

PRESS RELEASE

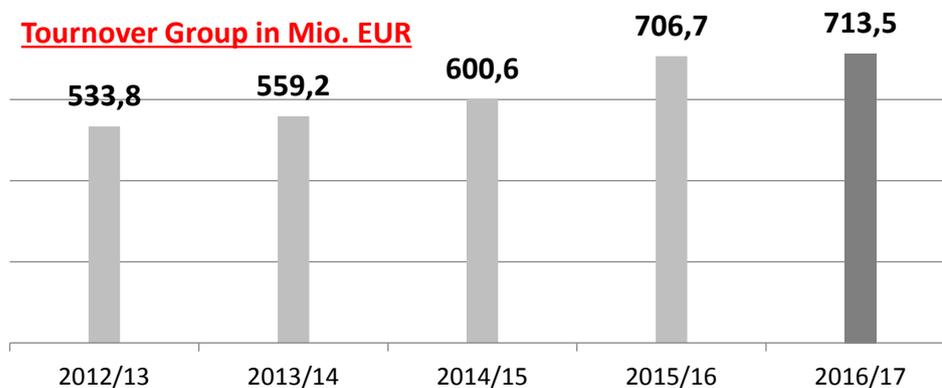
Global megatrends as a compass:

The Schwan-STABILO Group is following a determined course for the future

[Cosmetics, Writing Instruments and Outdoor are investing in future topics](#)

- Megatrends provide important stimulus
- Focus on digitalisation, economic power in Asia, transparency and employees
- 5,000 employees worldwide

Heroldsberg, October 2017. The Schwan-STABILO Group is resolutely driving the transition towards the future. “We have to keep asking ourselves what we can offer the world of tomorrow,” said executive shareholder Sebastian Schwanhäusser at today’s announcement of the balance sheet figures for the 2016/2017 fiscal year (ended 30 June 2017). The company, now in its fifth generation of family ownership, generated 713.5 million euros total turnover between its three divisions, Cosmetics, Writing Instruments and Outdoor. Cosmetics generated 364.7 million euros (previous year: 364.3 million euros), STABILO achieved 184.4 million euros (previous year: 185.2 million euros) and the Outdoor subgroup contributed 164.2 million euros (previous year: 157.1 million euros).



Still on target

“Fortunately, we’ve managed to maintain the high turnover levels of the previous year in all business areas,” explained Schwan-STABILO Group Managing Director Dr Jörg Karas, “and every division has managed to maintain their leading position despite difficult conditions.” One explanation for the developments in the different fields is the fluctuation of trends, products and individual markets. In the Cosmetics business, the major brands normalised after last year’s boom. In the writing instruments sector, the new creative techniques hand lettering and bullet journaling gained even more fans but failed to reach the hype achieved by last year’s adult coloring trend. The booming passion for hiking in Germany had a positive effect on the Outdoor division.

“We can count on the variety of our company portfolio,” concluded Sebastian Schwanhäusser, but added as a reminder: “Digital transformation in all its forms, even more pronounced individualisation of society and Asia as a growth market are still gaining momentum. That’s why the only way to guarantee our progress is by cultivating promising fields at an early stage.”

Global megatrends: a compass for a successful future

For many years, the company has used megatrends as a compass when cultivating promising fields. Live at the balance sheet press conference, examples from each of the business areas showed just how serious the family-owned company is about this.

- A purely digital diagnostic tool with a digital pen and app helps



occupational therapists in their work with their patients. For Sebastian Schwanhäusser, it is “a good example of how we are venturing into the unfamiliar digital world beyond our core business as a producer of writing instruments. Now we are utilising our knowledge as writing experts to provide an absolutely brand new solution to a problem.” Anne

Klimen, owner of an occupational therapy clinic, described what this means for her day-to-day work: “I can use it to very precisely measure and follow

therapy progress. This means I can show my patients even small steps forward in their progress. It provides a nice motivation boost.”

- Alexander Sarkissian, Digital Initiative Manager at Schwan-STABILO Cosmetics, uses augmented reality glasses to demonstrate the advantages of digital technology in production: “I can see the production machine as a 3D model in



the room. We can use this to quickly help our colleagues from all over the world with machine repairs or maintenance. And of course we can better address operational requirements even earlier, when the machines are being designed.” A definite foray into Industry 4.0 and an example of the changing working conditions and the demands made on employees. How is the family company dealing with this? For Jörg Karas, the solution is clear:

“We’re empowering our employees for a digital future!” Until now, eleven employees from across the whole company have completed or are completing an external, 18-month qualification to become “Digital Transformation Managers”.

- When it comes to the question of growing customer demand for sustainability



and transparency, another worldwide social movement, outdoor brand ORTOVOX has credible answers. The merino wool for their textiles comes exclusively from six select sheep farms in Tasmania, which allows them to promise high standards of animal welfare and trace the origins of the wool they use with precise detail.

“The focus is on the wellbeing of the sheep. For example, mulesing is not practiced at any of our six Tasmanian farms!” said ORTOVOX employee Dominik Haas. They also work closely with Swiss mountain farmers. As part of the Swisswool initiative founded in 2011, the mountain sheep are shorn by hand in the traditional manner just twice a year, in spring and in autumn.

In conclusion

At the end of the event, Dr Jörg Karas summarised: “The ability to recognise and take advantage of opportunities is part of our DNA. This means we are working on ways to expand our business models, make sure our employees are sustainably prepared for the digital revolution, and practically and successfully implement digital tools into all areas of the company. Schwan-STABILO has always been a courageous company. Today, that’s more true than ever!”

Investments, total assets and equity ratio

Martin Reim, chief financial officer, discussed the total investment of 52.2 million euros (previous year: 69.2 million euros): “Unlike in previous years, this figure does not include any acquisitions, which means our operative investments have increased by twenty-seven per cent. Despite currently low interest rates, we are adhering to our sustainable financial policy – financing investments out of our own funds. Returns from existing business give us the financial freedom for new business areas.” The total assets amount to 632.0 million euros (previous year: 564.2 million euros), the equity ratio is 48.9 percent (previous year: 50.7 percent).

Employees

5,019 people work in the STABILO Group worldwide. 2,310 employees work in Germany, around 1,935 of those at the two Franconian sites Heroldsberg and Weissenburg.

The results in detail

Cosmetics subgroup

Turnover: At 364.7 million euros, Schwan Cosmetics' sales in the 2016/2017 fiscal year matched the record-level sales performance from the previous year. However, investments increased 28 percent compared to the previous year and amounted to 40.5 million euros. These were made predominantly in the new construction project on the Czech production site and in product developments and capacity expansion in Germany and abroad.

90 years of Cosmetics: Schwan Cosmetics can look back on 90 years of cosmetic innovations. In 1927, the factory sent the first eyebrow pencils to the USA. The recipients included Max Factor, who founded the brand of the same name and popularised the term "make-up". As the birthplace of modern decorative cosmetics, Schwan Cosmetics' continuous innovation has established the pencil as one of the cosmetics industry's leading products. The company, which leads the market in this segment, has over 700 customers worldwide and in the previous fiscal year produced almost 2.5 million cosmetic pencils per day across its eleven production sites.

Products: Schwan Cosmetics product portfolio was enriched with numerous innovations in the 2016/2017 fiscal year. The Liquid department celebrated a world-wide premiere: With "The InLiner", Schwan Cosmetics has revolutionised the way liquid eyeliner is applied. A specially designed wheel applicator enables the application of eyeliner to the eyelids extremely precisely, so even inexperienced consumers can accomplish the famous "winged" eyeliner look.

Beauty 4.0: "We are smartcosmetics: Diverse – Connected – Ahead". Under this guiding principle, the company has positioned itself to completely embrace the digital future. "Our core business is and will continue to be cosmetic pencils. But the demand for digital solutions is extremely high, especially in young people," says Dr Jörg Karas. That's why in January 2017, Schwan Cosmetics founded the Schwan Digital Studio, the central contact point for all digital activity at Schwan Cosmetics. The aim is to enrich our product portfolio with business concepts and ideas from the digital world.

Processes within the company are also digitally supported to make them faster and more flexible. Karas: "In the future, we also want to successfully offer digital service, sales and logistics."

Empowering employees: Schwan Cosmetics is counting on its employees to chart a path towards digitalisation. In addition to a wide range of internal digital training opportunities, since the beginning of 2016 employees have also been able to take part in an 18-month training programme to become a "Digital Transformation Manager". The costs for this are borne by the company. Employees from different departments took advantage of the offer this year, too: "We want to provide targeted support for employees who have a pioneering spirit, who think outside the box and who want to work with us to promote the digital future of the cosmetics industry," says Dr Jörg Karas.

STABILO subgroup

Turnover: The STABILO brand writing instruments division generated revenue of 184.4 million euros and grew more strongly than its competitors despite declining markets in Europe. The decline of the adult coloring trend, particularly in North America, was cushioned by the subsequent creative DIY hand lettering trend. The STABILO BOSS ORIGINAL Pastel highlighter proved to be a global sales hit. The courageous decision to do away with the core properties of the highlighter – namely bright colors and bright inks – resulted in our highest number of recommendations on social media and long queues outside stores.

Products: The STABILO BOSS highlighter, which has been sold over two billion times since 1971, was released as a pastel version for current DIY trends such as hand lettering and bullet journaling. An important milestone in digitalisation came with the introduction of the first digital analysis tool with a pen and an app. While writing, the pen collects data about writing pressure, angle, duration, frequency, and degree of handwriting automation, and sends this information to the accompanying app for analysis.

Education: The business areas, “digi-vision” and “STABILO Education” have become increasingly important. Findings from cooperation with occupational therapists also fed into the development of new products. In the field of education, exercise books (both as analogue and e-books), were introduced to the portfolio, which is targeted at parents and teachers.

Digitalisation: Social media engagement and virtual events gained in importance. For example, around 3000 viewers watched a STABILO hand lettering course live on Facebook; since then, clicks and shares have brought this total to 150,000 views. In e-commerce, a new web presence helped to increase the share of the online shop.

Outdoor subgroup

Turnover: The Outdoor subgroup continued to be successful with its highly specialised brands Deuter, ORTOVOX, Maier Sports and Gonso. Turnover amounted to 164.2 million euros (previous year: 157.1 million euros). For Martin Riebel, Managing Director of the Outdoor subgroup, this was “a pleasing 4.5-percent increase in turnover that we were able to generate despite strong competition, digitalisation and sector-wide consolidation.” Two social trends had particular influenced on this success. Firstly, the booming passion for hiking, which has become a popular hobby, particularly for 30 to 49-year-olds. According to the Deutscher Wanderverband (German Hikers’ Association), around 40 million Germans class themselves as “leisure hikers”. Many of those invest in outdoor clothing. Martin Riebel explains: “People are looking for a way to unwind in nature on weekends and on holiday, in order to balance out their hectic everyday schedules. Our four brands Deuter, ORTOVOX, Maier Sports and Gonso offer the perfect products for this purpose. Every one of our brands is clearly positioned and addresses a very particular target group!” Secondly, the increased customer demand for sustainability and transparency, especially when it comes to outdoor clothing, guarantees increased product demand for brands that have a credible response to this issue. Maier Sports and ORTOVOX have particularly benefitted from this.

Products: Maier Sports was able to expand their position as a company specialising in perfect fit in the sport and outdoor market. The size and fit concept for pants, with 50 clothing sizes for men and women, was also applied to their range of jackets. A new collection (Ski Crossover) was developed for the changing climate conditions in winter sport regions. Cycling clothing expert Gonso targeted its portfolio more strongly towards the needs of cyclists who want functional equipment without high-performance features, such as people who cycle to work or those who go on bike tours. The ORTOVOX brand further expanded their commitment to sustainability by working closely with sheep farmers in Tasmania and Switzerland. In the field of avalanche safety – the company’s core business when it was founded – ORTOVOX is now the official outfitter of the Verband Deutscher Berg- und Skiführer (German mountain and ski guide association), supplying everything from emergency equipment to clothing. Backpack specialist Deuter is celebrating the ten-year anniversary of its policy of creating models specifically for women. The women’s backpack collection is adapted to the female anatomy and as such ensures a secure and comfortable fit. Professional athletes collaborated on the development of the “SL line”.

The Deuter flower, a yellow lily which is attached as an accessory to all women's backpacks, has achieved cult status in the world of female outdoor sports. A collection for climbers and alpinists (Gravity) expanded the Deuter range.

Awards: ORTOVOX have been impressive in the skiing segment with the AVABAG avalanche airbag system. The jury at the ISPO Awards 2016/17 selected it as the "Product of the Year". The German Design Award 2017 in the category "Excellent Product Design" was won by both Deuter (for the Aircontact trekking backpack) and Maier Sports (for the Jacob/Solveig hiking jackets).

Digitalisation: Massive investments in marketing and e-commerce projects improved direct communication with customers and made it easier for them to shop online, where specialist stores are still considered as important.

Contact:

Schwanhäuser Industrie Holding GmbH & Co. KG
Marion Korbelt, Public Relations
Schwanweg 1, 90562 Heroldsberg, Germany
Tel. +49 (0)911 567-1315
Email marion.korbelt@schwan.stabilo.com
www.schwan-stabilo.com