

PRESS RELEASE

Schwan-STABILO focuses on innovative products and sustainable growth Despite consumer slowdown

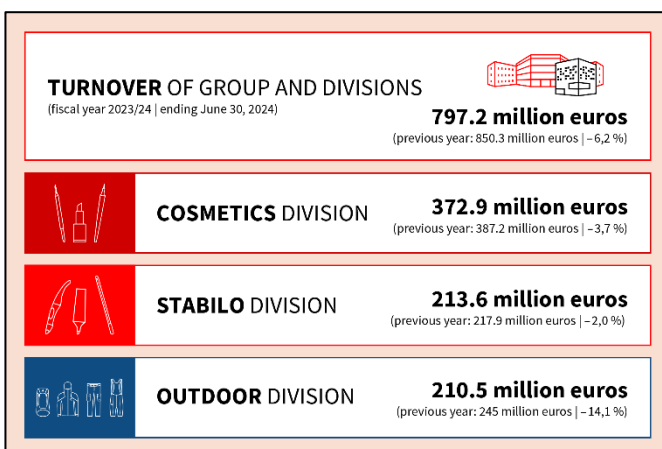
- Group: Decline in sales after record years
- Cosmetics: customers more more reserved regarding make-up
- STABILO: Pencils under price pressure worldwide
- Outdoor: Not enough winter for business

Heroldsberg, November 20, 2024 - Developments in the consumer goods market have shown a mixed economic situation in Germany, Europe and on a global level for some time now. Thus geopolitical uncertainties and a cautious social mood have significantly slowed down private consumption. In the retail sector, full warehouses after coronavirus and higher interest rates led to fewer orders. In terms of the economy, innovation remains the key driver of growth and stability, and customer awareness of sustainable products is still growing noticeably.

The Schwan-STABILO Group, with its three highly consumer-oriented business areas – pens, cosmetics and outdoor – felt the full force of the consequences of consumer and trade partner reluctance to buy in the past financial year 2023/24 (as of 30 June 2024). After exceptionally successful previous years, sales amounted to EUR 797.2 million, a decrease of 6.2% compared to the previous year (EUR 850.3 million).

Schwan-STABILO Group sales by division

For the first time, all three division experienced a challenging financial year, with the first half of



2024 characterized by a difficult economic environment. Cosmetics recorded a decline in sales of 3.7 percent.

STABILO's pencil business was close to the previous year's level with a decline of 2.0 percent, close to the previous year's level.

The outdoor segment was hit the hardest with a decline of 14.1percent.

Sebastian Schwanhäußner, CEO of the Group, remains optimistic:

"Of course, after the successful years we have had, this is not a satisfactory result, and we have had



better conditions in the past. These are not the best of times for us as a family-owned consumer goods company. But as an entrepreneur, you have to be optimistic. I am convinced that products with good ideas and solutions will always be in demand. Lamenting and complaining won't get us anywhere. We'd rather put that energy into innovation. All three of our business units serve needs that are highly relevant in these times. On the contrary: creativity, personal well-being and outdoor experiences are global megatrends. Consumer goods are basically the stable world on which we can build, even in tougher times.

Schwan-STABILO is globally successful with products that never cease to surprise us with new ideas and solutions. Now is the time to dare to come up with great innovations again. This is also anchored in our corporate strategy. We have no shortage of ideas and topics, and our teams in all three business divisions worldwide are working intensively on them. Up to now, we have been able to rely on our inventiveness and innovative strength. It is precisely this forward-looking strength with which we will celebrate our 170th anniversary next year."

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Anke Buttler, CFO of the Group, on financial challenges and future plans

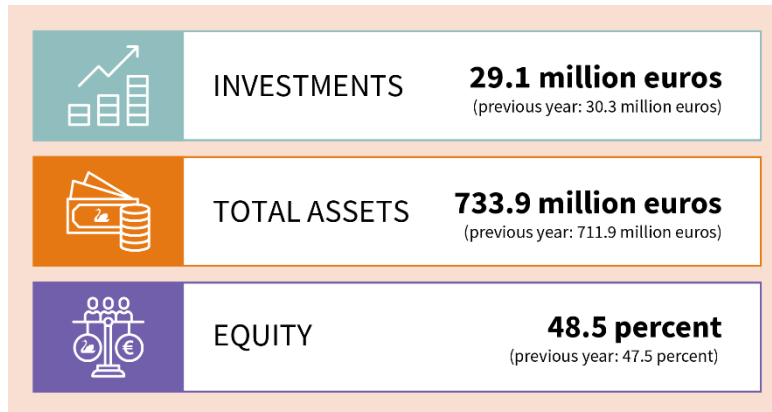
"Weak consumer confidence, geopolitical uncertainty, a poor ski touring winter, high insolvency



rates in the sports retail sector and rising labour costs clearly show how important it is to keep a close eye on costs. Of course, we are continuing our long-term initiatives to shape the future, for example in the areas of digitalization and sustainability, to which we, as a family-owned company, feel particularly committed. Although legal requirements are placing a lot of demands on companies, but according to recent studies, fewer and fewer consumers are willing to pay a higher price for sustainably produced products. From a financial perspective, this is an economic balancing act that, like many other current challenges, must be overcome. We have made

great efforts to maintain and expand the leading market positions of the three divisions through innovative products, while at the same time working on efficiency and cost savings. Despite all the current hurdles, our goal remains clear: we want to continue to grow as a corporate group and strengthen our position in the most important markets."

Investments, balance sheet, equity

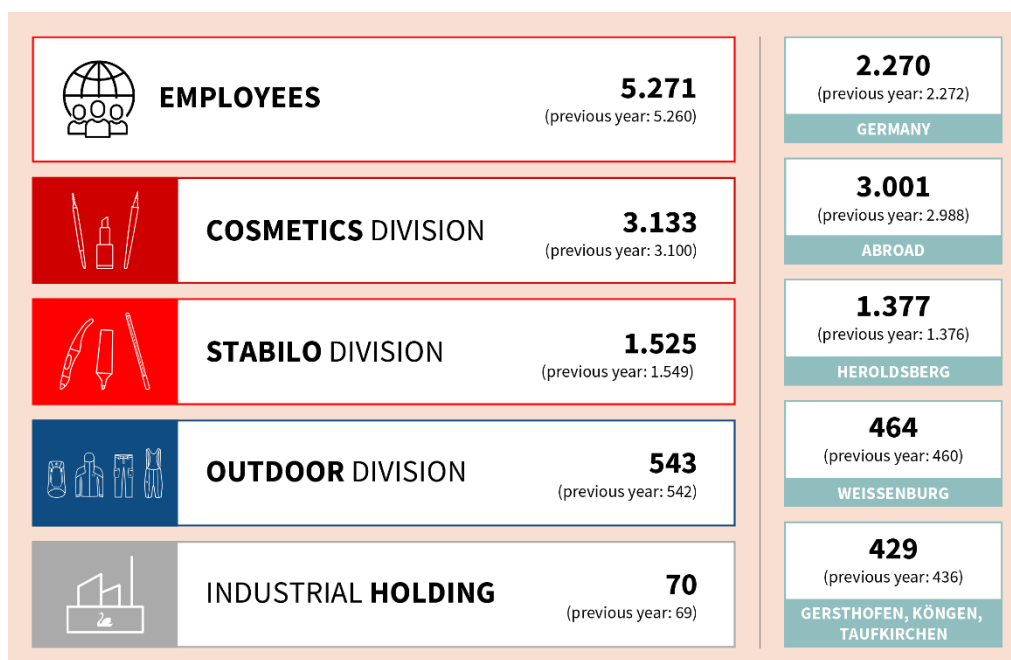


Investments in the financial year remained at roughly the same level as the previous year. EUR 17.2 million was invested both at the locations in Germany and abroad with EUR 11.9 million. A significant portion of the funds was invested in photovoltaic systems to promote the company's sustainability and efficiently cover its own energy requirements. Thanks to 5,000 solar panels at the company headquarters in Heroldsberg, a third of the site's total electricity requirements have been self-generated since fall 2024.

The long-term initiatives to shape the future – Asia, Digital, Sustainability and Corporate Culture – also remained on track.

Number of employees in Germany and abroad

There were hardly any changes compared to the previous year.



Tomás Espinosa, CEO of Schwan Cosmetics

He discusses the challenges and successes of the past financial year, the importance of sustainability and innovation, and the strategic measures the company is planning for the future:

“In the 2023/24 financial year, the Cosmetics subgroup recorded a decline in sales of 3.7 per-



cent to EUR 372.9 million (previous year: EUR 387.2 million). But after two years of almost 40 percent total growth, which is three times as strong as the market, this was not surprising for us. We had anticipated a flattening of growth and taken appropriate measures. The main reasons for the decline in sales were the reduction of high inventory levels at customers and a slowdown in consumer demand. The loss of sales was spread across the globe: in Europe and the Middle East, we were able to grow thanks to our broad customer base, while in North and South America we suffered losses.

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Measures taken, innovation process and new products

Through targeted improvements in production and purchasing, we were able to mitigate the effects of the decline in orders. At the same time, we have invested even more resources in research and development to convert all our core products to environmentally friendly, ideally sustainable organic materials as quickly as possible. As a result of our sustainability efforts to date, we were awarded gold status in corporate responsibility/CSR by the international rating platform EcoVadis, a certification that is important to us and our customers alike.

Thanks to an optimized innovation process and closer global collaboration between



our locations, we will be significantly faster in the future in developing new product lines and expanding existing ones. This is a decisive factor for customer loyalty, especially as the indie segment, which is heavily promoted via social media, is constantly bringing new products to the market. Products for lip and face make-up are still in particular demand – two areas in which we did not previously have a leading position. However, our early trend analyses have paid off. In our traditional business areas for eye and eyebrow products, we have seen a further decline in sales.



Sustainable packaging strategy

In addition to the cosmetic mass, which provides color and texture in lipsticks, eye pencils, eyeliners and concealers, the packaging must also be right. The casings and capsules are made of plastic to store the often expensive mass in a safe and durable way and to allow for easy application. A recently developed packaging strategy is designed to satisfy the growing demand for sustainable materials. We are working intensively to develop alternative materials such as recycled plastic and bio-based materials that fulfill strict technical requirements in order to meet the strict quality standards of the cosmetics industry. The plant in Weissenburg is being expanded into a global competence center of excellence to produce plastic parts.

Outlook

All these measures for product and process innovation, efficient cost management, the development of international markets and the consistent implementation of our corporate strategy are significantly strengthening our innovative power. This gives us great optimism that we will grow again in the future, provided that market conditions remain stable."

Horst Brinkmann, CEO of STABILO

Looking back on and ahead to the past financial year, he describes the challenges posed by the economic downturn, the company's strategic direction up to 2030 and the progress made towards sustainability.

"It has been a very challenging year for STABILO. STABILO recorded a turnover of 213.6 million



euros in the last financial year 2023/24, which reflects a slight decline of 2.0 percent. Despite rising incomes in real terms in Germany, consumers continue to hold back. In particular, the medium price segment has come under severe pressure to offer its products at ever lower prices. As a result, the economic downturn led to a decline in demand in our key European markets, with only our sales in Germany growing. In addition, retailers have built up large inventories that that first need to be sold off, which also had a negative impact on our new business. We were able to cushion the impact to some extent with measures to

increase efficiency and cut costs.

Strategic orientation and investments

Two years ago, we defined the framework for our future direction with the "STABILO 2030" strategy. One of the focal points is e-commerce, which today makes a significant contribution to sales and which we want to expand even further. Through social media such as TikTok and Instagram, we are already reaching consumers in around 35 countries; social commerce is



becoming ever more important, particularly in China. This also applies to products and collaborations with other brands, in providing consumers with more than the huge range of pens that are primarily sold on price.

The best example of our success is the latest limited edition of the iconic STABILO BOSS ORIGINAL highlighter, which was given a designer look. It was the result of our collaboration with luxury fashion brand Dolce & Gabbana — a perfect match for both houses.

Uniqueness, a passion for colour and a strong identity are important characteristics for both companies. It is with good reason that we have firmly anchored our commitment to the brand at a strategic level.

In addition to our analog product world, we have been developing digital products for years, for which there is an increased demand – with great potential for further growth.

Megatrends as guard rails and drivers

To future-proof STABILO as a global brand, it is important to understand consumer needs and to take



advantage of long-term trends. We therefore asked ourselves which technological, social, ecological, political and economic developments will shape the markets in the coming decades. From this, we identified three global macro-trends: lifelong learning/playful creativity/social and mental well-being. These three trends have an impact on our entire

company – from defining new business areas, to product development and brand communication, to production and human resources development.

Sustainability is making good progress

Bioplastics, cardboard and green electricity: with these measures, we have made significant progress on our journey towards sustainability and expect 2025 a CO2 reduction of around 50 percent compared to the fiscal year 2016/20. Along with energy supply, the materials that STABILO uses for its products and packaging are crucial factors. Specifically, an important material changeover was achieved for two volume products, whose sleeves are now made from bioplastics. For packaging, we are increasingly using cardboard instead of mixed plastics to improve recyclability and reduce CO2 emissions.

Outlook

We want to tempt buyers instead of fighting for discounts: that is our way! I am convinced that STABILO can set these impulses as a brand. Strategically, we are well prepared for all market developments and plan to grow again in the medium term.”

Martin Riebel, CEO of the Outdoor segment

He provides a comprehensive review and outlook and explains the challenges of the past financial year, the strategic orientation and internationalization of the brands as well as the progress made in product innovation and sustainability.

" In the Outdoor subgroup, we suffered a 14.1% drop in sales to EUR 210.5 million in the past



financial year. After the particularly good development of the outdoor industry over the last ten years and our record result of over 245 million euros in the previous year, the market was now saturated. This led to high stock levels, aggressive promotional sales and lower margins. There was also a record number of insolvencies in the traditional retail sector. This was exacerbated by unfavorable weather conditions, which, together with the economic environment, contributed to the decline in sales of all four brands: deuter, GONSO, Maier Sports and ORTOVOX.

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Strategic orientation and internationalization

Despite the difficult year, our employees have done a great job. All four outdoor brands have further developed their strategy and sharpened their respective profiles. In terms of product management, design and development, we have placed a strong emphasis on the innovative development of collections and products. The demands on function, safety, comfort and sustainability are, logically, particularly high in our sector.



Each brand was able to convince with market innovations. ORTOVOX, for example, launched



the electronic avalanche backpack *Litric* and strengthened its brand core with a collection for mountain rescue workers.

deuter scored in this high-profile niche market with the backpack series *Alproof*, designed for ski tourers and freeriders.

Maier Sports convinced with contemporary products such as the jacket *Ledur 3LM* and a completely redeveloped freeride collection.

GONSO was able to set new trends in the cycling

apparel market with its *SITIVO THERM* collection. There will be a brand relaunch in its summer collection.

Internationalization also progressed, with great potential in markets such as China, France, Italy, the USA and the UK. The subgroup grew particularly strongly in China. The e-commerce business also performed well. Since fall 2023 deuter has had its own subsidiary in the UK and Ireland as our ambitious goal is to establish deuter as a premium brand in the UK as well. The UK is the second-largest outdoor market in Europe, so competition is correspondingly tough.

Investments

Our ERP IT project, the largest investment in the Outdoor subgroup to date, is aimed at future-proofing. Since 2019, we have been working across all brands to improve speed, efficiency and processes in order to equip ourselves for all future operational, normative and legal requirements. A significant milestone was reached last year when the new system went live at Maier Sports. Other brands will follow.

Outlook

What once started as a small trend has now turned into a necessity for many people: spending time in nature and being active outdoors – an ideal analogue balance to an increasingly digital life. In this context, we want to be a reliable companion with our outdoor brands.

Overall, we are very confident that next year will be headed in a better direction. In particular, we see great potential in e-commerce and in focusing on international markets.