

Press release

Insolvency proceedings of Gebr. Märklin & Cie. GmbH

Creditors' meeting approves of insolvency plan

- Thanks to the past 2 years' good business, creditors receive immediate 33 mn € payment

Göppingen, Germany, December 21, 2010. Out of all creditors with voting power, 99.8 percent have voted in favor of the insolvency plan at today's creditors' meeting. Abstentions were 0 percent. 0.2 percent voted against the approval.

The insolvency administrator Michael Pluta expects the plan to be set into effect as of Jan 01, 2011. After today's approval by the creditors, the only thing left required is the approval by the financial authorities and by the city of Göppingen.

In the scope of this payment, the unsecured creditors receive approx. 10 percent of their claims immediately. The plan also provides a 100 percent coverage of the remaining claims if the company can be successfully sold. Pluta says that successful business over the coming years will also provide a good and appropriate sales price for the company. All stakeholders agree the investor process to be continued without any pressure for selling.

Pluta emphasizes that this payment also includes the full severance scheme costs for the employees who have left the company in 2009 and 2010.

The amount mentioned is available primarily because business operations during the last two years, since the insolvency proceedings were opened, were constantly positive. Pluta indicates this is a key requirement for the company's stable future. Moreover, stock overheads were sold continuously sold at reasonable price points. Stringent claims management allowed for a sustainable reduction of uncollected receivables. Pluta also says it has been helpful that no interest rates had to be paid to the financing creditors during the insolvency, and that neither corporate income tax nor trade tax had to be paid because there were corresponding allowances for losses.

According to Pluta, the provisions of the insolvency plan will result in all creditors being in a far better position than if the company had been broken up; moreover, he stated that all offers presented in 2009 would have led to a worse quota for the creditors.

Customers and staff

Pluta explained that the customers' and dealers' loyalty, plus the entire Märklin staff's commitment, were key factors over the past two years for achieving this result, which can fairly be called unique. The company now has the chance for continued and good development, based on the medium-term business planning featured in the insolvency plan.

Ernst & Young confirm Märklin is fit for the future

Märklin's medium-term business planning builds on the actual figures for 2010 and forecasts a continuous average annual growth in turnover of approximately 2.5 percent over the next years. New business fields have been clearly defined for this purpose as well. Moreover, these years will see large investments into sales activities, production and development. These plans were very thoroughly reviewed by an independent auditing company. Ernst & Young have explicitly and completely confirmed the feasibility of these plans.

Current situation

With respect to various press releases over the past few days, Pluta also addresses the company's current situation. He confirms that the original 2010 turnover plan with 115 mn € will not be achieved; he stresses that the analysis of the reasons for the weak turnovers has revealed a broad range of insolvency-related causes. This was the reason why the insolvency plan has been pushed during the recent months. Also, the known problems with a supplier took some part away from 2010 turnovers.

After these difficulties were identified at an early stage, the company has adjusted their entire cost structure to the reduced expected turnover in the second half of 2010. The result of these efforts will be a guaranteed achievement of the originally planned EBIT result. For 2010, Pluta expects the EBIT to be a good 9 mn €.

Future company structure

Different from the asset deal, which was originally planned to take place if the company was sold, former Gebr. Märklin & Cie. GmbH will continue to legally exist when the insolvency plan enters into effect. De jure, the company shall remain under the supervision of Märklin Holding GmbH; factual owners shall be the creditors until the company is being sold. The plan is to establish a three-person prudential committee to support and to monitor the management; members of this board will include a representative of the creditors as well as Michael Pluta and the hitherto managing director, Dr. Kurt Seitzinger (as the chairman).

New Märklin will start with off with an equity ratio of almost 30 percent, which refers to a balance sheet total of approx. 76 million €. This is significantly more than the majority of medium-sized businesses in Germany have, Pluta says. In this context, Pluta points out that at the time when insolvency was filed, the company had to state a negative equity of 46 million €. Therefore, Märklin has managed to improve their equity situation by approximately 70 million € in less than 2 years, Pluta proudly explains.

Finally, Pluta also states that only very few companies that slipped into insolvency ever get such a great chance for a new beginning. One consequence of the fact that there is

no new, external owner is that no royalties or payments will have to be made to such an owner. These amounts can now be fully used to secure the future.

The Märklin employees have clearly understood this chance, expressing so by 100 percent approval for the insolvency plan presented, despite the fact that they will have to make significant contributions to the restructuring over the next 4 years. For this purpose, a corresponding collective wage agreement was concluded already in August this year.

Information about PLUTA Rechtsanwalts GmbH:

PLUTA Rechtsanwalts GmbH is part of the restructurers and continuers among the insolvency law firms. With far more than 250 new insolvencies in 2009, and 30 appointed receivers in insolvency throughout 26 offices in Germany, Italy and Spain, PLUTA Rechtsanwalts GmbH is, according to JUVE, among the leading German insolvency law firms. For more information, please visit: www.pluta.net

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