

Phoenix Mecano AG
Balance sheet press release, 30 April 2003

Press release

Phoenix Mecano 2002:

First posted loss since the company was founded - Prospects for 2003 remain intact

Stein am Rhein/Kloten, 30 April 2003. In 2002, which proved to be an extremely difficult year for the capital goods industry, the group's consolidated gross turnover of EUR 342 million dipped by 5.3% to EUR 324 million. In local currency the drop was 4.7%. Adjusted to take account of changes in the scope of consolidation and exchange rate effects, the registered drop was 6%.

Consolidated gross sales per division

None of the group's four divisions managed to buck the market trend last year. The corresponding declines in turnover were as follows: Enclosures were down 8.4%, Electrotechnical Components 4.7%, Mechanical Components 3.4% and Electronics Contract Manufacturing (ECM) 2.8%. Adjusted to include the acquisition of backplane manufacturer Hartmann Elektronik, the drop in turnover in the ECM division totalled 12.5%.

Development of the company's cash flow and operating result

The operating result reflects this trend, decreasing by 31.5% from EUR 17.3 million to EUR 11.8 million. The company's cash flow dropped by 9.3% from EUR 41.1 million to EUR 37.3 million.

Financial result and net profit

Non-recurrent expenditure totalling EUR 40.6 million caused earnings before interest and taxes to drop to EUR -28.8 million. These non-recurrent expenses can be broken into restructuring costs (EUR 9.0 million), impairment losses on stocks and fixed assets (EUR 1.9 million) and extraordinary goodwill depreciation (EUR 29.7 million). The group's intention behind this extraordinary goodwill depreciation was to take account of the uncertain medium-term prospects. Currency losses caused the financial result to slip to EUR -6.5 million, as opposed to EUR -5.4 million the previous year. For 2002 the group posted a net loss of EUR 38.3 million, compared with a net profit of EUR 5.0 million the previous year. This is the first time the company has posted a loss since it was founded in 1975. Despite the depreciation of virtually all of the group's goodwill, its equity ratio is very solid for the sector, at 41.8%.

Focus on systems engineering

Many customers are increasingly expecting an extended range of products and services from their component suppliers. Phoenix Mecano is capitalising on this trend by increasingly offering combinations of keypads, housings and electronic components including functional tests for complete units.

The first quarter of 2003

At EUR 85.3 million, the group's consolidated gross turnover for the first quarter is just 1% down on the figure of EUR 86.2 million from the corresponding quarter the previous year. Adjusted for currency effects, this resulted in growth of 1%. The group EBIT (operating result) was EUR 8.8 million, which is equivalent to a rise of 45.2% on the previous year's level of EUR 6.1 million. Where the EBDIT was concerned, cash flow increased by 15.4% from EUR 12.4 million in the equivalent quarter the previous year to EUR 14.3 million. This gives an EBDIT margin of 16.8%. Net profit was boosted by 36% to EUR 5.3 million, compared with EUR 3.9 million in the equivalent quarter the previous year.

Prospects for 2003

The investment bottleneck building up on Phoenix Mecano's markets will only lead to a tangible improvement in the situation in 2004. Barring any further significant slump in the economy, the group's turnover should approximately reach last year's level. The success of the group's cost-cutting measures lead it to expect a significantly improved operating result. If investment picks up again, Phoenix Mecano will benefit disproportionately.

Dividends

Instead of a dividend, on 20 June 2003 the repayment of the second instalment (CHF 6) of the nominal value will be paid out, as agreed at the last General Meeting.

Elections to the Board of Directors

Following the group's restructuring, the outgoing Board of Directors would like to clear the way for some fresh young blood. Most of its members are therefore not standing for re-election, exceptions being the Delegate of the Board, Benedikt Goldkamp, and long-standing Board member Ulrich Hocker. At the 2003 General Meeting the outgoing Board of Directors will nominate Dr Florian Ernst (Zurich), Dr Martin Furrer (Zumikon) and Beat Siegrist (Herrliberg) for election to the Board. The intention is to propose that Mr Ulrich Hocker be appointed Chairman of the Board.

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