



## Schwanh user Industrial Group

### > SCHWAN-STABILO: SATISFACTORY RESULTS IN DIFFICULT GENERAL SETTING

Heroldsberg. During the 2002/2003 financial year the Schwanh user Industrial Group succeeded in performing relatively well despite the worldwide economic slump and additional massive problems like the Iraq conflict, the tensions in the Middle East, the currency crisis in South America and the problematic situation in Asia resulting from the outbreak of SARS. As of the balance sheet date (30<sup>th</sup> June), turnover of approximately € 273 mio had been achieved, a figure which is almost three per cent below that of the previous year. Allowing for adverse exchange rate movements it was even possible to maintain the level of the previous year. The group's annual earnings after taxation of approximately € 8 mio (previous year € 10 mio) were satisfactory. About 2,900 people were employed worldwide, with approximately 1,900 of them working at the two locations in Germany, Heroldsberg and Wei enburg.

The Cosmetics Division was particularly badly hit by the negative economic and political conditions. The US dollar area accounts for over 50 per cent of total sales achieved, so the drastic revaluation of the euro has had a big impact. Despite positive development with foreign subsidiaries the sales figures of the previous year could not be maintained. Sales fell by approximately six per cent to € 163 mio.

In contrast, it was pleasing that the STABILO Division was successful in going against the trend. In a sector generally in decline and on the highly competitive pen market, it was able to record an increase in sales. The factors mainly responsible for this development were the successful launching of new products, a strong school business for STABILO all over Europe and a good ability to deliver. Sales rose by almost two per cent to approx. € 110 mio.

### > INVESTMENT FOR THE FUTURE: RESEARCH AND DEVELOPMENT

Research and Development plays a significant role for the success of both divisions. Schwan-STABILO's spending in this area in order to meet today's and future customer requirements and to set important trends was increased to over € 9.5 mio.

### > MODERATE GROWTH PLANNED

In spite of positive signals in individual regions and sectors, no real change in trends is expected for 2004 either. Logically consistent organisational and structural changes in both core business areas are seen as measures to secure the future because, as group executive Ulrich Griebel says, "the moderate growth in sales planned for the 2003/04 financial year will require a great effort and will pose a big challenge for all concerned. But we are convinced that Schwan-STABILO has an excellent chance of not only coping with the current difficult situation but also of emerging from it in a stronger position".



## Schwanhäußer Industrial Group

### > SCHWANHÄUSSER INDUSTRIAL GROUP

	2002/2003	Deviation in %	2001/2002
Turnover (mio EUR)	273	-3	281
thereof Writing instruments	110	2	108
thereof Cosmetics	163	-6	173
thereof EU	129	-2	131
thereof outside EU	144	-4	150
Employees (as of end of June)	2.890	2	2.840
thereof domestic	1.909	-1	1.930
thereof abroad	981	8	910
After-tax profit (mio EUR)	8	-17	10
Investments	20	-13	23
Depreciation	17	4	16
Shareholders' equity (mio EUR)	58	0	58
thereof share capital	47	9	43
Equity capital base in %	31,0		31,8



# Schwanhäußer Industrial Group

> STRUCTURE

SCHWANHÄUSSER INDUSTRIE HOLDING GMBH & CO.	
STABILO Division	Cosmetic Division
Schwan-STABILO Schwanhäußer GmbH & Co. Writing Instruments	Schwan-STABILO Cosmetics GmbH & Co. Cosmetic
with 12 subsidiaries in Germany and abroad	with 5 subsidiaries abroad



## COSMETICS DIVISION

### > DECLINING SALES AFTER YEARS OF GROWTH

The persistent low growth has in the meantime led to a clear consolidation of the cosmetic industry which had, for a long time, been used to success. This means that, after years of continuous growth, Schwan-STABILO Cosmetics, worldwide market leader in the Private Label field, recorded a € 10 mio drop in sales in the 2002/3 financial year compared to the year before, falling to € 163 mio. This situation was due largely to the continuing reluctance on the part of consumers on the European markets to spend money on the one hand and also to the currency disadvantages on the dollar markets. In addition, the appearance on the market of Asian and especially Chinese suppliers led to a clear drop in prices and profit margins among suppliers to the cosmetics industry.

### > SUCCESS ABROAD

In contrast to that, the Cosmetics Division's strategy of local creation of value – which it has been following for some years now – is achieving positive results. Foreign subsidiaries managed to increase their sales by almost 15 per cent, mainly because of a good recovery at Schwan Cosmetics USA Inc. and because of the first complete financial year at Schwan-STABILO Cosmetics CR s.r.o. in the Czech Republic which succeeded in becoming firmly established in the cosmetics world in the 2002/03 financial year. The decision taken at the beginning of 2002 to gradually transfer production of wooden pencils from Heroldsberg to Cesky Krumlov by 2007 had become necessary in order to remain profitable with this product segment in a highly competitive market. A new plant is planned to be completed in the summer of 2004. As intended, it was possible to carry out the necessary reduction in the number of jobs without any redundancies.

### > FOCUSING AND CONCENTRATION

As a positive example of concentration on customer benefit and efficient structures, a new business segment has been started up at Schwan-STABILO in Germany: 'Skin Treatment'. With the great potential of this segment, it should be developed into a further support pillar for Schwan-STABILO Cosmetics. It comprises cosmetics products used for acne, wrinkles and anti-ageing. These products were introduced to a wider public for the first time at the international specialist fair held in Bologna where they were received with lively interest. Conclusion: the Cosmetics Division is well-positioned, chances for the future are highly promising – even if it is going to need an even greater effort than has been necessary over the last few years in order to achieve good results in future.



## STABILO DIVISION

### > GROWTH AGAINST GENERAL TREND

The increasingly tough competition in the writing instruments sector was also evident in the 2002/03 financial year. Increasing concentration both at the manufacturer level and in the trade itself are typical features of this sector. Dealer brands as well as discounters with no-name products continue to do well. Schwan-STABILO Schwanhäußer GmbH & Co.KG has managed to go against the trend despite the market which is either stagnating or even in decline. Sales increased by two per cent to € 110 mio compared to the previous year.

The main regions where growth was recorded were Southern Europe as well as the Alpine countries and the Benelux countries, and even the two large markets Germany and France showed slight increases. Sales of the strategically important products from the core areas of Highlighting, Writing and Coloring also increased in almost all European countries.

### > TYPICAL STABILO – PROMISE BEHIND A NAME

Nowadays, consumer decisions to buy products are based more and more on feelings and emotions rather than reason. For a long time now, the key factors in the global competition for customers have been communication, advertising and product design. Furthermore there is now an increasing need for orientation on the part of consumers: they increasingly want quality and well-tried and tested products, the basic virtues of a brand name. For that reason, STABILO has been working in integrated processes for years in order to be able to meet these challenges with its products. Credible sponsoring activities are proving more and more to be an important success factor. STABILO's involvement in the lives of above all young buyers by organising things like the "Pulse of Style" competition held throughout Europe, being involved in trendy music festivals and by giving its support to a European music and snowboard event contributes towards making STABILO products more attractive.

### > HIGH AIM

New products, like their users, have to be colourful and full of joie de vivre. A successful example of this is the 'Boss Mini', the small version of the market leader among highlighters, which is also available for sale in sweet packets or fruit boxes – a novelty in the writing instruments sector. Through this, STABILO was able to clearly extend its lead on the market for highlighters in Europe. At the moment, ergonomic pens specially designed for left-handers or right-handers are being launched on the European market. These pens are aimed at making writing for pupils at school easier. According to current European surveys among such varied groups as pupils, teachers and parents, this pen could even take the place of classic school writing instruments like fountain pens, felt tip or ball point pens. Conclusion: such positive developments as well as calculable economic success confirm that STABILO's strategy regarding the future of the writing instruments sector is right: only those who act on the market with the claim for one of the leading positions can achieve growth.