MEDIA RELEASE

Another successful half-year for Phoenix Mecano:

Strong sales and income growth in H1 2010

Stein am Rhein/Kloten, 12 August 2010. Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, recorded strong sales and income growth in the first half of 2010, across all three of its divisions. In addition to the general economic recovery in core industrial markets, this growth was driven mainly by the dynamic photovoltaic segment in the ELCOM/EMS division and progress with the integration of Okin – formerly the Group's leading competitor – in the Mechanical Components division. Growth initiatives, which the Group was able to implement anti-cyclically during the global financial and economic crisis of 2008 and 2009 thanks to its robust cash flow and high equity ratio, are now paying dividends.

During H1 2010, **consolidated gross sales** rose by 34.6% from €188.9 million to €254.2 million. Adjusted for changes to the scope of consolidation, the increase was 32.1%. Corrected for differences in foreign-exchange rates, the growth was 33.1%. Incoming orders were up by 42.4%, from €190.2 million to €270.8 million.

The company's **operating result** (EBIT) was up 643% on the previous year, jumping from €3.7 million to €27.5 million. This is the best half-yearly result in the Group's history. The operating margin (EBIT margin) was 10.8%, compared with 2.0% during the same period in 2009. All three divisions saw a significant increase in profitability. In geographical terms, all three world regions – Europe, the Middle and Far East and North and South America – experienced double-digit sales growth.

The Group's **operating cash flow** (EBITDA) climbed by 187% from €12.6 million to €36.2 million.

The **result after taxes** totalled €21.6 million, up from €3.4 million in H1 2009 – an increase of 535%.

Compared with the previous year, net indebtedness fell by €12.6 million to €9.8 million. This reduction in debt was achieved despite the need for additional cash to finance organic growth and the acquisition of Lohse in H1 2010. Moreover, the dividend payment in 2010 remained constant.

Development of the Group's divisions

The Enclosures division saw a return to growth in H1 2010. Sales rose by 13.9% to €71.5 million, up from €62.8 million the previous year. In addition to the general economic recovery, the main drivers of growth during the period were continued efforts to boost market share in the USA and Far East as well as an expansion of the division's market presence in explosion-proof enclosures for the oil & gas sector. Despite some positive signs, business in the mechanical engineering segment (a key target market for the Enclosures division) still lagged behind the boom years of 2007 and 2008. Assuming the economic recovery continues to gather pace over the coming months, including in the mechanical engineering market, we anticipate further substantial rates of growth.

The ELCOM/EMS division, which is geared mainly to the industrial electronics and photovoltaic markets, saw sales rise by 106.2% to €80 million. In the industrial electronics segment, the Group benefited from a dynamic upturn in its target markets, caused in part by supply bottlenecks. This trend placed heavy demands on the flexibility of its production and sales structures. By responding rapidly to the changed economic climate, the Group was able to exploit the situation, acquire market shares and significantly improve its income. This unexpectedly strong upturn was helped by the weak euro, which gave our customers a major competitive boost in the global marketplace.
As expected, the photovoltaic segment developed very robustly. Only the increasing difficulty of supplying our customers with power semiconductors for inverters is temporarily preventing more rapid expansion. A weakening of the market due to planned cutbacks in financial assistance in Germany is not yet squeezing market development. In this sector, Phoenix Mecano is investing heavily in production equipment and logistics facilities in 2010, in order to continue meeting customers' high expectations as efficiently as possible. The acquisition of Lohse, a firm manufacturing wound cores for use in solar inverter chokes and transformers, is proceeding positively and according to plan.

Sales in the Mechanical Components division increased by 17.1% from €86.8 million to €101.6 million. Industrial mechanical components, a cyclical segment represented by the Group's Rose&Krieger arm, grew particularly strongly, following a very sharp decline due to the crisis in the capital goods sector in 2009. The Dewert/Okin business, which manufactures electrical linear drives for the medical technology and furniture industry, is less affected by strong cycles in its end markets. It too recorded welcome, albeit less dynamic, sales growth. At the same time, improved profitability enabled further key milestones to be achieved in the integration of Okin into the Phoenix Mecano organisational structure. The focus this year is to standardise enterprise resource planning (ERP) systems within the Group and reorganise production facilities. The final phase of integration is on track for completion by the end of 2010.

Outlook

Most of Phoenix Mecano's target markets have picked up following the unprecedented slump in the global economy in late 2008 triggered by the financial and economic crisis. True to its belief that crisis generates the best opportunities, the company launched a number of growth initiatives during this period, and these are developing extremely well in 2010. However, this cannot hide the fact that the global economy remains fragile, due to the debt situation in most industrialised nations, with the exception of China. Faced with positive reports from companies and negative economic forecasts, economists and industrial firms alike are finding it hard to paint a clear picture of the medium-term outlook. Short-term prospects remain good, and we do not now expect to see any slowdown in economic activity this year. However, should negative tendencies prevail over the coming months, Phoenix Mecano is better equipped than ever, both financially and strategically, to survive further crises and to derive long-term benefit from potential market turbulence. In the meantime, we are pursuing the path we have embarked upon and expect to achieve record sales and result this year. Our target result of the period is currently €35-40 million, as reported on 22 July 2010.

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 27 August 2010.

For further information, please contact:

Phoenix Mecano Management AG

Benedikt Goldkamp, CEO

Lindenstrasse 23, 8302 Kloten

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

info@phoenix-mecano.com

www.phoenix-mecano.com

Results for H1 2010 in figures (in EUR millions)

	1-6 2009	1-6 2010	in %
Incoming orders	190.2	270.8	42.4
Gross sales	188.9	254.2	34.6
per division:			
Enclosures	62.8	71.5	13.9
ELCOM/EMS	38.8	80.0	106.2
Mechanical Components	86.8	101.6	17.1
Other	0.5	1.1	120.0
Operating cash flow	12.6	36.2	187.3
Margin	6.7%	14.2%	
Operating result	3.7	27.5	643.2
Margin	2.0%	10.8%	
per division:			
Enclosures	8.5	13.5	58.8
	13.5%	18.9%	
ELCOM/EMS	0.3	9.3	-
	0.8%	11.6%	
Mechanical Components	-3.8	6.9	281.6
	-4.4%	6.8%	
Other	-1.3	- 2.2	-69.2
Result	3.4	21.6	535.3
Margin	1.8%	8.5%	