

## **Insolvency procedures of Gebr. Märklin & Cie. GmbH**

### **Märklin back to profits in 2009**

- **EBIT climbs to 12.4 mn € Euro**
- **Restructuring process is to continue**

Göppingen, Nuremberg, GERMANY, February 5, 2010. One year after opening insolvency procedures (March 31 – Feb 01, 2010), the insolvent company Gebr. Märklin & Cie. GmbH has achieved a record profit with an EBIT of 12.4 million Euros, thus significantly exceeding all forecasts and expectations. „We are proud of this achievement“, says Michael Pluta, the insolvency trustee for Gebr. Märklin & Cie. GmbH, at today’s press conference held by the company at the Nuremberg toy fair. “We particularly thank the employees at the two plants in Győr and Göppingen, whose exemplary commitment has made this success happen.” Also, the cash ratio situation could be held stable during the whole year. For the first time in years, it has been achieved to ensure the financing of the company from the cash flow, both during the usually low-sales summer months and during the boom period around Christmas time. „Further ensuring the cash flow will be one of the focus points of our work in 2010“, says Pluta.

The annual turnover in the fiscal year 2009 (Jan 01, 2009 until Dec 31, 2009) amounted to approx. 111 million Euros, which is 10 million Euros short of the plan created in February 2009. “In this process, we have relinquished approximately 12 million Euros in turnover by canceling orders that were existing, but that were not economically reasonable“, says Pluta. „Due to the extraordinary positive response to our latest product innovations, we see potential for increasing the turnovers in 2010.“

By the end of the year, Märklin employed 1,020 people, out of which 500 were based in Göppingen and 520 in Győr, Hungary. “We believe that the current staff structure and the number of employees puts us in a perfect position, and we have no plans for changes in the HR sector“, says the trustee.

Regarding the investor process, Pluta said that multiple candidates are still in for the race, but he does not wish to make any forecasts at this point. An investor will still have to fulfill all the criteria he has mentioned before. This includes the investor’s commitment to keep up the two production sites in Göppingen and Győr. “The investor will have to declare his sustainable commitment, he will have to present a suitable management concept and he will have to continue the keystones of the insolvency administration. We are neither willing to nor will we realize a short-term sales success at the expense of the employees“, says trustee Pluta. Potential investors will have to be able to provide a financing volume of 100 million Euros minimum, with the sales price still being at a minimum of 60 million Euros. The goal still is to achieve an asset deal. “We are under no pressure whatsoever regarding the time of selling the company. I have always emphasized that a deal might be possible by October 2009, but I have also stressed that this is not a must. My paramount goal always was to restore Märklin’s good position in the market. This is what we have achieved, and we will continue to improve all areas in 2010 and 2011“, Pluta said.

#### **Restructuring process to continue in 2010**

The 2009 restructuring process included all business areas across the company; it was and still is a head-to-toe reorganization and restructuring process. Visible measures that had a quick impact included reducing the number of Managing Directors from three to one, who was installed by the trustee, and reducing the number of divisions and division heads who report

directly to this Managing Director from 13 to only 5. Implementing the restructuring concept required major HR adaptation measures in March 2009, in the course of which the number of employees has been reduced from 1,417 to 1,020. The Nuremberg plant has been completely shut down. The product portfolio has not been reduced, and still includes all track widths and the Märklin, Trix and LGB brands.

In 2009, the trustee has concluded a long-term rental contract for a new finished goods warehouse. Moving to this new warehouse will be finished by the middle of this year.

The ongoing restructuring process will be strictly continued over the next year in order to implement additional, already defined improvement potentials. The trustee wants to be able to present a potential investor with a restructured and well-positioned company which, based on a stable and well-balanced product and market strategy, will provide good profits that can be used as a basis for the new owner to expand into new markets and develop new products.

Marketing and sales activities to be extended – focus on new countries

Märklin's key markets are Germany, Switzerland, Austria and Benelux. Germany is the biggest contributor to turnovers with about 70%, followed by Switzerland and Benelux. "In 2009, stabilizing the key markets was what mostly contributed to success", says Lars Schilling, Director of Marketing and Sales. "We want to achieve new growth by regaining additional distribution points at toy stores and by expanding export market shares. "

The most successful product lines in 2009 have been the limited editions that were launched for the 150 years' anniversary and the innovations released over the past year. This year, Märklin has introduced 250 new products at the Nuremberg toy fair, including absolute novelties such as the TGV record train and new starter packs, which are the only plug-and-play beginner's packs for children and adults in the market, using a newly developed control unit and corresponding equipment. These innovations, together with the roll-out of an online community platform for model toy fans, along with the launch of the "Märklin TV" web-based TV channel, will generate even more growth.