PHOENIX MECANO

Interim accounts as at 30 June 2017

Company report

Interim accounts as at 30 June 2017

Report by the Board of Directors on the Mid-year report as at June 30, 2017

Dear Ladies and Gentlemen

Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, increased its sales and incoming orders by around 10% each in the first half of the year. Operating result before non-recurring expenses grew disproportionately. In the key industrial markets of Europe, the Group benefited from a good economic climate. In the drive technology business for the furniture and care sector, the dynamic growth in Asia and North America continued, while in Europe spending constraints in the healthcare sector weakened demand. In the ELCOM/EMS division, sales and operating cash flow rose once again. Non-recurring expenses for the integration and consolidation of business units and costs of developing new business segments still impact the division's result. The Board of Directors has adopted a package of measures for ELCOM/EMS designed to radically streamline the division's product portfolio and global production infrastructure.

Consolidated gross sales rose by 10.1% in the first half of 2017, from €292.4 million to €322.0 million. Corrected for negative currency effects, sales were up by 10.4%. Organic growth was 8.3%. Net sales totalled €319.0 million (previous year: €289.7 million). Incoming orders increased by 9.7% from €289.5 million to €317.4 million, corresponding to a book-to-bill ratio of 98.6% (previous year: 99.0%).

In the prior-year comparison, non-recurring income and expenses entailing a net income of €0.4 million from the sale of a building and a provision for the site closure at Platthaus in Q2 2016 must be taken into account. In the first half of 2017, the integration of newly-acquired Ismet into the ELCOM/EMS division generated one-off expenses of €1.5 million. Adjusted for these effects, operating cash flow rose disproportionately by 11.2% from €32.0 million to €35.6 million and operating result by 11.5% from €20.2 million to €22.5 million.

The result of the period after taxes was €14.3 million, up 4.7% on the previous year (€13.7 million). The financial result improved by €0.5 million year-on-year. Owing to growth, net indebtedness increased to €45.1 million (30 June 2016: €39.3 million), corresponding to 16.8% of equity. The first quarter saw the Group take out a five-year promissory note loan (*Schuldschein*) for EUR 35 million and USD 13.5 million. This and the equity ratio of 55.8% mean that the Group still has considerable scope for strategic development.

Development of the Group's divisions

The **Enclosures** division increased its gross sales by 7.7% to €96.2 million. Operating result rose disproportionately by 23.9% to €12.9 million, with a corresponding increase in operating margin from 11.6% to 13.4%. In an investment-friendly economic environment with robust demand in core European markets and in the US, sales rose by 5.1% in Europe and by 5.8% in North and South America. The highest percentage growth was achieved in Asia, at 23.2%, driven by project successes in the Far East oil and gas business.

The **Mechanical Components** division saw a 10.9% increase in gross sales, to €158.0 million. Operating result rose by 7.1% to €13.6 million, while the operating margin stood at 8.6%, compared with 8.9% the previous year. In the Rose & Krieger industrial segment, the positive sales and earnings performance continued in Q2, driven by high levels of investment in the renewal of production facilities and in automation projects. The higher-volume DewertOkin product area benefited from continuing dynamic growth in comfort and reclining furniture in Asia and North America. Weak demand in Europe and sustained price pressure in the furniture and care market impaired the division's margin performance in the second quarter.

The **ELCOM/EMS** division recorded a 12.0% increase in gross sales to €67.8 million. Adjusted for acquisitions, growth was 3.1%. Operating result was -€3.1 million (previous year: -€3.0 million). This includes amortisation on acquisition-related intangible assets totalling €2.1 million (previous year: €1.3 million). Operating cash flow improved further and stood at €1.8 million, compared to €0.8 million the previous year. The Power Quality business area weighed on the division's result owing to the integration costs of the fast-paced merger between loss-making Platthaus and the Ismet Group acquired in 2016. New project commitments for instrument transformers used in the expansion of HVDC infrastructure confirmed the positive outlook for this growth market. The two profitable business areas, Electromechanical Components and Electronic Packaging, were able to slightly increase their result. The latter expanded its range of components for customised industrial computer systems thanks to the acquisition of a majority stake in US-based Orion Technologies LLC, in which the Group previously held a minority interest.

Package of measures for the ELCOM/EMS division

On 14 August 2017, the Board of Directors of the Phoenix Mecano Group adopted a package of measures designed to radically streamline the ELCOM/EMS division's product portfolio and global production infrastructure.

Taking into account the one-off integration costs incurred at Ismet in the first half of the year (€1.5 million), non-recurring expenses of around €8-9 million are expected for 2017 as a whole, of which €6-7 million are likely to affect the cash position.

Management expects achievable cost savings of €2-3 million per annum in subsequent years as a result of these measures.

This global consolidation of facilities will see production capacity adjusted, manufacturing technologies and development activities pooled, logistics and sales structures pared down and product ranges streamlined. Only ELCOM/EMS business areas (in particular Power Quality and Electromechanical Components) will be affected. These measures will lead to productivity gains and improvements in earnings and ensure that the division's short- and medium-term profitability targets are met.

Outlook

The economic barometers relevant to Phoenix Mecano, such as purchasing managers' indices (IHS Markit PMI) and the German Ifo Business Climate Index, are on the up and promise further robust growth globally. This should be bolstered in the second half of the year by demand for our industrial components and system solutions, which are used in capital goods in various fields of application and sectors. Linear actuators for industrial automation and our world-leading electrical drive solutions for the comfort furniture and care industry (DewertOkin) show signs of continued market growth.

The management and Board of Directors expect further sales progress for the Group as a whole in the second half of 2017, although this is likely to be less strong than in H1 owing to the robust performance in the same period last year.

The drive to streamline the ELCOM/EMS portfolio and facilities will accelerate that division's successful transformation, with attractive future potential in current and voltage measurement, industrial computing and innovative electromechanical components. The operational risks associated with these forward-looking and radical measures are not insignificant and will be a central focus of the Group's management and Board of Directors during the implementation phase.

In the current environment, the Phoenix Mecano Group still expects an operating result in the target range of €36-40 million in 2017. This does not include the above-mentioned one-off costs for achieving the Group's ambitious savings targets from 2018.

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

		30.06.2017	**30.06.2016**
Share capital (bearer shares at nominal CHF 1.00)	Number	960‘500	960‘500
Entitled to dividend (as of 30 June)	Number	959‘500	958‘200
Entitled to dividend (on average)	Number	959‘396	958‘735
Earning before interest and tax per share	EUR	21.9	21.5
Net result per share	EUR	14.6	14.2
Shareholders’ equity (incl. Minority interest) per share	EUR	282.9	269.9

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Consolidated balance sheet (unaudited)

Assets

(in EUR million)	**30.06.2017**	**31.12.2016**
Fixed assets		
Goodwill	13.6	14.1
Other intangible assets	37.7	31.2
Investment properties	1.0	1.1
Tangible assets	127.3	127.6
Investment in associated companies	4.2	5.4
Other financial assets	0.1	0.0
Deferred tax assets	5.5	5.6
Total fixed assets	**189.4**	**185.0**
Inventories	132.5	125.0
Trade receivables	94.6	81.3
Derivative financial instruments	0.3	0.4
Income tax receivables	1.7	1.9
Other receivables	9.7	9.9
Current securities	2.1	4.0
Cash and cash equivalents	53.3	43.2
Deferred charges and prepaid expenses	3.0	1.7
Total current assets	**297.2**	**267.4**
Total assets	**486.6**	**452.4**

Consolidated balance sheet (unaudited)

Equity and liabilities (in EUR million)	**30.06.2017**	**31.12.2016**
Equity		
Share capital	0.6	0.6
Treasury shares	-0.4	-0.6
Retained earnings	261.4	260.7
Profits/Losses from IAS 39	0.0	0.0
Translation differences	7.5	10.2
Equity attributable to shareholders of the parent company	**269.1**	**270.9**
Minority interests	2.4	1.9
Total equity	**271.5**	**272.8**
Liabilities		
Liabilities from financial leasing	0.1	0.1
Long-term financial liabilities	75.3	33.5
Long-term provisions	6.7	5.8
Long-term pension obligations	15.5	14.3
Deferred tax liabilities	7.8	6.9
Long-term liabilities	**105.4**	**60.6**
Trade liabilities	43.8	36.8
Short-term financial liabilities	25.1	44.0
Derivative financial instruments	0.3	0.2
Short-term provisions	9.1	11.6
Short-term pension obligations	0.2	0.2
Income tax liabilities	3.4	3.8
Other liabilities	24.7	19.6
Deferred income	3.1	2.8
Short-term liabilities	**109.7**	**119.0**
Total liabilities	**215.1**	**179.6**
Total equity and liabilities	**486.6**	**452.4**

Consolidated statement of income (unaudited)

(in EUR million)	1st half 2017	1st half 2016
Net sales	**319.0**	**289.7**
Changes in inventories	0.8	0.9
Own work capitalised	1.0	0.6
Other operating income	1.8	3.6
Cost of materials	-150.7	-134.3
Personnel expenses	-98.0	-91.6
Amortisation of intangible assets	-4.1	-3.2
Depreciation on tangible assets	-9.0	-8.5
Other operating expenses	-39.8	-36.6
Results before interest and tax (operating result)	**21.0**	**20.6**
Result from associated companies	-0.5	-0.2
Financial income	3.0	1.3
Financial expenses	-3.5	-2.6
Financial result	-1.0	-1.5
Result before tax	**20.0**	**19.1**
Income tax	-5.7	-5.4
Result of the period	**14.3**	**13.7**
of which		
Shareholders in the parent company	14.0	13.6
Minority interests	0.3	0.1
Earnings per share		
Earnings per share - undiluted (in EUR)	14.6	14.2
Earnings per share - diluted (in EUR)	14.6	14.2

Consolidated statement of comprehensive income (unaudited)

(in EUR million)	1st half 2017	1st half 2016
Result of the period	**14.3**	**13.7**
Items that may be reclassified subsequently to profit or loss		
Fluctuations in fair value of financial assets	0.0	0.0
Translation differences	-2.7	-2.1
Deferred taxes	0.0	0.0
Items that may not be reclassified to profit or loss		
Revaluation of pension obligations	-0.1	-2.7
Deferred taxes	0.0	0.5
Other comprehensive income (after taxes)	**-2.8**	**-4.3**
Total comprehensive income	**11.5**	**9.4**
of which		
Shareholders in the parent company	11.2	9.3
Minority interests	0.3	0.1

Consolidated statement of cash flow (unaudited)

(in EUR million)	1st half 2017	1st half 2016
Result of the period	14.3	13.7
Income tax	5.7	5.4
Result before tax	**20.0**	**19.1**
Amortisation of intangible assets	4.1	3.2
Depreciation on tangible assets	9.0	8.5
Losses/(gains) from the disposal of intangible and tangible assets	-0.1	-2.0
Impairment losses/(reversal of impairment losses) on intangible and tangible assets	0.0	0.0
Losses and value adjustments on inventories	2.7	1.2
Losses / (gains) from associated companies	0.5	0.2
Other non-cash expenses/(income)	-1.4	1.0
Increase/(decrease) in long-term provisions	2.1	0.6
Net interest expenses/(income)	0.6	0.6
Interest paid	-0.6	-0.6
Income tax paid	-6.1	-6.1
Operating cash flow before changing in working capital	**30.8**	**25.7**
(Increase)/decrease in inventories	-11.0	-5.7
(Increase)/decrease in trade receivables	-14.4	-13.8
(Increase)/decrease in other receivables, deferred charges and prepaid expenses	-3.6	-1.8
Decrease/(increase) in trade payables	5.4	3.6
Decrease/(increase) in short-term provisions	-2.3	-0.8
Decrease/(increase) in other liabilities and deferred income	5.3	3.1
Cash flow from operating activites	**10.2**	**10.3**
Capital expenditure		
Intangible assets	-2.5	-1.8
Tangible assets	-10.5	-10.8
Financial assets	0.0	-0.6
Current securities	0.0	-0.7
Acquisition of Group companies	0.3	0.0
Disinvestments		
Intangible assets	0.0	0.0
Tangible assets	0.2	3.4
Financial assets	0.2	0.0
Current securities	1.8	0.6
Interest received	0.4	0.3
Dividendes received	0.3	0.2
Cash used in investing activities	**-9.8**	**-9.4**
Dividends paid (including minority interest)	-13.4	-13.1
Change of minority shareholders shares	0.2	0.0
Purchase of own shares	0.0	-0.8
Sale of own shares	0.2	0.1
Issue of financial liabilities	52.7	24.2
Repayment of financial liabilities	-29.1	-5.9
Cash flow from financing activities	**10.6**	**4.5**
Translation differences in cash and cash equivalents	-0.9	-0.6
Change in cash and cash equivalents	**10.1**	**4.8**
Cash and cash equivalents as at 1 January	43.2	42.0
Cash and cash equivalents as at 30 June	53.3	46.8
Change in cash and cash equivalents	**10.1**	**4.8**

Consolidated statement of changes in equity (unaudited)

(in EUR million)	Share capital	Own shares	Retained earnings	Profits / (losses) financial assets from IAS 39	Translation differences	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Equity as at 31 December 2015	**0.6**	**-0.2**	**250.3**	**0.1**	**10.0**	**260.8**	**1.8**	**262.6**
Items that may be reclassified subsequently to profit or loss								
Fluctuations in fair value of financial assets				0.0		0.0		0.0
Realised results of financial assets						0.0		0.0
Translation differences					-2.1	-2.1	0.0	-2.1
Deferred taxes not affecting net income						0.0		0.0
Items that may not be reclassified to profit or loss								
Revaluation of pension obligations			-2.7			-2.7		-2.7
Deferred taxes			0.5			0.5		0.5
Total other comprehensive income (after taxes)	**0.0**	**0.0**	**-2.2**	**0.0**	**-2.1**	**-4.3**	**0.0**	**-4.3**
Result of the period			**13.6**			**13.6**	**0.1**	**13.7**
Total comprehensive income	**0.0**	**0.0**	**11.4**	**0.0**	**-2.1**	**9.3**	**0.1**	**9.4**
Change in treasury shares		-0.7	0.0			-0.7		-0.7
Dividends paid			-13.0			-13.0	-0.1	-13.1
Total equity-transactions with owners	**0.0**	**-0.7**	**-13.0**	**0.0**	**0.0**	**-13.7**	**-0.1**	**-13.8**
Equity as at 30 June 2016	**0.6**	**-0.9**	**248.7**	**0.1**	**7.9**	**256.4**	**1.8**	**258.2**
Equity as at 31 December 2016	**0.6**	**-0.6**	**260.7**	**0.0**	**10.2**	**270.9**	**1.9**	**272.8**
Items that may be reclassified subsequently to profit or loss								
Fluctuations in fair value of financial assets				0.0		0.0		0.0
Realised results of financial assets						0.0		0.0
Translation differences					-2.7	-2.7		-2.7
Deferred taxes not affecting net income						0.0		0.0
Items that may not be reclassified to profit or loss								
Revaluation of pension obligations			-0.1			-0.1		-0.1
Deferred taxes			0.0			0.0		0.0
Total other comprehensive income (after taxes)	**0.0**	**0.0**	**-0.1**	**0.0**	**-2.7**	**-2.8**	**0.0**	**-2.8**
Result of the period			**14.0**			**14.0**	**0.3**	**14.3**
Total comprehensive income	**0.0**	**0.0**	**13.9**	**0.0**	**-2.7**	**11.2**	**0.3**	**11.5**
Change of minority interest						0.0	0.4	0.4
Change in treasury shares		0.2				0.2		0.2
Dividends paid			-13.2			-13.2	-0.2	-13.4
Total equity-transactions with owners	**0.0**	**0.2**	**-13.2**	**0.0**	**0.0**	**-13.0**	**0.2**	**-12.8**
Equity as at 30 June 2017	**0.6**	**-0.4**	**261.4**	**0.0**	**7.5**	**269.1**	**2.4**	**271.5**

Consolidated segment information (unaudited)

by division
(in EUR million)

	Enclosures		Mechanical Components		ELCOM/EMS		Total Segment		Reconciliation*		Total Group	
	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016	1st half 2017	1st half 2016
Gross sales to third parties	**96.2**	**89.4**	**158.0**	**142.4**	**67.8**	**60.6**	**322.0**	**292.4**	**0.0**	**0.0**	**322.0**	**292.4**
Gross sales between divisions	0.3	0.1	0.1	0.0	2.0	2.2	2.4	2.3	-2.4	-2.3	0.0	0.0
Revenue reductions											-3.0	-2.7
Net sales											**319.0**	**289.7**
Amortisation of intangible assets and depreciation on tangible assets	-3.4	-3.2	-4.3	-4.3	-4.9	-3.8	-12.6	-11.3	-0.5	-0.4	-13.1	-11.7
Result before interest and tax (operating result)	**12.9**	**10.4**	**13.6**	**12.7**	**-3.1**	**-3.0**	**23.4**	**20.1**	**-2.4**	**0.5**	**21.0**	**20.6**
Financial result											-1.0	-1.5
Result before tax											**20.0**	**19.1**
Income tax											-5.7	-5.4
Result of the period											**14.3**	**13.7**
Segment assets	96.8	94.9	184.3	177.3	130.7	98.8	411.8	371.0			411.8	371.0
Cash and cash equivalents									53.3	46.8	53.3	46.8
Other assets									21.5	29.7	21.5	29.7
Total assets	**96.8**	**94.9**	**184.3**	**177.3**	**130.7**	**98.8**	**411.8**	**371.0**	**74.8**	**76.5**	**486.6**	**447.5**
Segment liabilities	28.5	27.4	48.5	41.8	19.7	17.6	96.7	86.8			96.7	86.8
Interest-bearing liabilities									100.5	88.9	100.5	88.9
Other liabilities									17.9	13.6	17.9	13.6
Total liabilities	**28.5**	**27.4**	**48.5**	**41.8**	**19.7**	**17.6**	**96.7**	**86.8**	**118.4**	**102.5**	**215.1**	**189.3**
Net assets	**68.3**	**67.5**	**135.8**	**135.5**	**111.0**	**81.2**	**315.1**	**284.2**	**-43.6**	**-26.0**	**271.5**	**258.2**

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

Annex to the interim financial statements as at 30 June 2017

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 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 2016.

The accounting and valuation principles used for the half-yearly accounts correspond to those applied for the consolidated financial statements as at 31 December 2016, with the exception of the revised IFRS/IAS standards (Amendments to IAS 7 and IAS 12 and annual improvements to IFRS 2014 – 2016) applied for the first time as at 1 January 2017. Applying these revised standards had no impact on the consolidated interim financial statements as at 30 June 2017.

Scope of consolidation

In 2017 the scope of consolidation changed as follows:

Date	Company	Change	Division
2017			
20.06.2017	Tefelen LLC	Foundation	ELCOM/EMS
31.05.2017	Orion Technologies LLC	Acquisition	ELCOM/EMS
26.01.2017	OMP Officina Meccanica di Precisione S.r.l. in Liquidation	Liquidation	Reconciliation
01.01.2017	I-GEB spol. s.r.o.	Merger with ismet transformatory s.r.o.	ELCOM/EMS
01.01.2017	ismet Holding GmbH	Merger with Ismet GmbH	Reconciliation
01.01.2017	Platthaus GmbH Elektrotechnische Fabrik	Merger with Ismet GmbH	ELCOM/EMS

The foundation of Tefelen LLC is linked to the acquisition of a 50% stake in Tefelen-Preissinger GmbH in 2016 and will enable the Group to tap into the busbar markets in North and South America. Phoenix Mecano owns 51% of Tefelen LLC.

Following the sale of the business premises of OMP Officina Meccanica di Precisione S.r.l. in the first half of 2016, the liquidation of this inactive company was completed in early 2017.

No changes in the scope of consolidation occurred in H1 2016, except for the merger between Group companies PTR Messtechnik GmbH + Co. KG and PTR Messtechnik Verwaltungs-GmbH.

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 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 disproportionately weaker in terms of results.

Goodwill

The EUR 0.5 million reduction in goodwill is due to currency translation differences that did not affect net income and to the acquisition (see below).

Acquisitions under IFRS 3 "Business Combinations"

Given the below-target earnings performance in 2016 of Orion Technologies LLC, which develops and manufactures industrial computer systems for customised applications, the Phoenix Mecano Group was entitled to receive additional shares in the company from a capital increase and thus to acquire a majority of the capital. The Phoenix Mecano Group had therefore recorded part of the payment as a contingent receivable in 2015. Following regulatory approval in the US, the company was integrated into the scope of consolidation as of 31 May 2017 and no longer recognised as an investment in associated companies. As a result of this transaction, the Phoenix Mecano Group holds a 76.35% stake in the company. There is also a call/put option on a minority interest of 13.65%. The company is being integrated into the ELCOM/EMS division and generated gross sales of around EUR 5 million in 2016 with 33 employees.

After their acquisition, the acquired company generated sales revenue with third parties of EUR 0.3 million in H1 2017. Their contribution to the Phoenix Mecano Group's result for the period was EUR -0.1 million. Had the company been included in the scope of consolidation from 1 January 2017, consolidated gross sales would have been EUR 324.2 million and consolidated result of the period EUR 13.5 million.

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

	Fair value in EUR million
Non-current assets	6.5
Current assets	4.3
Liabilities	-8.8
Identifiable net assets	**2.0**
Minority interests	-0.2
Goodwill from acquisition	0.4
Purchase price	**2.2**
Residual purchase price liability	0.0
Fair value of previously held interest	-2.2
Purchase price paid in cash and cash equivalents	0.0
Cash and cash equivalents acquired	0.3
Change in funds	**0.3**

A revaluation of the investment (including the contingent receivable) took place at the time of the first-time full consolidation. This resulted in a financial income of EUR 0.4 million. In addition, currency differences of EUR 0.3 million previously recognised in equity were reclassified to the statement of income following derecognition of the equity investment.

Cash and Financial liabilities

On 6 March 2017, the Phoenix Mecano Group took out a five-year promissory note loan (*Schuldscheindarlehen*) for EUR 35 million at a fixed interest rate and USD 13.5 million at a variable interest rate, in order to refinance existing financial liabilities and provide funds for capital expenditure and the Group's acquisition activities. The increase in cash and cash equivalents and the change in long- and short-term financial liabilities (bank loans) is primarily due to this promissory note loan.

Categories of financial instruments

The following table classifies the financial assets and liabilities measured at market value according to the three levels of the fair value hierarchy:

	30.06.2017 in EUR million	31.12.2016 in EUR million	Hierarchy
Financial assets measured at market value			
Current securities	2.1	4.0	Level 1
Derivative financial instruments	0.3	0.4	Level 2
Contingent variable purchase price payment on acquisitions	0.0	1.6	Level 3
Total	**2.4**	**6.0**	
Financial liabilities measured at market value			
Derivative financial instruments	-0.2	-0.2	Level 2
Residual purchase price liabilities from acquisitions	-4.1	-4.3	Level 3
Total	**-4.3**	**-4.5**	

The following table provides an update on Level 3 financial liabilities and assets:

	2017 in EUR million	2016 in EUR million
Balance as at 1 January / 1 January	**4.3**	**3.9**
Change in scope of consolidation	0.0	0.6
Currency differences	-0.3	-0.1
Usage	0.0	-0.5
Releases (Financial income)	0.0	-0.6
Allocation (Financial expenses)	0.0	0.9
Interest expenses	0.1	0.1
Balance as at 30 June / 31 December	**4.1**	**4.3**

	2017 in EUR million	2016 in EUR million
Balance as at 1 January / 1 January	**1.6**	**1.6**
Change in scope of consolidation	-1.4	0.0
Releases (Financial expenses)	-0.2	0.0
Balance as at 30 June / 31 December	**0.0**	**1.6**

Level 2 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.

A new residual purchase price liability was fixed in the first half of 2017 (see Acquisitions under IFRS 3 “Business Combinations”). The fair value of the residual purchase price liabilities (Level 3) is dependent on results (i.e. earnings) benchmarks, which are based partly on target figures. The residual 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 residual purchase price. If the relevant future results were 10% greater, the residual purchase price liability would increase by EUR 0.2

million, assuming all other variables remained constant. All expenses and income relate to residual purchase price liabilities outstanding at 30 June 2017.

Financial result

The EUR 0.5 million improvement in financial result is mainly due to the revaluation of the investment in Orion Technologies LLC following its step acquisition.

Dividend payment

Pursuant to the decision taken by the Shareholders' General Meeting held on 19 May 2017, in May 2017 shareholders were paid a dividend of CHF 15.00 per share.

Events after the balance sheet date

On 14 August 2017, the Board of Directors of the Phoenix Mecano Group adopted a package of measures designed to radically streamline the ELCOM/EMS division's product portfolio and global production infrastructure. Taking into account the one-off integration costs of EUR 1.5 million incurred at Ismet in the first half of the year, non-recurring expenses of around EUR 8-9 million are expected for 2017 as a whole. This global consolidation of facilities will see production capacity adjusted, manufacturing technologies and development activities pooled, logistics and sales structures pared down and product ranges streamlined.

Between 30 June 2017 and 14 August 2017, no other events occurred that would alter the book values of the Group's assets and liabilities as at 30 June 2017 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 2017.