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### **Schwanh u er Industrial Group**

#### **Financial review of fiscal year 2007/08**

**Growth in sales and high investments in German locations feature strongly in the Schwan-STABILO Group's recently ended fiscal year.**

Heroldsberg, August 2008. The Schwan-STABILO Group rounded off the fiscal year ending 30 June 2008 with encouraging growth. The group achieved consolidated sales of 373m euros (previous year: 340m euros), which corresponds to an increase of slightly less than 10 per cent.

The business units STABILO and Outdoor contributed to this increase in sales, with growth of 16 and 19 per cent respectively. Sales in the Cosmetics business unit remained constant at a high level, amounting to 183m euros.

#### **Family business with strong commitment to home base**

While enjoying international success, the group continues to display a long-term commitment to Germany as a production base. For Ulrich Griebel, member of the group executive board, "our values, such as initiative and the ability to change, as well as our responsible approach to risk-taking, are important factors, enabling us to develop and produce internationally sought-after and high-quality products in Germany". Multi-million-euro investments provide impressive proof of this commitment.

On 1 August, for example, there was a traditional topping-out ceremony for a new cosmetics production facility being built for approx. 6m euros at the group's Weissenburg location. The STABILO business unit is investing four million euros in an improved logistics system for central distribution from Weissenburg to European writing instruments customers.

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At Group headquarters in Heroldsberg an international architecture competition is currently in progress for a new office building intended as a showcase for STABILO brand values in particular. Completion of the new building, which is planned to house around 100 staff, is scheduled for the beginning of 2010. The winners will be chosen in late-October and the competition entries will be on display to the public from early-November.

At the end of the fiscal year the Group employed a workforce of 3,335 worldwide (previous year 3,300), 1,658 of whom are in Germany.

	2007/08	Changes in %	2006/07
Total sales (in million euros)	373	10	340
Writing instruments	152	16	131
Cosmetics	183	-	183
Outdoor	38	52	25 *
Sales in EU	211	6	200
Sales outside EU	162	6	140
Employees (as at 30.06.08)	3.335	1	3.300
Total equity (in million euros)	100	12	89
Limited liability capital	55	-	55
Equity ratio (in %)	37	6	35

\* Previous year only 9 months consolidated

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### **Cosmetics Division**

#### **High investments in Weissenburg location as guarantee for global expertise and top-class products**

Despite the dramatic exchange rate decline of the US currency the cosmetics business unit succeeded in equalling the previous year's record-breaking sales results with consolidated revenues of 183m euros. On a like-for-like basis, the division's sales increased to 191m euros. Stable growth in Europe, coupled with double-digit growth in Latin America and Asia, contributed to this result. However, in North America, the division's largest single market, revenues fell due to currency developments. The recessionary trend in the US economy in the second half of the year had an additionally negative impact, causing many customers to postpone the launch of innovative, high-quality new products and promotions.

The unit's business in Latin America has also grown further in structural terms. In fiscal year 2007/08 a new subsidiary in Mexico joined those already operating in Brazil and Columbia. Not only does this establish an additional base in the US-dollar region; it also promises new sales opportunities in the single most important market for colour cosmetics in Latin America.

In terms of sales volume, the Cosmetics Division achieved further growth. Sharpenable cosmetic pencils and twist mechanisms sold particularly well, with important accounts being won away from competitors. Liquid liners and mascara also registered strong growth.

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According to managing director Ulrich Griebel, the six-million-euro investment in a new injection moulding facility at Weissenburg signifies a clear commitment to Germany as a production base. Scheduled for completion by the end of 2008, the new facility will be a modern centre of expertise in plastics technology and include a mould-making department and colour lab. From here, recipes and colour mixtures will be sent to subsidiaries around the world, so that the plastic casing of a lipliner made in China is identical in colour to one produced in the USA.

The investments in German locations of more than 15m euros constituted the lion's share of the total investment volume of more than 20m euros worldwide in 2007/08. In spite of the fact that more than 95% of the cosmetics division's business volume comes from abroad, some 1,100 of the unit's global workforce of just under 2,000 employees work in Germany.

A slight growth in sales is targeted for the new fiscal year 2008/09. With 14m euros earmarked for this year, investments remain at a high level. The majority of these investments will be in new products.

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### **STABILO Division**

#### **Record results for favourite pens and pencils**

The STABILO (writing instruments) division achieved record sales of 152m euros (previous year: 131m euros) in the fiscal year just ended, with growth of 16 per cent. This brought a record year in the company's 153-year history to a close.

Moreover, as a manufacturer's brand, STABILO succeeded in growing faster than discount and private-label brands throughout Europe for the first time in many years (source: GfK/Retail Panel 11/2007).

The string of successes in previous years in the home German market continued, with growth of roughly nine per cent. Above-average growth was recorded in France, the company's second-most important European market (16 per cent year on year). Sales in Europe increased by 15 per cent overall and also in global terms the STABILO brand's products for writing, painting and drawing proved highly popular with consumers. A new sales subsidiary was founded in Shanghai in the spring, principally to meet the demand from wealthy middle-class consumers in Asia for prestigious STABILO products made in Germany.

Within the product range, the greatest growth was seen in the "Writing at School" segment. However, classic products, such as ink fineliners and fluorescent markers which have been on the market for decades, were as greatly in demand as new writing and painting products. These ergonomic pens and pencils developed with the help of scientists provide appreciable assistance for writing and learning to write – a convincing purchasing criterion for pupils, teachers and parents alike.

The targets set for the current fiscal year are equally high. "That", according to managing director Sebastian Schwanhäußer, "is because for many children and young people STABILO products are already firm favourites". In order to attract new fans worldwide, for the first time ever an eight-digit sum is being invested in TV advertising in 15 different countries.

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### **Outdoor Division**

#### **Outdoor scales new heights**

After years of continuous growth, the outdoor specialist Deuter Sport, which has been part of the Schwanhäußer Group since 2006, has achieved yet another significant increase in sales. In the last fiscal year sales volume rose to 38m euros, an increase of 19 per cent (previous year: 32m euros, only partly consolidated). According to an estimate by the industry association European Outdoor Group, the market in Europe grew by approx. three per cent in the same period.

The growth markets were China and Eastern European countries in particular. The development of the US sales subsidiary founded in 2002 was also highly satisfactory. The company sees great further potential for the future here and expects strong double-digit growth in the current fiscal year.

Deuter is the oldest rucksack brand in the world. Founded in 1898, the company, which is based in Gersthofen, Bavaria, recently celebrated its 110th anniversary. The combination of tradition and experience with an instinct for products that are more than merely fashion trends seems to be the secret of their success over the decades.

The new segment "Rucksacks for Women", for example, also achieved above-average growth in sales in the last fiscal year. The higher comfort offered by these rucksacks suited and appealed to female customers straight away. The product range is being extended further in 2009 to include sporty luggage. For a brand with a reputation like Deuter's it will be a demanding challenge to meet their sporting customers' expectations of extremely hard-wearing and highly functional luggage: "Yes, there will be luggage on rollers, because even outdoor fans are not opposed to comfort on principle. But it absolutely must be typically Deuter", says managing director Bernd Kullmann explaining the concept.

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Deuter hopes to breathe new life into this segment with the new collection which is designed to be equally suitable for travel, everyday, business and outdoor use.

Voted favourite supplier to the trade by sports and outdoor retailers in Germany in 2008, the company currently employs 50 permanent staff and five apprentices.

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