

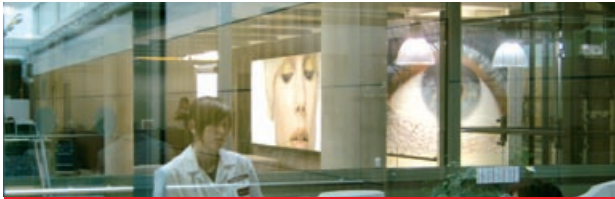
# Schwanh user Industrial Group

## > SCHWAN-STABILO: RIDING THE STORM

Heroldsberg. The Schwanh user Industrial Group was happily able to hold its ground well in the business year 2003/04 despite unchanged difficult conditions. In spite of continued economic weakness in the EU, a strong Euro and fierce competition from overseas, turnover on the Balance sheet date (June 30) was around € 281 million, an increase of three percent on the previous year. Concern profit for the year also showed a very satisfactory rise to € 12 million after tax (previous year: € 8 million). The reason for this was substantial growth in business activity abroad. About 2.900 people were employed worldwide.

## > SCHWANH USER INDUSTRIAL GROUP

	2003/04	Deviation in %	2002/03
Turnover (mio EUR)	281	3	273
thereof Writing Instruments	108	-2	110
thereof Cosmetics	173	6	163
thereof EU	146	9	134
thereof outside EU	135	-3	139
Employees (as of end of June)	2.910	1	2.890
thereof domestic	1.847	-3	1.909
thereof abroad	1.063	8	981
After-tax profit (mio EUR)	12	50	8
Investments	22	10	20
Depreciation	17	0	17
Shareholders' equity (mio EUR)	64	10	58
thereof share capital	50	6	47
Equity capital base in %	33,5		31,0



## The Cosmetics Division

### > AFTER GOOD GROWTH, THE FOCUS IS ON FUTURE SECURITY

In the face of unfavourable market trends, Schwan-STABILO Cosmetics notched up substantial growth in turnover in the business year 2003/04. The Division's turnover rose by 6 percent to € 173 Mio., adjusted for currency the rise was almost 9 percent. While business ex Germany remained stable, foreign subsidiaries showed strong growth. The production subsidiaries in the Czech Republic and China, in particular, made major contributions to growth. The subsidiary in Brazil, founded just two years ago, also had a very positive year. "At 6 percent, the rise in turnover broke no records," comments managing director Ulrich Griebel, "but in present conditions we are extremely satisfied with it."

By contrast, the current business year 2004/05 is proving challenging for management and employees, as international pressure on prices and the weak US dollar heavily restrict the competitiveness of production which is based on an above-average share of German added value.

To provide scope for action, unremitting cost management and the expansion of foreign activities are regarded as measures essential to the continued responsible management of this traditional family business. The opening of a new cosmetics factory in the Czech Republic in September 2004 and the expansion of production in the USA and China represent major steps in this direction.

Furthermore management are adhering to their investment plans for facilities in Germany. In the current business year alone over € 11 million will be invested in new products in Germany. "We still see excellent chances for innovations" made in Germany" claims managing director Ulrich Griebel.

## STABILO Division

### > GROWTH IN CORE SEGMENTS

Although turnover in the STABILO Division fell slightly in the business year 2003/04 to € 108 million (previous year 110), it nevertheless proved possible to achieve definite improvements in both market shares and results on largely stagnating markets. Adjusted for currency movements, turnover was unchanged. Pleasing growth of between 6 and 10 percent was achieved in the three core areas (Highlighting, Writing and Coloring) in Europe. These are major successes which the company sees as confirmation of its commitment to a brand strategy, efficient market development, intensive co-operation between European key accounts management and foreign subsidiaries and the profitable combination of new and old. In the Highlighter segment, which has enjoyed decades of success, the company was again able to maintain its brand leadership in Europe. Here too, a successful mix of old and new played an important role, with limited editions to catch the attention of the young and give a new stimulus to retail sales. The biggest increase was to be seen in the Coloring segment.

As current market research in the 14 to 29 year-old target group again confirms, STABILO customers look for new, unusual product shapes, a wide range of colours and the suggestion of European quality.