

Media release

Phoenix Mecano in H1 2016:

Broad-based growth – Q2 profitability significantly up on previous year – ELCOM/EMS division realignment on track

Kloten/Stein am Rhein, 16 August 2016. Phoenix Mecano, the specialist in enclosures and industrial components, saw its sales increase in all three divisions in the first half of the year. The operating result and net result both recorded disproportionately high growth. Incoming orders were largely stable but down compared with the same period in 2015, when a round of price increases prompted by currency turbulence led to a surge in orders. The current geopolitical uncertainties also had an impact on investment behaviour in key sales regions, including parts of Europe, Russia, Brazil and some sectors in China and the USA. Efforts to tap new sales markets in the ELCOM/EMS division are being vigorously pursued. The acquisition of ismet GmbH, reported in June and now complete, has strengthened the division.

Consolidated gross sales rose by 3.8% in the first half of 2016, from €281.6 million to €292.4 million. Corrected for negative currency effects, sales were up by 5.6%. Excluding effects from changes to the scope of consolidation, growth was 2.6%. Net sales totalled €289.7 million (previous year: €279.0 million). Incoming orders fell by 3.4% from €299.5 million to €289.5 million, corresponding to a book-to-bill ratio of 99%.

Operating cash flow (EBITDA) rose by 11.7%, from €29.0 million to €32.4 million, while operating result (EBIT) was up by 25.0%, from €16.5 million to €20.6 million. Looking at the second quarter alone, the operating result increased by 38%. This includes a one-off accounting profit of €1.8 million from the sale of a building in Italy and a provision of €1.4 million for a site closure at existing subsidiary Platthaus GmbH. The decision to close the site was taken in June 2016, in connection with the acquisition of ismet GmbH.

The result of the period after taxes was €13.7 million, up 35.1% on the previous year (€10.1 million). Regarding this substantial increase, it should be noted that the financial result improved by €0.9 million year-on-year, driven mainly by lower exchange rate losses. The first half of 2015 was negatively impacted by the scrapping of the minimum exchange rate between the euro and the Swiss franc. In the first half of 2016, the weakening of the British pound led to exchange rate losses of €0.4 million. The tax rate in the reporting period was 28.6%, compared with 28.4% the previous year.

Net indebtedness increased to €39.3 million (30 June 2015: €34.3 million) due to growth-related expansion of the balance sheet and the dividend payment in the second quarter as well as acquisition activity. This corresponds to 15.2% of equity. Combined with the still high equity ratio of 57.7%, this gives the Group sufficient scope for further strategic development.

Development of the Group's divisions

The **Enclosures** division increased its gross sales by 0.5% to €89.4 million. The operating result fell by 4.7%, with a corresponding decline in operating margin from 12.3% to 11.6%. While sales grew in southern Europe and the Benelux countries, there were reductions in other individual European markets, most notably the UK and Russia. Slower momentum in the US industrial and energy sector was offset by rising demand in Asia, where the development and production of special enclosures for customised operating and display devices and project business in explosion-proof applications offer attractive growth opportunities. Implementation of the new production concept for input systems at subsidiary Kundisch had a negative impact on the result.

The **Mechanical Components** division saw its gross sales rise by 4.6% to €142.4 million. The operating result rose by a disproportionately high 19.5%. The margin stood at 8.9%, compared with 7.8% the previous year. In the European industrial segment, in which Rose & Krieger operates, customers are pressing ahead with investments in modernisation and automation projects, while the growth trend in workplace ergonomics continues. In the DewertOkin arm, there is still strong growth momentum in comfort and reclining furniture in China as a production location for the US end market. However, demand in Japan continued to fall and sales were slightly down in Europe.

The **ELCOM/EMS** division increased its gross sales by 7.2% to €60.6 million. Adjusted for acquisitions, growth was 1.2%. The operating result was -€3.0 million (previous year: -€3.3 million). This includes the above-mentioned special item of €1.4 million relating to site closure costs at PlattHaus (D). The Power Quality business area is key to achieving the division's earnings targets. Within this business area, the integration of various recently acquired or newly established entities is proceeding to plan. The focus remains on expanding sales and production structures for the marketing and industrial manufacture of newly developed and certified products. Positive feedback from target customers, audit approvals, initial listings and orders confirm that the right product/market strategy has been adopted. The initial costs associated with these activities are reflected in the H1 figures.

Outlook

The outcome of the Brexit vote, the impending US presidential elections, considerable volatility on the financial markets and geopolitical risks in relation to Syria, Russia and Turkey led to increased uncertainty in our main sales markets for capital goods in the first half of 2016.

The concerted efforts of the major central banks to stimulate investment confidence continue to have a positive impact, even if their potential long-term effects are a cause for concern.

In the global industrial segment and in our application-specific target markets, we anticipate continued stable demand in the second half of the year due to our new product developments and investments in production and sales capacity.

In our largest product area, namely electrical drive solutions for the comfort furniture and care industry (DewertOkin, Mechanical Components division), we see further growth opportunities driven by technological and demographic developments.

The realignment of the ELCOM/EMS division remains a central focus for the Board of Directors and management. The turnaround measures, now in their final stage of implementation, combined with steadily filling order books form the basis for the desired positive long-term earnings trend. Based on the current situation and excluding the special item for the integration of PlattHaus into ismet, we continue to maintain the challenging target of a breakeven in the ELCOM/EMS division across the year as a whole.

Barring extraordinary events and assuming stable economic conditions, we still anticipate an operating result for the whole Group in the region of €34 to €40 million.

A detailed semi-annual report will be available for downloading as a PDF file from our website <http://www.phoenix-mecano.com/semi-annual-reports.html> from 16 August 2016.

For further information, please contact:

Phoenix Mecano Management AG
Benedikt Goldkamp, Executive Chairman
Lindenstrasse 23
8302 Kloten

Tel.: +41 (0)43 255 4 255

info@phoenix-mecano.com
www.phoenix-mecano.com

Results first half of 2016 in figures (in EUR million)

	<u>1-6 2015</u>	<u>1-6 2016</u>	<u>in %</u>
Incoming orders	299.5	289.5	-3.4
Gross sales	281.6	292.4	3.8
per division:			
Enclosures	89.0	89.4	0.5
Mechanical components	136.1	142.4	4.6
ELCOM/EMS	56.5	60.6	7.2
Net sales	279.0	289.7	3.8
Operating cash flow	29.0	32.4	11.7
Margin	10.3%	11.1%	
Operating result	16.5	20.6	25.0
Margin	5.8%	7.0%	
per division:			
Enclosures	10.9	10.4	-4.7
	12.3%	11.6%	
Mechanical components	10.7	12.7	19.5
	7.8%	8.9%	
ELCOM/EMS	-3.3	-3.0	7.2
	-5.8%	-5.0%	
Other	-1.8	0.5	127.1
Result of the period	10.1	13.7	35.1
Margin	3.6%	4.7%	