

## **: PRESS RELEASE**

### **schlott gruppe presents preliminary results for 2008/9 and projections for 2009/10**

- > **Market conditions in fourth quarter of 2008/9 below expectations**
- > **Performance benefits from early introduction of adjustment measures**
- > **Anticipated market situation in 2009/10 necessitates further cost-cutting**
- > **Negotiations with banking partners regarding funding until 2012 just before closing**
- > **Joachim Kühn appointed as member of the Management Board effective from 1 April 2010 as successor of Adam Valeri**

**Freudenstadt, 10 November 2009.** *schlott gruppe* announces its preliminary results for the 2008/9 financial year ended 30 September 2009 after today's Supervisory Board meeting.

#### **Preliminary figures 2008/9**

Market conditions deteriorated further over the course of the fourth quarter of the company's financial year, particularly from August onwards. Based on provisional figures, *schlott gruppe* generated value-added sales (VAS) of €194.1 million in the financial year just ended, versus €225.3 million on a comparable basis a year ago; reported revenue for the same period totalled €364.6 million, down from €468.8 million. The comparative figures for the previous financial year have

been adjusted for the disposal of *sachsendruck*. Tonnage output stood at 525.0 thousand tonnes, compared to 604.0 thousand tonnes last year.

Earnings before taxes (EBT), before restructuring charges, amounted to €-6.3 million, following a profit of €0.5 million in the previous year. Savings derived from the restructuring programme implemented during the preceding year had a tangible effect on earnings performance, significantly offsetting the adverse effects of lower tonnage and price erosion.

However, in view of the continuing market malaise and an outlook for the coming years, in which the printing sector as a whole is unlikely to see any positive impetus from the wider economy, further sizeable adjustments are considered essential. Therefore, as announced, in July 2009 the company took the decision to cut its existing capacities considerably within the area of gravure printing and post-press/finishing. The expenses associated with these measures totalled €20.5 million in the financial year just ended.

In the previous year, the 2007/8 cost-reduction programme, which *schlott gruppe* had initiated as one of the first of the key market players in response to significant changes within the industry as a whole, produced expenses of €18.0 million. In 2008/9, EBT after restructuring charges stood at €-26.8 million, compared to €-17.5 million a year earlier.

The *print* segment generated VAS of €192.0 million in the 2008/9 financial year, following €222.2 million (adjusted) in the previous year, while EBT before restructuring charges amounted to €-1.9 million, compared to the previous year's figure of €2.3 million. Including

restructuring charges, EBT was €-17.4 million in the financial year just ended, as opposed to €-15.2 million in the preceding year.

The Group's results are dominated chiefly by business performance within the *print* division. Including associated restructuring expenses, EBT within the *corporate services* segment, whose activities are limited to providing internal services for the Group, stood at €-5.6 million, compared to €-2.0 million in the previous year.

Despite considerable pressure exerted on earnings, the equity ratio of *schlott gruppe* remained at a solid level of 32.4 per cent at the end of fiscal 2008/9, compared to 34.9 per cent at the end of the 2007/8 financial year. Net debt as at 30 September 2009 was €171.2 million, compared to €153.2 million at the end of the fiscal 2007/8 reporting date.

## **Outlook**

*schlott gruppe* anticipates that market conditions will deteriorate further over the course of the current 2009/10 financial year. In response, the company has therefore decided to centralise its administrative functions and group structure (as reported on 27 October 2009), thus going beyond the measures aimed at scaling back excess capacities. In doing so, *schlott gruppe* will be looking to achieve further substantial savings as well as cutting unit costs.

The far-reaching streamlining measures announced by *schlott gruppe* have found the support of the Group's banking partners and key principal shareholders. Negotiations with the Group's financing partners, involving both principal owners and external lenders, have continued

successfully. The approval to a KfW financing component has also been already granted in principle in the course of the negotiations.

This coordinated financing concept also includes a seasoned equity offering, as reported today by the company in an ad hoc announcement. In pursuing these measures, which are to be implemented contractually as early as this month, *schlott gruppe* has underpinned its restructuring plans and secured financing, based on projected business performance, for the period up to and including fiscal 2011/12.

In view of current market conditions, issuing a specific forecast for the 2009/10 financial year would be contrary to sound judgement. The company anticipates a further decline in VAS. Fundamentally, earnings are expected to benefit from the cost-reduction measures initiated by the Group. Within this context, however, the measures are not likely to take full effect until subsequent years. The company will also incur additional costs attributable to restructuring measures decided upon in mid-2009, as well as charges relating to the centralisation of administrative functions and structural streamlining at Group level. Therefore, EBT is again likely to be well below break-even in fiscal 2009/10, both before and after restructuring charges.

The Management Board of *schlott gruppe* is confident that the most recent measures as well as those still in the pipeline will take the Group in the right direction in terms of its future development. In aggregate, the Group will cut its capacities in gravure printing by 20 per cent, adjust its finishing/post-press capacities accordingly and downsize its number of staff by around 530. As regards staff downsizing, 350 of the jobs to be cut are attributable to the capacity reduction programme

decided in mid-2009. The overall cost reductions associated with the measures to be implemented are around €40 million p.a.

Based on today's cautious market assessments with regard to volumes and prices, the Group will thus be guided back towards sustained profitability. The measures will be in place and showing their full effect by the end of 2011/12.

### **Change in the Management Board**

In its meeting today, the Supervisory Board appointed Mr. Joachim Kühn as member of the Management Board effective from 1 April 2010. Mr. Kühn, an experienced veteran in the printing industry, has also a successful track record in corporate restructuring. He will take over the responsibilities of Mr. Adam Valeri according to succession planning. Mr. Valeri will leave the company on 31 March 2010 with the regular expiration of his contract as already communicated.

### **Notes to financial data:**

Alongside "revenue/sales", schlott gruppe uses so-called "value-added sales" (VAS) as a financial indicator – both in its external communications and as part of its internal controlling mechanisms. Revenue is subject to fluctuations that are attributable to the volume of paper supplied by customers as raw material for certain projects. In contrast to paper purchased directly by the company, paper supplied by customers is not included in the accounts of *schlott gruppe*. In the 2008/9 financial year, the paper provision ratio stood at 75.2 per cent. As a financial indicator, "value-added sales" eliminates fluctuations relating to paper supplied by customers, thus reflecting the actual sales performance.

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