

: PRESS RELEASE

schlott gruppe AG to introduce central administration

- **Centralisation of all administrative functions**
- **Planned streamlining of corporate structure**

Freudenstadt, 27 October 2009. schlott gruppe AG is planning to standardise all administrative and related functions, with the express purpose of bringing them together at a central level. In parallel, the company is looking to streamline its overall corporate structure. Against the backdrop of continuing difficulties within the market as a whole, the measures planned by schlott gruppe AG are expected to produce much-needed savings of eight million euros which will become fully effective in fiscal year 2011/12. In addition to the measures introduced in summer, further cost reduction measures in the region of four million euros annually are planned. schlott gruppe AG will thus significantly strengthen its market position.

In mid-2009, the exchange-listed company, in a first step, had announced measures aimed at realigning its production capacity in response to a significant decline in demand. Within this context, the company's annual production volume was scaled back by 20 per cent, from 600,000 to 480,000 tonnes. At the same time, the overall headcount was reduced by a considerable margin. Additionally, all employees agreed to forgo part of the one-time benefits payable under collective wage arrangements.

The most recent measures announced by schlott gruppe AG are aimed at adjusting average costs in line with sales prices that have continued to plummet. With this in mind, schlott gruppe AG intends to bring

together the administrative units currently operating at various facilities within schlott gruppe AG and introduce a centralised structure. The latter will encompass the group's administrative functions as well as all related areas. As part of the latest action plan, around 180 jobs will be cut throughout schlott gruppe AG. Negotiations concerning staff downsizing are to commence shortly with employee representatives and the trade union ver.di.

Moreover, schlott gruppe AG is planning to simplify its structure. Instead of operating with eight German subsidiaries, as is currently the case, schlott gruppe AG intends to work with four operational units. As Bernd Rose, CEO of schlott gruppe AG, explains, "The final scope of operations will depend to a certain extent on tax and legal issues, which we are currently assessing. For precisely these reasons, our foreign subsidiaries have not been included."

In pursuing its programme of streamlining and in introducing a centralised administration, schlott gruppe AG expects to achieve savings of eight million euros annually.

With the market performing less favourably than originally anticipated, schlott gruppe AG has identified the need for additional savings of four million euros per year. The measures required to achieve this are to be discussed with staff representatives and ver.di in the near future.

Bernd Rose commented on this, "If we are to secure the future of our company, we must respond to the current price- and capacity-related issues as quickly and decisively as possible by scaling back our average costs to a level that is sustainable in the long term. We shall consistently pursue all avenues open to us once we have implemented

our new administrative structure. In order to counteract the adverse effects associated with yet another severe dip in the market, we will all have to make an additional contribution to cost streamlining beyond the staff cuts already planned. We are confident that these measures will prove successful in terms of manoeuvring our company to a secure position within a challenging market environment."

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