PHOENIX MECANO

Media release

Phoenix Mecano Group's provisional accounts for 2015

Sales up by 10.7% - Strong growth in the DewertOkin product area - Earnings hit by ELCOM/EMS restructuring

Kloten/Stein am Rhein, 18 February 2016. The Phoenix Mecano Group's provisional consolidated gross sales increased significantly from €505.6 million to €559.8 million (+10.7%), while unaudited net sales rose from €500.3 million to €554.5 million (+10.8%).

Sales growth in local currencies was 5.5%, meaning that 5.2% of the increase was attributable to exchange-rate effects. Changes in the scope of consolidation contributed around 1% to the increase in sales.

The main growth driver was once again the Group's largest division, Mechanical Components, and in particular the DewertOkin product area, which is a leading player in the global growth markets of electrically adjustable comfort and healthcare furniture. The pressure felt by the oil and gas sector and the sluggish economic recovery in large parts of Europe created challenging conditions for the Enclosures and ELCOM/EMS divisions. The latter is nearing the end of a comprehensive realignment, which had significant negative impacts on earnings in 2015 due to necessary restructuring measures and growth investments.

Operating result and result for the period under review

The provisional operating cash flow (EBITDA) fell slightly from €53.1 million to around €52 million. This figure includes the effects on 2015 EBITDA of the one-off restructuring package reported in late November 2015, totalling around €5 million. The unaudited operating result (EBIT) was approximately €15 million (previous year: €29.5 million). This includes expenses announced in late November 2015 for the restructuring of the ELCOM/EMS division and the closure of a facility in the membrane keyboard product area (Enclosures division), totalling around €15 million. The provisional operating result before exceptional expenses therefore stood at around €30 million. The growth of the Mechanical Components division enabled an improvement in its operating result, while the Enclosures division saw its margin and operating result decline. The (as yet unaudited) figures indicate a result for the period including exceptional expenses of around €7 million (previous year: €20 million).

Development of the Group's divisions

The **Enclosures** division faced a number of market challenges in 2015. Chief among these were the sluggish economic performance of the eurozone, the franc shock at the start of the year which had dramatic repercussions for the Swiss market, the challenging situation in the oil and gas sector following the massive slump in oil prices, and the crippling effect of sanctions on the Russian market. By contrast, the Indian and Chinese markets performed well, with progress in China underpinned by successful project work despite the onset of economic headwinds.

The **Mechanical Components** division continued on its successful course of recent years. Stable sales in the industrial segment (Rose&Krieger) and dynamic growth in the DewertOkin product area, particularly in comfort beds and armchairs in China and the USA, enabled it to achieve double-digit percentage growth in sales while also improving its operating margin.

The **ELCOM/EMS** division was affected by intensive turnaround work in 2015, requiring both restructuring activities and substantial growth investments. The division passed many important milestones and launched a number of new products onto the market, in areas such as instrument transformers and LED outdoor lighting. The effects of these measures will gradually bring about a significant improvement in margin in 2016. We remain committed to our target of achieving operational break-even in EBIT in 2016, assuming reasonably stable framework conditions.

Outlook

The industrial markets in the three regions of Europe, Asia and North and South America were in a relatively stable condition at the start of the year. Despite the economic slowdown in China and the probably overoptimistic analyst forecasts of an economic upturn in the USA, investment activity in most sectors is currently stable. Low interest rates, great potential for industrial automation in emerging economies, the integration of renewable energy sources into Europe's power supply and real wage growth in most countries worldwide provide a solid foundation for positive development of the Phoenix Mecano Group in the medium and long term.

The sometimes dramatic losses on global stock markets in early 2016 are a cause for concern. If they mark the start of a longer-term bear market, they are likely at some point to have an impact on investment behaviour in the real economy.

The Group's Board of Directors and Management will keep a close eye on this trend and introduce countermeasures quickly and decisively if necessary. However, the main focus in the current year will be on completing the ELCOM/EMS division restructuring and turnaround measures approved in late 2015, which are in the process of being implemented. This and the disappearance of the non-recurring expenses contained in the 2015 financial statements are likely to lead to a significant improvement in earnings in 2016. Against this backdrop and assuming reasonably stable economic conditions, the Group anticipates an operating result for 2016 in the region of €34-40 million.

Dates for your diary:

Balance sheet media conference	26 April 2016	9.30 a.m. Widder Hotel, Zurich
Financial analysts' conference	26 April 2016	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.