MEDIA RELEASE

Phoenix Mecano continues growth trend
Increases in sales and income in H1 2011

Stein am Rhein/Kloten, 12 August 2011. Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, generated record sales and income once again in the first half of 2011. While industrial business in the Enclosures division, and partly also in the Mechanical Components and ELCOM/EMS divisions, developed very strongly, market conditions in the photovoltaic sector and in the drive technology business for comfort and healthcare furniture proved challenging. The Group's well-diversified, global structure provided it with effective protection against markedly volatile exchange rates. Phoenix Mecano is well equipped for a possible economic slowdown, but is also rigorously pursuing growth initiatives even in the current environment.

During H1 2011, consolidated gross sales rose by 8.5% from €254.2 million to €275.8 million. Adjusted for changes to the scope of consolidation, the increase was 5.0%. Corrected for differences in foreign-exchange rates, the growth was 8.2%. Had it not been for the declining photovoltaic business, growth would have been 14.2%. Incoming orders rose by 3.9% from €270.8 million to €281.4 million, resulting in a book-to-bill ratio of 102%.

The company's operating result (EBIT) rose by 11.7% compared with the previous year, from €27.5 million to €30.8 million The operating margin was 11.2%, compared with 10.8% during the same period in 2010. The Enclosures division managed to further increase its margin thanks to positive business development. However, in the ELCOM/EMS division, dynamic general industrial activity only partially offset the market-related operating loss in photovoltaic components. The Mechanical Components division also saw another rise in its operating margin. In geographical terms, all three world regions (Europe, the Middle and Far East and North and South America) experienced organic sales growth.

The Group's operating cash flow (EBITDA) rose over-proportionally to sales by 11.5%, from €36.2 million to €40.3 million.

The result of the period after taxes was €22.8 million, up 5.5% on the previous year's total of €21.6 million. A decline of around €1.9 million in the financial result, largely owing to currency effects, accounted for the under-proportional increase compared with the operating result.

Net indebtedness rose by 248% from €9.8 million at 30 June 2010 to €34.1 million. The resulting ratio of indebtedness to equity was low, at 13.8%. The increased capital requirement was used to finance acquisitions, in particular the joint venture Okin Refined Electric Technology in China at the end of financial year 2010 and the acquisition of transformer specialist Platthaus in Germany in the first half of 2011. Other capital was used to finance the organic growth and the increased dividend. Phoenix Mecano expects to see a reduction in net debt in H2 2011 (excluding possible acquisitions).

Development of the Group's divisions

The Enclosures division developed robustly in H1 2011. Sales rose by 22.2% from €71.5 million to €87.3 million, driven primarily by Germany. In the Far East and the USA, the division also achieved double-digit growth rates. Increased demand was generated in particular by the general mechanical engineering segment and by project business associated with explosion-proof enclosures. The Group was well able to meet this demand thanks to its well-structured supply chain, although the supply situation for some specific components was challenging. Innovative handheld enclosure solutions and customised enclosure systems with membrane keyboards were also very well received by the market.

The ELCOM/EMS division also developed positively in terms of general industrial business. The challenges associated with the political changes in Tunisia were successfully dealt with on the whole, although it was not possible to avoid some cost increases due partly to the temporary need for increased capacity in the German parent companies. In contrast to general industry, the photovoltaic components market, which last year saw extremely dynamic growth, declined markedly during the reporting period. The need to reduce capacity combined with increased inventory costs resulting from the postponements of customer orders resulted in an operating loss in this segment. However, at the end of H1 2011 there were signs of a pick-up in demand, which should lead to a better result in the second half. Likewise, the positive medium-term outlook for the renewable energies markets suggests the possibility of positive development in subsequent years.
Overall, the division's sales fell by 8.5% to €73.2 million, compared with €80 million the previous year.

The Mechanical Components division increased its sales by 13.5% from €101.6 million to €115.3 million. As well as the first-time consolidation of Chinese joint venture Okin Refined Electric Technology, the main contributor to this growth was the industrial business of Rose+Krieger. The market in electrical drives for comfort furniture (beds, armchairs) declined in Europe owing to the general slowdown in consumer spending, although encouraging growth was recorded in the USA. In the medical technology sector (hospital beds, nursing beds, patient lifts), the division recorded stable sales in a stagnating market.

Outlook

The industrial components market remains in good shape. However, the indirect effects of recent developments on the financial markets are difficult to assess at present. A general reining-in of capital expenditure owing to increased uncertainty would have a negative impact on Phoenix Mecano's market growth. However, there is as yet no firm evidence for such a development. The expansion of industrial infrastructure in the emerging economies, the growing global demand for renewable energies and the increasing need for nursing and hospital beds associated with population ageing in industrialised nations are medium- and long-term growth drivers for our Group. Our global presence, the technological and operational expertise of our companies and the Group's strong, largely debt-free balance sheet enable us to capitalise on these growth trends. Economic fluctuations are part of business life and give us the opportunity to build up our strategic position anti-cyclically through organic growth initiatives and targeted acquisitions. In view of this, the Board of Directors and Management of the Phoenix Mecano Group look to the future with cautious optimism. Even taking into account the increased risks, as things stand we hold firm to our forecast of an increase in sales and operating result compared with the previous year.

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 19 August 2011.

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Results Q1 – Q2 2011 in figures (EUR million)

	1-6 2010	1-6 2011	in %
Incoming orders	270.8	281.4	3.9
Gross sales	254.2	275.8	8.5
per division:			
Enclosures	71.5	87.3	22.2
ELCOM/EMS	80.0	73.2	-8.5
Mechanical components	101.6	115.3	13.5
Other	1.1	0.0	-100.0
Operating cash flow	36.2	40.3	11.5
Margin	14.2%	14.6%	
Operating result	27.5	30.8	11.7
Margin	10.8%	11.2%	
per division:			
Enclosures	13.5	20.0	48.3
	18.9%	22.9%	
ELCOM/EMS	9.3	3.3	-64.2
	11.6%	4.6%	
Mechanical components	6.9	10.0	43.5
	6.8%	8.6%	
Other	-2.2	-2.5	-15.0
Result of the period	21.6	22.8	5.5
Margin	8.5%	8.3%	