2 June 2009

St Ives plc - Interim Management Statement

St Ives is today publishing its Interim Management Statement covering the period since its half yearly statement for the period ended 30 January 2009 which was issued on 31 March 2009.

Total sales for the 39 week period from 2 August 2008 to 1 May 2009, on a continuing business basis, were 2.7% greater than for the equivalent period for the previous year. Sales from the previously announced contract wins for Royal Mail and Sainsbury's went some way towards offsetting the deterioration of revenues in other areas. However, the mix of sales was less beneficial as the bought in elements of materials and outwork increased disproportionately, resulting in lower added value. The US Division was sold on 22 January 2009 and has been treated as a discontinued business. Sales from the US operations for the current period and comparatives for the prior period have been adjusted accordingly.

Overall market conditions continue to be extremely challenging, visibility remains short, prices are under severe pressure and net margins are depressed by under utilisation of capacity. Against this background we are making significant progress with our actions to reduce costs and improve labour flexibility in order to meet the very demanding market conditions.

Since 31 January, demand for books has been modestly ahead of the same period last year as we continue to increase market share and sell more added value services. However, net margin percentage has fallen slightly as publishers reduce specifications to lower their costs.

In magazines, we continue to gain new titles but these wins have been insufficient to overcome reductions in paginations, closure of titles and continued price pressure, in a market that has shown further significant deterioration since our announcement on 31 March. The outlook remains extremely challenging, with no prospect of improvement in the short term. Consultation is underway at our Andover plant to close its total production capacity which involves a proposed headcount reduction of approximately 100. This is in addition to the reduction in manned capacity announced in January which has already reduced headcount by a similar amount.

Demand for direct response and commercial products remains volatile and subject to price pressure. Sales to multimedia markets, particularly music customers, continue to fall. Sales of commercial printing arising from group sales efforts and cross selling to existing group customers have been beneficial but, in total, these have been insufficient to offset volume and price reductions. Sales continue to increase from our print management offering. However, whilst useful, the majority of these are for bought in products and not for our own manufacture. Consequently, consultation is in progress to close the site in Crayford which, if implemented, will reduce headcount by around 110.

Exhibition and outdoor media sales remain somewhat below last year in volume and price as customers continue to moderate this area of discretionary spend. Our central London operations have been consolidated into the Wandsworth site. This, together with actions already taken, will lower headcount by around 40 and reduce associated costs.

Overall demand for point-of-sale services continues to run ahead of last year although net margin percentages are being squeezed due to market overcapacity, pricing pressure and shorter lead times, making optimal utilisation a challenge. Customers' campaigns have tended to be smaller but more frequent as marketeers seek ways to stimulate sales.

Operating cash flow remains robust. In the short term there will be a cash requirement to fund the cost reductions referred to earlier, the benefits of which are expected to be realised within an 18 month period, mainly in the next financial year. Any surplus property and plant will be sold although in the current economic environment these sales may take some time to realise.

The economic outlook is likely to adversely affect volume and margins, particularly in magazines, exhibition and events and general commercial printing. Consequently, we now expect that the operating results for the year ending 31 July 2009 will fall substantially below market expectations. However, while we continue to keep all aspects of the business under review, management actions already taken and those in progress, as outlined above, together with our strong balance sheet and well invested facilities, will enable us to tackle the current challenges and stand us in good stead when market conditions improve.

For further information please contact:

St Ives plc 020 7928 8844

Patrick Martell, Chief Executive
Matt Armitage, Finance Director

Smithfield 020 7360 4900

John Antcliffe
Rupert Trefgarne