

## **MEDIA RELEASE**

### **Phoenix Mecano in H1 2013: Decline in sales halted in Q2 2013 – Substantial sales and income growth at DewertOkin – Photovoltaic market squeezed further**

Stein am Rhein/Kloten, 16 August 2013. Phoenix Mecano, a leading technology company active in the production of enclosures and industrial components, posted slight falls in incoming orders and sales in the first half of 2013. However, the second quarter saw the start of a turnaround in this approximately year-long trend. Thanks to implemented improvement measures, modest year-on-year growth was recorded in both incoming orders and sales in the months from April to June. While the Enclosures and ELCOM/EMS divisions continued to face weakened sales and income, a marked turnaround was apparent in the Mechanical Components division, helped by the DewertOkin arm with its target markets of medical technology and the furniture industry.

Consolidated gross sales in H1 2013 fell by 3.9% year-on-year to €256.3 million. Excluding effects from changes to the scope of consolidation, the decline was 4.5%. Corrected for differences in foreign-exchange rates, sales were down by 3.6%. Net sales totalled €253.9 million. Incoming orders were also slightly down on the same period last year, falling by 3.3% to €262.7 million. This resulted in a book-to-bill ratio of 102.5%, suggesting a modest growth trend for the coming months.

The company's operating result was down by 16.5% compared with the previous year, at €19.5 million. This decline was due almost entirely to the Q1 2013 result, while earnings in the second quarter matched those of the same period the previous year. However, there were substantial differences between the divisions. The Enclosures and ELCOM/EMS divisions were affected by weak industrial activity in Europe and Asia, with the ELCOM/EMS division further hit by the continued contraction in solar business. By contrast, the Mechanical Components division grew significantly. Completion of the integration of Okin some three years after its acquisition as well as the increasing trend towards comfort features such as electrical adjustability, massage function and USB interfaces in beds and armchairs drove a positive development in sales and margins.

Operating cash flow fell by 12.9% to €29.7 million.

The result of the period after taxes was €13.8 million, compared with €16.2 million the previous year. At 25.4%, the effective tax rate was slightly down on the previous year's rate of 27.6%, which was partially inflated by positive special items.

Net indebtedness increased slightly from €7.1 million the previous year to €12.4 million. This was owing to the increase in net current assets in the expanding DewertOkin arm, the acquisition of Bond Tact (ELCOM/EMS division) in March 2013 and distributions in the form of dividends and share buybacks.

Phoenix Mecano will continue its long-term policy of distribution in the form of dividends and share buybacks and of systematically returning to shareholders any funds not required for business expansion.

### **Development of the Group's divisions**

The **Enclosures** division held up well in a challenging market environment. Investment confidence was down on the previous year in all three world regions. The key home markets of Germany and Switzerland were also affected.

Gross sales fell by 4.1% to €82 million and operating result by 24.3% to €11.1 million. The decline in established markets combined with continued expansion investments in new sectors and geographical markets led to a disproportionately large drop in income. The membrane keyboard and touch-screen integration business is also currently experiencing a period of realignment driven by technological advances. This will last for a further two to three years. To reverse the decline in earnings in the short and medium term, a number of projects are currently being implemented within the division to enhance operational excellence and optimise logistical structures. The first results are expected in 2014. However, any recovery in European industrial activity would generate an appreciable recovery in margins in the immediate future. Despite some positive leading indicators, such a recovery remains uncertain at present and is not factored into our short-term planning.

In the current year the **ELCOM/EMS** division has had to cope with the loss of a major customer in the solar inverter industry as well as a general decline in volumes in the photovoltaic sector. This resulted in a 20.5% drop in sales to €54.2 million. However, the division still managed to generate a positive operating result. EBIT fell to €0.8 million, a decline of 79.6%. Packages of measures designed to cut costs and offset sales losses are being implemented this year and are increasingly helping to improve the sales and income situation.

The **Mechanical Components** division achieved some encouraging market successes, most notably in Asia. However, sales and margins also increased in Europe, driven mainly by DewertOkin's business in drive solutions and control components for adjustable hospital and comfort furniture. Following successful completion of the Okin integration, the division is now focusing on product innovations and a further enhancement of its service offerings. By contrast, the industrial components arm (RK Rose&Krieger brand) faced a challenging market environment due to a general reluctance to invest in European markets. All in all, the division managed to increase its gross sales by 6.3% from €113 million to €120.1 million. At the same time, operating profit rose by 51.4% from €6.5 million to €9.8 million.

## Outlook

To date, the economic situation in 2013 has lacked a clear trend, with hopes and disappointments following in quick succession. Generally speaking, however, the markets have remained at a low level. Recently, a number of industrial leading indicators have rebounded into positive territory, including for Phoenix Mecano's core market of Europe. It is still too early to conclude any change in trend from these indicators. The Phoenix Mecano Group will therefore continue to act cautiously. Nonetheless, long-term growth initiatives and performance improvement programmes will continue to be implemented systematically. The Group's Board of Directors and Management see significant market potential in all three divisions in the medium term, particularly for the market regions of America and the Far East. Its strong balance sheet and low net indebtedness mean that the Group is well placed to exploit this potential, including possible bolt-on acquisitions, irrespective of short-term economic fluctuations. The EBIT forecast of €30-40 million for 2013 remains unchanged.

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 2013.

### 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](mailto:info@phoenix-mecano.com)  
[www.phoenix-mecano.com](http://www.phoenix-mecano.com)

## Results Q1 – Q2 2013 in figures (in EUR million)

	<u>1-6 2012</u>	<u>1-6 2013</u>	<u>in %</u>
Incoming orders	271.7	262.7	-3.3
Gross sales	266.8	256.3	-3.9
per division:			
Enclosures	85.5	82.0	-4.1
ELCOM/EMS	68.3	54.2	-20.5
Mechanical components	113.0	120.1	6.3
Net sales	264.3	253.9	-3.9
Operating cash flow	34.2	29.7	-12.9
Margin	12.8%	11.6%	
Operating result	23.3	19.5	-16.5
Margin	8.7%	7.6%	
per division:			
Enclosures	14.6	11.1	-24.3
	17.1%	13.5%	
ELCOM/EMS	4.1	0.8	-79.6
	6.1%	1.6%	
Mechanical components	6.5	9.8	51.4
	5.7%	8.1%	
Other	-1.9	-2.2	-17.8
Result of the period	16.2	13.8	-14.7
Margin	6.1%	5.4%	