
LETTER TO SHAREHOLDERS

FROM THE CHAIRMAN OF THE MANAGEMENT BOARD, SCHLOTT GRUPPE AG

DEAR SHAREHOLDER,

Competence equals impact. Not only in facts and figures but also in the tangible accomplishments of day-to-day operations. This year's report highlights our achievements as one of Europe's leading players in *print* and *direct marketing*. It also outlines our high-impact plans for the future – so that you know what to expect.

Our primary goal is to safeguard the value of our company. Indeed, we are committed to enhancing from year to year. For the benefit of our customers, shareholders and staff. One of the essential prerequisites is to operate profitably and drive growth, either organically or by embracing a more outward-looking strategy. Augmenting the value of a commercial enterprise is extremely challenging, particularly in times of economic austerity. We are equal to this challenge!

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“Sincerity creates trust. This is the fundamental basis of any successful partnership.”

Bernd Rose, Chairman of the Management Board

We charted our route to the top many years ago, by focusing on our inherent strengths and values. Committed to the continuous optimisation of our own performance, we have been able to counteract the pressure on prices and, what is more, enhance our earnings potential. Our track record within the area of corporate integration speaks for itself. To a large extent, this success is a testament to the values we have embraced as a company: we believe in *openness* and *transparency*, in *sincerity* and *integrity*, in *dedication* and *performance*. And we act accordingly, be it in day-to-day operations or as part of our long-term corporate strategy.

There can be no doubt whatsoever: we took another significant step forward in fiscal 2004/05 in terms of elevating company value.

We implemented a programme of internal streamlining and adjusted to new customer requirements. A prime example is the trend towards more personalised, target-group-orientated

mail-order catalogues. With this in mind, we invested in a modern, high-performance rotary printing machine for our Freudenstadt plant. And having introduced a new, more efficient organisational structure, we are also well on track to achieve considerably higher margins within the area of *direct marketing*.

Indeed, the fourth quarter of the financial year under review marked the turning point for this segment of our business. Although the first three below-par quarters recorded by *direct marketing* proved somewhat unfavourable in terms of consolidated results, we succeeded in fully matching our forecasts thanks to the thoroughly profitable performance of our print division. *Overall, we are now well positioned to take on the challenges that lie ahead.*

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“We shall do everything in our power to secure our position as a major European player with an exceptional service portfolio.”

Bernd Rose, Chairman of the Management Board

Our corporate plans should continue to be seen against the backdrop of subdued economic activity. If the economy gains momentum, our rewards are likely to be even more substantial. The optimisation measures implemented within the area of *print* and *direct marketing* will take full effect in the next two years.

The process of consolidation within the European gravure printing sector has gathered pace. As one of the top three players in this field and a driving force behind consolidation, we shall seize the opportunity in a well-judged yet determined manner as soon as we identify a viable acquisition target – safe in the knowledge that our powerful market position gives us the necessary scope to manoeuvre independently.

Our success is a tribute to our staff. Without their commitment and performance the outstanding results achieved over the course of this challenging year would not have been possible.

At the same time, we are deeply indebted to our customers, who place their trust in our services. We shall continue to nurture the rapport we have built. We would also like to take this opportunity to thank all those of you – shareholders, supervisory board members, business partners and suppliers – who have accompanied us over the course of the year. We appreciate the fruitful partnership established between us. This annual report offers a fascinating insight into the world of communication. Find out about our activities as a professional facilitator, and discover the way in which we connect people. Everywhere, anywhere.

JANUARY 2006



BERND ROSE

Chairman of the Management Board