Handhabungs- Technik GmbH	Foundation	Industrial Components

In view of the planned partial listing of DewertOkin, the Phoenix Mecano Group reorganised its divisional structure with effect from 1 January 2021 and is restructuring the consolidated segment information as follows:

- DewertOkin Technology Group (DOT)
- Industrial Components (IC)
- Enclosure Systems (ES)

In the interests of comparability, the prior period has been adjusted analogously as far as possible.

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. The interim financial statements as at 30 June 2020 have been heavily impacted by COVID-19.

Acquisition of Group companies

On 1 June 2021, the Phoenix Mecano Group acquired 100% of the shares in X2 Technology AB, Sweden, which develops and manufactures lifting columns for high-end medical and industrial applications. The company will be incorporated into the Industrial Components division and renamed Phoenix Mecano AB. The acquired business generated gross sales of around EUR 2.5 million in 2020, with 15 employees.

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

	Fair value in EUR million
Non-current assets	0.0
Current assets	1.2
Liabilities	-0.7
Identifiable net assets	**0.5**
Goodwill from acquisition	1.0
Purchase price	**1.5**
Residual purchase price liability (Earn-out)	-0.5
Purchase price paid in cash and cash equivalents	**1.0**
Cash and cash equivalents acquired	0.0
Change in funds (cash outflow)	**1.0**

The difference of EUR 0.8 million in goodwill from acquisitions between the table above and the statement of changes in equity is due to a subsequent adjustment of deferred tax and goodwill linked to the acquisition of Bewatec in November 2020.

Financial liabilities

On 5 May 2021, the Phoenix Mecano Group took out another promissory note loan for EUR 42.5 million with a term of five years and a fixed interest rate. In addition, the promissory note loan for USD 13.5 million, maturing in March 2022, was repaid early. The loan is being used to refinance existing financial liabilities and to provide funds for growth financing.

Categories of financial instruments

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

	30.06.2021 in EUR million	31.12.2020 in EUR million
Financial assets measured at market value		
Derivative financial instruments	0.2	0.0
Outstanding residual purchase price payment	1.0	1.0
Total	**1.2**	**1.0**
Financial liabilities measured at market value		
Derivative financial instruments	-0.1	-1.7
Purchase price liabilities from acquisitions	-7.7	-10.0
Total	**-7.8**	**-11.7**

Financial instruments consist solely of forward exchange transactions and in 2020 in addition of interest rate swaps. 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 following table provides an update on purchase price liabilities from acquisitions:

	2021 in EUR million	2020 in EUR million
Balance as at 1 January / 1 January	**10.0**	**20.5**
Change in scope of consolidation	0.5	6.6
Currency differences	0.0	0.3
Usage	-2.8	-18.6
Changes (via equity)	0.0	1.2
Balance as at 30 June / 31 December	**7.7**	**10.0**

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, the addition of accrued interest or a change in the parameters for determining the purchase price (sales or operating cash flow). If the relevant future measurement bases were 10% greater, the purchase price liability would increase by EUR 0.1 million, assuming all other variables remained constant.

Dividend payment

Pursuant to the decision taken by the Shareholders' General Meeting held on 21 May 2021, on 28 May 2021 shareholders were paid a dividend of CHF 8.00 per share (previous year CHF 10.00).

Events after the balance sheet date

Between 30 June 2021 and 9 August 2021, no events occurred that would alter the book values of the Group's assets and liabilities as at 30 June 2021 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 9 August 2021.