



**schlott gruppe**

AKTIENGESELLSCHAFT

INTERIM REPORT III 2004/5

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REPORT ON THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2005

Q III

# INTERIM REPORT III 2004/05

OF SCHLOTT GRUPPE

REPORT ON THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2005

- *Wage disputes in the printing industry causing adverse effects on quarterly result*
- *Decision to invest in Freudenstadt secures long-term competitiveness of the location*

KEY FINANCIALS OF THE GROUP AS AT 30 JUNE 2005

IN K€ IAS/IFRS, unaudited	QIII 2004/5	% total	QIII 2003/4	% total	9 Months 2004/5	% total	9 Months 2003/4	% total
Net sales	116,738	158.1	132,370	163.6	412,981	168.2	425,930	169.5
Total revenue	124,221	168.3	134,275	165.9	425,423	173.2	433,209	172.4
<i>Value-added sales</i>	73,823	100.0	80,917	100.0	245,599	100.0	251,318	100.0
EBITDA	14,262	19.3	15,501	19.2	47,952	19.5	47,310	18.8
EBITA	5,326	7.2	7,123	8.8	21,404	8.7	21,045	8.4
Amortisation of goodwill	0	0.0	0	0.0	0	0.0	(2,556)	(1.0)
Write-back of goodwill amortisation of HI 2003/4	--	--	--	--	--	--	2,556	--
EBIT	5,326	7.2	7,123	8.8	21,404	8.7	21,045	8.4
EBT	3,071	4.2	4,757	5.9	14,489	5.9	13,722	5.5
<i>Net income</i>	1,406	1.9	3,045	3.8	8,373	3.4	8,118	3.2
<i>Earnings per share (€)</i>	0.22	--	0.49	--	1.35	--	1.32	--
<i>Free Cashflow after dividend</i>	(2,003)	--	3,982	--	19,917	--	8,702	--
Employees (reporting date)	4,038	--	4,276	--	4,038	--	4,276	--

IN K€ IAS/IFRS, unaudited	30.06.2005	% total	30.06.2004	% total	30.09.2004	% total
<i>Fixed Assets</i>	416,467	83.6	422,473	80.9	413,670	79.2
Goodwill*	88,883	17.9	87,922	16.9	87,772	16.8
<i>Current assets</i>	77,876	15.6	95,402	18.3	106,568	20.4
Trade receivables	44,229	8.9	54,632	10.5	57,449	11.0
Cash and cash equivalents	3,053	0.6	2,719	0.5	1,831	0.4
<i>Deferred assets</i>	121	0.0	75	0.0	115	0.0
<i>Prepaid expenses</i>	3,659	0.8	4,157	0.8	2,148	0.4
<i>Equity*</i>	136,187	27.3	128,699	24.7	135,499	26.0
<i>Liabilities</i>	327,216	65.7	360,486	69.0	350,681	67.1
Provisions	70,271	14.1	73,300	14.0	74,027	14.2
Liabilities due to banks	201,868	40.6	221,372	42.4	197,434	37.8
Trade payables	26,011	5.2	27,801	5.3	42,242	8.1
<i>Deferred taxes</i>	32,340	6.5	29,541	5.7	33,497	6.4
<i>Deferred income</i>	2,380	0.5	3,381	0.6	2,824	0.5
<i>Balance sheet total</i>	498,123	100.0	522,107	100.0	522,501	100.0

\* Includes in the previous year the write-back of 2,556 k€ goodwill amortisation of the first half 2003/4.

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## LETTER TO SHAREHOLDERS

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— DEAR SHAREHOLDERS,

the first nine months of the current financial year saw an increase in earnings before taxes (EBT) of 5.8 per cent. EBT rose to €14.5 million compared to €13.7 million last year. So, the earnings trend is in line with our forecast for the full year. However, wage disputes during the third quarter of the current financial year diluted growth in earnings generated over the course of the first six months to a large extent. Having said that, it was important for us to brave this short storm in order to achieve a sustainable reduction in costs within the printing units. Many of the allowances and supplementary benefits prevalent within our sector are relics of the past. These remuneration packages survived mainly because of the time-critical nature of printing operations.

Sluggish consumer demand in Germany is forcing the printing sector's largest customer group, the mail-order industry, even more into deep structural changes and to address the issue of declining profit margins by scaling back its costs. As partners to these customers, we too must stand up to the challenges and offer competitive solutions.

On the basis of the recent wage settlement, printing companies now have the opportunity to streamline their cost structures. Greater flexibility in terms of working hours is also of immense importance. Flexible working hours translate into lower expenses, without being associated with a reduction in employees' basic salaries and wages. We believe that the scope to manoeuvre provided by this form of agreement will be of immense benefit. Therefore, we are already in the process of implementing such measures.

Moreover, as a pre-requisite for the longer-term competitiveness of our Freudenstadt location and therefore our decision to install new equipment at this site, we achieved the termination of a number of benefits that went beyond the collective wage agreement, without affecting employee remuneration.

One of our prime objectives is to strengthen the competitiveness of our company on a continuous basis. Only by pursuing this goal will we be able to meet our responsibilities to our employees. We shall continue to act on this maxim, in particular with regard to the pending re-negotiations of the specific agreements for our different locations.

10 August 2005

THE MANAGEMENT BOARD

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## FINANCIAL AND BUSINESS REVIEW

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### — BUSINESS ENVIRONMENT

- *2005 economic upswing in Germany only subdued*
- *Advertising markets remain vulnerable*

Germany's economic institutes are confident that the world economy will maintain its forward momentum in 2005 and 2006, with growth forecasts of around three per cent per annum in this period. Raw material prices and slightly higher capital market interest rates are expected to have a dampening effect. The emerging countries and the US are likely to retain their positions as the driving force behind economic progress, while Japan and the EU are expected to record below-average growth rates.

The industrialised countries within the EU and the euro-zone as a whole are expected to be among the laggards. With just +0.7 per cent in 2005 and +1.5 per cent in 2006, Germany is likely to bring up the rear in terms of economic growth, despite buoyant exports. Thus, Germany's current economic weakness, particularly in terms of domestic demand, looks set to continue without showing any significant signs of improvement. Against this backdrop, the outlook for Germany's advertising segment – a key target group for *schlott gruppe* – is not particularly encouraging.

The economic report published by the Bundesverband Druck und Medien, the federal association of the German printing and media industry (bvdm), at the end of July 2005 points to continued economic malaise within this sector. Having said that, the trough witnessed last year seems to have been overcome. Nevertheless, demand is said to have receded, thus adding to the latent pressure on prices. According to the bvdm, a mere one per cent of all companies surveyed are expecting higher prices.

Based on data presented by Nielsen Media Research, business associated with classic advertising media grew by 3.6 per cent in the first half of 2005. However, this increase was lower than that recorded the same period a year ago and is mainly centred around radio and newspaper advertising. According to figures published by Nielsen, mass-market magazines, an important segment for *schlott gruppe*, declined by 3.7 per cent. Within this category, advertising in fast-moving periodicals was down by more than 7 per cent, according to the German trade association of magazine publishers "Verband Deutscher Zeitschriftenverleger". This trend looks set to continue.

The mail-order industry, already languishing as a result of weakened domestic demand and changing consumer behaviour, is now having to contend with a new challenge. An increase in Germany's value added tax, which is currently being debated by politicians, would be particularly detrimental to the mail-order industry. Not only is an increase in VAT likely to dampen consumer spending. Moreover, mail-order companies would not be in a position to adjust their prices for the catalogues in circulation, and thus they would not be able to timely pass the increase in VAT on to their customers.

Overall, business within the area of advertising, magazine publishing and mail-order remains subdued. As a result, forecasts as regards recovery within these segments continue to be extremely cautious and are usually issued subject to specific conditions. In view of these trends, it is unlikely that printing volumes will increase significantly in the medium term, particularly within the high-output gravure printing segment. As a result, price-related pressures look set to continue.

Within this respect, *schlott gruppe's* future action plan is driven by prevailing market conditions: to continue to focus on the improvement of all processes and to maintain profitability by means of decisive measures aimed at cost optimisation. Given the current situation within the industry, our strategic positioning as a major driving force behind consolidation within the European gravure printing sector would appear to be all the more important.

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— STAFF

- *Collective wage negotiations in the printing industry now concluded*
- *Freudenstadt staff make contribution to securing location*

In the period under review, *schlott gruppe* continued to pursue its policy of perpetual increase in productivity. At the end of June 2005, 4,038 people were employed, compared with 4,108 at the beginning of the quarter and 4,294 at the end of the 2003/4 financial year. Negotiations over a collective wage agreement as well as an industry-wide framework agreement within the printing sector formed a focal point of HR activities in the third quarter.

The pay dispute was characterised by protracted negotiations and intermittent industrial action. Finally, in mid-June a proposal was put forward that has now been accepted by both parties. It has opened up the opportunity for more flexible working hours and a reduction in the scope of bonus or ex gratia payments. Irrespective of this, wages within the German printing industry continue to define the top rank within the entire manufacturing sector.

The working-hour range of 220 plus to 70 minus hours negotiated as part of the agreement represents one of its most important topics. In future, seasonal peaks will create less additional costs and costs in the low season will decline even more. In terms of cost reductions, the company will benefit from the fact that compensation packages such as special payments for “unfavourable” starting hours and shorter breaks have been eliminated.

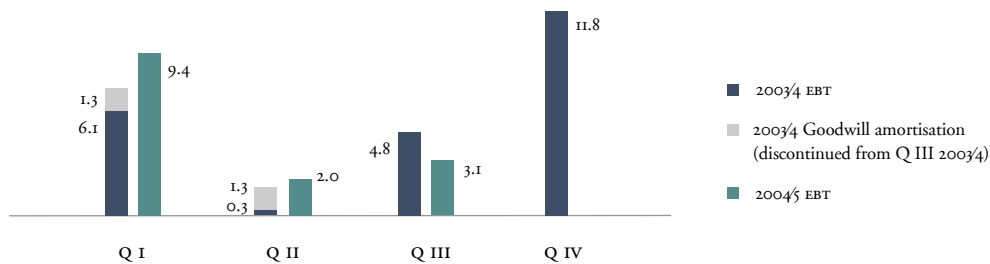
In addition, overtime allowances have been scaled back by five percentage points and so-called staff “reporting-for-duty fees” associated with essential newspaper production at weekends have been restructured as flat-rate remuneration, thus eliminating the dynamic nature of these costs. The reduction in the number of machine staff prescribed per shift within the area of offset printing will have a favourable effect on cost structures. Wage increases negotiated as part of the deal were moderate, with a one-off payment of €340 to be made over the course of this year and a one per cent increase in salaries and wages applicable in 2006 and running until March 2007.

The newly negotiated terms will gradually come into effect over the coming years. For instance, over the next three years the number of “free days” per employee will be reduced by up to six per annum. Additionally, key points of the settlement will have to be implemented within the framework of company-specific agreements. Therefore, all relevant company-specific agreements have been signed off and are currently re-negotiated.

After the end of the third quarter the company agreement for our Freudenstadt plant has already been adjusted with regard to benefits going beyond the scale specified in collective agreements. Here, a number of freely negotiated benefits, such as additional weekend pay, have been scrapped. With this agreement the employees rendered possible the long-term future of this plant since it was a pre-requisite for the installation of a new gravure printing machine in Freudenstadt.

## DEVELOPMENT OF GROUP EBT IN THE QUARTERS

In €m



## — EARNINGS PERFORMANCE

- *Industrial action impacts on third-quarter results*
- *Situation compounded by continued pressure on prices*

We were unable to emulate our high-paced earnings performance of the first six months in the quarter under review. As reported, production downtime as a result of industrial action taken during fiercely contended wage negotiations had an adverse effect on results. Both the *print* and *direct marketing* division were affected by the strikes; the costs associated with this dispute amounted to almost two million euros. The situation was further compounded by ever-increasing pressure on prices.

The Group recorded earnings before taxes (EBT) of €3.1 million (Q3 2003/4: €4.8 million). EBT for the first nine months totalled €14.5 million (9M 2003/4: €13.7 million). Thus, the aggregate nine-month result before taxes increased by a respectable 5.8 per cent, fuelled by our outstanding performance in the first half.

Strike-related stoppages led to an 8.2 per cent reduction in aggregate tonnage in the *print* division in the third quarter, down from 136.2 metric tons in the same period a year ago to 125.0 metric tons in the quarter under review. Registering an increase of 11.1 per cent, the month of April had been encouraging. However, over the course of May and June, tonnage receded by 19 and 13 per cent respectively. Once again, the *direct marketing* unit had to contend with below-par earnings in the third quarter, a situation that was further compounded by the knock-on effects of industrial action.

In line with this trend, value-added sales, i.e. sales adjusted for transitory material-related expenses, fell by 8.8 per cent to €73.8 million within the Group (Q3 2003/4: €80.9 million). Value-added sales for the first nine months of the current financial year amounted to €245.6 million, compared with €251.3 million for the same period a year ago. Consolidated revenue for the third quarter also showed a year-on-year decline with the paper provision ratio falling slightly from 75.8 per cent to 73.7 per cent. Revenue was €116.7 million, compared with €132.4 million in the same period a year ago. Calculated on the basis of the first nine months, revenue fell from €425.9 million in 2003/4 to €413.0 million in 2004/5, with a paper provision ratio of 73.2 per cent after 73.1 per cent.

Effective from this quarterly report, the comparable figures for the previous financial years no longer have to be adjusted on a pro-forma basis for systematic goodwill amortisation, the latter no longer being applicable since the third quarter of the 2003/4 financial year.

As planned, other operating income was lower than in the previous year, both for the third quarter and the first nine months. Staff costs in relation to value added sales increased considerably in the third quarter, up from 60.3 per cent in Q3 2003/4 to 61.3 per cent in the period under review. This was attributable to stoppages as a result of industrial action.

At the end of the third quarter of 2004/5, the headcount stood at 4,038, i.e. 5.6 per cent lower than at the end of 3 2003/4 (4,276 employees) – mainly the result of the restructuring measures implemented in the *direct marketing* division.

The significant increase in services purchased over the course of the first half as a direct result of our buoyant performance and the need to fall back on external partners was reversed in the third quarter due to changed circumstances within the business environment. Systematic depreciation and amortisation expense increased by almost seven per cent year on year in Q3 2004/5. This is attributable to the effects of initial consolidation in the preceding quarter (full acquisition of the minority interest in FDS Energie GmbH). Calculated on the basis of the first nine months, overall depreciation and amortisation expense was lower than in the same period a year ago due to reduced investments in property, plant and equipment.

Other operating expenses were reined back by 13 per cent year on year in the third quarter. In particular, we managed to streamline costs not directly associated with sales, such as overheads and administrative expenses. For the first nine months, other operating expenses were comparable to last year's total for the same period. Within this context, higher energy costs and higher selling expenses attributable to the first half, particularly for freight forwarding, had a noticeable impact.

Due to the reduction in liabilities, the net financial result improved slightly both in the quarter and the first nine months. Due to a higher tax rate relating solely to the balance sheet date net profit for the third quarter stands at €1.4 million, compared with €3.0 million a year ago. The tax rate is expected to decline again in the fourth quarter, leading to a rate at just above 40 per cent for the full year.

For the first nine months, net profit edged up slightly by 3.7 per cent to €8.4 million, after €8.1 million, buoyed by our solid performance in the first half. Earnings per share declined from €0.49 in Q3 2003/4 to €0.22 million in the quarter under review and rose slightly from €1.32 to €1.35 on a nine-month basis.

## — SEGMENT REPORTING

- *print down year on year due to strike*
- *direct marketing close to turnaround*

In the last financial year, *schlott gruppe* spearheaded a move to incorporate the *digital services* unit into the two other business units, the prime objective being to streamline the Group's overall structure. This new structure was implemented at the beginning of the current financial year. As part of this realignment, the high-performance printing unit was renamed and is now referred to simply as print.

Thus, segment reporting covers the business units print, *direct marketing* and *corporate services*. The latter continues to cover the full range of activities associated with the service enterprise, including the holding company. Revenues and earnings generated by *corporate services* are derived solely from the internal charging associated with services rendered as well as internal cost allocation. Accordingly, this area will not be covered as part of segment reporting.

However, within the context of Group earnings performance, it should be noted that expenses attributable to *corporate services* remained well below the maximum target specified and also significantly below last year's figure. Thus, the detrimental effects of our subdued business performance within the *print* and *direct marketing* units were partially offset – to the benefit of consolidated earnings. This trend will continue in the fourth quarter, despite the fact that the above-par EBIT posted by *corporate services* was due to period-end adjustment processes and is thus not sustainable.

## DEVELOPMENT OF BUSINESS UNITS (QUARTER)

*in the period from 1 April to 30 June 2005 (previous year for comparison); according to IAS/IFRS, unaudited*

IN k€	print		direct marketing		corporate services		All sectors		Reconciliation		Group	
	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4
Net sales	97,321	110,172	22,458	23,511	3,964	3,130	123,743	136,813	(7,005)	(4,443)	116,738	132,370
Value-added												
sales	59,972	66,453	12,916	14,523	3,964	3,127	76,852	84,103	(3,029)	(3,186)	73,823	80,917
EBIT	5,952	8,879	(1,936)	(1,521)	1,494	(323)	5,510	7,035	(184)	88	5,326	7,123
St. interest result	(204)	(221)	(197)	(254)	(312)	(373)	(713)	(848)	42	(28)	(671)	(876)
Segment earnings	5,748	8,658	(2,133)	(1,775)	1,182	(696)	4,797	6,187	(142)	60	4,655	6,247
Lt. interest result	(798)	(928)	(64)	(30)	(666)	(755)	(1,528)	(1,713)	(42)	0	(1,570)	(1,713)
Currency gains												
/ losses	62	(209)	(74)	430	0	0	(12)	221	(2)	2	(14)	223
EBT	5,012	7,521	(2,271)	(1,375)	516	(1,451)	3,257	4,695	(186)	62	3,071	4,757
Employees												
(report. date)	2,724	2,704	1,202	1,462	112	110	4,038	4,276	--	--	4,038	4,276

## DEVELOPMENT OF BUSINESS UNITS (NINE MONTHS)

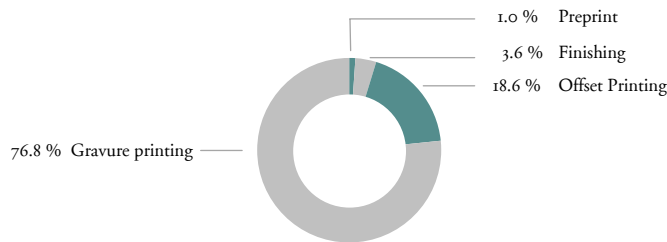
in the period from 1 October 2004 to 30 June 2005 (previous year for comparison); according to IAS/IFRS, unaudited

IN k€	print		direct marketing		corporate services		All sectors		Reconciliation*		Group	
	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4	2004/5	2003/4
Net sales	340,113	345,406	81,090	84,896	9,913	9,353	431,116	439,655	(18,135)	(13,725)	412,981	425,930
Value-added sales	196,511	199,616	47,180	51,842	9,913	9,329	253,604	260,787	(8,005)	(9,469)	245,599	251,318
EBIT	24,572	20,547	(3,457)	1,361	985	(1,133)	22,100	20,775	(696)	270	21,404	21,045
St. interest result	(509)	(765)	(576)	(785)	(874)	(1,088)	(1,959)	(2,638)	125	28	(1,834)	(2,610)
Segment earnings	24,063	19,782	(4,033)	576	111	(2,221)	20,141	18,137	(571)	298	19,570	18,435
Lt. interest result	(2,583)	(2,831)	(212)	(100)	(2,085)	(2,390)	(4,880)	(5,321)	(125)	0	(5,005)	(5,321)
Currency gains / losses	63	673	(135)	(67)	0	0	(72)	606	(4)	2	(76)	608
EBT	21,543	17,625	(4,380)	408	(1,974)	(4,611)	15,189	13,422	(700)	300	14,489	13,722
Employees (report. date)	2,724	2,704	1,202	1,462	112	110	4,038	4,276	--	--	4,038	4,276

\* Includes in the reconciliation of the previous year the write-back of 2,556 k€ goodwill amortisation of the first half 2003/4.

## BREAKDOWN OF SALES IN PRINT IN THE NINE MONTHS 2004/5

100 Per cent = 340,113 T€



The *print* unit was unable to match the growth rates achieved over the first six months in the quarter under review. While business was solid in April, the strikes organised during the wage dispute resulted in a considerable revenue and earnings shortfall in May and June. Overall, this business unit recorded an 8.2 per cent decline in output in the third quarter – down to 125.0 thousand metric tons. The decline in value-added sales from €66.5 million a year ago to €60.0 million in the period under review was slightly more pronounced as a result of ever-increasing pressure on prices within the industry. Earnings before taxes amounted to €5.0 million, compared with €7.5 million posted in the same period a year ago.

Within this context, the additional burden of having to adjust to changes implemented by mail-order companies in terms of catalogue scheduling has not been significant. The adverse effects of off-season prices, which are lower compared to those achieved in the former catalogue season, are offset by the reduction in staff costs associated with peak periods as well as the higher printing volumes. The decline in prices remained at around two per cent in the current year and was thus comparable to the long-term average.

Having said this, customers are focusing heavily on prices in negotiations and are demanding significant concessions. Therefore, *schlott gruppe* remains as committed as ever to the continuous improvement of internal efficiency levels. Indeed, our corporate planning with regard to capital expenditure on a new printing machine that is to be brought into operation in autumn 2006 bears testimony to the incisive route chosen by *schlott gruppe*.

As stipulated as part of our long-term planning and communicated on several occasions, we will be decommissioning two relatively small gravure printing machines, with a printing width of 1.61 metres, in the 2006/7 financial year. By then they will have an age of 29 and 24 years respectively, thus nearing the end of their service lives. The older of the two machines will be completely shut down, the other will only be used to cover peak production requirements.

Based on our decision taken in the third quarter, the above-mentioned equipment will be replaced by a high-performance printing machine with a web width of 3.64 metres, strengthening further our machine outfit in the mid size range. This outfit is optimally geared to the general market trend towards more topical and focused print products.

Moreover, we will be able to manage the slightly increasing printing capacity with less staff. The reduction in staff costs will be realized without the costs of a social compensation plan related to lay-offs since we can handle the reduction by adjusting the existing shift and working time models.

We have decided to install the new machine at our Freudenstadt location. As a result, the future of the plant – which on the long run would otherwise have slipped below the threshold in terms of size – has been safeguarded. In return, a number of benefits going beyond the scale negotiated as part of the collective agreement were scrapped with the consent of the works council.

These ex gratia payments no longer applicable include the voluntary staff “reporting-for-duty allowance” for printing shifts taking place at weekends or on public holidays as well as so-called machine operator allowances. Furthermore, holiday and sick-leave pay has been reduced to the general level specified by the collective wage agreement, and in future temporary staff may be deployed as non-skilled labourers. This does not affect the collective wage agreement, which will be observed in full. Overall, this investment in machinery is contributing substantially to personnel cost savings.

The new machine, which is more than double the width of the existing rotary printing units, and the associated construction work at our Freudenstadt plant will require an investment of around €35 million over the next two years. These measures are part of our ongoing investment and cash flow planning.

The results posted by our *direct marketing* unit remained disappointing in the third quarter. Value-added sales fell to €12.9 million, down from €14.5 million in the same period a year ago. The loss before taxes was €2.3 million, compared with a loss of €1.4 million in Q3 2003/4. However, due to the influence of one-off effects, these figures fail to convey the palpable improvement in earnings potential achieved within the area of *direct marketing*.

The third quarter was adversely affected by the current market weakness as well as by ongoing measures to scale back our cost base, e.g. by closing the loss-making sales office in the UK. In future, all UK-based accounts will be managed just as effectively by our team in Germany. Furthermore, it should be noted that the realigned marketing strategies implemented by mail-order companies have resulted in a shift of *direct marketing* revenues from the third to the fourth quarter. Thus, additional revenues will materialise in the final quarter of the financial year. Higher revenues and the absence of exceptional charges will translate into a much improved earnings performance and the return to a positive profit contribution in the fourth quarter.

This clearly signals the turnaround for our *direct marketing* unit. Nevertheless, we shall continue to work towards our goal of enhanced profitability within this segment. In fact, we are already well on track in many areas. However, specific elements within our service portfolio still require additional streamlining if they are to perform successfully within this highly competitive sector.

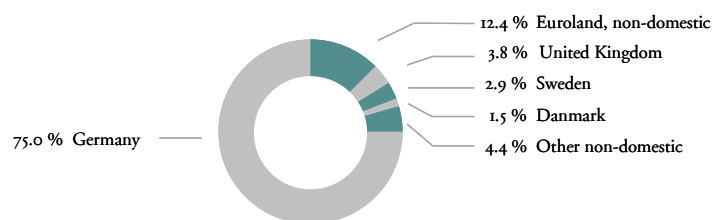
To address these issues, we have begun to relocate additional labour-intensive operations to the Czech Republic. In this case, most of the activities had previously been outsourced to external parties. Therefore, restructuring within this area will not be associated with significant downsizing costs.

In future, our Schwandorf plant will in addition to the classic mailing business also focus on documents handling such as invoicing, reminding, and sending account statements for corporations in the target industries insurance, health care, electric utilities, and telecommunication. These companies conduct intense regular mass-communication activities. In pursuing this approach, we will be able to position this business unit in a segment that is less susceptible to the vagaries of the advertising sector and produces a more consistent performance.

Following operational realignment at the beginning of the financial year, we now are in a position to offer an improved and more competitive modular composition of our service portfolio. We recently showcased our new capabilities within this market segment at a specially organised customer event. The feedback we received was very encouraging indeed. Therefore, we are confident that this segment of our business can achieve significant revenue growth.

## REGIONAL SALES BREAKDOWN

100 Per cent = 412,981 T€



In geographical terms, the revenue contribution of our domestic German market increased slightly to 76.2 per cent in the quarter under review compared to 75.7 per cent last year. Contributions from the euro region ex Germany declined slightly from 13.4 per cent to 12.1 per cent in the third quarter, but remained virtually unchanged for the nine month period. Our two biggest market regions outside the euro zone, Great Britain and Sweden, showed stable revenue contributions in both periods.

## REGIONAL SALES BREAKDOWN

in the period from 1 October 2004 to 30 June 2005 (previous year for comparison)

IN K€ IAS/IFRS, unaudited	QIII 20045		QIII 20034		9 Months 20045		9 Months 20034	
		% total		% total		% total		% total
Germany	89,092	76.2	100,277	75.7	309,877	75.0	320,079	75.2
Euroland, non-domestic	14,083	12.1	17,676	13.4	51,068	12.4	52,424	12.3
United Kingdom	3,571	3.1	3,899	2.9	15,699	3.8	15,764	3.7
Sweden	3,245	2.8	3,805	2.9	11,918	2.9	13,375	3.1
Denmark	1,183	1.0	1,603	1.2	6,366	1.5	7,019	1.6
Other non-domestic	5,564	4.8	5,110	3.9	18,053	4.4	17,269	4.1
<i>Total sales</i>	116,738	100.0	132,370	100.0	412,981	100.0	425,930	100.0

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— CASH FLOW, CAPITAL EXPENDITURE AND BALANCE SHEET

- *Third-quarter cash flow adversely affected by industrial action*
- *Capital expenditure bolsters direct marketing and parts of offset activities*

In the period under review, the decline in cash flow before changes in working capital from €18.8 million to €13.5 million was slightly more pronounced as the reduction of EBT. This is an unusual event since due to the high fraction of regular depreciation charges *schlott gruppe's* cash flow normally is less influenced by the earnings trend. The development in the quarter under review is thus mainly the result of a swing in provisions in the amount of €3.1 million relating solely to the balance sheet date.

This resulted from a swing in provisions of €3.1 million due to period-end adjustment processes. The decline in cash flow from operating activities was less pronounced – down to €7.2 million, compared with €10.5 million in the same period a year ago. Within this context, receivables had been considerably higher in the previous year – also relating solely to the balance sheet date.

After a considerable reduction in working capital in the preceding financial year as well as Q2 2004/5, this area remained virtually unchanged in the period under review. In the first nine months of the financial year, cash flow from current business activities increased substantially year on year from €36.4 million to €49.5 million, i.e. by 36 per cent, fuelled by the considerable forward momentum achieved in the first half.

On account of the strikes, only three-quarters of the investments made over the course of the third quarter were financed from funds generated internally. In contrast, the financing ratio based on internally generated funds was 216 per cent in the first nine months of the financial year. Third-quarter capital expenditure was in excess of that recorded in the same period a year ago; in line with corporate planning, the 2003/4 financial year had marked the low point in our investment cycle.

As announced, annual replacement investments are expected to be approx. €25 million in the current financial year, thus returning to a normal level. Current investments further strengthen our infrastructure at the *direct marketing* location in Schwandorf by implementing an entirely and more efficient plant layout. Other major parts of the current investment schedule are the further improvement of the Schwandorf machinery outfit as well as a capacity increase of our high volume offset activities in Lübeck.

Free cash flow was minus €2.0 million in the third quarter. Calculated on the basis of the first nine months, however, it increased to €19.9 million, compared with €8.7 million in the same period a year ago. This amount was used for interest payments of €6.9 million, as well as the repayment of principal in connection with a loan granted by the City of Nuremberg for our inland-port location in the amount of €11.0 million. In the quarter under review, bank borrowings were temporarily increased by €6.0 million in order to balance the shortfall in cash flow. Nonetheless, bank borrowings at the end of the quarter were €19.5 million lower than at the end of last year's quarter. They will, as projected, also be lower at the end of the current financial year. Overall, cash flow totalled €1.5 million for the quarter under review and €1.1 million for the first nine months.

In the first nine months, we scaled back the level of funds committed within the area of net current assets. As a result, total assets declined from €522.1 million at the end of Q3 2003/4 to €498.1 million at the end of Q3 2004/5. At the end of the 2003/4 financial year, total assets had amounted to €522.5 million.

Since the FY 2003/4 balance sheet date, current assets have been reined back by €28.7 million to €77.9 million. Total non-current assets remained more or less unchanged compared with the same period a year ago and the end of FY 2003/4. The equity ratio for the third quarter of 2004/5 was 27.3 per cent, as opposed to 24.6 per cent for Q3 2003/4 and 26.0 per cent at the end of the 2003/4 financial year.

— EVENTS AFTER THE BALANCE SHEET DATE

On 19 July 2005, *schlott gruppe* announced that Dr. Uwe Hack, CFO, will be pursuing new career opportunities and has accepted his appointment to the Management Board of another SDAX company. The Supervisory Board complied with Dr. Hack's request to annul his contract effective from September 30, 2005.

— OUTLOOK

- *EBT forecast of €25.6 million for the financial year confirmed*
- *Additional cost streamlining secures earnings for the future*

The fourth quarter is once again expected to produce the solid levels of capacity utilisation to which we have become accustomed in the *print* segment. In addition, the *direct marketing* segment looks set to achieve turnaround. Drawing on this positive outlook and our outstanding first-half performance, we can look forward with confidence to the final quarter of the financial year. The weak third quarter has not affected our annual forecast of consolidated EBT in the region of €25.6 million for the full 2004/5 financial year. This forecast remains in place.

In the medium term, it is essential that we remain focused on enhancing process efficiency substantially every year, the objective being to operate successfully in a market environment with ever lasting price pressure. Indeed, we have already taken another major step forward within this area by pressing ahead with machine investments in Freudenstadt. Our *direct marketing* unit is now showing signs of improvement and will deliver positive earnings contributions again.

Thus, *schlott gruppe* is well positioned to meet the challenges of the fast-paced printing and *direct marketing* industry. Committed to incisive decision-making and firm action, we shall continue to strengthen our level of profitability – for a successful future.

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## SHARE PERFORMANCE

SCHLOTT GRUPPE AG

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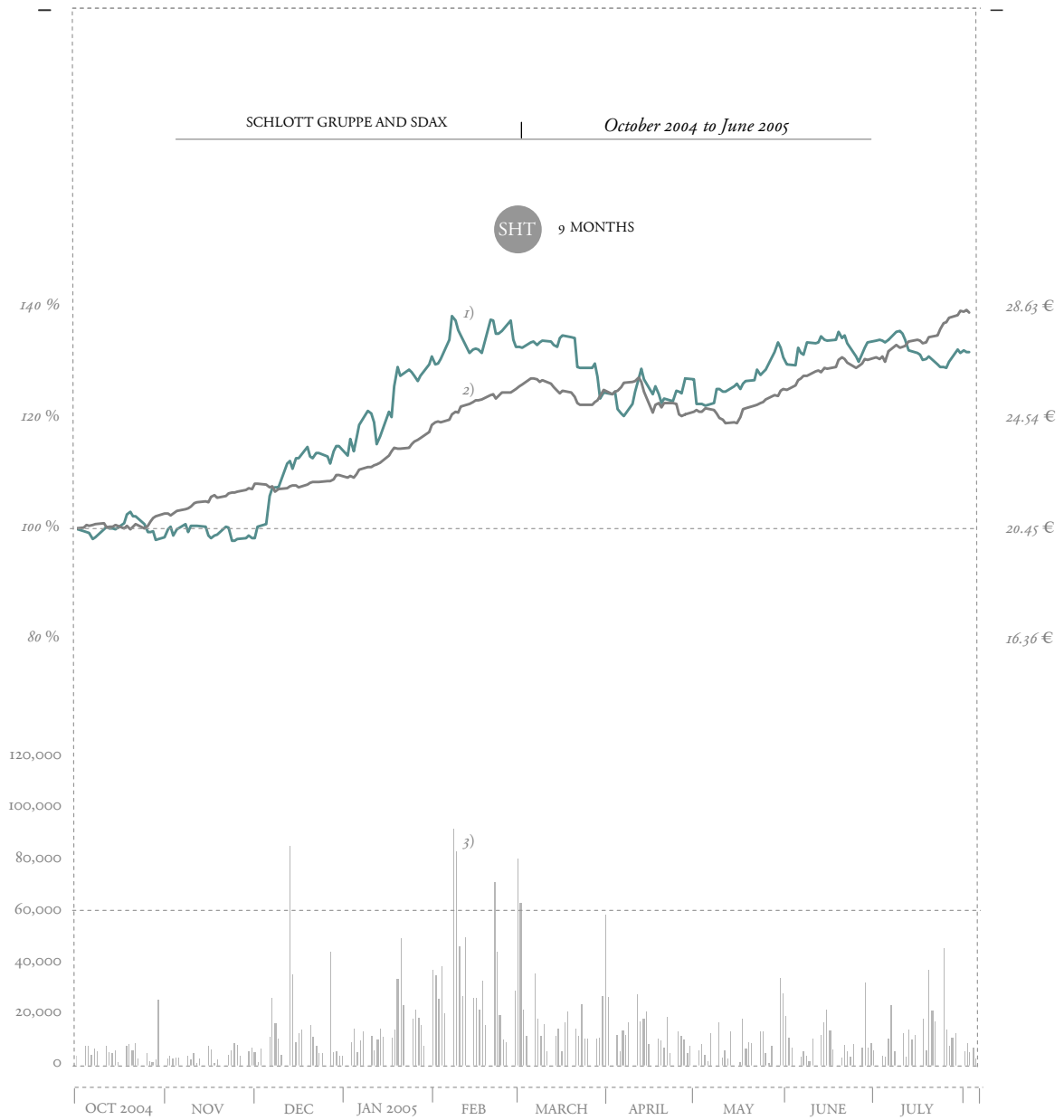
- *Further increase in free float*
- *Efficient stock placement with private and institutional investors*

Based on the market capitalisation ranking criteria defined by Deutsche Börse, calculated solely on the basis of free-float shares, the company's shares were listed in 87th position at the end of June 2005 and in 80th position in terms of average twelve-month trading volumes. Thus, our shares have established themselves in the "mid-region" of the SDAX, whose members are positioned in places 51 to 100 within the overall group of 100 MDAX and SDAX stocks. Our improved ranking in terms of trading volumes is a tribute to *schlott gruppe's* far-reaching Investor Relations activities.

As a result of stock placements, we also made considerable ground over the course of the financial year with regard to our positioning on the basis of market capitalisation. In the period under review, the London-based 3i Group, who has accompanied *schlott gruppe* since the MBO in 1992, scaled back its shareholding to 5 per cent by disposing of 344,000 shares. As a result, our free float increased temporarily to 53.2 per cent. As an element of our philosophy to deliver the highest possible transparency to the financial markets we present the structure of the ownership of *schlott gruppe* by disclosing the holdings of all investors, who have given us notice of their investments. Accordingly, we calculate free float as the remaining part of the amount of shares outstanding.

Our share price was not adversely affected by stock transactions executed during the current financial year. From *schlott gruppe's* point of view, the transactions also proved highly successful in terms of achieving a broad placement both with private and institutional investors.

Overall, our share price rose by around 15 per cent from the beginning of the year to the end of June, and by 33 per cent from the end of the last financial year. Over the same periods, the SDAX index rose by 21 and 33 per cent respectively.

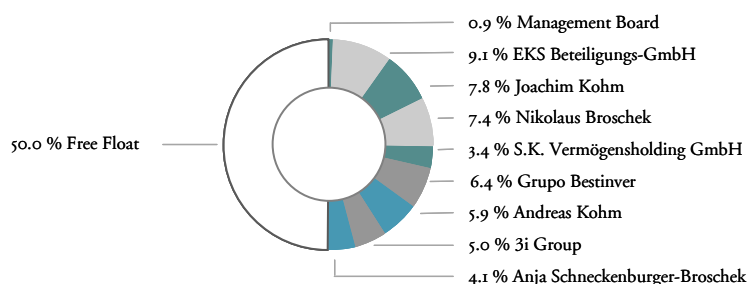


1) schlott gruppe (XETRA)  
(1.10.2004 = 100)

2) SDAX Price Index  
(1.10.2004 = 100)

3) schlott gruppe – No. of Shares traded  
(XETRA & Parkett)

## SHAREHOLDER STRUCTURE AS OF 9 AUGUST 2005

*based on 6,190,020 shares*

At the time, the Broschek siblings signed an agreement stipulating a graduated lock-up period for shares received as part of the acquisition of *broschek gruppe*. Currently,  $\frac{1}{3}$  of each of their share packages is subject to lock-up until 1 October 2005.

*schlott gruppe has the following number of shares issued and dividends distributed:*

Number of shares at the reporting date	6,190,020
Number of shares entitled to dividend	6,190,020
Treasury shares	
Last dividend distribution	0.90 € per share (at 23.03.2005)

*In the period from the beginning of the second quarter to the publication date of this report schlott gruppe received the following notifications according to §21 WpHG:*

Name	Date of Reporting	Reason of Reporting	Current Stake
3i Group	24.06.2005	Fall below 10.0 % Threshold	5.00 %

*In the period from the beginning of the second quarter to the publication date of this report schlott gruppe received the following notifications according to §15 WpHG:*

Name	Function	Date of Reporting	Action	Number of Shares	Amount (€)
Joachim Kohm	Member of Supervisory Board (SB)	29.04.2005	Purchase	3,583	90,113.17
Joachim Kohm	Member of SB	29.04.2005	Purchase	10,000	253,506.00
Joachim Kohm	Member of SB	2.05.2005	Purchase	1,417	35,901.92
S.K. Vermögensholding GmbH	Relationship to Member of SB	4.05.2005	Purchase	600	15,604.65
S.K. Vermögensholding GmbH	Relationship to Member of SB	9.05.2005	Purchase	900	22,859.34
S.K. Vermögensholding GmbH	Relationship to Member of SB	9.05.2005	Purchase	1,600	40,502.42
S.K. Vermögensholding GmbH	Relationship to Member of SB	10.05.2005	Purchase	2,000	50,089.82
S.K. Vermögensholding GmbH	Relationship to Member of SB	11.05.2005	Purchase	4,500	114,075.00
Joachim Kohm	Member of SB	12.05.2005	Purchase	5,000	127,750.00
Joachim Kohm	Member of SB	12.05.2005	Purchase	5,000	127,750.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	13.05.2005	Purchase	1,000	25,250.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	13.05.2005	Purchase	20,000	506,000.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	24.05.2005	Purchase	300	7,640.00
Joachim Kohm	Member of SB	2.06.2005	Purchase	5,000	137,000.00
Joachim Kohm	Member of SB	16.06.2005	Purchase	5,000	137,000.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	21.06.2005	Purchase	3,000	81,597.30
Joachim Kohm	Member of SB	27.06.2005	Purchase	60,000	1,632,000.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	30.06.2005	Purchase	120,000	3,264,000.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	27.07.2005	Purchase	600	15,948.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	27.07.2005	Purchase	1,919	50,886.12
Joachim Kohm	Member of SB	1.08.2005	Purchase	5,000	132,500.00
S.K. Vermögensholding GmbH	Relationship to Member of SB	4.08.2005	Purchase	23,321	613,043.79

## PROFIT AND LOSS STATEMENT GROUP (QUARTER)

for the period from 1 April to 30 June 2005 (previous year for comparison)

IN K€ IAS/IFRS, unaudited	QII 2004 <sup>5</sup>	QIII 2004 <sup>5</sup>	QIII 2003 <sup>4</sup>	% change QIII yoy
Net sales	138,209	116,738	132,370	(11.8)
Increase (decrease) in inventory of finished goods and work in progress	(3,622)	4,528	(1,322)	n.m.
Own expenses capitalised	0	0	17	n.m.
Other operating income	5,545	2,955	3,210	(7.9)
<i>Total revenue</i>	140,132	124,221	134,275	(7.5)
Cost of raw materials, supplies and purchased goods	(42,760)	(36,740)	(39,346)	(6.6)
Cost of purchased services	(13,058)	(10,703)	(10,802)	(0.9)
Personnel expenses	(48,427)	(45,268)	(48,815)	(7.3)
Other operating expenses	(22,177)	(17,248)	(19,811)	(12.9)
<i>EBITDA</i>	13,710	14,262	15,501	(8.0)
Expenses for scheduled depreciation	(9,047)	(8,936)	(8,378)	6.7
<i>EBITA</i>	4,663	5,326	7,123	(25.2)
Amortisation of goodwill	0	0	0	--
<i>EBIT</i>	4,663	5,326	7,123	(25.2)
Income from participations	0	0	0	--
Income from foreign exchange transactions	(171)	(14)	223	n.m.
Interest and similar income	50	42	52	(19.2)
Mark-downs of financial assets and marketable securities	0	0	0	--
Interest and similar expenses	(2,480)	(2,283)	(2,613)	(12.6)
Gains (losses) from participations carried at equity	(61)	0	(28)	--
<i>Net financial results</i>	(2,662)	(2,255)	(2,366)	(4.7)
<i>EBT</i>	2,001	3,071	4,757	(35.4)
Taxes on income	(664)	(1,665)	(1,712)	(2.7)
<i>EAT</i>	1,337	1,406	3,045	(53.8)
Minority interests	(19)	0	0	n.m.
<i>Net income</i>	1,318	1,406	3,045	(53.8)

## PROFIT AND LOSS STATEMENT GROUP (NINE MONTHS)

for the period from 1 October 2004 to 30 June 2005 (previous year for comparison)

IN K€ IAS/IFRS, unaudited	9 Months 2004 <sup>5</sup>	9 Months 2003 <sup>4</sup>	% change
Net sales	412,981	425,930	(3.0)
Increase (decrease) in inventory of finished goods and work in progress	2,609	(2,971)	n.m.
Own expenses capitalised	0	23	--
Other operating income	9,833	10,227	(3.9)
<i>Total revenue</i>	425,423	433,209	(1.8)
Cost of raw materials, supplies and purchased goods	(130,030)	(132,995)	(2.2)
Cost of purchased services	(39,961)	(38,669)	3.3
Personnel expenses	(145,162)	(152,095)	(4.6)
Other operating expenses	(62,318)	(62,140)	0.3
<i>EBITDA</i>	47,952	47,310	1.4
Expenses for scheduled depreciation	(26,548)	(26,265)	1.1
<i>EBITA</i>	21,404	21,045	1.7
Amortization of goodwill	0	(2,556)	--
Write-back of goodwill amortisation of HI 2003 <sup>4</sup>	--	2,556	--
<i>EBIT</i>	21,404	21,045	1.7
Income from participations	0	0	--
Income from foreign exchange transactions	(76)	608	n.m.
Interest and similar income	404	169	139.1
Mark-downs of financial assets and marketable securities	0	0	--
Interest and similar expenses	(7,243)	(8,128)	(10.9)
Gains (losses) from participations carried at equity	0	28	--
<i>Net financial results</i>	(6,915)	(7,323)	(5.6)
<i>EBT</i>	14,489	13,722	5.6
Taxes on income	(6,096)	(5,607)	8.7
<i>EAT</i>	8,393	8,115	3.4
Minority interests	(20)	3	n.m.
<i>Net income</i>	8,373	8,118	3.1

## BALANCE SHEET GROUP: ASSETS

as at 30 June 2005 (previous year and financial year 2003/4 for comparison)

IN K€ IAS/IFRS, unaudited	%		%		%	
	30.06.2005	total	30.06.2004	total	30.09.2004	total
<i>Fixed Assets</i>	416,467	83.6	422,473	80.9	413,670	79.2
Goodwill*	88,883	17.9	87,922	16.9	87,772	16.8
Other intangibles	1,169	0.2	1,486	0.3	1,504	0.3
Property, plant and equipment	318,160	63.9	319,535	61.2	314,776	60.2
Financial assets reported at equity	0	0.0	28	0.0	42	0.0
Other financial assets (shares in affiliated companies and shares in other companies)	244	0.0	244	0.0	268	0.1
Loans	0	0.0	1,050	0.2	1,050	0.2
Deferred taxes	0	0.0	0	0.00	0	0.0
Property held as financial investments	8,011	1.6	12,208	2.3	8,258	1.6
<i>Current assets</i>	77,876	15.6	95,402	18.3	106,568	20.4
Inventories	25,046	5.0	24,497	4.7	22,975	4.3
Trade receivables	44,229	8.9	54,632	10.5	57,449	11.0
Receivables due from affiliated parties	0	0.0	0	0.0	1	0.0
Receivables due from participations	0	0.0	0	0.0	6	0.0
Tax refunds	1,120	0.2	5,413	1.0	7,296	1.4
Other assets	4,428	0.9	8,141	1.6	17,010	3.3
Other securities	0	0.0	0	0.0	0	0.0
Cash and cash equivalents	3,053	0.6	2,719	0.5	1,831	0.4
<i>Deferred assets</i>	121	0.0	75	0.0	115	0.0
<i>Prepaid expenses</i>	3,659	0.8	4,157	0.8	2,148	0.4
<i>Balance sheet total</i>	498,123	100.0	522,107	100.0	522,501	100.0

\* Includes in the previous year the write-back of 2,556 k€ goodwill amortisation of the first half 2003/4.

## BALANCE SHEET GROUP: LIABILITIES

as at 30 June 2005 (previous year and financial year 2003/4 for comparison)

IN K€ IAS/IFRS, unaudited	%		%		%	
	30.06.2005	total	30.06.2004	total	30.09.2004	total
<i>Equity*</i>	136,187	27.3	128,699	24.7	135,499	26.0
Issued capital	18,570	3.7	18,570	3.6	18,570	3.6
Capital reserves	58,353	11.7	58,353	11.2	58,353	11.2
Earnings reserves	35,423	7.1	12,426	2.4	30,808	5.9
Treasury stock	0	0.0	0	0.0	0	0.0
Valuation reserves	(3,334)	(0.7)	(522)	(0.1)	(1,040)	(0.2)
Retained earnings	27,178	5.5	39,893	7.6	28,831	5.5
Minority shareholders interest	(3)	0.0	(21)	0.0	(23)	0.0
<i>Long-term liabilities</i>	180,335	36.2	214,720	41.1	197,932	37.9
Interest-bearing debt / liabilities to banks	152,105	30.6	174,462	33.4	169,598	32.5
Leasing liabilities	645	0.1	1,595	0.3	1,190	0.2
Deferred taxes	0	0.0	0	0.0	0	0.0
Pension provisions	22,929	4.6	22,622	4.3	22,627	4.3
Other provisions	3,724	0.7	4,215	0.8	3,450	0.7
Other liabilities	932	0.2	11,826	2.3	1,067	0.2
<i>Short-term liabilities</i>	146,881	29.5	145,766	27.9	152,749	29.2
Interest-bearing debt / liabilities to banks	49,763	10.0	46,910	9.0	27,836	5.3
Current component of leasing liabilities	0	0.0	0	0.0	0	0.0
Advance payments received on orders	3,192	0.6	4,124	0.8	968	0.2
Trade payables	26,011	5.2	27,801	5.3	42,242	8.1
Liabilities to affiliated parties	29	0.0	30	0.0	32	0.0
Liabilities to participations	21	0.0	20	0.0	579	0.1
Other liabilities	24,247	4.9	20,418	3.9	33,142	6.3
Other provisions	43,618	8.8	46,463	8.9	47,950	9.2
Provisions for taxes	0	0.0	0	0.0	0	0.0
<i>Deferred taxes</i>	32,340	6.5	29,541	5.7	33,497	6.4
<i>Deferred income</i>	2,380	0.5	3,381	0.6	2,824	0.5
<i>Balance sheet total</i>	498,123	100.0	522,107	100.0	522,501	100.0

\* Includes in the previous year the write-back of 2,556 k€ goodwill amortisation of the first half 2003/4.

## CASH FLOW STATEMENT GROUP

for the period from 1 October 2004 to 30 June 2005 (previous year for comparison)

IN K€ IAS/IFRS, unaudited	QII 2004	QIII 2004	QIII 2003	9 Months 2004	9 Months 2003
CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES					
RESULT FROM ORDINARY BUSINESS ACTIVITIES					
INCLUDING FOREIGN EXCHANGE GAINS / LOSSES	4,492	5,311	7,346	21,328	21,653
Depreciation of fixed assets	9,047	8,936	8,379	26,548	28,822
Write-back of goodwill amortisation of HI 2003/4	--	--	--	--	(2,556)
Increase in value of fixed assets	61	0	28	0	(28)
Increase / (decrease) in provisions	(1,005)	(643)	2,411	(3,759)	(3,707)
Increase / (decrease) in deferred taxes	806	(148)	444	(1,144)	(271)
Gains / (losses) from disposals of fixed assets	(699)	21	191	(678)	(395)
RESULT PRIOR TO CHANGES IN NET CURRENT ASSETS	12,702	13,477	18,799	42,295	43,518
(Increase) / decrease in inventory	8,287	(5,123)	988	(2,089)	2,798
(Increase) / decrease in trade receivables	12,686	233	(13,300)	13,069	9,838
(Increase) / decrease in trade payables	(10,923)	(1,178)	807	(17,330)	(22,569)
(Increase) / decrease in other net current assets	4,160	(169)	3,184	13,599	2,841
NET CASHFLOW FROM CURRENT BUSINESS ACTIVITIES	26,912	7,240	10,478	49,544	36,426
Interest received	9	3	11	16	37
(Payments) / receipts in income taxes	277	(1,190)	(1,498)	(2,079)	(5,093)
NET CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES	27,198	6,053	8,991	47,481	31,370
CASHFLOW FROM INVESTMENT ACTIVITIES					
Investments in property, plant and equipment	(7,593)	(7,859)	(5,210)	(22,702)	(18,950)
Receipts from disposals of property, plant and equipment	1,140	69	304	1,385	1,490
Investments in intangible assets	(52)	(261)	(104)	(484)	(278)
Receipts from disposals of intangible assets	5	(5)	1	0	22
Investments in financial assets	0	0	0	0	0
Receipts from disposal of financial assets	0	0	0	25	0
Investments in subsidiaries	(255)	0	0	(255)	0
Receipts from disposal of subsidiaries	38	0	0	38	0
Dividends received	0	0	0	0	0
NET CASHFLOW FROM INVESTMENT ACTIVITIES	(6,717)	(8,056)	(5,009)	(21,993)	(17,716)
CASHFLOW FROM FINANCING ACTIVITIES					
Receipts from capital contributions	0	0	0	0	313
Distributions to shareholders and minority interests	(5,571)	0	0	(5,571)	(4,952)
Receipts from taking out loans	0	4,000	7,886	4,000	17,886
Payments made for the discharge of bonds and loans	(11,052)	(10,942)	(4,254)	(26,532)	(20,180)
Increase / (decrease) in short-term liabilities to banks	(2,001)	12,923	(6,485)	21,880	1,929
Receipts from other long-term liabilities	0	(10)	6	(4)	12
Payments made for the discharge of other lt. liabilities	(185)	(305)	(260)	(11,312)	(1,221)
Interest paid	(2,087)	(2,176)	(2,202)	(6,875)	(7,587)
NET CASHFLOW FROM FINANCING ACTIVITIES	(20,896)	3,490	(5,309)	(24,414)	(13,800)
NET INCREASE / (DECREASE) IN CASH	(415)	1,487	(1,327)	1,074	(146)
EXCHANGE-RATE-, CONSOLIDATION-, VALUATION-RELATED CHG. TO CASH AND CASH EQUIVALENTS					
	148	0	0	148	0
CASH AT THE BEGINNING OF THE PERIOD	1,833	1,566	4,046	1,831	2,865
CASH AT THE END OF THE PERIOD	1,566	3,053	2,719	3,053	2,719

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the period from 1 October 2004 to 30 June 2005

IN K€ IAS/IFRS, unaudited	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Minority interests	Total
Balance on October 1, 2004	18,570	58,353	31,115	(307)	(1,040)	28,831	(23)	135,499
Valuation of marketable securities and cashflow hedges	0	0	0	0	(317)	0	0	(317)
Differentials from translation of foreign currencies	0	0	0	(32)	0	6	(2)	(28)
Gains and losses not recognized in profit and loss statement	0	0	0	(32)	(317)	6	(2)	(345)
Net income	0	0	0	0	0	5,649	1	5,650
Dividends	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0
Addition to retained earnings	0	0	0	0	0	0	0	0
Balance on December 31, 2004	18,570	58,353	31,115	(339)	(1,357)	34,486	(24)	140,804
Balance on December 31, 2004	18,570	58,353	31,115	(339)	(1,357)	34,486	(24)	140,804
Valuation of marketable securities and cashflow hedges	0	0	0	0	(402)	0	0	(402)
Differentials from translation of foreign currencies	0	0	0	76	0	43	3	122
Gains and losses not recognized in profit and loss statement	0	0	0	76	(402)	43	3	(280)
Net income	0	0	0	0	0	1,318	19	1,337
Dividends	0	0	0	0	0	(5,571)	0	(5,571)
Acquisition of minority interest	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0
Addition to retained earnings	0	0	4,500	0	0	(4,500)	0	0
Balance on March 31, 2005	18,570	58,353	35,615	(263)	(1,759)	25,776	(2)	136,290
Balance on March 31, 2005	18,570	58,353	35,615	(263)	(1,759)	25,776	(2)	136,290
Valuation of marketable securities and cashflow hedges	0	0	0	0	(1,575)	0	0	(1,575)
Differentials from translation of foreign currencies	0	0	0	71	0	(4)	(1)	66
Gains and losses not recognized in profit and loss statement	0	0	0	71	(1,575)	(4)	(1)	(1,509)
Net income	0	0	0	0	0	1,406	0	1,406
Dividends	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0
Addition to retained earnings	0	0	0	0	0	0	0	0
Balance on June 30, 2005	18,570	58,353	35,615	(192)	(3,334)	27,178	(3)	136,187

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (FOR COMPARISON)

for the period from 1 October 2003 to 30 June 2004

IN K€ IAS/IFRS, unaudited	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Minority interests	Total
Balance on October 1, 2003	18,476	58,133	12,615	(277)	(162)	36,704	(17)	125,472
Valuation of marketable securities and cashflow hedges	0	0	0	0	127	0	0	127
Differentials from translation of foreign currencies	0	0	0	(344)	0	(2)	0	(346)
Gains and losses not recognized in profit and loss statement	0	0	0	(344)	127	(2)	0	(219)
Net income	0	0	0	0	0	3,111	(1)	3,110
Write-back of goodwill amortisation of QI 2003/4	0	0	0	0	0	1,278	0	1,278
Dividends	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0
Issuance of shares	94	220	0	0	0	0	0	314
Balance on December 31, 2003	18,570	58,353	12,615	(621)	(35)	41,091	(18)	129,955
Balance on December 31, 2003	18,570	58,353	12,615	(621)	(35)	41,091	(18)	129,955
Valuation of marketable securities and cashflow hedges	0	0	0	0	(1,645)	0	0	(1,645)
Differentials from translation of foreign currencies	0	0	0	454	0	23	0	477
Gains and losses not recognized in profit and loss statement	0	0	0	454	(1,645)	23	0	(1,168)
Net income	0	0	0	0	0	(597)	(1)	(598)
Write-back of goodwill amortisation of QII 2003/4	0	0	0	0	0	1,278	0	1,278
Dividends	0	0	0	0	0	(4,952)	0	(4,952)
Acquisition of minority interest	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0
Balance on March 31, 2004	18,570	58,353	12,615	(167)	(1,680)	36,843	(19)	124,515
Balance on March 31, 2004	18,570	58,353	12,615	(167)	(1,680)	36,843	(19)	124,515
Valuation of marketable securities and cashflow hedges	0	0	0	0	1,158	0	0	1,158
Differentials from translation of foreign currencies	0	0	0	(22)	0	5	(2)	(19)
Gains and losses not recognized in profit and loss statement	0	0	0	(22)	1,158	5	(2)	1,139
Net income	0	0	0	0	0	3,045	0	3,045
Write-back of goodwill amortisation of QIII 2003/4	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0
Balance of June 30, 2004	18,570	58,353	12,615	(189)	(522)	39,893	(21)	128,699

## OTHER OPERATING EXPENSES GROUP

*for the period from 1 October 2004 to 30 June 2005 (previous year for comparison)*

IN K€ IAS/IFRS, unaudited	QIII 2004 <sup>5</sup>	QIII 2003 <sup>4</sup>	9 Months 2004 <sup>5</sup>	9 Months 2003 <sup>4</sup>
Overheads	1,403	1,796	4,633	5,492
Rental and leasing expenses	1,128	1,371	3,789	4,428
Ancillary staff costs	1,728	1,559	5,845	5,229
Maintenance	4,718	4,931	17,454	16,450
Levies and insurance	1,020	922	3,035	3,023
Sales and advertising costs	5,605	5,927	19,458	17,783
Administrative costs	1,968	2,194	5,879	6,627
Impairment charges on fixed assets	0	0	143	0
Other expenses	(581)	856	1,265	2,428
Other taxes	259	255	817	680
<i>Total operating expenses</i>	17,248	19,811	62,318	62,140

## TOTAL TONNAGE IN THE PRINT DIVISION

*for the period from 1 October 2004 to 30 June 2005 (previous year for comparison)*

IN TONNES	QIII 2004 <sup>5</sup>	QIII 2003 <sup>4</sup>	9 Months 2004 <sup>5</sup>	9 Months 2003 <sup>4</sup>
Paper supplied by customers	92,106	103,225	314,379	308,469
Paper purchased	32,897	32,938	115,048	113,639
<i>Total tonnage</i>	125,003	136,163	429,427	422,108

*In the direct marketing division the these indicators are not relevant.*

## CONSOLIDATED VALUE-ADDED SALES

*for the period from 1 October 2004 to 30 June 2005 (previous year for comparison)*

IN K€ IAS/IFRS, unaudited	QIII 2004 <sup>5</sup>	QIII 2003 <sup>4</sup>	9 Months 2004 <sup>5</sup>	9 Months 2003 <sup>4</sup>
Net sales	116,738	132,370	412,981	425,930
Change in inventories	4,528	(1,322)	2,609	(2,971)
Own expenses capitalised	0	17	0	23
Cost of raw materials, supplies and goods purchased	(36,740)	(39,346)	(130,030)	(132,995)
Cost of services purchased	(10,703)	(10,802)	(39,961)	(38,669)
<i>Value-added sales</i>	73,823	80,917	245,599	251,318

— MANAGEMENT BOARD / SUPERVISORY BOARD

In the period under review the members of the Executive Board and of the Supervisory Board did not change.

*Management Board:* Bernd Rose (Chairman), Dr. Uwe Hack, Werner Reiser, Adam Valeri

*Supervisory Board:* Erwin J. Kiefer (Chairman), Karl-Heinz Gramß (Deputy Chairman), Ivan Bebek, Nikolaus Broschek, Edmund Hug, Sigmund Kiener, Joachim Kohm, Dr. Herbert Pototzky, Irene Salberg, Michael Schlecht, Reinhold Schreiner, Rudolf Steiner

— FINANCIAL CALENDAR

BW-Bank (BWSC), Frankfurt	17 October 2005
Deutsches Eigenkapitalforum, Frankfurt	23 November 2005
Preliminary Figures Quartal I 2005/2006	25 January 2006
Balance Sheet Press Conference, Stuttgart	25 January 2006
DVFA-Analyst Meeting, Frankfurt	25 January 2006
Report Quarter I 2005/06	8 February 2006

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— INVESTOR RELATIONS

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*This interim report has been prepared in accordance with IAS 34. It is based on the same accounting policies as the annual financial statements for the 2003/4 financial year. The report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail. Neither the Company nor the Language Consultant can accept liability for any direct, indirect, special, consequential or other losses or damages arising out of erroneous translations. Owing to the nature of translations, only the German version shall be deemed authoritative.*