

## PRESS RELEASE

### **Schwan-STABILO did not stand idle during the crisis**

#### **Previous year's results exceeded by 7.0 percent**

**Heroldsberg, Germany, September 2010. The business year which ended on 30<sup>th</sup> June 2010 was very successful for the Schwan-STABILO Group. Despite a cautious start and ongoing high volatility in important markets and currencies, the company grew in every business segment. Compared to the previous year, the corporate group increased sales by 7.0 percent to 396 million euros (previous year: 370 million euros). All three subgroups contributed to the growth: Cosmetics was ahead by 7.2 percent, STABILO grew by 4.8 percent, Deuter achieved 13.3 percent.**

In retrospect, two strategic decisions above all proved to be correct: The early introduction of reduced working hours in the STABILO and Cosmetics business units made it possible for staff and management to react flexibly – and without making lasting cuts – to the rapid change between under-utilisation and full utilisation in production. Market-driven staffing adjustments were avoided in favour of long-term development. Thus, it was possible to react immediately, with experienced and competent employees, when demand started to pick up substantially at the beginning of the year.

The company was therefore able to increase operating profits slightly as well as improve important balance sheet indicators, despite the high pricing pressure.

Moreover, strong investment in innovative products and the acquisition of new companies in currently weak markets also proved to be promising.

Although the financial and economic crisis at the beginning of the 2009/10 business year also left clear traces on Schwan-STABILO, investments increased to a new high of 38 million euros (previous year: 23 million euros). Both the purchase of the cosmetic manufacturer Cosmolab in the USA by Schwan-STABILO Cosmetics and the long-standing Italian sales agency Armand Ugon by STABILO International could be realised without outside funding. The focus was on liquidity management during the crisis.



*The Cosmolab Inc. building in Lewisburg, TN, USA*

At the end of the business year, the Group employed 3,879 employees worldwide (+12 percent compared to previous year), 1,645 of them in Germany.

'It is a significant part of our success allowing the very different businesses under the Schwan-STABILO umbrella – cosmetics, writing instruments, and outdoor – a very high degree of entrepreneurial independence. And we also follow that philosophy within the individual companies. Independent thinking and personal initiative is called for! It is not the job of the management to make isolated decisions, but rather to ensure that the various corporate activities follow the declared strategy and not to lose track,' says Ulrich Griebel, member of the Schwan-STABILO Group Executive Board.

	2009/10	Change in%	2008/09
Sales (in million euros)	396	7.0	370
of which Writing Instruments	152	4.8	145
of which Cosmetics	193	7.2	180
of which Outdoor	51	13.3	45
Investments	38	65.2	23
Equity (in million euros)	118	-	112
of which limited liability capital	60	-	60
Equity ratio (in%)	40	-	39

## Cosmetics subgroup

### One of the best results in company history

Despite a rough start to the 2009/10 business year – due to the financial and economic crisis – sales developed promisingly across all product areas over the course of the business year. The business year was closed with sales of 193 million euros (previous year: 180 million euros) representing a growth of 7.2 %.

The programme of short-time work, scheduled to run until the end of 2010, was ended completely in March of this year, and all employees of the Cosmetics subgroup at the Heroldsberg location are again working full time. Additional employees are currently being hired for extra shifts in several product areas.

### Development of the international market position

With the purchase of Cosmolab in the spring of this year, the Cosmetics subgroup significantly strengthened its position in the important US market. Now it is possible to get access into market segments, which – due to structural and cost reasons – did not accept imported goods from Europe before.



*Colour trend for summer 2011: Neon orange in contrast to milky pastel tones*

Furthermore, production facilities or long-term sales partners are now in place in all the world's most important markets, so that international customers can be supplied locally and local markets can be addressed specifically. In the medium term, the further expansion of business activities in Asia will be targeted, especially outside of China.

### Emerging strongly from the crisis

Naturally, the cosmetics business has also reflected the consumer uncertainty felt in the period from the end of 2008 to autumn 2009.

Now, however, this has turned around completely. 2010 will be an extraordinarily strong year for the Cosmetics subgroup and is going to reach new heights.

The main contributors to growth are classic cosmetic pencils for eyes and lips, which are increasingly and globally considered to be indispensable cosmetic items for the well-groomed woman (because they are practical and affordable). Year after year, the Schwan R&D team improve basic functions, such as applicability and adherence, while at the same time increasing skin compatibility and environmental friendliness.

Therefore, Schwan-STABILO Cosmetics has emerged from the economic crisis significantly stronger than the company had entered it.

[www.schwancosmetics.com](http://www.schwancosmetics.com)

## STABILO subgroup

### Consumers trust Schwan

The STABILO subgroup earned sales of 152 million euros (previous year: 145 million euros). Sebastian Schwanhäuser, member of the Groups' Executive Board, is pleased with this success and sees it as confirmation of the steady building of the brand. 'After years of triumph by discounters, the crisis is not paying off for the trade brands. Consumers do not want a no-name pencil. They prefer to purchase brand name products for themselves and especially for their children. The red and white swan radiates confidence!'

This statement is confirmed in current market research figures. The product image of brand-name articles are at the highest values since 2002, as they represent security and reliability (source: AWA 2010).

The company once again invested persistently and quite boldly in organisation, logistics, and product development as well as in advertising despite of the difficult economic conditions. Which paid off – STABILO recorded ten percent growth in sales in Europe.

### Schwan red and white worldwide

The company continued its expansion strategy in the European market with the purchase of the Italian sales agency and now owns 11 subsidiaries. Armand Ugon had held the exclusive sales rights for STABILO products in Italy since 1922.

Outside of Europe, it is the stated company goal to continue both the integration of the Asian subsidiaries and a more uniform product line policy. 'Because STABILO produces writing instruments that have become favourites all around the world!' says the company motto.

### Learning to write is easier with a system



*Writing instruments that fit a variety of hand sizes for right and left-handers make learning to write easier*

A system for learning to write, designed for a variety of hand sizes for right and left-handers, is proof that products 'made in Europe' can be innovative. This important future bestseller is the most comprehensive learning-to-write system on the market. It was developed in cooperation with scientists and educators. This system with writing instruments for drawing and (early) writing was first advertised throughout Europe via TV advertising and should continue the success of this segment, which is relatively new for STABILO. Since entering the education and writing instruction market in 2004, the company has brought a lot of energy into the formerly conservative school fountain pen market.

## **The most popular BOSS in the world for 40 years**

Another major highlight will be the focus next year: the 40th anniversary of the STABILO BOSS.

With the development of fluorescent ink, the first neon yellow highlighter came onto the market in 1971. Simple highlighting instead of precise underlining has made working with texts easier ever since. And this 'pen for reading' has had a brilliant career right up until today. A reason for STABILO to celebrate. Sebastian Schwanhäüßer explains why: 'Soon, two billion highlighters will have been sold, which is two per second worldwide. With all of the STABILO BOSSes sold so far, a line 750,000,000,000 kilometres long could be highlighted. Or put another way, five times the distance from the earth to the sun!'

[www.stabilo.com](http://www.stabilo.com)

## **Outdoor subgroup**

### **Deuter has above average growth**

The Outdoor subgroup under the Deuter brand once again experienced double digit growth in the 2009/10 business year. Sales climbed to 51 million euros (previous year: 46 million euros), with total growth at 13.3%. In the outdoor market, which remained stable in North America and increased by only around 3% in Europe, Deuter's performance was above average.

### **Outdoor enthusiasm continues**

Despite an already high market share, sales were pushed up nationally by 16%. The reasons for this were the concentration by retailers in fewer, but stronger brands and the high popularity of Deuter among consumers, and, of course, the uninterrupted enthusiasm for outdoor sports.

At the sales subsidiary in the USA, sales grew by 43%. Lasting success factors were the high investments put in, the staying power of the company in this outdoor market – the second largest after Europe – and the ability to customise products.

### **Significant growth in accessories and sleeping bags**

There was particular growth in the accessory product group, with products such as wash bags or climbing accessories. New designs were launched onto the market that obviously fitted current tastes, as was shown by the 30% growth.

The sleeping bag product group, which has undergone a great deal of development work in recent years, also grew strongly.

This product group grew by a hefty 58%. Over the years Deuter has successively created a second strong line, along with its backpacks.

Furthermore, backpacks for women are very trendy. Top mountaineer Gerlinde Kaltenbrunner has been involved in their design for years and puts the prototypes to the test on the peaks of the eight-thousanders.



*The colourful AC Lite series will particularly appeal to women*

For the coming year, the Futura line, the long-standing heart of the collection, will be completely revised – not only in design, but also with a new strap system.

The young and colourful AC Lite series, the design of which should particularly appeal to women, fits well with the urban outdoor trend.

And, last but not least, children's packs, classics with families for years, are now also bestsellers in the USA!

[www.deuter.com](http://www.deuter.com)

## Background information

**Schwan.** The swan has been the brand symbol of the company ever since it was founded – but the animal symbol is more than just an allusion to the family name. The swan represents beauty and purity.

**1865** Gustav Adam Schwanhäußer buys Großberger & Kurz, a heavily indebted pencil factory in Nuremberg, Germany.

**1909** The idea of manufacturing cosmetic pencils to trace eyebrows is raised for the first time.

**1927** The world's first cosmetic pencil is developed and produced. The first eyebrow pencil is created from a dermatograph, which surgeons use in operations to mark the skin.

**1925** The chemist, August Schwanhäußer, succeeds in producing a pencil with a lead which is not only highly break-resistant, but also stable – or "STABIL" in German... and the brand **STABILO** is born.

**1970** The 1970s see the launch of sales hit STABILO Boss, and the STABILO Point 88 fibre-tip pen, bestsellers until today.

At the same time, the still small cosmetics division is built up into the company's second pillar.

**1976** New name: the Schwan pencil factory is renamed Schwan-Stabilo.

**1995** Move to the new head office in Heroldsberg near Nuremberg, and re-organisation of the company as a holding.

**2006** Acquisition of rucksack manufacturer Deuter. By entering the outdoor segment, the corporate structure gains a third pillar. For many years now, there has been a clear shift in company focus from production expertise to brand expertise. The acquisition of Deuter as a market leader in rucksacks fits perfectly with this strategy. Again, the focus is on brand development supported by a quality product – as is the case for writing instruments and cosmetics.

**2010** Corporate turnover for the 2009/10 financial year is 396 million euros (on 30 June). Globally, the company employs a staff of 3,879, of which 1,645 are based in Germany. The executive board consists of Sebastian Schwanhäußer and Ulrich Griebel.

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