PHOENIX MECANO

Interim accounts as at 30 June 2018

Company report

Report by the Board of Directors	2
Information for shareholders	5

Interim accounts as at 30 June 2018

Consolidated balance sheet	6
Consolidated statement of income	8
Consolidated statement of comprehensive income	9
Consolidated statement of cash flow	10
Consolidated statement of changes in equity	11
Consolidated segment information	12
Notes to the interim accounts	13

Report by the Board of Directors on the Mid-year report as at June 30, 2018

Dear Ladies and Gentlemen

Phoenix Mecano increased its sales and incoming orders in the first half of the year. The Group was able to maintain and in some cases expand its market share in high-growth core markets. Growth was most pronounced in drive technology for the furniture and healthcare sector, where the positive demand trend in the Asian and American end markets continued. With the successful turnaround in the ELCOM/EMS division, the Group's operating result and result of the period showed markedly disproportionate growth.

Consolidated gross sales rose by 5.4% in the first half of 2018, from €322.0 million to €339.3 million. Corrected for currency effects, sales were up by 8.4%. Organic growth in local currency was 6.9%. Net sales totalled €336.4 million (previous year: €319.0 million). Incoming orders rose by 10.2% from €317.4 million to €349.9 million. The book-to-bill ratio was 103.2% (previous year: 98.6%).

The operating result increased by 34.5% from €21.0 million to €28.3 million and operating cash flow by 25.5% from €34.1 million to €42.8 million. Adjusted for one-off items, operating cash flow grew by 12.5% from €35.6 million to €40.0 million, and the operating result by 13.4% from €22.5 million to €25.5 million. The one-off items in the first half of 2017 related to non-recurring expenses, on balance, of €1.5 million. In 2018, a one-off gain of €2.8 million was generated in the second quarter through the sale of Wijdeven Inductive Solutions BV in the Netherlands (see media release of 3 May 2018).

The result of the period after taxes was €19.2 million, up 34.1% on the previous year (€14.3 million). The financial result fell by €1.5 million year-on-year, mainly due to exchange-rate changes and currency hedging costs. Net indebtedness was €44.1 million, compared with €45.1 million at 30 June 2017. This equates to 16.1% of equity.

Development of the Group's divisions

In the **Enclosures** division, sales grew by 2.1% in local currencies, while in the reporting currency they fell by 0.3% to €95.9 million. The operating result rose by 0.6% to €12.9 million, with a corresponding slight increase in the operating margin from 13.4% to 13.5%. In the core European market, sales increased by 2.2%. In Southeast Asia, sales fell by 11.7% following a 23.2% rise the previous year, mainly linked to the oil and gas project business. In the Americas, local-currency sales increased by 9.8%.

The **Mechanical Components** division increased its gross sales by 14.1% in local currencies and by 9.6% to €173.1 million in the reporting currency. Organic growth was 12.5%. The operating result increased by 4.5% to €14.2 million while the operating margin fell from 8.6% to 8.2%. The Rose & Krieger industrial segment contributed to the positive sales performance with system solutions and automation projects, mainly in the US and Germany. However, the division's main growth driver was the DewertOkin product area, which recorded double-digit growth rates in the Far East. Alongside the structural growth trend in motor-adjustable comfort and reclining furniture in end markets, the strategy of boosting value added by expanding capacity in China last year proved successful. This more than offset the lack of momentum in the European furniture and healthcare markets.

The **ELCOM/EMS** division recorded a 4.1% rise in gross sales in local currency and a 3.6% rise to €70.3 million in the reporting currency. Organic growth was 0.8%. The operating result was €2.9 million (previous year: -€3.1 million). This includes the aforementioned capital gain from the sale of Wijdeven Inductive Solutions BV in the Netherlands. Adjusted for this special item, the division achieved a break-even half-year result and significantly increased its adjusted operating cash flow to €5.3 million, up from €3.2 million the previous year. In general, the ELCOM/EMS division had to contend with more bottlenecks in the availability of critical electrical components.

The Power Quality business area had a lower impact on the division's result than in the previous year. It focused on efficiency enhancement programmes at three production sites in Germany and the Czech Republic, and will continue to roll these out intensively in the coming months. As well as pursuing productivity goals, the business area also launched and systematically implemented a number of high-potential innovation projects. The project flow for high-precision instrument transformers for HVDC applications remained brisk.

In the profitable Electromechanical Components and Electronic Packaging business areas, sales and result developed positively. Electronic Packaging grew by expanding its range of custom industrial computer system components, thanks to the recent acquisition of Orion Technologies LLC in North America. The result was impacted by the integration of Orion Technologies LLC and the establishment of joint sales and engineering capacity in the US.

Outlook

The outlook for the global economy remains good, although global growth momentum is weakening. Central banks are introducing more restrictive monetary policies and latent trade conflicts are impacting the economic situation. The majority of the Purchasing Managers' Index values (IHS Markit PMI) of relevance to Phoenix Mecano have fallen recently, but they remain above the long-term averages, suggesting further economic growth.

Phoenix Mecano Group still has sustainable growth potential thanks to its strong market positioning close to customers, its high-quality product portfolio and innovative system solutions for a range of technical applications.

The punitive US tariffs being introduced on Chinese goods are likely to increase uncertainty in the comfort and healthcare furniture markets over the coming months. However, this will not affect the long-term trend in such furniture of increasing motorisation combined with innovative sensor and control technology, something that Phoenix Mecano, as a leading market player and innovator, will continue to benefit from. In addition, the Phoenix Mecano Group has a production and value-creation network unique among its competitors, enabling it to respond effectively in the short and medium term to changing global conditions in supply and logistics chains.

The management and Board of Directors expect the Group as a whole to achieve continued sales growth in the second half of 2018, although this could be less strong than in H1 owing to the above-mentioned economic indicators and growing uncertainties.

In the current environment, the Phoenix Mecano Group anticipates a 2018 operating result within the target range of €40-46 million indicated at the start of the year. This does not include the aforementioned one-off income.

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

		30.06.2018	**30.06.2017**
Share capital (bearer shares at nominal CHF 1.00)	Number	960‘500	960‘500
Entitled to dividend (as of 30 June)	Number	959‘500	959‘500
Entitled to dividend (on average)	Number	959‘500	959‘396
Earning before interest and tax per share	EUR	29.5	21.9
Net result per share	EUR	19.9	14.6
Shareholders’ equity (incl. Minority interest) per share	EUR	286.8	282.9

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Consolidated balance sheet (unaudited)

Assets

(in EUR million)	**30.06.2018**	**31.12.2017**
Fixed assets		
Goodwill	13.7	13.5
Other intangible assets	27.2	31.4
Investment properties	0.2	0.3
Tangible assets	127.3	127.3
Investment in associated companies	2.8	3.5
Other financial assets	1.7	1.1
Deferred tax assets	5.1	5.2
Total fixed assets	**178.0**	**182.3**
Inventories	143.5	131.8
Trade receivables	109.1	88.9
Derivative financial instruments	0.1	0.2
Income tax receivables	1.3	1.6
Other receivables	9.3	9.7
Current securities	0.9	1.7
Cash and cash equivalents	48.8	53.5
Deferred charges and prepaid expenses	2.8	2.1
Total current assets	**315.8**	**289.5**
Total assets	**493.8**	**471.8**

Consolidated balance sheet (unaudited)

Equity and liabilities (in EUR million)	**30.06.2018**	**31.12.2017**
Equity		
Share capital	0.6	0.6
Treasury shares	-0.4	-0.4
Retained earnings	272.3	266.8
Profits/Losses from financial instruments	0.0	0.0
Translation differences	1.2	1.5
Equity attributable to shareholders of the parent company	**273.7**	**268.5**
Minority interests	1.5	1.2
Total equity	**275.2**	**269.7**
Liabilities		
Long-term financial liabilities	72.2	67.9
Long-term provisions	4.5	5.1
Long-term pension obligations	13.3	13.5
Deferred tax liabilities	5.4	4.3
Long-term liabilities	**95.4**	**90.8**
Trade liabilities	58.3	45.6
Short-term financial liabilities	21.5	25.3
Derivative financial instruments	1.5	0.4
Short-term provisions	11.4	11.4
Short-term pension obligations	0.2	0.2
Income tax liabilities	2.7	4.8
Other liabilities	25.7	21.2
Deferred income	1.9	2.4
Short-term liabilities	**123.2**	**111.3**
Total liabilities	**218.6**	**202.1**
Total equity and liabilities	**493.8**	**471.8**

Consolidated statement of income (unaudited)

(in EUR million)	1st half 2018	1st half 2017
Net sales	**336.4**	**319.0**
Changes in inventories	1.2	0.8
Own work capitalised	1.2	1.0
Other operating income	4.6	1.8
Cost of materials	-161.8	-150.7
Personnel expenses	-99.8	-98.0
Amortisation of intangible assets	-4.4	-4.1
Depreciation on tangible assets	-9.4	-9.0
Impairment of intangible and tangible assets	-0.7	0.0
Other operating expenses	-39.0	-39.8
Results before interest and tax (operating result)	**28.3**	**21.0**
Result from associated companies	-0.4	-0.5
Financial income	3.0	3.0
Financial expenses	-5.1	-3.5
Financial result	-2.5	-1.0
Result before tax	**25.8**	**20.0**
Income tax	-6.6	-5.7
Result of the period	**19.2**	**14.3**
of which		
Shareholders in the parent company	19.1	14.0
Minority interests	0.1	0.3
Earnings per share		
Earnings per share - undiluted (in EUR)	19.9	14.6
Earnings per share - diluted (in EUR)	19.9	14.6

Consolidated statement of comprehensive income (unaudited)

(in EUR million)	1st half 2018	1st half 2017
Result of the period	**19.2**	**14.3**
Items that may be reclassified subsequently to profit or loss		
Fluctuations in fair value of financial assets	0.0	0.0
Translation differences	-0.5	-2.7
Deferred taxes	0.0	0.0
Items that may not be reclassified to profit or loss		
Revaluation of pension obligations	0.6	-0.1
Deferred taxes	-0.1	0.0
Other comprehensive income (after taxes)	**0.0**	**-2.8**
Total comprehensive income	**19.2**	**11.5**
of which		
Shareholders in the parent company	19.1	11.2
Minority interests	0.1	0.3

Consolidated statement of cash flow (unaudited)

(in EUR million)	1st half 2018	1st half 2017
Result of the period	19.2	14.3
Income tax	6.6	5.7
Result before tax	**25.8**	**20.0**
Amortisation of intangible assets	4.4	4.1
Depreciation on tangible assets	9.4	9.0
Losses / (gains) from the disposal of intangible and tangible assets	0.1	-0.1
Impairment losses / (reversal of impairment losses) on intangible and tangible assets	0.7	0.0
Losses and value adjustments on inventories	1.2	2.7
Result from associated companies	0.4	0.5
Other non-cash expenses / (income)	-0.8	-1.4
Increase / (decrease) in long-term provisions	-0.3	2.1
Net interest expenses / (income)	0.5	0.6
Interest paid	-0.9	-0.6
Income tax paid	-7.0	-6.1
Operating cash flow before changing in working capital	**33.5**	**30.8**
(Increase) / decrease in inventories	-14.4	-11.0
(Increase) / decrease in trade receivables	-21.8	-14.4
(Increase) / decrease in other receivables, deferred charges and prepaid expenses	-1.7	-3.6
Decrease / (increase) in trade payables	12.9	5.4
Decrease / (increase) in short-term provisions	-0.1	-2.3
Decrease / (increase) in other liabilities and deferred income	4.6	5.3
Cash flow from operating activites	**13.0**	**10.2**
Capital expenditure		
Intangible assets	-1.4	-2.5
Tangible assets	-10.5	-10.5
Financial assets	-0.2	0.0
Acquisition of Group companies	0.0	0.3
Disinvestments		
Tangible assets	0.7	0.2
Financial assets	0.9	0.2
Current securities	0.8	1.8
Disposal of Group companies	4.6	0.0
Interest received	0.3	0.4
Dividendes received	0.0	0.3
Cash used in investing activities	**-4.8**	**-9.8**
Dividends paid (including minority interest)	-13.4	-13.4
Change of minority shareholders shares	0.0	0.2
Sale of own shares	0.0	0.2
Issue of financial liabilities	10.6	52.7
Repayment of financial liabilities	-10.2	-29.1
Cash flow from financing activities	**-13.0**	**10.6**
Translation differences in cash and cash equivalents	0.1	-0.9
Change in cash and cash equivalents	**-4.7**	**10.1**
Cash and cash equivalents as at 1 January	53.5	43.2
Cash and cash equivalents as at 30 June	48.8	53.3
Change in cash and cash equivalents	**-4.7**	**10.1**

Consolidated statement of changes in equity (unaudited)

(in EUR million)	Share capital	Own shares	Retained earnings	Profits / (losses) financial instruments	Translation differences	Equity attri-butable to shareholders in the parent company	Minority interests	Total equity
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	0.0	-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	0.0			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**
Equity as at 31 December 2017	**0.6**	**-0.4**	**266.8**	**0.0**	**1.5**	**268.5**	**1.2**	**269.7**
Restatement due to first time adoption IFRS 9			**-0.3**			**-0.3**		**-0.3**
Equity as at 1 January 2018	**0.6**	**-0.4**	**266.5**	**0.0**	**1.5**	**268.2**	**1.2**	**269.4**
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					-0.3	-0.3	-0.2	-0.5
Deferred taxes not affecting net income						0.0		0.0
Items that may not be reclassified to profit or loss								
Revaluation of pension obligations			0.6			0.6		0.6
Deferred taxes			-0.1			-0.1		-0.1
Total other comprehensive income (after taxes)	**0.0**	**0.0**	**0.5**	**0.0**	**-0.3**	**0.2**	**-0.2**	**0.0**
Result of the period			**19.1**			**19.1**	**0.1**	**19.2**
Total comprehensive income	**0.0**	**0.0**	**19.6**	**0.0**	**-0.3**	**19.3**	**-0.1**	**19.2**
Change of minority interest			-0.5			-0.5	0.5	0.0
Change in treasury shares						0.0		0.0
Dividends paid			-13.3			-13.3	-0.1	-13.4
Total equity-transactions with owners	**0.0**	**0.0**	**-13.8**	**0.0**	**0.0**	**-13.8**	**0.4**	**-13.4**
Equity as at 30 June 2018	**0.6**	**-0.4**	**272.3**	**0.0**	**1.2**	**273.7**	**1.5**	**275.2**

Consolidated segment information (unaudited)

by division (in EUR million)	Enclosures		Mechanical Components		ELCOM/EMS		Total Segment		Reconciliation*		Total Group	
	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017	1st half 2018	1st half 2017
Gross sales to third parties	**95.9**	**96.2**	**173.1**	**158.0**	**70.3**	**67.8**	**339.3**	**322.0**	**0.0**	**0.0**	**339.3**	**322.0**
Gross sales between divisions	0.3	0.3	0.1	0.1	2.2	2.0	2.6	2.4	-2.6	-2.4	0.0	0.0
Revenue reductions											-2.9	-3.0
Sales revenue											**336.4**	**319.0**
Amortisation of intangible assets and depreciation on tangible assets	-3.4	-3.4	-5.4	-4.3	-5.2	-4.9	-14.0	-12.6	-0.5	-0.5	-14.5	-13.1
Result before interest and tax (operating result)	**12.9**	**12.9**	**14.2**	**13.6**	**2.9**	**-3.1**	**30.0**	**23.4**	**-1.7**	**-2.4**	**28.3**	**21.0**
Financial result											-2.5	-1.0
Result before tax											**25.8**	**20.0**
Income tax											-6.6	-5.7
Result of the period											**19.2**	**14.3**
Segment assets	103.0	96.8	202.8	184.3	123.7	130.7	429.5	411.8			429.5	411.8
Cash and cash equivalents									48.8	53.3	48.8	53.3
Other assets									15.5	21.5	15.5	21.5
Total assets	**103.0**	**96.8**	**202.8**	**184.3**	**123.7**	**130.7**	**429.5**	**411.8**	**64.3**	**74.8**	**493.8**	**486.6**
Segment liabilities	27.4	28.5	62.8	48.5	19.6	19.7	109.8	96.7			109.8	96.7
Interest-bearing liabilities									93.7	100.5	93.7	100.5
Other liabilities									15.1	17.9	15.1	17.9
Total liabilities	**27.4**	**28.5**	**62.8**	**48.5**	**19.6**	**19.7**	**109.8**	**96.7**	**108.8**	**118.4**	**218.6**	**215.1**
Net assets	**75.6**	**68.3**	**140.0**	**135.8**	**104.1**	**111.0**	**319.7**	**315.1**	**-44.5**	**-43.6**	**275.2**	**271.5**

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

by region	1st half 2018	1st half 2017
Sales revenue		
Switzerland	10.9	11.7
Germany	112.1	108.9
UK	8.1	8.4
France	8.9	10.8
Italy	7.8	7.3
The Netherlands	9.5	9.7
Rest of Europe	46.9	45.8
North and South America	36.5	34.7
Middle and Far East	98.6	84.7
Gross sales	339.3	322.0
Revenue reductions	-2.9	-3.0
Sales revenue	**336.4**	**319.0**

by product group	1st half 2018	1st half 2017
Sales revenue		
Industrial enclosures	89.2	89.1
Input systems	6.7	7.1
Enclosures	**95.9**	**96.2**
Industrial assembly systems	25.1	25.4
Linear adjustment and positioning systems	148.0	132.6
Mechanical Components	**173.1**	**158.0**
Electro-mechanical Components	34.6	33.7
Power Quality	12.0	13.8
Electronic Manufacturing and Packaging	23.7	20.3
ELCOM/EMS	**70.3**	**67.8**
Gross sales	339.3	322.0
Revenue reductions	-2.9	-3.0
Sales revenue	**336.4**	**319.0**

Annex to the interim financial statements as at 30 June 2018

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 2017.

The accounting and valuation principles used for the half-yearly accounts correspond to those applied for the consolidated financial statements as at 31 December 2017, with the exception of the revised IFRS/IAS standards (Standards (IFRS 15, IFRS 9, IFRIC 22, annual improvements to IFRS 2014 - 2016 and amendments to IFRS 2 and IAS 40). applied for the first time as at 1 January 2018. With the exception of IFRS 15 and IFRS 9, applying these revised standards had no impact on the consolidated interim financial statements as at 30 June 2018.

Impact of the amendments to IFRS 15 and IFRS 9

IFRS 15 states that revenue from contracts with customers is recognised at the time (or over the time) when control over goods or services is passed from entity to customer, at the amount to which the entity expects to be entitled. Phoenix Mecano's analysis has shown that revenue recognition for all significant Group sales transactions under IFRS 15, as under IAS 18, will continue to occur at one point in time and that this timing will not change. Analysis of the other aspects of IFRS 15 also found no need for adjustment. Consequently, there is no impact in the interim financial statements as at 30 June 2018.

IFRS 9 - Financial Instruments replaces the current provisions of IAS 39 and contains revised guidance on the classification and measurement of financial assets and on hedge accounting. It also contains a new model for calculating the impairment of financial assets. Impairment is now recognised on the basis of expected losses rather than incurred losses. Phoenix Mecano has analysed its financial assets and liabilities. Financial assets classified as loans and receivables under IAS 39 and financial liabilities measured at amortised cost will continue to be classified under IFRS 9 as financial instruments measured at amortised cost. Financial instruments at fair value through profit or loss such as derivatives and purchase price liabilities measured at market value will continue to be measured at fair value through profit or loss. Current securities will be recognised at fair value with changes in market value under Other comprehensive income in the statement of comprehensive income (FVOCI). There was an increase of EUR 0.4 million in the value adjustments on trade receivables as a result of the new calculation model. Deferred tax liabilities decreased by EUR 0.1 million. The table below shows the impact on equity as at 1 January 2018, which decreased by EUR 0.3 million due to the first-time application of IFRS 9. The previous year's figures have not been adjusted.

Change of consolidated balance sheet	01.01.2018 in Mio. EUR
Trade receivables (before IFRS 9)	88.9
Changes due to IFRS 9	-0.4
Trade receivables (restated)	**88.5**
Deferred tax liabilities (before IFRS 9)	4.3
Changes due to IFRS 9	-0.1
Deferred tax liabilities (restated)	**4.2**
Equity (before IFRS 9)	269.7
Changes due to IFRS 9	-0.3
Equity (restated)	**269.4**

Scope of consolidation

In first half year of 2018 and 2017 the scope of consolidation changed as follows:

Date	Company	Change	Division
2018			
31.05.2018	Wijdeven Inductive Solutions B.V.	Sale	ELCOM/EMS
31.05.2018	Wijdeven Power Holding B.V.	Sale	ELCOM/EMS
01.01.2018	Aton Lichttechnik GmbH	Phoenix Mecano Digital Elektronik GmbH	ELCOM/EMS
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

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.

Disposal of Group companies

On 31 May 2018, 100% of the shares in Wijdeven Inductive Solutions BV and Wijdeven Power Holding BV (both based in the Netherlands and forming part of the ELCOM/EMS division) were sold to an industrial buyer for a sale price of EUR 5.0 million. This transaction resulted in a pre-tax accounting profit of EUR 2.8 million, mainly from the recovery of acquisition-related expenses.

	2018 in Mio. EUR
Non-current assets	1.0
Current assets	2.9
Liabilities	-1.7
Net assets	**2.2**
Gain from disposal of group companies	2.8
Purchase price	**5.0**
Disposal of cash and cash equivalents	-0.4
Change in funds	**4.6**

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:

	30.06.2018 in EUR million	31.12.2017 in EUR million	Hierarchy
Financial assets measured at market value			
Current securities	0.9	1.7	Level 1
Derivative financial instruments	0.1	0.2	Level 2
Contingent variable purchase price payment on acquisitions	0.0	0.0	Level 3
Total	**1.0**	**1.9**	
Financial liabilities measured at market value			
Derivative financial instruments	-1.5	-0.4	Level 2
Purchase price liabilities from acquisitions	-1.8	-4.1	Level 3
Total	**-3.3**	**-4.5**	

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

	2018 in EUR million	2017 in EUR million
Balance as at 1 January / 1 January	**4.1**	**4.3**
Currency differences	0.0	-0.3
Usage	-2.1	-3.2
Releases (Financial income)	-0.2	-0.6
Allocation (via equity)	0.0	3.8
Interest expenses	0.0	0.1
Balance as at 30 June / 31 December	**1.8**	**4.1**

	2018 in EUR million	2017 in EUR million
Balance as at 1 January / 1 January	**0.0**	**1.6**
Change in scope of consolidation	0.0	-1.6
Balance as at 30 June / 31 December	**0.0**	**0.0**

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.

The fair value of the purchase price liabilities (Level 3) is dependent on results (i.e. earnings) benchmarks, which are based partly on target figures. The purchase price liabilities may alter owing to a change in exchange rates, a change in the interest rate or a change in the parameters for determining the purchase price. If the relevant future results were 10% greater, the purchase price liability would increase by EUR 0.1 million, assuming all other variables remained constant. All expenses and income relate to purchase price liabilities outstanding at 30 June 2018.

Other operating income

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

Financial result

The EUR 1.5 million reduction in financial result is mainly attributable to the balance sheet date valuation of forward exchange purchases of HUF for EUR, used to partially hedge the planned operating expenses in local currency in Hungary. Owing to the 6% fall in the value of the HUF against the EUR in the first six months of the year, the revaluation of the forward purchases resulted in an expense.

Dividend payment

Pursuant to the decision taken by the Shareholders' General Meeting held on 18 May 2018, on 25 May 2018 shareholders were paid a dividend of CHF 16.00 per share (previous year CHF 15.00).

Events after the balance sheet date

Between 30 June 2018 and 15 August 2018, no other events occurred that would alter the book values of the Group’s assets and liabilities as at 30 June 2018 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 15 August 2018.