

Media release

Marked rise in income for Phoenix Mecano during the first half of 2003:

Well on track

Kloten/Zurich, 11 August 2003. Although the Phoenix Mecano Group's consolidated gross sales are down 3.9 % on the previous year, at €166.3 million, during the first half of 2003 the company succeeded in posting operating profits (EBIT) of €15.7 million, equivalent to a 65% rise compared to the same period in the previous year.

Whereas sales corrected for differences in foreign-exchange rates were down 1.2%, the value of orders received was €171.2 million, corresponding to a book-to-bill ratio of 103%. All income indicators have improved markedly. Said Benedikt Goldkamp, CEO and Delegate of the Board of Directors of Phoenix Mecano: "We will continue to exploit the market's current weakness systematically, switching the emphasis in our product ranges to high-yield items and optimising our cost base", thereby confirming the ongoing pursuit of the previously communicated strategy. This in preparation for any economic recovery that should not only push up sales, but also generate another overproportionate increase in income.

The 65% rise in the Group's operating profit (EBIT) to €15.7 million means that its operating margin for the first half-year is back to an attractive 9.4%. The reasons for this striking improvement in the Group's results despite the slight drop in sales have to do with clearly reduced costs and the fact that depreciations were some €2 million down on the previous year. Specifically, the effects of curbed goodwill depreciations and a lower rate of investment in tangible assets over the last 18 months or so are making themselves felt. Having sufficient capacity, the Group intends to continue investing below its depreciation rate in the near future.

The Group's operating cash flow (EBDIT) is up 17.7%, from €22.6 million in the equivalent period during the previous year to €26.7 million. During the period under review, its operating cash flow margin was 16%. Net income soared by 84% from €5.1 million to €9.4 million.

Development of the Group's individual divisions

The **Enclosure Technology** division managed to hike its sales by 1% to €59.4 million. Despite the fact that the climate for investment in the Group's main markets of mechanical engineering and industrial electronics remained depressed, Phoenix Mecano succeeded in bucking the market trend and achieving growth, thanks to its Systems Technology Initiative. Accordingly, its EBIT rose by 13% to €11.4 million.

The **Electrotechnical Components** division achieved growth of 10%, with sales totalling €21.2 million, entirely in keeping with the set budget rate. Some of the major projects during the first half of 2003 involved white goods and the automotive industry. The division's EBIT rose from €0.2 million to €1.8 million.

Sales by the **Mechanical Components** division dipped by 9% to €61.9 million, owing partly to the depressed mechanical engineering market and partly to the situation in the European furniture industry, which suffered from general consumer hesitancy and the unusually warm, dry weather. However, following the launch of some new, innovative products for the furniture sector at the end of the calendar year, the Group also expects a turnaround here, though the anticipated improvement will probably only be reflected in its results in early 2004. Moreover, there is reason to believe that investments by customers, which slacked off in 2002 and 2003, will start picking up again in 2004 and underpin Phoenix Mecano's growth in this area. Continued optimisation measures led to a 75% rise in the division's operating result.

During the period under review, sales in the **Electronics Contract Manufacturing (ECM)** division fell by 11% to €23.2 million. The division's operating losses totalled €1.3 million, compared with €1.2 million the previous year. Restructuring measures at the Italian subsidiary OMP, which is primarily a supplier of equipppers of mobile phone infrastructure, are due to come to an end in the third quarter. Increased customer demand in this area and the division's improved cost base mean that both sales and earnings should improve during the second half of 2003. Siemens has selected OMP as a key supplier for the worldwide development and production of racks for mobile phone base stations. This collaboration is due to be stepped up further in the coming months.

Outlook

Despite the persistently gloomy global business climate, the Phoenix Mecano Group is expecting its results for 2003 on the EBIT, EBDIT and net profit level - to improve significantly on those of the previous year. Only sales cannot be expected to pick up further yet.

The Board of Directors and management are cautiously optimistic about the future, in light of the anticipated fruits of rationalisation, the Group's already encouragingly stable income situation compared with its rivals in the sector, and the considerable potential for boosting profits associated with the expected economic recovery.

By 30 September 2003 the Group's half-yearly report for 2003 will be available for downloading as a PDF file from www.phoenix-mecano.com.

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**Results for the first half of 2003
(key figures in millions of EUR)**

	<u>1 to 6/2002</u>	<u>1 to 6/2003</u>	<u>in %</u>
Orders received	178.9	171.2	-4
Sales	173.1	166.3	-4
<i>broken down per division:</i>			
Enclosure Technology	59.0	59.4	1
Electrotechnical Components	19.3	21.2	10
Mechanical Components	68.0	61.9	-9
ECM	26.1	23.2	-11
Other	0.7	0.7	0
Operating cash flow (EBDIT)	22.6	26.7	18
Margin	13.1%	16.0%	
Operating result (EBIT)	9.5	15.7	65
Margin	5.5%	9.4%	
<i>broken down per division:</i>			
Enclosure Technology	10.1	11.4	13
Margin	17.2%	19.2%	
Electrotechnical Components	0.2	1.8	+++
Margin	0.9%	8.5%	
Mechanical Components	3.0	5.2	75
Margin	4.4%	8.4%	
ECM	-1.2	-1.3	-9
Margin	-4.4%	-5.4%	
Other	-2.6	-1.5	45
Net income	5.1	9.4	84
Margin	2.9%	5.6%	