



**schlott gruppe**

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## **: PRESS RELEASE**

### ***schlott gruppe* announces preliminary results for Q2 2009/10**

- > **Value-added sales and earnings for Q2 2009/10 as planned**
- > **Market environment remains extremely challenging**
- > **Cost reduction programme on track; positive effects on earnings**
- > **Negotiations with employee representatives for further essential cost streamlining continue**

**Freudenstadt, 21 April 2010.** Although *schlott gruppe* succeeded in meeting its overall targets for the second quarter of the 2009/10 financial year, the company is far from satisfied with its current situation in terms of business and market performance. As was the case in the first three months of the current financial year, the prevailing trend of the printing industry as a whole remained extremely challenging during the period under review. Sluggish demand in general together with excess capacities in the area of web-fed printing continued to exert pressure, as a result of which recovery with regard to demand and price structures has remained lacklustre. However, when compared with the same periods last year, the latest quarter-on-quarter trends would appear to suggest that the industry is gradually moving towards a trough.

Value-added sales (VAS) amounted to €40.9 million in the three months ended 31 March 2010 – the second quarter of the current 2009/10 financial year –, compared with €44.4 million in the same period a year ago. At –7.9 per cent, the decline compared with the first quarter



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(–17.8 per cent year on year) was more than halved. Aggregate tonnage fell by 3.8 per cent to 114.5 thousand tonnes, down from 119.1 thousand tonnes in the same quarter a year ago. In the previous quarter, total tonnage had fallen by 13.6 per cent in the wake of the global economic crisis. The paper provision ratio rose to 74.1 per cent, up from 70.0 per cent in the same quarter a year ago.

Consolidated earnings before taxes (EBT) stood at €–11.1 million for the quarter under review, compared with €–4.1 million in the previous year. This figure includes restructuring expense of €–4.3 million, up from €–0.5 million last year, as a result of which EBT before restructuring expense was €–6.8 million, compared with €–3.6 million for the previous year.

Turning to the figures for the first six months of the financial year, VAS declined by 13.3 per cent to €87.7 million, down from €101.2 million. Aggregate tonnage fell by 9.3 per cent to 246.9 thousand tonnes, down from 272.3 thousand tonnes in the same period a year ago. The paper provision ratio rose to 75.7 per cent, compared with 73.6 per cent a year ago.

EBT for the first six months of 2009/10 was €–15.3 million, compared with €–1.3 million in the same period last year. This figure includes restructuring expense of €–6.9 million, compared with €–0.5 million a year ago. First-half EBT adjusted for restructuring expenses was €–8.4 million, after €–0.8 million in the first half of 2008/9.

In the reporting quarter, *schlott gruppe* generated revenue of €77.7 million, down from €89.0 million; after the first six months of the



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2009/10 financial year revenue stood at €164.7 million, compared with €195.7 million a year ago.

The costs of current restructuring measures remain within budget. At the same time, the anticipated benefits from streamlining are also within the range originally targeted. As announced, the agreed capacity reductions of 20 per cent – down from 600,000 tonnes p.a. to 480,000 tonnes p.a. – were implemented over the course of the second quarter. This allowed the company to increase the level of capacity utilisation despite the decline in tonnage. The closure and partial relocation of the postpress facility in Stelle to Hamburg also remains on track.

As was the case in the first quarter, key expense items such as staff costs and other operating expense were again scaled back during the second quarter.

The *print* segment generated VAS of €40.2 million in the second quarter of the 2009/10 financial year, after €43.7 million a year ago; segment EBT before restructuring charges was €–5.6 million, compared to €–3.2 million; including these charges, segment EBT was €–6.8 million, compared to €–3.5 million. In the first six months, VAS amounted to €86.7 million, down from €99.4 million. EBT before restructuring charges totalled €–6.1 million, compared to €1.0 million, including these charges, EBT amounted to €–8.1 million, after €0.5 million in the same period a year ago. The *corporate services* segment, whose activities are restricted to providing intragroup services, remained in line with expectations both in the second quarter and in the first six months.

The outlook presented by the Management Board at the beginning of the current financial year remains unchanged, with market conditions



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expected to remain challenging and volumes projected to contract further year on year. Correspondingly, annual value-added sales are expected to fall at Group level.

The company remains fully committed to implementing its restructuring measures, and all associated targets continue to apply. Additionally, *schlott gruppe* is currently negotiating with employee representatives as regards further streamlining within the area of staff costs. However, the earnings-specific benefits to be achieved with the restructuring programme as early as the current 2009/10 financial year will not be sufficient to compensate fully for the continued pressures exerted by the industry recession and the structural problems associated with the printing sector as a whole. Against this backdrop, the Management Board anticipates that EBT is again likely to be well below break-even in fiscal 2009/10, both before and after restructuring charges. Execution of the restructuring measures will be completed by financial year 2011/12, at which time they will also show their full effect. The cost savings will be equivalent to approx. €38 million p.a.

The full interim report for Q2 and the first half of the year will be published on 5 May 2010.



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**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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