

Media release

Phoenix Mecano Group's provisional accounts for 2018

Sales growth in all divisions of the Phoenix Mecano Group – Disproportionate increase in earnings – ELCOM/EMS in the black

Kloten/Stein am Rhein, 14 February 2019. The Phoenix Mecano Group's provisional consolidated gross sales increased from €627.6 million to €650.8 million (up 3.7%). Organic growth in local currency was 5.4%. Unaudited net sales grew from €621.7 million to €645.0 million (up 3.8%). Incoming orders rose from €642.3 million to €659.4 million (up 2.7%), and organically by 4.4%.

Growth therefore continued in the second half of 2018, albeit – as expected – at slightly weaker rates. The book-to-bill ratio at the end of the year was 101.3%, signalling a continued positive trend in business performance.

All three divisions contributed to the Group's growth. The strongest organic growth was recorded by the Mechanical Components division, driven by robust demand in drive technology for comfort furniture in America and the Far East. In the Enclosures division, weaker demand in the oil and gas sector was offset by growth in North America and the core market of Germany. In the ELCOM/EMS division, a major milestone was reached with the turnaround in EBIT.

Operating result and result for the period under review

The operating result increased by 50%, from €30.7 million to around €46 million, and the operating cash flow by 25% from €59.7 million to around €74.5 million. Even when adjusted for non-recurring items, there was a disproportionate increase in profitability. Excluding these one-off items, the operating result rose by 8% from €39.7 million to around €43 million and the operating cash flow by 7% from €67 million to around €71.5 million. The one-off items in 2017 included expenses for adjustments to the product portfolio and production infrastructure in the ELCOM/EMS division. 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 (as yet unaudited) figures indicate a result for the period of around €32 million (previous year: €21.9 million).

Development of the Group's divisions

The **Enclosures** division generated sales of €186.6 million (up 1.6% in the reporting currency) and growth in local currency of 2.9%. In the European industrial markets, sustained robust economic activity resulted in broad-based growth. In North America, local-currency sales saw double-digit growth.

We continued to consolidate our strong position in traditional core markets while also stepping up our strategic focus on future-oriented industries such as measurement and automation technology.

The **Mechanical Components** division achieved sales of €327.9 million (up 5.6%) and continued on its path of organic growth (up 7.9%).

In the Rose & Krieger industrial segment, there was steady demand in all market regions in factory and process automation and custom machine building.

The DewertOkin product area, a global market leader in electric drive solutions used in comfort and care furniture, posted double-digit growth in Asia. The planned acquisition of a majority stake in Chinese metalworking specialist Mei Hui Machinery Co., Ltd. will support the strategic development of this growth area. The transaction is expected to close in the second quarter of 2019, subject to regulatory approvals (see media release of 22 October 2018).

The **ELCOM/EMS** division invested in an ambitious package of performance enhancement measures in 2017, which it has since been successfully implementing. As a result, the division recorded a small positive provisional operating result in 2018, excluding the accounting profit from the sale of Wijdeven Inductive Solutions BV. This result was impacted by amortisation of acquisition-related, intangible assets totalling approximately €4.5 million. The division generated sales of €136.3 million (up 2.2%), with organic growth of 2.9%.

The Electromechanical Components area grew in Europe, while Electronic Packaging also recorded acquisition-related growth in North America.

Outlook

The economic climate has deteriorated across the board in recent months. The sharp correction in the financial markets at the end of 2018 and the weakening of global purchasing managers' indices (PMIs) signal a slowdown in growth, which is also reflected in Phoenix Mecano's end markets. However, many industries have full order books and structural growth markets such as industrial automation, digitalisation, renewable energy and the move towards intelligent, networked beds and chairs as part of the 'smart home' trend are opening up a range of options for the continued growth of our Group.

In the short term, we anticipate a slowdown, due in part to inventory cycles reflecting the more cautious attitude in some customer segments. Important decisions to be taken in the first quarter of 2019 will be key to determining the course of the new financial year. These include developments in the tariff dispute between the US and

China, the subsequent course of the Brexit negotiations and the forthcoming parliamentary elections in India. Against this backdrop, it would seem prudent not to make specific predictions about the outlook for 2019 until after the first quarter.

As regards initiatives under Phoenix Mecano's own control, namely its ongoing investment and optimisation programmes, the Group remains on track.

The management and Board of Directors believe that the outlook for the Group is excellent and will continue to pursue their forward-looking strategy. With its strong balance sheet and geographically and technologically diverse portfolio, the Group is ideally placed to continue creating value for our shareholders, even in times of cyclical upheaval and political uncertainty.

Dates for your diary:

Balance sheet media conference	24 April 2019	9.30 a.m.	Widder Hotel, Zurich
Financial analysts' conference	24 April 2019	11.30 a.m.	Widder Hotel, Zurich

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Phoenix Mecano is a leading technology company active in the production of enclosures and industrial components.