PHOENIX MECANO

Interim accounts as at 30 June 2008

Company report

Condensed interim accounts as at 30 June 2008

Report by the Board of Directors on the Mid-year report as at 30 June 2008

Dear Ladies and Gentlemen

During the first half of 2008, the Phoenix Mecano Group, a leading technology company in the fields of enclosures and industrial components, again succeeded in boosting its incoming orders, sales and operating result. Once more, its improved overall performance was driven by its strongest division in sales terms: the Enclosures division. Whilst the Mechanical Components and ELCOM/EMS divisions also enhanced their performance, they also endured non-recurring expenses during the period under review. Meanwhile, the Group's integration of its acquisitions Datatel and Wiener is running to plan.

In H1 2008, the Group's consolidated gross sales rose by 9.4% to €222 million, compared with €203 million in H1 2007. Corrected to take account of changes in the scope of consolidation, growth totalled 3.1%. Growth adjusted to take account of differences in foreign-exchange rates totalled 10.7%. During the period under review the volume of incoming orders rose by 9.9%.

Compared with the previous year, the Group's operating result rose by 7.4% from €21.7 million to €23.3 million. As a result, the Group's operating margin was stable at 10.5%, compared with 10.7% in H1 2007, this minor dip being prompted by non-recurring expenses incurred by the Group's Mechanical Components and ELCOM/EMS divisions. In the Mechanical Components division, the costs in question arose from a previously announced raft of measures designed to boost its profitability. The implementation of its measures will be concluded this year. No more substantial non-recurring expenses are anticipated in H2. In the ELCOM/EMS division, the non-recurring expenses stem mainly from the integration of MCT Group, which Phoenix Mecano acquired in early 2007. In this connection, a production site in Reichenschwand (Germany) will be shut down. A social plan has been drawn up for the affected employees. No more substantial expenses in H2 are anticipated in this connection either. Consequently, in H2 both divisions can be expected to attain higher profitability, adjusted for seasonal fluctuations.

Part of the higher costs of raw materials was successfully passed on to customers. In addition, the Group turned down several customer projects in the US market that would not have broken even because of the poorer exchange rate and adapted its capacities in that market to the new situation. Last year's transfer of an assembly plant from Germany to Tunisia impacted positively on the cost side. As well as absorbing rising costs of raw materials, the Group also incurred higher personnel, transport and energy costs. Nonetheless, careful cost management in all divisions and the particularly close attention paid to systematically exploiting even the smallest potential for savings helped the Group to keep cost increases under control in this difficult environment.

The Group's operating cash flow rose by 5.4% from €29.7 million to €31.3 million.

The Group' result for the period after taxes totalled €17.7 million, up from €16.1 million In H1 2007, an increase of 9.9%.

Net indebtedness dropped from €16.9 million as at midway through last year to €14.7 million this year (included liability for the remaining purchase price of WIENER Plein&Baus GmbH, Burscheid). Apart from being spent on reducing net indebtedness, the high free cash flow generated over the past 12 months was used to:

- pay out dividends totalling roughly €6 million;
- finance the share buyback programme to the tune of some €18 million;
- acquire SL System- & Lineartechnik (the Mechanical Components division), Datatel (the ELCOM/EMS division – photovoltaics) and Wiener (also the ELCOM/EMS division – power supply systems for applications in the nuclear research sector, among other things);
- finance organic growth.

Development of the Group's divisions

The Enclosures division continued its excellent development. Sales went up by 7.5% to €87.2 million (up from €81.1 million the previous year), and its operating result even leapt by a disproportionate 13.6%, from €17.6 million to €20 million. Once again, the main drivers of growth were applications in the oil and gas sector. Systems-related business in the sandwich keyboard segment also developed well, thanks to innovative products and improved production logistics. The division achieved double-digit growth in the Far East, especially in China, whilst in the US market it suffered a slight economic decline. The expansion of the division's aluminium enclosures production capacity, commissioned in India two years ago, will continue over the years to come.

With the exception of non-recurring expenses incurred in conjunction with acquisitions made over the past 18 months, the ELCOM/EMS division developed pleasingly. In all, its sales rose by 22.1% from €44.3 million to €54.1 million. Its operating result dipped from €5.2 million to €4.4 million, though that includes provisions of approximately €2 million associated with the integration of the effected acquisitions. In H2 there are healthy prospects of at least partly making up for that shortfall. The performance of Datatel, the transformer manufacturer active in photovoltaics, is fully in line with our expectations. For this new activity, the division is working all out to build up its production capacity in Hungary.

Gross sales by the Mechanical Components division climbed 4.3% from €77.1 million to €80.4 million, and its operating result of €1.1 million was on a par with last year's performance. The implementation of a raft of measures designed to boost the division's profitability will end within the next few months, as planned. Over the past two years, projects on new product development, optimising procurement and improving operating procedures have all been carried out. In addition, the manufacture of non-profitable products was discontinued and production capacities were adapted to the new situations arising. Furthermore, the industrial division Rose & Krieger was given a new management structure. In keeping with what was announced at the start of the year, we can confirm its objective of attaining both a positive operating result during the current year, despite non-recurring expenses associated with measures geared towards enhancing profitability, and the division's EBIT margin target of over 5% for 2009.

Outlook

A general cooling of the economy, triggered by the worldwide banking and financial crisis, can be expected in both the second half of 2008 and for 2009, and – like anyone else – the Phoenix Mecano Group cannot fully escape its consequences. However, there are numerous reasons why our company will do better than average in such a business environment. Our Enclosures division commands a dominant position in the European market, with expanding activities in the oil and gas sector, which looks set to enjoy good continued growth prospects in the current economic situation.

The Group's acquisition of Datatel gave its ELCOM/EMS division access to the photovoltaics market, which is enjoying strong growth. This sector will already generate roughly 20% of the division's sales during the current year. Indeed, Datatel is on track to post growth of around 200% on last year's performance. The integration of the acquisitions MCT and Wiener will be concluded within the next few months, thus improving the division's margin with an eye to 2009.

Over the same period, the measures implemented by the Mechanical Components division will improve its margin, too.

In a nutshell, in spite of the anticipated economic slowdown, the Group anticipates the attainment of stable or even slightly higher margins, so we can confirm our 2008 forecast of sales and operating result above the previous year's performance.

We also believe the Group is well prepared for 2009 and feel confident that we will succeed in continuing Phoenix Mecano's positive development, barring any unforeseeable massive economic slump.

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

		30.06.2008	30.06.2007
Share capital (bearer shares at nominal CHF 1.00)	Number	1'069’500	1'069’500
Entitled to dividend (as of 30 June)	Number	1'002’350	1'064'415
Entitled to dividend (on average)	Number	1’010’676	1'066'065
Earning before interest and tax per share (continued operations)	EUR	23.0	20.4
Net result per share	EUR	17.4	15.0
Shareholders’ equity per share	EUR	182.6	167.0

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Consolidated balance sheet (unaudited)

Assets

(million EUR)	30.06.2008	31.12.2007
Fixed assets		
Goodwill	1.5	0.3
Other intangible assets	10.5	4.7
Tangible assets	90.1	89.3
Investment in associated companies	0.8	0.7
Other financial assets	0.1	0.1
Derivative financial instruments	1.3	0.7
Deferred tax assets	2.6	2.7
Total fixed assets	**106.9**	**98.5**
Current assets		
Inventories	90.4	86.0
Trade receivables	61.4	48.5
Derivative financial instruments	1.9	1.0
Claims on income tax	0.8	1.1
Other receivables	7.7	4.5
Current asset securities	1.9	2.6
Cash and cash equivalents	30.6	42.4
Deferred charges and prepaid expenses	1.3	0.8
Asset held for sale	2.1	2.2
Total current assets	**198.1**	**189.1**
Total assets	**305.0**	**287.6**

Consolidated balance sheet (unaudited)

Equity and liabilities

(million EUR)	30.06.2008	31.12.2007
Equity		
Share capital	0.7	0.7
Own shares	-21.3	-10.3
Revenue reserves	203.4	191.5
Profit/Loss from IAS 39	2.2	0.8
Translation differences	-2.0	-0.7
Equity attributable to shareholders of the parent company	**183.0**	**182.0**
Minority interests	0.6	0.5
Total equity	**183.6**	**182.5**
Liabilities		
Liabilities from financial leasing	0.3	0.2
Other long-term financial liabilities	25.1	25.4
Long-term provisions	8.5	7.6
Deferred tax liabilities	7.2	4.8
Long-term liabilities	**41.1**	**38.0**
Trade liabilities	19.7	12.9
Short-term financial liabilities	21.8	22.0
Derivative financial instruments	0.2	0.1
Short-term provisions	11.2	7.8
Income tax liabilities	8.4	9.9
Other liabilities	16.5	10.8
Deferred income	1.0	0.8
Liabilities directly associated with assets held for sale	1.5	2.8
Short-term liabilities	**80.3**	**67.1**
Total liabilities	**121.4**	**105.1**
Total equity and liabilities	**305.0**	**287.6**

Consolidated statement of income (unaudited)

(million EUR)	1st half 2008	1st half 2007
Continued operations		
Gross sales	222.2	203.0
Revenue reductions	-2.6	-2.0
Net sales	**219.6**	**201.0**
Changes in inventories	0.8	-0.5
Own work capitalised	0.6	0.5
Other operating income	1.1	2.0
Total operating performance	**222.1**	**203.0**
Cost of materials	-97.8	-88.6
Personnel expenses	-63.2	-57.2
Amortisation of intangible assets	-1.1	-0.8
Depreciation on tangible assets	-6.8	-7.3
Other operating expenses	-29.9	-27.4
Operating expenses	**-198.8**	**-181.3**
Results before interest and tax (operating result)	**23.3**	**21.7**
Result from associated companies	0.1	0.1
Financial income	2.1	2.0
Financial expenses	-2.9	-2.3
Financial result	-0.7	-0.2
Result before tax	**22.6**	**21.5**
Income tax	-4.9	-5.4
Result of the period from continued operations	**17.7**	**16.1**
Discontinued operations		
Result of the period from discontinued operations	**0.0**	**0.0**
Result of the period	**17.7**	**16.1**
of which		
Shareholders in the parent company	17.6	16.0
Minority interests	0.1	0.1
Earnings per share		
From continued and discontinued operations		
Earnings per share - undiluted (in EUR)	17.38	15.00
Earnings per share - diluted (in EUR)	17.38	15.00
From continued operations		
Earnings per share - undiluted (in EUR)	17.36	14.97
Earnings per share - diluted (in EUR)	17.36	14.97

Consolidated statement of changes in equity (unaudited)

(million EUR)	Share capital	Own shares	Revenue reserves	Profit / (Loss) from IAS 39	Translation differences	Equity attributable to shareholders of the parent company	Minority interests	Total equity
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	0.0	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
Dividends 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**
Equity as at 31 December 2007	**0.7**	**-10.3**	**191.5**	**0.8**	**-0.7**	**182.0**	**0.5**	**182.5**
Fluctuations in fair value of financial assets						0.0		0.0
Realised results of financial assets				0.0		0.0		0.0
Fluctuations in fair value of cash flow hedges				1.2		1.2		1.2
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					-1.3	-1.3		-1.3
Income and expenses directly recognised in equity	**0.0**	**0.0**	**0.0**	**1.4**	**-1.3**	**0.1**	**0.0**	**0.1**
Result of the period			**17.6**			**17.6**	**0.1**	**17.7**
Total of all recognised income and expenses for the period	**0.0**	**0.0**	**17.6**	**1.4**	**-1.3**	**17.7**	**0.1**	**17.8**
Change in own shares		-11.0				-11.0		-11.0
Dividends paid			-5.7			-5.7		-5.7
Equity as at 30 June 2008	**0.7**	**-21.3**	**203.4**	**2.2**	**-2.0**	**183.0**	**0.6**	**183.6**

Condensed consolidated statement of cash flow (unaudited)

(million EUR)	**1st half 2008**	**1st half 2007**
Result before tax continued operations	22.6	21.5
Result before tax discontinued operations	0.0	0.0
Result before tax	**22.6**	**21.5**
Amortisation of intangible assets	1.1	0.8
Depreciation on tangible assets	6.8	7.3
Other expenses/income not affecting liquidity		
and changes in net working capital	-8.1	-17.7
Cash flow from operating activites	**22.4**	**11.9**
Investments	-8.9	-10.9
Purchases of marketable securities	0.0	0.0
Acquisition of Group companies	-4.5	-1.1
	-13.4	-12.0
Disinvestments	0.1	1.8
Sales of marketable securities	0.9	4.9
Disposal of Group companies	0.0	0.0
	1.0	6.7
Interest and dividends received	0.7	0.6
Cash used in investing activities	**-11.7**	**-4.7**
Dividends paid	-5.7	-3.9
Change in own shares	-11.0	-1.1
Change in financial liabilities	-5.7	-3.1
Cash flow from financing activities	**-22.4**	**-8.1**
Translation differences in cash and cash equivalents	-0.1	0.0
Change in cash and cash equivalents	**-11.8**	**-0.9**
Cash and cash equivalents as at 1 January	42.4	24.7
Cash and cash equivalents as at 30 June	30.6	23.8
Change in cash and cash equivalents	**-11.8**	**-0.9**

Segment information continued operation (unaudited)

By division

(million EUR)	1st half 2008	1st half 2007	Change
Enclosures			
Gross sales to third parties	87.2	81.1	8%
Gross sales between divisions	0.3	0.3	0%
Result before interest and tax (operating result)	20.0	17.6	14%
Return on sales[1]	22.9%	21.7%	
ELCOM/EMS			
Gross sales to third parties	54.1	44.3	22%
Gross sales between divisions	2.4	2.9	-17%
Result before interest and tax (operating result)	4.4	5.2	-15%
Return on sales[1]	8.1%	11.7%	
Mechanical Components			
Gross sales to third parties	80.4	77.1	4%
Gross sales between divisions	0.0	0.0	0%
Result before interest and tax (operating result)	1.1	1.1	0%
Return on sales[1]	1.4%	1.4%	
Other/eliminations			
Gross sales to third parties	0.5	0.5	0%
Gross sales between divisions	-2.4	-3.2	-25%
Result before interest and tax (operating result)	-2.2	-2.2	0%

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

Annex to the summary interim accounts as at 30 June 2008

Consolidation and valuation principles

Principles of the interim accounts

These unaudited summary interim accounts for the Phoenix Mecano Group were drawn up in accordance with International Accounting Standard 34 (IAS 34) on “Interim financial reporting”. 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 2007.

The accounting and valuation principles used for the half-yearly accounts correspond to those applied for the consolidated financial statements as at 31 December 2007, with the exception of the new or revised IFRS/IAS standards and interpretations (IFRIC 11, IFRIC 12, and IFRIC 14) applied for the first time as at 1 January 2008. These standards and interpretations have no impact on the half-yearly accounts.

Scope of consolidation

The scope of consolidated companies expanded as at 1 January 2008 following the acquisition of Datatel Elektronik GmbH, Langenhagen (D) and RK System- & Lineartechnik GmbH, Bermatingen (D) (formerly Systemhaus SL System & Lineartechnik GmbH) and on 31 May 2008 following the acquisition of WIENER, Plein & Baus GmbH, Burscheid (D).

During H1 of 2007, the scope of consolidation expanded following the acquisition of Leonhardy Group.

Assumptions and estimations

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

Notes on the summary interim accounts

Seasonality

The sectors in which the Phoenix Mecano Group is active are subject to seasonal fluctuations. Typically, the latter half of the year generates lower sales and is weaker in terms of results.

Acquisitions

As at 1 January 2008, the Phoenix Mecano Group acquired a 100% stake in the transformer manufacturer Datatel Elektronik GmbH, Langenhagen (D), whereby part of the purchase price will depend on future results and only be paid in 2010. The company in question manufactures high-quality toroidal transformers that were developed and built primarily for use in solar inverters, and strengthens the Group’s ELCOM/EMS division.

In addition, as at 1 January 2008, the Phoenix Mecano Group acquired a 70% stake in RK System & Lineartechnik GmbH, Bermatingen (D) as a distribution partner for the Mechanical Components division in southern Germany. The acquisition agreement also included an option to purchase the remaining 30% of the shares. That option will be exercised between 2010 and 2013.

As at 31 May 2008, the Phoenix Mecano Group acquired a 100% stake in WIENER, Plein&Baus GmbH, Burscheid (D), a leading technology company active in the enclosures and industrial components domain. Part of the purchase price will depend on future results and only be paid in 2011.

During H1 of 2008, the Group’s companies achieved gross sales totalling EUR 13.3 million. The contribution towards the result for the period of the Phoenix Mecano Group totalled EUR 1.5 million. Had all companies been included in the scope of consolidation since 1 January 2008, the Phoenix Mecano Group’s sales would have been EUR 2.5 million higher, and the result for the period would have gone up by EUR 0.2 million.

The integration of these companies is running to plan.

The acquired assets and taken over liabilities can provisionally be summed up as follows:

	Book value in EUR millions	Fair value in EUR millions
Non-current assets	0.9	6.9
Current assets	5.6	5.7
Liabilities	-3.7	-5.5
Acquired net assets	**2.8**	**7.1**
Acquisition costs of investments*		**8.3**
Provisional goodwill		**1.2**

* The total of EUR 8.3 million in acquisition costs of investments comprises the paid purchase price of EUR 5.3 million and financial liabilities totalling EUR 3.0 million for the anticipated addition to the purchase price.

The outflow of funds spent on acquisitions totalled EUR 4.5 million (the purchase price of EUR 5.3 million minus acquired cash and cash equivalents totalling EUR 0.8 million).

The transaction costs totalled less than EUR 0.1 million.

Other intangible assets
The EUR 5.8 million increase in other intangible assets is due mainly to the activation of the customer base from the three acquisitions effected in 2008.

Discontinued operations
The voluntary liquidation of OMP S.r.l. (I) decided in Q4 of 2005 was continued during H1 of 2008. The main asset of the OMP product area classified as still up for sale is a plot of land in Italy. The sale of this land is expected to go through in 2008. Likewise, the liabilities of the OMP product area have been separately listed on the balance sheet as liabilities, connected to the assets held for sale.

As in the previous year, during H1 of 2008 no sales revenues were generated from discontinued operations. Accordingly, like last year the result for the period from discontinued operations was less than EUR 0.1 million.

The cash flow from discontinued operating activities totalled EUR 0.5 million (up from EUR -0.1 million the previous year). Disinvestments generated a total of EUR 0.0 million (down from EUR 0.1 million the previous year). The cash flow from financing activities totalled EUR -1.8 million (down from EUR -1.0 million the previous year).

Share buyback programme
By 30 June 2008, under the 2007-2009 share buyback programme 57,100 shares worth EUR 18.0 million had been recovered (including shares worth EUR 11.0 million in 2008) (see the section below headed Results after the balance sheet date).

Contingent liabilities
The Group’s contingent liabilities have not altered significantly compared with the situation as at 31 December 2007.

Dividend payment
Pursuant to the decision taken by the Shareholders’ General Meeting held on 6 June 2008, in June 2008 shareholders were paid a dividend of CHF 9.00 per share.

Results after the balance sheet date

As at 31 July 2008, the Phoenix Mecano Group acquired a stake of 70% in Mazaka Ltd., Ankara (Turkey), which is an exclusive distribution partner of the Phoenix Mecano Group's Mechanical Components division active in the burgeoning Turkish market. Efforts will be made to expand the company's distribution activities to additional divisions belonging to the Group and to open up further sales markets in the region. In 2007 the company generated gross sales totalling EUR 2 million.

In addition, as at 31 July 2008 the Phoenix Mecano Group acquired a 100% stake in WIENER Plein&Baus Corp., Springfield (USA), which mainly distributes in the US market products manufactured by WIENER, Plein&Baus GmbH, which was acquired by the Group in May 2008. In 2007 the company generated gross sales totalling EUR 1.9 million.

The acquired assets and taken over liabilities can provisionally be summed up as follows:

	Book value in EUR millions	Fair value in EUR millions
Non-current assets	0.1	1.6
Current assets	1.6	1.6
Liabilities	-1.5	-1.9
Acquired net assets	**0.2**	**1.3**
Procurement costs of the investment		**1.3**
Provisional goodwill		**0.0**

The transaction costs totalled less than EUR 0.1 million.

The CHF 30 million share buyback programme announced on 1 October 2007 ended on 13 August 2008.

Between 30 June 2008 and 27 August 2008 no further results arose that would alter the book values of the Group's assets and liabilities as at 30 June 2008 or that should be disclosed here.

Adoption of the summary interim accounts

The Board of Directors of Phoenix Mecano AG has freed this half-yearly report for publication on 27 August 2008.