

10 June 2008

Communis plc

Proposed sale of Bath Businesses for £12.80m

The Board of Communis plc (“Communis” or “the Company”) (RIC: CMS.L), the leading provider of print and marketing communication services, announces that it has conditionally agreed to sell its operations in Bath (“the Bath Businesses”) to the Bath management team (“the Purchaser”). The total consideration of £12.80 million will be payable in cash with the first instalment of £8.20 million being payable upon completion and the remainder payable in further instalments to 1 July 2012.

About the Bath Businesses

The Bath operations comprise Communis’s Bath Business Forms and Economailer businesses. The Bath Business Forms business manufactures business forms stationery for a number of clients from its factory in Midsomer Norton, near Bath, Somerset. The Economailer business is a small sales force for specialised payroll products, largely manufactured at the Bath Plant.

For the year ended 31 December 2007, the Bath Businesses reported profit before taxation of £1.55 million and as at 31 December 2007 had gross assets of £22.29 million. Net assets at the time of disposal are expected to be £8.25 million. Goodwill attributable to the Bath Businesses is £3.52 million.

Reasons for the proposed disposal

The Bath management team made an approach to the Board concerning the proposed transaction. This approach has been evaluated by the Board on the basis of three factors: (i) the likely future performance of the Bath Businesses were they to remain within the Group; (ii) the degree of fit between the Bath Businesses’ operations and those of the rest of the Group; and (iii) the future strategy of the Board as a whole.

The Bath Businesses operate within a highly commoditised and very competitive area of the print market. In contrast to much of the rest of Communis’s business, it is difficult to add value to the Bath Businesses by the use of consulting, technology or services-based propositions. Although profitable currently, the level of profits made by the Bath Businesses has been declining year-on-year for some time due to market pressure. The overall strategy of the Board is to concentrate on improvements in customer communication, centred on the marketing process. In this context, the Bath Businesses are the parts of the Group that relate least to this strategy.

For these reasons the Board felt it appropriate to dispose of the Bath Businesses for a cash consideration. In so doing, it allows the Board to concentrate investment on those parts of the Company that are growing and fit best with the strategy. The disposal will also mean that Communis will avoid ongoing restructuring spend associated with the reduction of costs at the Bath Plant that might have been required due to its place in a declining market.

Consideration and terms

The consideration for the proposed transaction is £12.80 million, with £8.20 million payable in cash on Completion subject to a Completion accounts adjustment which provides for a pound-for-pound adjustment in the event that the net assets of the Bath Business at

Completion is more or less than £8.25 million, and £4.60 million of deferred consideration, payable by the Purchaser in instalments up to 1 July 2012.

Under the terms of the Transaction Agreement, the Company will, on completion, enter into a number of commercial agreements with the Purchaser, namely around transitional services, joint purchasing, and joint supply agreements. The Company will also on Completion enter into underleases with the Purchaser in respect of the Bath Property which is used by the Bath Businesses. Communisis plc shall remain guarantor for the lease payments to the landlords of the Bath Property.

The Group will retain all defined benefit section liabilities of the Communisis Pension Plan connected with the employees of the Bath Business Forms Business ("DB Section"). Pursuant to the terms of the Transaction Agreement Communisis UK Limited will indemnify the Purchaser for any liabilities it incurs in connection with the DB Section.

The Board expects that, in the current financial year, the Proposed Transaction will result in a profit before taxation of approximately £0.68 million. After allowing for deferred taxation under International Accounting Standards, this will translate into a post-taxation loss on disposal of approximately £0.50 million. The Board expects that the disposal will not be earnings dilutive in the current and following financial years.

The proposed transaction is classified under the Listing Rules as a "related party transaction" as a member of the Bath management team, Mark Cornford, is a director of the Company's subsidiary undertaking, Communisis UK Limited. Consequently the proposed transaction is subject to, and conditional upon, the approval of the Company's shareholders at an Extraordinary General Meeting. A circular in relation to the Extraordinary General Meeting will be sent to Communisis shareholders shortly.

Commenting on the sale, Steve Vaughan, Chief Executive Officer of Communisis, stated:

"It has been clear for some time that Bath Business Forms was the part of our Group that fitted least with our strategic focus on marketing communications. We are therefore exiting this non-core part of our business for a cash consideration and in a non-dilutive way, leaving us free to concentrate on the higher value, growing parts of our business and accelerate their growth. Since Bath will become one of our largest suppliers as a result of this deal, we look forward to working with them in their chosen markets, where their scale and quality equip them well to succeed as an independent entity."

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