

Ad hoc announcement from 14.10.2005

### **The Neschen AG expects a weaker 4th quarter**

As of Sept. 30th 2005, the Group turnover was €104.6M, approx. 1% below plan and at last years level (104.9M). The September turnover expectations were not realized. Nevertheless, the gross profit margin is above the 2004 yearend level. The low-margin foam board business in the USA has been discontinued. This is a further step to increase the overall margin. The planned restructuring measures for 2005 are virtually complete. The closing of the finishing plant in Raalte, The Netherlands, was delayed due to legal proceedings. The delay generated additional costs to the amount of T€ 700.

Due to the deviation from plan in September, the turnover prognosis for the 4th quarter will be reduced by approximately €3.0M. With a turnover of € 136M, Neschen expects an operative loss of € 2.0M (previous year € -8.6M). This is taking into account the extraordinary restructuring costs of €7.2M. This result is due mainly to the companies Seal UK and Seal Graphics America, which have reduced there losses in comparison with the previous year but have nevertheless failed to reach the planned yield. Short-term measures to increase the margin in both companies are planned. The break-even point for the year 2006 has been greatly reduced due to the increased gross profit margin and the 7-figure cost reduction. The Management expects a positive result in 2006.