

## **Trading Statement**

International Greetings PLC (“International Greetings” or the “Company”), the designer, manufacturer and distributor of greetings, stationery and licensed published products, today announces an update on its strategic review, current trading and future prospects.

### **Strategic Review**

As stated in the Interim Results announcement on 13 December 2007, the recently restructured Board of International Greetings has been conducting an extensive review of its operations, with particular emphasis on the difficulties being experienced in the UK Greetings Division. Based on initial findings, it is now clear that the UK manufacturing facilities, together with those in Eastern Europe and China, cannot in their current form deliver acceptable profit margins. With immediate effect, these manufacturing units are being restructured which will lead to a rationalisation of the business, and in due course certain fixed assets will be disposed of. In future, the UK Greetings Division will have a market-led rather than volume driven business model, and this revised approach should deliver stronger margin levels more in line with the Group’s other UK trading activities.

In addition to the UK Greetings Division, all other businesses within the Group have been reviewed. It is the Board’s intention to focus on its core profitable activities and to exit those businesses which are either not performing to expectations or are considered not of strategic importance for the future.

With the Group’s focus now on maximising the potential of existing businesses including recent acquisitions, International Greetings now has a strong platform to achieve growth organically in all its geographical territories of operation.

The reduction of in-house manufacturing in the UK Greetings Division will lead to a significant decrease in capital requirements and expenditure from previous levels.

### **Current Trading**

Since the announcement of the interim results, it has become clear that the trading performance of the Group in the current year will be worse than anticipated. The key factors are a reduction in the final uptake of Christmas goods in the latter part of December, the slowdown in consumer spending during the first quarter of this calendar year, and following the review of the UK Greetings Division, much worse than

expected results for that business. Elements contributing to this Division's poor performance include manufacturing inefficiencies, additional freight costs, higher than anticipated bad debts and increased stock provisions due to reduced Christmas orders. As a result, the Directors anticipate that International Greetings' financial performance before exceptional reorganisation costs and other items, will be significantly below market expectations for the year ending 31<sup>st</sup> March 2008.

In light of the current trading position and anticipated full year outlook, the Board has decided that it would be inappropriate for them to recommend a final dividend for the current financial year. Thereafter, the Company would anticipate resuming paying dividends on a progressive and sustainable basis.

### **Future Prospects**

The Group is now in its selling season for Christmas 2008 which will be reflected in the March 2009 year end results and early indications have been encouraging. The forward order book in those unaffected areas of the business is looking strong illustrating the resilience and defensive nature of these businesses within the Group. With the reduction of the cost base and refocus of the UK manufacturing division, a significantly improved performance is expected from this area of the business.

In the USA, the merger of Glitterwrap Inc into the existing operations is proceeding well, on time and within budget, and the synergy benefits of this merger are expected during the next financial year.

### **Conclusion**

Following this major review of the business, the Board of International Greetings is committed to resolving the short term difficulties in the UK Greetings Division, and ensuring that all other businesses within the Group are clearly focussed on delivering to their maximum potential through first class product innovation and service to its customers.

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