



schlott sebaldu[®]

the cross media company

Quarterly Report 1 / 2002

of schlott sebaldu AG as at 31 March 2002

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KEY FIGURES AS AT 31 MARCH (IN ACCORDANCE WITH IAS)

<i>in million €</i>	2002	2001
Turnover	110.8	116.7
Gross performance	122.9	134.6
EBITDA	11.6	11.9
EBIT	3.1	4.0
EBT	1.4	1.6
Net profit for the period	0.3	0.5
Earnings per share (in €)	0.06	0.09
Number of employees	3,979	3,991

ECONOMIC BACKGROUND

Following the poor year for the economy in 2001, the first quarter of the current year was no more than modes either. As a result, the six leading economic research institutes in Germany do, however, believe that the bottom has been reached and that the global economy is about to experience an upturn. In an expert appraisal at the beginning of the year, they expected that the economy in the Euro-zone and in the USA will take off at an increasing pace in the coming months. Economic growth of 0.9 percent is forecast for Germany this year — in the Euro-zone a growth rate of 1.4 percent is predicted.

The German advertising market continued its downward trend in the first three months of this year. Consequently, according to the statements made by the market research company A.C. Nielsen, gross advertising turnover fell by 5.2 percent down to 3.9 billion Euro in the first quarter of this year compared with the same period last year. The television stations were hardest hit with a drop of 6.7 percent, but the print media, too, had to suffer a setback of 5.0 percent.

In its current report on the economy Konjunktur-Telegramm of April 2002, the Federal Association of Print and Media (BVDM) recorded a greater decrease in production than normal for the season. In the survey to assess the state of business, the consensus was that the lowest point since 1982 had been reached.

ACCOUNTING IN ACCORDANCE WITH IAS

This interim report on the first quarter of 2002 has been prepared in accordance with the internationally accepted accounting principles as stipulated by the International Accounting Standards (IAS) Board for the first time. Since the beginning of this year, the German Stock Exchange has made the submission of financial statements in accordance with IAS compulsory for all companies listed on the SMAX, thus facilitating international comparison with other companies. In order to ensure comparability with the figures for the *schlott sebaldu Group* for the previous year, these were also converted to IAS. The effects and changes brought about by the new accounting principles for *schlott sebaldu* are shown in the accompanying notes.

TURNOVER AND GROSS OPERATING PERFORMANCE

For the schlott sebaldu Group, the first quarter of 2002 was dominated on the one hand by the persistent weakness in the markets relevant to us, and on the other hand by the relocation of our intaglio printing production site in Nuremberg. Here we have successfully completed the first stage of construction by putting the second new intaglio printing machine into operation in February and are consequently right on schedule.

Our gross operating performance decreased from 134.6 million € to 122.9 million €. This was primarily the result of the drop in the advertising market as well as the pressure on margins in rotary offset and finishing treatment in particular. Expenditure on materials fell by about 8 percent down to 53.1 million € (prev. year: 57.7 million €).

EARNINGS SITUATION AND DIVISIONAL REPORTING

In spite of the drop in turnover resulting from the weak market and the pressure on margins in our line of business, we managed to maintain our earnings before interest, taxes, depreciation and amortisation (EBITDA) with 11.6 million € at the same level as in the previous year (prev. year: 11.9 million €). As a result of the increase in investments made in 2001, our write-downs went up from 7.9 to 8.5 million €, and the EBIT fell to 3.1 million € in the first quarter of 2002 (prev. year: 4.0 million €). Our earnings before tax decreased from 1.6 to 1.4 million €, and earnings per share fell from 0.09 to 0.06 €.

Historically, previous years have shown that the first quarter is the weakest quarter by far. The earnings momentum for the *schlott sebaldu Group* picks up significantly as the year passes on.

The divisional reporting shows the *high performance printing*, *direct marketing* and *digital services* as well as the *corporate services* divisions without transition. All the activities of the service companies including those of the holding company have been grouped under corporate services.

in million € (in acc. with IAS)	hpp		dm		ds		cs	
	2002	2001	2002	2001	2002	2001	2002	2001
Gross performance	91.5	104.7	30.9	30.2	1.0	0.8	6.3	4.7
EBIT	2.8	5.3	1.9	1.1	-0.2	0.0	-0.4	-1.4
EBT	2.2	5.1	1.6	0.7	-0.2	-0.1	-1.3	-3.1
Number of employees	2,373	2,384	1,428	1,425	46	38	132	144

In our largest division, *high performance printing*, we had to suffer a setback in the gross operating performance in the first quarter of the current financial year as a result of the state of the market. With the lower earnings it has to be noted that, as a result of the conversion to IAS accounting, the results for the previous year were increased by 1.6 million € due to the compulsory closing of a special item. The operating comparative figure of the EBT for 2002 amounting to 2.2 million € consequently amounts to 3.5 million €. Also depreciation and amortisation in *high performance printing* went up by 0.7 million € and the interest result deteriorated by 0.3 million €.

Within the sector we can look back over a good first quarter for intaglio printing, with which we were unable, however, to balance the weakness in rotary offset printing. As a result of the existing pressure on prices, we earned significantly lower margins here and in finishing than in the previous year. This trend endorses the restructuring measures we have already initiated with the objective of repositioning the rotary offset division, reducing capacity and concentrating all activities at a single location.

In the direct marketing division we managed to improve our earnings significantly with a slight improvement in our gross operating performance. The measures we have already taken to optimise costs for *meiller direct*, *comcard* and *dialog concept* have had a beneficial effect. Added to which is the fact that the market development has been far better than it has been in *high performance printing*.

In *digital services*, our still young growth division, we have built up extra capacity in comparison to the corresponding quarter in the previous year and are on target. However, in the first quarter of this year, *digital services* did have to put up with start-up losses for the newly founded subsidiary *scannova*, which also slightly reduced our result.

EMPLOYEES

Compared with the corresponding quarter in the previous year, the number of employees within the *schlott sebaldu Group* as at the key date on 31 March 2002 decreased slightly from 3,991 to 3,979. Staff costs dropped slightly by 2.4 percent to 42.1 million € (prev. year: 43.2 million €).

FINANCIAL POSITION

In the first quarter of 2002, we invested a total of 5.9 million € following 8.0 million € in the corresponding quarter of the previous year. In the first three months of the current year the investments associated with the new intaglio printing site in Nuremberg amounting to 3.4 million € continued to account for the bulk of investment.

As a result of the high level of investments in the previous year our write-downs went up by 7.6 percent to 8.5 million € (prev. year: 7.9 million €). Following the transition to accounting in accordance with IAS, our equity ratio has increased and has gone up by 29.9 percent at the end of the period under review (prev. year: 27.7%; in accordance with the German Commercial Code (HGB) as at 31 December 2001: 20.7 percent).

OUTLOOK

For the current financial year, all the relevant professional associations forecast a persistently weak market in the advertising industry, our key line of business. We shall profit from this year and implement optimisation measures to cut costs and we are well on target with these plans. We shall position *schlott sebaldu* in such a way that we shall have the best possible cost structure and logistics set-up when the economy does pick up.

To this end, work on the relocation to the new intaglio printing site in the Nuremberg Docks will be speeded up and should be completed even as early as 2003 — this means two years earlier than originally planned. We are right on track with this ambitious project and we shall set about moving the first machines in July, our quiet season. The necessary building work is already going ahead at top speed so that the move of the first machine is due to be completed at the beginning of November, i.e., in time for the beginning of our main season.

In order to set up the best possible cost structures, the financial year 2002, as we have already indicated, will be dominated by a series of measures which will bring non-recurrent financial strains with them. Even from as early as 2003 onwards, the cost optimisation programmes will be taking effect and we are assuming a lasting growth of earnings.

We are sticking to the figures we have forecast for 2002 and still reckon that there will be a slight drop in the gross operating performance for the Group down to 580 million €, primarily the result of the persistent weakness of the market and due to the shortage of capacity from having brought the move forward. We are expecting pre-tax earnings before optimisation measures to be approximately 20 million €.

Consolidated Profit and Loss Account

for the period from 1 January to 31 March

<i>in € (in accordance with IAS)</i>	2002	% of item	2001	% of item
Turnover	110,815,308.87	90.16%	116,723,850.92	86.69%
Increase or decrease in finished goods and work in progress	2,775,772.42	2.26%	911,905.76	0.68%
Other operating income	9,317,465.77	7.58%	17,006,918.66	12.63%
Gross performance	122,908,547.06	100.00%	134,642,675.34	100.00%
Cost of raw materials, consumables and goods for resale	(43,176,247.48)	-35.13%	(45,522,682.68)	-33.81%
Cost of purchased services	(9,967,835.45)	-8.11%	(12,151,106.84)	-9.02%
Staff costs	(42,139,806.76)	-34.29%	(43,197,780.62)	-32.08%
Other operating charges	(15,999,399.99)	-13.02%	(21,883,328.54)	-16.25%
EBITDA	11,625,257.38	9.46%	11,887,776.66	8.83%
Expenses for scheduled depreciation and amortisation	(8,516,013.67)	-6.93%	(7,910,559.18)	-5.88%
EBIT	3,109,243.71	2.53%	3,977,217.48	2.95%
Other interest receivables and similar income	481,856.91	0.39%	2,619.80	0.00%
Interest payable and other similar charges	(2,240,888.68)	-1.82%	(2,347,104.14)	-1.74%
Financial result	(1,759,031.77)	-1.43%	(2,344,484.34)	-1.74%
Earnings before tax	1,350,211.94	1.10%	1,632,733.14	1.21%
Earnings tax paid	(1,067,021.63)	-0.87%	(1,165,153.75)	-0.87%
Earnings after tax	283,190.31	0.23%	467,579.39	0.35%
Loss contribution from minority interests	30,095.40	0.02%	(576.11)	0.00%
Consolidated profit for the year	313,285.71	0.25%	467,003.28	0.35%

Consolidated Balance Sheet

Assets in € (in accordance with IAS)	31.03.2002	% of item	31.12.2001	% of item
A. Fixed assets				
<i>I. Intangible assets</i>	76,472,508.88	18.88%	77,973,386.49	17.87%
<i>II. Tangible assets</i>	230,796,707.91	56.98%	231,839,747.27	53.12%
<i>III. Financial assets</i>	268,541.11	0.07%	264,739.89	0.06%
<i>IV. Other non-indispensable business assets</i>	17,036,826.80	4.21%	17,193,160.26	3.94%
B. Current assets				
<i>I. Stocks</i>	23,685,811.44	5.85%	24,377,344.08	5.59%
<i>II. Debtors and other assets</i>	50,906,698.85	12.57%	82,007,535.97	18.79%
<i>III. Cash and cash equivalents</i>				
<i>KCash in hand, Bundesbank balances, bank balances and cheques</i>	4,072,724.42	1.01%	2,404,947.85	0.55%
C. Deferred taxes	43,058.96	0.01%	44,976.91	0.01%
D. Prepaid expenses	1,740,300.84	0.43%	312,159.99	0.07%
	405,023,179.21	100.0%	436,417,998.71	100.0%

Liabilities in € (in accordance with IAS)	31.03.2002	% of item	31.12.2001	% of item
A. Equity capital				
<i>I. Subscribed capital</i>	16,312,179.00	4.03%	16,312,179.00	3.74%
<i>II. Capital reserve</i>	49,181,249.41	12.14%	49,181,249.41	11.27%
<i>III. Revenue reserve</i>	1,834,198.34	0.45%	1,461,509.72	0.33%
<i>IV. Unappropriated revenue</i>	53,815,122.12	13.29%	53,779,526.70	12.32%
<i>V. Minority interests</i>	(33,705.41)	-0.01%	(11,629.39)	0.00%
	121,109,043.46	29.90%	120,722,835.44	27.66%
B. Long-term loan capital				
<i>I. Long-term interest-bearing loans</i>				
<i>Bank loans and overdrafts</i>	139,709,630.93	34.49%	143,695,629.78	32.93%
<i>II. Other long-term liabilities</i>	11,859,464.57	2.93%	11,877,756.48	2.72%
<i>III. Long-term reserves</i>	22,395,500.88	5.53%	22,259,051.49	5.10%
C. Short-term loan capital				
<i>I. Short-term interest-bearing loans</i>	5,063,407.03	1.25%	10,231,338.26	2.34%
<i>II. Trade creditors and other liabilities</i>	37,875,548.61	9.35%	60,078,248.35	13.77%
<i>III. Short-term reserves</i>	37,333,117.67	9.22%	31,680,373.07	7.26%
D. Deferred taxes	19,225,036.15	4.75%	18,781,350.73	4.30%
E. Deferred income	10,452,429.91	2.58%	17,091,415.11	3.92%
	405,023,179.21	100.0%	436,417,998.71	100.0%

Consolidated Cash Flow Statement

for the period from 1 January to 31 March 2002

in thousand € (in accordance with IAS)

	2002	2001
Cash flow from operating activities		
Profit from operating activities	3,109	3,977
Depreciation and amortisation on fixed assets	8,516	7,911
Increase/(Decrease) in provisions	1,932	1,758
Increase/(Decrease) in deferred taxes	446	390
(Profit)/Loss from the disposal of fixed assets	(47)	(134)
Operating result before changes in net current assets	13,956	13,902
(Increase)/Decrease in stocks	692	(747)
(Increase)/Decrease in trade debtors	27,346	25,554
Increase/(Decrease) in trade creditors	(16,710)	(9,036)
(Increase)/Decrease in other net current assets	(10,430)	14,228
Cash generated from ongoing business operations	14,854	43,901
Interest payments received	11	10
(Payout)/Deposit of earnings tax	4,054	(4,437)
Cash flow net of extraordinary items	18,919	39,474
Net funds from operating activities	18,919	39,474
Cash flow from investing activities		
Amounts paid for investments in tangible fixed assets	(5,838)	(7,777)
Inflow of funds from the disposal of tangible fixed assets	224	190
Amounts paid for investments in intangible assets	(79)	(205)
Amounts paid for investments in financial assets	(4)	(2)
Net funds used for investing activities	(5,697)	(7,794)
Cash flow from financing activities		
Amounts paid for the redemption of bonds and financing credits	(4,056)	(4,023)
Increase/(Decrease) in short-term amounts due to banks	(5,116)	(29,169)
Amounts paid for the redemption of financial lease liabilities	(70)	(63)
Interest paid	(2,312)	(2,341)
Net funds used for financing activities	(11,554)	(35,596)
Cash-relevant changes in financial funds	1,668	(3,916)
Funds at the beginning of the period	2,405	8,898
Funds at the end of the period	4,073	4,982

Consolidated Changes in Equity

as at 31 March 2002

<i>in thousand € (in accordance with IAS)</i>	Subscribed capital	Capital reserve	Other revenue reserve	Translation reserve	Valuation reserve	Consolidated profit	Minority interests	Total
Balance as at 1 January 2001	16,201	48,899	1,614	19	4,973	30,025	(8)	101,723
Revaluation of securities					625			625
Differences arising from foreign exchange translation				37		266	(6)	297
Profit and loss not shown in P&L account	0	0	0	37	625	266	(6)	922
Result for the period						467	1	468
Dividends								0
Issuance of subscribed capital								0
Balance as at 31 March 2001	16,201	48,899	1,614	56	5,598	30,758	(13)	103,113
Balance as at 1 January 2002	16,312	49,181	1,615	(153)	0	53,780	(12)	120,723
Revaluation of securities								0
Differenzen aus d. Währungsumrechnung				372		(277)	8	103
Differences arising from foreign exchange translation	0	0	0	372	0	(277)	8	103
Profit and loss not shown in P&L account						313	(30)	283
Dividends								0
Issuance of subscribed capital								0
Balance as at 31 March 2002	16,312	49,181	1,615	219	0	53,816	(34)	121,109

Notes on the consolidated interim report (IAS)

as at 31 March 2002

1 ACCOUNTING PRINCIPLES

The interim report for *schlott sebaldu*s AG and its subsidiaries for the three months ended 31 March 2002 will for the first time be prepared in accordance with the International Accounting Standards (IAS) adopted by the International Accounting Standards Board. This means that all the International Accounting Standards and interpretations of the Standing Interpretations Committee (SIC) valid at 31 March 2002 shall be applied.

The accounting principles applied in the preparation of the interim report are the same as those applied for the group accounts dated 31 December 2001 supplemented by IAS 34 "Preparation of Interim Reports".

2 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING AND VALUATION PRINCIPLES ACCORDING TO IAS AND THE GERMAN COMMERCIAL CODE

Tangible and intangible assets

In the German Commercial Code (HGB) the periods of depreciation and useful service life are dominated by the principle of conservatism. The IAS prescribes a continual review of the actual useful service life, which is why there is a tendency to set longer useful service lives in balance sheets prepared in accordance with IAS. An impairment test prescribed in accordance with IAS 36 is to be conducted to work out the need for depreciation and amortisation.

A positive differential sum resulting from the initial consolidation will be shown as goodwill and amortised according to schedule over 20 years.

As a result of the new IAS balance sheet regulations goodwill will differ from that under the German Commercial Code.

Financial assets

The short-term financial assets are shown at the market value on the balance sheet date (market price valuation). In contrast to the German Commercial Code, a revaluation is not limited by the acquisition cost. As a matter of principle this will be effected against a valuation reserve in equity without an effect on profits.

Staff reserves

The staff reserves (provisions for pensions and obligations similar to pensions, jubilee money provisions, provisions for older staff working part-time) will be based on the Projected-Unit-Credit-Method (expectant cash value method). The rate of interest will be measured by the current long-term rate of interest in the capital market on the balance sheet date and future salary increases up until the expected pensionable date will be taken into consideration. As a result the reserve will increase more quickly in the accumulation stage than it would if the going concern procedure prescribed in the German Commercial Code were to be applied.

Deferred taxes

The tax effects of the differences in the periods of time for the assessment used between the balance sheet for tax purposes under German law and the IAS balance sheet will be shown by valuing deferred taxes both under assets and liabilities.

Other reserves

Under IAS the valuation of reserves is based on various criteria with regard to the underlying payment obligation and the probability of event. According to IAS, reference is to be made to the valuation with the highest probability of event and not — as in the German Commercial Code — the valuation in accordance with commercial prudence. Reserves for operating expenses are allowed under the German Commercial Code, but not allowed under the IAS.

Special tax write-downs

Special tax depreciation and amortisation as well as special tax items with a reserve element are not carried out under IAS — in contrast to the provisions of the German Commercial Code.

Other taxes

Notwithstanding the German Commercial Code, the tax chargeable to the PLA as an expense is recorded under Other Operating Expenses in the IAS.

| 3 SEASONAL INFLUENCES

The company sales are seasonal and consequently can result in turnover and resulting profits varying from quarter to quarter. All of the 1st quarter falls within the low season. As a result of the current state of the German economy and against the background of the persistent weakness in the core market in the advertising industry, the line of business in which the *schlott sebaldu Group* is in, is very much affected.

In order to exploit this phase, the pace is being stepped up on the routine internal optimisation measures to improve margins and cut costs.

| 4 IMPORTANT RESTRUCTURING

The relocation to the new intaglio printing site in Nuremberg docks will be completed as early as 2003, that is, two years earlier than originally planned.

Work will continue to be concentrated at the rotary offset site *heckel* in Nuremberg, as a result of which the Bamberg *heckel* site will be closed down on 30 June 2002 and the offset operation of *kro* in Karlsruhe will be closed down on 31 August 2002.

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