

**Media release**

## **Phoenix Mecano Group's provisional accounts for 2014**

### **Slight increase in sales – Operating result excluding special items at previous year's level – Realignment of ELCOM/EMS division on track**

Kloten/Stein am Rhein, 13 February 2015. The Phoenix Mecano Group's provisional consolidated gross sales rose slightly from €500.6 million to €505.6 million (+1%) and unaudited net sales from €495.4 million to €500.3 million. This increase consisted of gains in the Enclosures division (organic) and ELCOM/EMS division (acquisition-related) and a slight decline in the Mechanical Components division due to liquidity problems experienced by a major customer, which have now been substantially alleviated by the entry of a new investor.

Exchange-rate effects had a -0.3% impact on sales development. Excluding changes in the scope of consolidation, sales were on a par with the previous year.

Industrial markets in the Enclosures division were mixed in Europe and generally favourable overseas. In the ELCOM/EMS division, sales eliminated due to the strategic withdrawal from the "chokes for photovoltaic inverters" market segment were offset by sales in the developing "instrument transformers" product area. This development was boosted by two targeted minor acquisitions and is on track, despite some minor delays. In the Mechanical Components division, the industrial business made some gains while the care and furniture business saw a slight downturn.

### **Operating result and result for the period under review**

The provisional operating cash flow (EBITDA) fell slightly to around €53 million, compared with €56.2 million the previous year. This included various one-off costs, as patent disputes, customer insolvencies and project delays in the DewertOkin arm (Mechanical Components) generated non-recurring expenses of just over €4 million.

The provisional operating result (EBIT) decreased by around 16% to €29.5 million, compared with €35 million the previous year. This disproportionate decline was attributable to the slight increase in depreciation due to ongoing investment programmes as well as increased amortisation linked to acquisition-related intangible assets such as customer bases, know-how and patents, which was up by around €1.9 million compared with the previous year, from €3.8 million to €5.7 million.

The (not yet audited) figures indicate a result for the period of approximately €20 million.

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

The **Enclosures** division was once again the Group's most profitable division. It made progress in terms of both sales and margin in a challenging market environment. The "explosion-proof enclosures" product segment, geared towards the oil and gas markets, was further expanded. The technical expansion of the membrane keyboards business to include touchscreen solutions developed as planned. However, it will continue to tie up capacities in the year ahead.

The **Mechanical Components** division made progress in the industrial segment, particularly with components and linear positioning systems for the automation sector. The care and furniture markets remained the biggest driver of sales. However, they had to negotiate a turbulent phase in summer 2014 with project delays and customer insolvencies. The liquidity problems experienced by a major customer have been significantly alleviated by the entry of a new investor. The environment has now stabilised and the conditions are intact for further growth.

The **ELCOM/EMS** division made substantial progress with its realignment last year. However, challenges remain for the current year. The goal of a positive EBIT for the division from 2016 remains unchanged. The instrument transformers business made progress, with two minor bolt-on acquisitions completed successfully in 2014. Bond Tact, a company producing electromechanical components (switches, terminal blocks) in the greater Shenzhen area of China, is currently being switched to semi-automatic production to take account of rising wages in the region.

## **Outlook**

From Phoenix Mecano's perspective, the global industrial economy still looks robust in early 2015, despite the uncertainties generated by various economic and political crises (Ukraine, euro, appreciation of the Swiss franc, drop in oil prices). The appreciation of the Swiss franc in early 2015 will affect Phoenix Mecano in Switzerland but have only a limited impact on the Group as a whole, as only 4-5% of

the Group's sales are generated in its home market of Switzerland. Globally, costs and income are accrued largely within the same currency areas (dollar, euro, other local currencies). However, due to devaluation of the euros held by Group companies that draw up their balance sheets in CHF, the Group anticipates a negative impact on the Group's financial result for Q1 2015 in the low single-digit million range, which will not affect the Group's cash position and euro denominated equity. The Board of Directors and Management are observing the economic situation carefully and are ready to respond quickly to new developments.

**Dates for your diary:**

Balance sheet media conference	22 April 2015	9.30 a.m. Widder Hotel, Zurich
Financial analysts' conference	22 April 2015	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.