Interim accounts as at 30 June 2007

Company report

Condensed interim accounts as at 30 June 2007

PHOENIX MECANO

Report by the Board of Directors on the Mid-year report as at June 30, 2007

Dear Ladies and Gentlemen

The Phoenix Mecano Group once again recorded double-digit sales growth (13%) in the first half of 2007. This was reflected in all three divisions, with Enclosures and ELCOM/EMS experiencing particularly strong development.

The consolidated gross sales of the Phoenix Mecano Group rose by 13% in the first half of 2007 to € 203 million, compared with € 179.7 million in the first half of 2006. Taking into account changes in the scope of consolidation, growth totalled 9.9%. In local currencies the increase was 13.9%. Incoming orders during the period under review rose by 8.0% to € 201.1 million.

Compared with the previous year, the operating result rose by 1.4% from € 21.4 million to € 21.7 million, resulting in an operating margin of 10.7% (as against 11.9% the previous year). The slight dilution in margin occurred due to the relocation of a production facility from Germany to Tunisia. In addition, planned product launch costs and disproportionate development in the low-margin US market led to a reduced operating margin in the Mechanical Components division. This situation is expected to improve significantly in 2008, once measures currently being implemented have taken effect.

Increases in the cost of raw materials were passed on in part to customers. In addition, a series of measures aimed at boosting productivity are being implemented: a new plant was built for ELCOM/EMS in Tunisia in the first half of 2007 while the new aluminium die-cast manufacturing plant in India is now operating at full speed. In Shanghai, China, the existing production area is being doubled. In Hungary, premises previously leased out to third parties are to be converted to a Phoenix Mecano production facility and commissioned in the coming weeks. New offices and subsidiaries have been set up in Moscow, Dubai and various provinces of China, and there are plans for a Group subsidiary in Turkey.

The Group's operating cash flow rose by 1% from € 29.4 million to € 29.7 million. The result after tax for the period under review was € 16.1 million, compared with € 16.9 million the previous year. In this connection, it should be noted that the tax rate for the current year is 25.1% whereas last year, as the result of one-off circumstances, it was a mere 5.5%. However, the Group was able to significantly reduce the loss in financial result by lowering its external debts. In the second half of 2007, the Group is expecting a positive one-off effect on deferred taxes of approximately € 1 million due to the imminent tax reform in Germany. Net indebtedness fell by € 3 million on the previous year to € 17 million, despite the externally funded acquisition of the Leonhardy MCT Group, the 50% increase in dividend payment and ongoing investments in production facilities and stock aimed at boosting organic growth.

Developments per division

The **Enclosures** division boosted its sales by 13.1% during the period under review, from € 71.7 million to € 81.1 million, buoyed up mainly by the German export economy and disproportionate growth in the renewable energy (e.g. wind power) and oil and gas markets. In terms of products, the highest growth was achieved by stainless steel applications, used as explosion protected enclosures on oil drilling platforms and in the food and chemicals industries. Operating profit in this highly lucrative division rose disproportionately by 18.1% from € 14.9 million to € 17.6 million. The newly commissioned manufacturing plant for aluminium die-cast enclosures in India contributed to this for the first time this year.

The **ELCOM/EMS** division increased its sales by 20% from € 36.9 million to € 44.3 million. Organic growth was 4.9%. The Leonhardy MCT Group, consolidated for the first time on 1 January 2007, accounted for 15.1% of this total. The operating result was up 15.6% from € 4.5 million to € 5.2 million. Following construction of a new manufacturing facility for terminal blocks and plug connectors in Tunisia and one-off stock adjustment costs, the operating margin fell temporarily from 12.2% to 11.7%, as forecasted. We expect the margin to improve slightly from 2008, when these one-off effects will cease to apply. The European market for this division is in good shape, although there was a slight downturn in the US and Asia due to the weak dollar.

Sales by the **Mechanical Components** division rose by 9.2% from € 70.6 million to € 77.1 million. Both industrial business (Rose&Krieger) and linear drives for the furniture and healthcare industry (Dewert) contributed to the sales growth. The operating result totalled € 1.1 million, compared with € 4.2 million the previous year. This was due to a number of factors: higher raw material prices, the weak dollar and additional costs for new product launches during the first half of the year. The products in question were hospital beds and patient lifts as well as new products in the heating, air conditioning and ventilation technology segment. In addition, the low-margin US business grew disproportionately while the key elderly care market in Japan failed to recover as quickly as expected in the wake of changes to the country's healthcare legislation. The Group expects the margin to improve from 2008, in response to a raft of optimisation projects in purchasing and supply chain management and the construction of a furniture drive production facility in China.

Outlook

The business climate in Europe and Asia looks stable as far as the Phoenix Mecano Group is concerned. The slight downturn in the US und the weak dollar are unlikely to have a major impact on Phoenix Mecano's business over the coming months. Competition in the furniture industry is forecast to remain strong, allowing only limited scope for the necessary price rises.

As regards 2008, optimisation potential within the Mechanical Components division associated with one-off costs for the launch of new products in the hospital furniture and heating, air conditioning and ventilation technology segments offers scope for disproportionate increases in result.

Given the broad upturn in all major economic regions and its constantly evolving product range and production infrastructure, the Phoenix Mecano Group can look to the future with confidence.

Kind regards

Ulrich Hocker	Benedikt Goldkamp
Chairman of the Board of Directors	Delegate of the Board of Directors / CEO

Information for shareholders

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

Ticker-Symbols

Valoren-No.	Inh. 218781
Reuters	PHOZ
Telekurs/Telerate	PM
ISIN	CH0002187810

Share indicators

		30.06.2007	**30.06.2006**
Share capital (bearer shares at nominal CHF 1.00)	Number	1'069'500	1'100'000
Entitled to dividend (as of 30 June)	Number	1'064'415	1'067'592
Entitled to dividend (on average)	Number	1'066'065	1'068'049
Cash flow per share (continued operations)	EUR	20.4	20.0
Net result per share	EUR	15.0	15.7
Shareholders' equity per share	EUR	167.0	144.0

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Consolidated balance sheet (unaudited)

Assets

(million EUR)	30.06.2007	31.12.2006
Fixed assets		
Goodwill	0.3	0.3
Other intangible assets	4.3	4.7
Tangible assets	92.0	87.1
Investment in associated companies	0.6	0.5
Other financial assets	0.3	0.9
Derivative financial instruments	1.0	0.8
Deferred tax assets	3.1	2.7
Total fixed assets	**101.6**	**97.0**
Current assets		
Inventories	85.1	78.1
Trade receivables	60.0	44.2
Derivative financial instruments	1.4	1.2
Claims on income tax	1.9	1.6
Other receivables	7.1	5.3
Current asset securities	2.9	7.9
Cash and cash equivalents	23.8	24.7
Deferred charges and prepaid expenses	1.2	0.8
Asset held for sale	2.3	2.9
Total current assets	**185.7**	**166.7**
Total assets	**287.3**	**263.7**

Consolidated balance sheet (unaudited)

Equity and liabilities

(million EUR)	30.06.2007	31.12.2006
Equity		
Share capital	0.7	0.7
Own shares	-1.8	-0.7
Revenue reserves	177.7	165.6
Profit/Loss from IAS 39	1.7	1.7
Translation differences	-0.5	-0.6
Equity attributable to shareholders of the parent company	**177.8**	**166.7**
Minority interests	0.4	0.3
Total equity	**178.2**	**167.0**
Liabilities		
Liabilities from financial leasing	0.2	0.0
Other long-term financial liabilities	13.9	21.8
Derivative financial instruments	0.0	0.0
Long-term provisions	7.9	7.2
Deferred tax liabilities	11.2	8.8
Long-term liabilities	**33.2**	**37.8**
Trade liabilities	19.8	13.8
Short-term financial liabilities	27.7	21.7
Derivative financial instruments	0.0	0.1
Short-term provisions	5.8	6.2
Income tax liabilities	4.7	4.5
Other liabilities	15.1	8.9
Deferred income	0.3	0.3
Liabilities directly associated with assets held for sale	2.5	3.4
Short-term liabilities	**75.9**	**58.9**
Total liabilities	**109.1**	**96.7**
Total equity and liabilities	**287.3**	**263.7**

Consolidated statement of income (unaudited)

(million EUR)	1st half 2007	1st half 2006
Continued operations		
Gross sales	203.0	179.7
Revenue reductions	-2.0	-1.8
Net sales	**201.0**	**177.9**
Changes in inventories	-0.5	-0.4
Own work capitalised	0.5	0.6
Other operating income	2.0	0.7
Total operating performance	**203.0**	**178.8**
Cost of materials	-88.6	-72.2
Personnel expenses	-57.2	-52.2
Amortisation of intangible assets	-0.8	-1.1
Depreciation on tangible assets	-7.3	-6.9
Other operating expenses	-27.4	-25.0
Operating expenses	**-181.3**	**-157.4**
Results before interest and tax (operating result)	**21.7**	**21.4**
Result from associated companies	0.1	0.1
Financial income	2.0	3.0
Financial expenses	-2.3	-6.6
Financial result	-0.2	-3.5
Result before tax	**21.5**	**17.9**
Income tax	-5.4	-1.0
Result of the period from continued operations	**16.1**	**16.9**
Discontinued operations		
Result of the period from discontinued operations	**0.0**	**-0.1**
Result of the period	**16.1**	**16.8**
of which		
Shareholders in the parent company	16.0	16.8
Minority interests	0.1	0.0
Earnings per share		
From continued and discontinued operations		
Earnings per share - undiluted (in EUR)	15.0	15.7
Earnings per share - diluted (in EUR)	15.0	15.7
From continued operations		
Earnings per share - undiluted (in EUR)	15.0	15.8
Earnings per share - diluted (in EUR)	15.0	15.8

Consolidated statement of changes in equity (unaudited)

(million EUR)	Share capital	Group reserves				Equity attri-butable to shareholders of the parent company	Minority interests	Total equity
		Own shares	Revenue reserves	Profit / (Loss) from IAS 39	Translation differences			
Equity as at 31 December 2005	**0.7**	**-5.4**	**146.6**	**1.8**	**-3.0**	**140.7**	**0.2**	**140.9**
Fluctuations in fair value of financial assets				-0.1		-0.1		-0.1
Realised results of financial assets				-0.5		-0.5		-0.5
Fluctuations in fair value of cash flow hedges				-2.4		-2.4		-2.4
Realised results of cash flow hedges				0.5		0.5		0.5
Deferred taxes not affecting net income				0.3		0.3		0.3
Translation differences					2.6	2.6		2.6
Income and expenses directly recognised in equity	**0.0**	**0.0**	**0.0**	**-2.2**	**2.6**	**0.4**	**0.0**	**0.4**
Result of the period			**16.8**			**16.8**	**0.0**	**16.8**
Total of all recognised income and expenses for the period	**0.0**	**0.0**	**16.8**	**-2.2**	**2.6**	**17.2**	**0.0**	**17.2**
Change in own shares		-1.6	0.1			-1.5		-1.5
Dividends paid			-2.7			-2.7		-2.7
Other changes			0.0		0.0	0.0		0.0
Equity as at 30 June 2006	**0.7**	**-7.0**	**160.8**	**-0.4**	**-0.4**	**153.7**	**0.2**	**153.9**
Equity as at 31 December 2006	**0.7**	**-0.7**	**165.6**	**1.7**	**-0.6**	**166.7**	**0.3**	**167.0**
Fluctuations in fair value of financial assets						0.0		0.0
Realised results of financial assets				-0.2		-0.2		-0.2
Fluctuations in fair value of cash flow hedges				-0.5		-0.5		-0.5
Realised results of cash flow hedges				0.7		0.7		0.7
Deferred taxes not affecting net income						0.0		0.0
Translation differences					0.1	0.1		0.1
Income and expenses directly recognised in equity	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**	**0.1**
Result of the period			**16.0**			**16.0**	**0.1**	**16.1**
Total of all recognised income and expenses for the period	**0.0**	**0.0**	**16.0**	**0.0**	**0.1**	**16.1**	**0.1**	**16.2**
Change in own shares		-1.1				-1.1		-1.1
Other changes						0.0		0.0
Dividend paid			-3.9			-3.9		-3.9
Equity as at 30 June 2007	**0.7**	**-1.8**	**177.7**	**1.7**	**-0.5**	**177.8**	**0.4**	**178.2**

Condensed consolidated statement of cash flow (unaudited)

(million EUR)	1st half 2007	1st half 2006
Result before tax continued operations	21.5	17.9
Result before tax discontinued operations	0.0	-0.1
Result before tax	**21.5**	**17.8**
Amortisation of intangible assets	0.8	1.1
Depreciation on tangible assets	7.3	6.9
Other expenses/income not affecting liquidity		
and changes in net working capital	-17.7	-18.1
Cash flow from operating activites	**11.9**	**7.7**
Investments	-10.9	-10.0
Purchases of marketable securities	0.0	-1.0
Acquisition of Group companies	-1.1	0.0
	-12.0	-11.0
Disinvestments	1.8	7.5
Sales of marketable securities	4.9	10.8
Disposal of Group companies	0.0	0.0
	6.7	18.3
Interest and dividends received	0.6	0.4
Cash used in investing activities	**-4.7**	**7.7**
Dividends paid	-3.9	-2.7
Change in own shares	-1.1	-1.5
Change in financial liabilities	-3.1	18.0
Cash flow from financing activities	**-8.1**	**13.8**
Translation differences in cash and cash equivalents	0.0	-0.2
Change in cash and cash equivalents	**-0.9**	**29.0**
Cash and cash equivalents as at 1 January	24.7	35.1
Cash and cash equivalents as at 30 June	23.8	64.1
Change in cash and cash equivalents	**-0.9**	**29.0**

Segment information continued operations (unaudited)

By division

(million EUR)	1st half 2007	1st half 2006	Change
Enclosures			
Gross sales to third parties	81.1	71.7	13%
Gross sales between divisions	0.3	0.4	-25%
Result before interest and tax (operating result)	17.6	14.9	18%
Return on sales[1]	21.7%	20.8%	
ELCOM/EMS			
Gross sales to third parties	44.3	36.9	20%
Gross sales between divisions	2.9	2.9	0%
Result before interest and tax (operating result)	5.2	4.5	16%
Return on sales[1]	11.7%	12.2%	
Mechanical Components			
Gross sales to third parties	77.1	70.6	9%
Gross sales between divisions	0.0	0.0	0%
Result before interest and tax (operating result)	1.1	4.2	-74%
Return on sales[1]	1.4%	5.9%	
Other/eliminations			
Gross sales to third parties	0.5	0.5	0%
Gross sales between divisions	-3.2	-3.3	-3%
Result before interest and tax (operating result)	-2.2	-2.2	0%

[1] Operating results in % of gross sales to third parties

Notes to the summary interim accounts as at 30 June 2007

Consolidation policy and valuation principles

Principles underlying the interim accounts

The present, unaudited summary interim accounts of the Phoenix Mecano Group were drawn up in accordance with International Accounting Standard 34 (IAS 34) "Interim Financial Reporting". The consolidated half-yearly statement does not include all the details set out in the consolidated annual financial statement, and should therefore be considered together with the Group accounts as at 31 December 2006.

The accounting and valuation principles used in the half-yearly statement correspond to those underlying the Group accounts as at 31 December 2006, the only exception being the new or revised IFRS/IAS standards and interpretations (IAS 1, IFRS 7, IFRIC 7, IFRIC 8, IFRIC 9 and IFRIC 10) that took effect on 1 January 2007. These standards and interpretations have no significant influence on the half-yearly statement.

Scope of consolidation

The circle of consolidated companies expanded to include the Leonhardy Group, which was acquired on January 1 2007.
In 2006, the scope of consolidation altered on account of the newly established production company in Zaghouan, Tunisia, and the liquidation of PTR France S.a.r.l., which was concluded without impacting on income.

Assumptions and estimations

The drafting of the half-yearly accounts entails certain assumptions and estimations, based on valuations made by the management that are regularly reviewed and amended as required by fresh information or knowledge.

Explanations re the summary interim accounts

Seasonality

The Phoenix Mecano Group is active in sectors that are subject to certain seasonal fluctuations. Typically, the second half of the year generates fewer sales and is disproportionately weaker in terms of its results.

Acquisition of the Leonhardy Group (renamed MCT as of 27 June 2007)

On 1 January 2007, the Phoenix Mecano Group took full ownership of the MCT Group, a player in the plug connector and contact technology sector. In the first half of 2007, the MCT Group recorded gross sales of €5.6 million. MCT’s contribution to the Phoenix Mecano Group’s result for the period under review was €1.0 million, including negative goodwill. The integration is proceeding as planned.

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

	Book value in € million	Fair value in € million
Fixed assets	2.6	2.9
Current assets	3.8	3.8
Liabilities	-4.0	-4.2
Net acquired assets	**2.4**	**2.5**
Purchase price		**1.2**
Negative goodwill		**1.3**

The outflow of funds required for the acquisition was €1.1 million (purchase price of €1.2 million less acquired cash and cash equivalents of €0.1 million).

Financial result

The marked improvement in the financial result is due mainly to the fact that, in the previous year, following a capital reduction at a subsidiary, exchange rate losses totalling €2.9 million that had previously not impacted on income were duly reflected in the accounts.

Income tax

The sharp increase in income tax compared with same period last year is owing to a one-off tax yield of €4.4 million in the first half of 2006, resulting from the disappearance of tax risks associated with a corresponding re-evaluation.

Discontinued business activities

The voluntary liquidation of OMP S.r.l. in Italy, decided on in Q4 of 2005, continued during the first half of 2007. The main asset of the product area OMP classed as for sale remains a plot of land in Italy. Likewise, the liabilities of the product area OMP were entered separately on the balance sheet, in connection with assets held for sale. The aim is to sell the land within 12 months.

During the first half of 2007, the Group recorded no sales for its discontinued activities (compared with €5.0 million the previous year). The result for discontinued business activities during the first half of 2007 was €0.0 million (compared with minus €0.1 million the previous year).

The cash flow from the Group's discontinued operating activities was minus €0.1 million (compared with €2.1 million). Disinvestments generated income totalling €0.1 million (compared with €6.9 million the previous year). Cash flow from financing activities totalled minus €1.0 million (compared with minus 5.5 million the previous year).

Contingent liabilities

The Group's contingent liabilities did not markedly alter from 31 December 2006.

Dividend payment

Pursuant to a decision taken by the Shareholders' General Meeting on 1 June 2007, shareholders were paid a dividend per share of CHF 6.00 in June 2007.

Events since the balance sheet date

In early July, the 2008 Business Tax Reform Act was passed in Germany, heralding a reduction in the tax burden on companies. As a result, a positive one-off impact on deferred tax of approximately €1 million is expected in the second half of 2007.

No other events occurred between 30 June 2007 and 27 August 2007 that would either necessitate any amendment of the book values of Group assets or liabilities as at 30 June 2007 or require disclosure here.

Approval of the summary interim accounts

The Board of Directors of Phoenix Mecano AG released this half-yearly report for publication on 27 August 2007.