MEDIA RELEASE

Phoenix Mecano nine months into 2012: Slight slowdown in industrial markets – Operational optimisation and long-term growth strategy continued

Stein am Rhein/Kloten, 5 November 2012. Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, saw a slight slowdown in global industrial markets in the first nine months of financial year 2012. The deep crisis in the photovoltaic components segment is now well advanced and the necessary operational measures in this segment have been largely implemented. A number of Phoenix Mecano Group submarkets continue to develop positively, most notably drive solutions for comfort furniture and beds in the USA and explosion-proof enclosures for the oil & gas industry worldwide.

Nine months into the year, consolidated gross sales were down 5.4% compared with the previous year, at €388 million. Taking into account changes in the scope of consolidation, the decline was 6.2%. Positive currency effects contributed growth of 1.9%. Incoming orders fell by 4.3% to €390.1 million. The book-to-bill ratio of 100.5% (ratio of incoming orders to sales) indicates a relative stability in business development, despite a downward trend in sales. Operating cash flow was down 17.8% compared with the same period last year, at €49.3 million. Operating result fell by 26.9% to €32.8 million, corresponding to an operating margin of 8.5% compared with 10.9% last year.

The result of the period after tax declined by 28.6% to €23.6 million, owing to a slight increase in the tax burden.

The expected impairment on assets in the photovoltaic components segment (ELCOM/EMS division), announced on 27 September 2012, will be charged to the statement of income for the fourth quarter of 2012 in the amount of approximately €6-8 million, as at the balance sheet date of 31 December 2012.

Euro crisis weighs down industrial business, slump in photovoltaic market

Sales in the Enclosures division declined by 3.3% over the period, from €128.6 million to €124.3 million. The traditionally strong markets of Germany and Switzerland, as well as southern Europe, have now been appreciably impacted by the sovereign debt crisis in the eurozone, albeit for different reasons. In addition, the current year has seen integration costs for the newly acquired Leveringhaus production facility in Germany as well as start-up costs for the new ‘product ID labelling’ business line. The expansion of activities in overseas growth markets, particularly in China and India, continues unabated.

Sales in the Mechanical Components division were down by 1.5%, from €168.6 million to €166.1 million. Here, a cyclical slowdown in the industrial solutions segment (RK Rose&Krieger) is being offset by slight growth in linear drive technology for medical equipment and comfort furniture (DewertOkin), particularly in the USA and China.

The ELCOM/EMS division recorded a 13.6% drop in sales, from €113 million to €97.6 million, mainly owing to the difficult market environment for photovoltaic components. However, there are now also signs of a slight slowdown in other industrial markets such as industrial control systems. This reflects a generally more cautious market attitude towards new investments.

Outlook

The noticeable caution among market participants regarding investment decisions is now being felt right around the world. However, this slight downward trend is in no way comparable to the unexpected and abrupt crisis of 2009. During this phase, Phoenix Mecano is focusing on the systematic optimisation of its business processes as part of the Group-wide J2OX (Journey towards Operational Excellence) programme launched in 2011, on the implementation of the long-term growth strategy with associated capital expenditure programmes, and on a thorough examination of the business portfolio with a view to future growth opportunities in new technologies and to meeting our minimum return targets.

To this end, we are currently building a new logistics centre and an R&D centre for the DewertOkin arm (Mechanical Components division) in Hungary and a new plant in the Greater Shanghai area to manufacture electrotechnical components (ELCOM/EMS division) for the local market. The joint-venture initiative launched at the start of the year to develop and market LED exterior lighting components (Aton – ELCOM/EMS division) also illustrates Phoenix Mecano's commitment to innovate and look to the future in a rapidly changing world. Thanks to the Group's cash flow, which remains solid, and to its very strong balance sheet, we are in a position to tackle these diverse projects in a systematic way, irrespective of economic cycles. Therefore, despite the very real and ubiquitous challenges, the Management and Board of Directors see many attractive medium-term opportunities ahead for the Phoenix Mecano Group.

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Results Q3 2012 in figures (in EUR million)

	7-9 2011	7-9 2012	in %
Incoming orders	126.3	118.3	-6.3
Gross sales	134.4	121.3	-9.8
per division:			
Enclosures	41.3	38.9	-5.9
ELCOM/EMS	39.8	29.4	-26.2
Mechanical components	53.3	53.0	-0.5
Operating cash flow*	19.6	15.1	-23.0
Margin	14.6%	12.5%	
Operating result	14.1	9.5	-32.7
Margin	10.5%	7.8%	
per division:			
Enclosures	9.0	6.0	-33.8
	21.8%	15.3%	
ELCOM/EMS	3.0	0.9	-70.1
	7.5%	3.0%	
Mechanical components	3.1	3.3	5.1
	5.9%	6.2%	
Other	-1.0	-0.7	34.6
Result of the period	10.2	7.4	-27.7
Margin	7.6%	6.1%	

* new inclusive impairment losses and reversal of impairment losses of tangible and intangible assets (Preceding year has been adjusted accordingly).

Results Q1 – Q3 2012 in figures (in EUR million)

	1-9 2011	1-9 2012	in %
Incoming orders	407.7	390.1	-4.3
Gross sales	410.2	388.0	-5.4
per division:			
Enclosures	128.6	124.3	-3.3
ELCOM/EMS	113.0	97.6	-13.6
Mechanical components	168.6	166.1	-1.5
Operating cash flow*	60.0	49.3	-17.8
Margin	14.6%	12.7%	
Operating result	44.9	32.8	-26.9
Margin	10.9%	8.5%	
per division:			
Enclosures	29.0	20.6	-28.9
	22.5%	16.6%	
ELCOM/EMS	6.3	5.0	-20.4
	5.6%	5.1%	
Mechanical components	13.1	9.8	-25.7
	7.8%	5.9%	
Other	-3.5	-2.6	27.3
Result of the period	33.0	23.6	-28.6
Margin	8.0%	6.1%	

* new inclusive impairment losses and reversal of impairment losses of tangible and intangible assets (Preceding year has been adjusted accordingly).