

22

HALF-YEAR
REPORT

**PHOENIX MECANO
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Phoenix Mecano on track despite headwinds

Report by the Board of Directors to the interim accounts as at 30 June 2022

DEAR SHAREHOLDERS

The Phoenix Mecano Group maintained a high level of sales and incoming orders in the first half of 2022 and further improved its result before special items.

Despite a marked downturn in the global economic environment in the first half of 2022, the Phoenix Mecano Group was able to maintain a high level of sales and incoming orders. Megatrend-driven future markets such as electronic enclosures and products for renewable energy projects generated growth, while the DewertOkin Technology Group's volume business saw weak global demand. Thanks to its high level of in-house added value and proactive warehousing, the Group was largely able to prevent supply chain issues from inhibiting its sales performance. The result was impacted by one-off special items amounting to EUR 5.6 million in connection with irregularities at a US subsidiary. Excluding these special items, the result increased compared with the previous year.

Consolidated gross sales rose from EUR 404.3 million to EUR 410.7 million in the first half of 2022. In organic, local-currency terms, they saw a reduction of 3.1%.

Net sales totalled EUR 406.3 million (previous year: EUR 401.5 million). At EUR 437.7 million, incoming orders remained virtually unchanged from the previous year (EUR 440.3 million). The book-to-bill ratio was 106.6% (previous year: 108.9%).

Excluding the one-off impact of special items, the operating cash flow increased by 7.8% year-on-year, from EUR 35.4 million to EUR 38.1 million, and the operating result by 4.2%, from EUR 24.7 million to EUR 25.7 million. Including special items, the operating cash flow fell to EUR 32.5 million and the operating result to EUR 20.1 million.

At EUR 13.1 million, the result of the period was down on the previous year (EUR 16.6 million) due to the aforementioned special items.

DIVISION PERFORMANCE

The DewertOkin Technology Group (DOT Group) division saw its gross sales decline by 11.4% to EUR 172.0 million. In organic, local-currency terms, the decrease was 17.8%. The operating result fell to EUR 0.3 million, corresponding to an operating margin of 0.2%.

The DOT Group was hit by a "perfect storm" in the first half of the year. Increased raw material prices, stressed supply chains, partial lockdowns in its key Chinese production centres and declining incoming orders as a result of the global economic downturn curbed the previously dynamic growth in all market regions.



Benedikt A. Goldkamp
Executive Chairman of the Board of Directors

Dr Rochus Kobler
CEO

The DOT Group responded with capacity adjustments and cost-cutting measures and, despite the above-mentioned challenges, managed to achieve a break-even operating result. Long-term projects such as investments in vertical integration and a sustainable increase in operational performance were implemented consistently. The first production facilities are currently being installed at the Jiaxing site and a large part of production is expected to have moved to the new industrial park by the end of the year. Strategic investments in R&D and software development are also continuing, aimed at driving digitalisation and strengthening the DOT Group's leading market position through product innovations.

In the Industrial Components division, gross sales increased by 13.5% to EUR 125.9 million. In organic, local-currency terms, they grew by 9.5%. Before non-recurring items linked to irregularities at a US subsidiary, the operating result was EUR 10.0 million, up 15.7% on the previous year (EUR 8.6 million). One-off items curtailed the operating result to EUR 4.3 million. The operating margin was 7.9% before and 3.5% after special items (previous year: 7.8%).

In the Automation Modules business area, margins were defended by systematic price increases, in the face of significant hikes in material costs. Products in the Measuring Technology business area saw strong demand from industry and from larger project orders in wind, solar and energy storage. Material shortages hampered growth in Rugged Computing.

Sales in the Enclosure Systems division climbed by 13.7% from EUR 99.2 million to EUR 112.8 million. In organic, local-currency terms, the increase was 11.6%. The operating result rose from EUR 13.4 million to EUR 17.4 million and the operating margin from 13.5% to 15.4%.

The division benefited from the booming market for electronic enclosures as a result of increasing industrial digitalisation. With its exceptionally broad range of standard products available ex stock as well as customised solutions combining proven enclosure engineering with state-of-the-art input technology, the division was ideally placed to meet the unflagging demand. The procurement situation remained complex, especially for electronic components for projects involving industrial PCs with integrated printed circuit boards.

IRREGULARITIES AT A US SUBSIDIARY

On 4 July 2022, Phoenix Mecano announced that an internal investigation had been opened into potential irregularities at a US subsidiary. The investigation is largely complete and revealed irregularities in the recognition of sales, material costs, receivables, liabilities and accruals/deferrals. The already known direct and indirect effects have been taken into account in the interim financial statements for the period ending 30 June 2022, impacting the operating result by USD 6.1 million (EUR 5.6 million). No further significant financial impacts are expected between now and the completion of the investigation. However, there will still be costs for restructuring measures. In total, the further impact on earnings should not exceed EUR 2 million.

OUTLOOK

In recent months, macroeconomic conditions have deteriorated due to the war in Ukraine, partial lockdowns in China and rising inflation accompanied by interest rate hikes. The economic slowdown and the associated weakening of market demand are likely to continue in the second half of the year. The Phoenix Mecano Group is proving resilient in the face of these headwinds. As things stand, Phoenix Mecano's management and Board of Directors are confident of achieving the forecast growth in sales in financial year 2022, barring a major recession in H2. Excluding one-off items linked to the irregularities at a US subsidiary, this also applies to the announced double-digit percentage improvement in operating result (EBIT). The growth drivers aligned with megatrends – automation, digitalisation, demographic change and decarbonisation – remain unaffected.

Benedikt A. Goldkamp
Executive Chairman of the Board of Directors

Dr Rochus Kobler
CEO

FINANCIAL STATEMENTS

Interim accounts as at 30 June 2022

PHOENIX MECANO GROUP
CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2022

(Unaudited)

ASSETS

	30.06.2022	31.12.2021
in EUR million		
CURRENT ASSETS		
Cash and cash equivalents	73.4	99.6
Trade receivables	127.7	147.1
Income tax receivables	1.0	1.6
Other current receivables	19.3	18.2
Inventories	197.2	181.1
Deferred charges and prepaid expenses	4.3	2.9
Total current assets	422.9	450.5
NON-CURRENT ASSETS		
Tangible assets	154.4	140.7
Intangible assets	10.9	10.9
Investment in associated companies	3.1	2.7
Other financial assets	1.3	1.4
Deferred tax assets	11.4	10.8
Total non-current assets	181.1	166.5
Total assets	604.0	617.0

EQUITY AND LIABILITIES

	30.06.2022	31.12.2021
in EUR million		
LIABILITIES		
Trade payables	95.3	118.6
Short-term financial liabilities	93.5	93.8
Derivative financial instruments	1.4	0.4
Short-term provisions	12.9	15.9
Short-term pension obligations	0.3	0.3
Income tax liabilities	5.9	4.0
Other short-term liabilities	35.8	32.1
Deferred income	1.5	1.7
Short-term liabilities	246.6	266.8
Long-term financial liabilities	89.4	86.3
Long-term provisions	3.4	3.5
Long-term pension obligations	5.0	5.1
Long-term deferred income	10.1	9.9
Deferred tax liabilities	1.2	1.2
Long-term liabilities	109.1	106.0
Total liabilities	355.7	372.8
EQUITY		
Share capital	0.9	0.9
Treasury shares	0.0	-0.1
Retained earnings	225.1	225.4
Translation differences	11.0	6.3
Equity attributable to shareholders of the parent company	237.0	232.5
Minority interests	11.3	11.7
Total equity	248.3	244.2
Total equity and liabilities	604.0	617.0

CONSOLIDATED STATEMENT OF INCOME

(Unaudited)

	1 st half 2022	1 st half 2021
in EUR million		
Net revenue	406.3	401.5
Changes in inventories	-2.1	-1.8
Own work capitalised	2.3	1.2
Other operating income	2.3	2.7
Cost of materials	-206.8	-216.9
Personnel expenses	-117.8	-110.2
Depreciation on tangible assets	-9.8	-9.4
Depreciation on intangible assets	-2.0	-1.3
Impairment losses and reversal of impairment losses on tangible and intangible assets	-0.6	0.0
Other operating expenses	-51.7	-41.1
Operating result	20.1	24.7
Result from associated companies	0.4	0.3
Financial income	5.6	3.3
Financial expenses	-5.2	-3.3
Financial result	0.8	0.3
Result before tax	20.9	25.0
Income tax	-7.8	-8.4
Result of the period	13.1	16.6
of which		
Shareholders of the parent company	13.7	16.7
Minority shareholders	-0.6	-0.1
EARNINGS PER SHARE		
Earnings per share – undiluted (in EUR)	14.3	17.3
Earnings per share – diluted (in EUR)	14.3	17.3

CONSOLIDATED STATEMENT OF CASH FLOW

(Unaudited)

	1 st half 2022	1 st half 2021
in EUR million		
Result of the period	13.1	16.6
Income tax	7.8	8.4
Result before tax	20.9	25.0
Depreciation on tangible assets	9.8	9.4
Depreciation on intangible assets	2.0	1.3
Losses/(gains) from the disposal of tangible and intangible assets	-0.1	-0.1
Impairment losses/ (reversal of impairment losses) on tangible and intangible assets	0.6	0.0
Losses and value adjustments on inventories	2.5	1.9
Result from associated companies	-0.4	-0.3
Expenses from employee participation plan	0.0	0.3
Other non-cash expenses/(income)	5.6	-2.5
Increase/(decrease) in long-term provisions and pension obligations	-0.2	-0.6
Net interest expenses/(income)	1.1	1.4
Interest paid	-1.7	-1.6
Income tax paid	-5.6	-6.0
Operating cash flow before changes in working capital	34.5	28.2
(Increase)/decrease in inventories	-15.0	-6.2
(Increase)/decrease in trade receivables	16.0	-23.8
(Increase)/decrease in other receivables, deferred charges and prepaid expenses	-2.0	-1.9
(Decrease)/increase in trade payables	-24.7	5.9
(Decrease)/increase in short-term provisions and pension obligations	0.1	-6.3
(Decrease)/increase in other liabilities and deferred income	-0.2	9.9
Cash flow from operating activities	8.7	5.8

	1 st half 2022	1 st half 2021
in EUR million		
INVESTMENTS		
Tangible assets	-21.3	-13.6
Intangible assets	-2.5	-1.7
Acquisition of Group companies	0.0	-1.0
DISINVESTMENTS		
Tangible assets	0.6	1.2
Financial assets/Investment in associated companies	0.1	0.0
Interest received	0.3	0.3
Dividends received	0.1	0.0
Cash used in investing activities	-22.7	-14.8
Dividends paid (including minority interest)	-14.1	-7.1
Sale of own shares	0.0	0.1
Issue of financial liabilities	44.6	55.5
Repayment of financial liabilities	-44.9	-48.6
Cash flow from financing activities	-14.4	-0.1
Translation differences in cash and cash equivalents	2.2	1.4
Change in cash and cash equivalents	-26.2	-7.7
Cash and cash equivalents as at 1 January	99.6	77.2
Cash and cash equivalents as at 30 June	73.4	69.5
Change in cash and cash equivalents	-26.2	-7.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

in EUR million	Share capital	Treasury shares	Retained earnings	Translation differences	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Equity as at 31 December 2020	0.9	-0.2	199.0	-7.2	192.5	-0.1	192.4
Result of the period			16.7		16.7	-0.1	16.6
Dividends paid			-7.0		-7.0	-0.1	-7.1
Translation differences				4.4	4.4		4.4
Currency differences from sale/merger/liquidation recognised directly in equity			-0.4		-0.4		-0.4
Change in treasury shares		0.1			0.1		0.1
Netting of goodwill against equity			-0.2		-0.2		-0.2
Employee participation plan			0.3		0.3		0.3
Equity as at 30 June 2021	0.9	-0.1	208.4	-2.8	206.4	-0.3	206.1
Equity as at 31 December 2021	0.9	-0.1	225.4	6.3	232.5	11.7	244.2
Result of the period			13.7		13.7	-0.6	13.1
Dividends paid			-14.0		-14.0	-0.1	-14.1
Translation differences				4.7	4.7	0.3	5.0
Change in treasury shares		0.1			0.1		0.1
Equity as at 30 June 2022	0.9	0.0	225.1	11.0	237.0	11.3	248.3

CONSOLIDATED SEGMENT INFORMATION

(Unaudited)

BY DIVISION

	DewertOkin Technology Group		Industrial Components		Enclosure Systems		Total Segment		Reconciliation*		Total Group	
	1 st half 2022	1 st half 2021	1 st half 2022	1 st half 2021	1 st half 2022	1 st half 2021	1 st half 2022	1 st half 2021	1 st half 2022	1 st half 2021	1 st half 2022	1 st half 2021
in EUR million												
Gross sales to third parties	172.0	194.1	125.9	111.0	112.8	99.2	410.7	404.3	0.0	0.0	410.7	404.3
Gross sales between divisions	3.0	3.3	1.0	1.5	0.6	0.7	4.6	5.5	-4.6	-5.5	0.0	0.0
Revenue reductions											-4.4	-2.8
Net revenue											406.3	401.5
Reversal of impairment losses/(impairment losses) on tangible and intangible assets	-0.6	0.0	0.0	0.0	0.0	0.0	-0.6	0.0	0.0	0.0	-0.6	0.0
Depreciation on tangible assets and intangible assets	-4.0	-3.1	-3.9	-4.0	-3.1	-3.0	-11.0	-10.1	-0.8	-0.6	-11.8	-10.7
Operating result	0.3	4.3	4.3	8.6	17.4	13.4	22.0	26.3	-1.9	-1.6	20.1	24.7
Financial result											0.8	0.3
Result before tax											20.9	25.0
Income tax											-7.8	-8.4
Result of the period											13.1	16.6
Purchases of tangible and intangible assets	15.8	9.9	3.2	2.3	4.5	2.3	23.5	14.5	0.3	0.8	23.8	15.3
Segment assets	208.1	225.0	170.5	152.5	129.0	109.6	507.6	487.1			507.6	487.1
Cash and cash equivalents									73.4	69.5	73.4	69.5
Other assets									23.0	22.6	23.0	22.6
Total assets	208.1	225.0	170.5	152.5	129.0	109.6	507.6	487.1	96.4	92.1	604.0	579.2
Segment liabilities	96.2	102.5	33.1	31.9	31.0	27.3	160.3	161.7			160.3	161.7
Interest-bearing liabilities									182.9	202.1	182.9	202.1
Other liabilities									12.5	9.3	12.5	9.3
Total liabilities	96.2	102.5	33.1	31.9	31.0	27.3	160.3	161.7	195.4	211.4	355.7	373.1
Net assets	111.9	122.5	137.4	120.6	98.0	82.3	347.3	325.4	-99.0	-119.3	248.3	206.1

* Included under Reconciliation are central management and financial functions that cannot be allocated to the divisions.

CONSOLIDATED SEGMENT INFORMATION

(Unaudited)

NET REVENUE

	1 st half 2022	1 st half 2021
in EUR million		
BY REGION		
Switzerland	14.9	12.6
Germany	133.7	119.7
UK	7.4	7.7
France	10.9	10.0
Italy	7.9	6.6
The Netherlands	9.2	7.3
Rest of Europe	49.6	46.0
North and South America	39.8	35.7
Middle and Far East	137.3	158.7
Gross sales	410.7	404.3
Revenue reductions	-4.4	-2.8
Net revenue	406.3	401.5
BY PRODUCT GROUP		
Actuators	139.9	153.3
Mechanisms	25.5	33.9
Bewatec	6.6	6.9
DewertOkin Technology Group	172.0	194.1
Automation Modules	53.1	47.8
Electromechanical Components	33.7	27.7
Rugged Computing	24.2	24.6
Measuring Technology	14.9	10.9
Industrial Components	125.9	111.0
Industrial enclosures	106.6	93.0
Input systems	6.2	6.2
Enclosures	112.8	99.2
Gross sales	410.7	404.3
Revenue reductions	-4.4	-2.8
Net revenue	406.3	401.5

ANNEX

to the interim financial statements as at 30 June 2022

CONSOLIDATION AND VALUATION PRINCIPLES

PRINCIPLES UNDERLYING THE INTERIM FINANCIAL STATEMENTS

These unaudited interim financial statements for the Phoenix Mecano Group were drawn up in accordance with Swiss GAAP FER 31 "Complementary recommendation for listed companies". The consolidated half-yearly accounts do not cover all the information set out in the consolidated financial statements and should therefore be read in conjunction with the consolidated financial statements as at 31 December 2021.

The accounting and valuation principles used for the interim financial statements are the same as those applied for the consolidated financial statements under Swiss GAAP FER as at 31 December 2021.

SCOPE OF CONSOLIDATION

In first half year of 2022 and 2021 the scope of consolidation changed as follows:

Date	Entity	Change	Division
2022			
01.01.2022	DewertOkin Services KFT	Merger with DewertOkin KFT	DewertOkin Technology Group
2021			
17.06.2021	BEWATEC Connected Care GmbH	Merger with BEWATEC Kommunikations-technik GmbH (which was subsequently re-named BEWATEC Connected Care GmbH)	DewertOkin Technology Group
16.06.2021	DewertOkin Services GmbH	Merger with DewertOkin GmbH	DewertOkin Technology Group
01.06.2021	Phoenix Mecano AB (formerly X2 Technology AB)	Acquisition	Industrial Components
20.04.2021	Phoenix Mecano Trading AG	Merger with Phoenix Mecano AG	Reconciliation
24.03.2021	Phoenix Mecano Components (Taicang) Co., Ltd.	Liquidation	Industrial Components

ASSUMPTIONS AND ESTIMATIONS

The preparation of the half-yearly accounts necessitates various assumptions and estimations. These are based on the management's assessments, which are regularly verified and amended as and when fresh information or findings necessitate changes.

NOTES ON THE INTERIM FINANCIAL STATEMENTS

SEASONALITY

The Phoenix Mecano Group is active in sectors that are subject to limited seasonal fluctuations.

CATEGORIES OF FINANCIAL INSTRUMENTS

The following table classifies the financial assets and liabilities measured at market value:

	30.06.2022	31.12.2021
in EUR million		
Financial assets measured at market value:		
Outstanding residual purchase price payment	0.5	0.5
Total	0.5	0.6
Financial liabilities measured at market value:		
Derivative financial instruments	-1.4	-0.4
Purchase price liabilities from acquisitions	-2.6	-4.2
Total	-4.0	-4.6

Financial instruments consist solely of forward exchange transactions. The fair value corresponds to the present value of estimated future cash flows based on the terms and maturities of each individual contract, discounted at a current market interest rate at the measurement date.

The following table provides an update on purchase price liabilities from acquisitions:

	2022	2021
in EUR million		
Balance as at 1 January / 1 January	4.2	10.0
Change in scope of consolidation	0.0	0.5
Currency differences	-0.1	0.0
Usage	-1.5	-2.8
Changes (via equity)	0.0	-3.5
Balance as at 30 June / 31 December	2.6	4.2

The fair value of the purchase price liabilities is dependent on sales benchmarks, which are based partly on target figures. The purchase price liabilities may alter owing to a change in exchange rates, a change in the interest rate, the addition of accrued interest or a change in the parameters for determining the purchase price. If the relevant future measurement bases were 10% greater, the purchase price liability would increase by EUR 0.3 million (previous year by EUR 0.1 million), assuming all other variables remained constant.

IRREGULARITIES AT A US SUBSIDIARY

On 4 July 2022, the Phoenix Mecano Group announced that an internal investigation had been opened into potential irregularities involving certain customer orders, external sales and trade receivables at a US subsidiary. The investigation, which is being assisted by external forensic experts and lawyers, is now largely complete. It focuses on transactions between 2018 and this year. The available results of the investigation reveal irregularities in the recognition of sales, material costs, receivables, liabilities and accruals/deferrals. The direct and indirect effects already known at the time of preparing these interim financial statements for the period ending 30 June 2022 have been taken into account under "Other operating expenses", impacting the operating result by USD 6.1 million (EUR 5.6 million). No further significant financial impacts are expected between now and the completion of the investigation. However, there will still be costs for planned restructuring measures to be implemented in the near future. In total, the further impact on earnings should not exceed EUR 2 million, according to current estimates.

DIVIDEND PAYMENT

Pursuant to the decision taken by the Shareholders' General Meeting held on 20 May 2022, on 27 May 2022 shareholders were paid a dividend of CHF 15.00 per share (previous year CHF 8.00).

EVENTS AFTER THE BALANCE SHEET DATE

Between 30 June 2022 and 10 August 2022, no events occurred that would alter the book values of the Group's assets and liabilities as at 30 June 2022 or that should be disclosed here.

ADOPTION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Board of Directors of Phoenix Mecano AG released this half-yearly report for publication on 10 August 2022.

Information for shareholders

Phoenix Mecano AG bearer shares are traded on main stock exchange in Zurich.

TICKER SYMBOLS

Securities No.	Inh. 218781
ISIN	CH0002187810
Reuters	PM.S
Bloomberg	PM:SW
SIX Financial Information	PM
Legal Entity Identifier (LEI)	529900SWF06EKVI1JY11

SHARE INDICATORS

		30.06.2022	30.06.2021
	Units		
Share capital (bearer shares at nominal CHF 1.00)	Number	960 500	960 500
Entitled to dividend (as of 30 June)	Number	960 414	960 311
Entitled to dividend (on average)	Number	960 380	960 146
Operating income per share	EUR	20.9	25.7
Net result per share	EUR	14.3	17.3
Shareholders' equity (incl. minority interest) per share	EUR	258.5	215.2

FINANCIAL CALENDAR

2 NOVEMBER 2022 7.00 a.m.	MEDIA RELEASE Q3 results 2022	
16 FEBRUARY 2023 7.00 a.m.	MEDIA RELEASE Preliminary full-year results 2022	
21 APRIL 2023 7.00 a.m.	MEDIA RELEASE Results 2022, Q1 results 2023	Publication of Annual Report 2022
10.30 a.m.	ANNUAL RESULTS PRESENTATION Results 2022, Q1 results 2023	Widder Hotel, Zurich, and Webcast
17 MAI 2023 3.00 p.m.	SHAREHOLDERS' GENERAL MEETING	Vienna House zur Bleiche, Schaffhausen

FURTHER INFORMATION

Benedikt A. Goldkamp

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MULTIMEDIA

Detailed information is available online and can be accessed and used at any time:

phoenix-mecano.com/en/annual-reports/download-centre

This annual report is also available in German.
The German version is binding.

