



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM REPORT I 2007/8

INTERIM FINANCIAL REPORT ON THE FIRST QUARTER ENDED 31 DECEMBER 2007

Q I

INTERIM REPORT I 2007/8

OF SCHLOTT GRUPPE

REPORT ON THE FIRST QUARTER ENDED 31 DECEMBER 2007

- *Start to financial year meets expectations*
- *Cost streamlining programme in progress; sub-projects implemented*

KEY FINANCIALS OF THE GROUP AS AT 31 DECEMBER 2007

IN K€	Q1	%	Q1	%
	20078	total	20067	total
Net sales	127,468	195.6	122,379	176.6
Total revenue	128,781	197.6	131,554	189.8
Value-added sales	65,169	100.0	69,294	100.0
EBITDA	12,069	18.5	17,676	25.5
EBIT	5,018	7.7	10,580	15.3
EBT	3,181	4.9	8,494	12.3
Post-tax income of continued operations	2,055	3.2	9,954	14.4
Post-tax income of discontinued operations	0	0.0	466	0.7
Net earnings	2,055	3.2	10,420	15.0
Earnings per share				
from continued operations (€)	0.33	--	1.60	--
Free Cashflow (after dividend)	(4,043)	--	(24,748)	--
Employees (reporting date)	2,944	--	3,099	--

IN K€	31. DEC.	%	31. DEC.	%	30. SEPT.	%
	2007	total	2006	total	2007	total
Goodwill	81,821	16.4	91,509	15.8	81,821	16.1
Total lt. assets	411,392	82.3	481,226	83.1	417,122	81.9
Inventories	26,420	5.3	31,564	5.5	24,584	4.8
Accounts receivable	50,118	10.0	54,064	9.3	47,790	9.4
Cash and cash equivalents	1,676	0.3	3,348	0.6	2,637	0.5
Total st. assets	88,431	17.7	97,541	16.9	92,060	18.1
Total Equity	183,463	36.7	163,889	28.3	181,525	35.7
Debt due to Banks	95,209	19.0	130,798	22.6	99,686	19.6
Lt. provisions	26,417	5.3	30,527	5.3	26,449	5.2
Total lt. liabilities	152,916	30.6	199,090	34.4	157,007	30.8
Debt due to Banks	81,842	16.4	111,179	19.2	71,286	14.0
Accounts payable and other liabilities	36,448	7.3	38,566	6.7	54,177	10.6
St. provisions	32,252	6.5	50,858	8.8	29,791	5.9
Total st. liabilities	163,444	32.7	215,788	37.3	170,650	33.5
Balance sheet total	499,823	100.0	578,767	100.0	509,182	100.0

LETTER TO SHAREHOLDERS

- DEAR SHAREHOLDERS,

our business developed in line with forecasts during the first quarter, thus providing a solid basis from which to pursue and fulfil our annual targets. The year-on-year decline in pre-tax profit remained within the parameters of our forecast, as it was induced to a large extent by a series of price reductions with which we had to contend over the course of last year. In anticipation of the trend, we communicated our business projections as part of the annual forecast included in our preliminary data for the last financial year, published as early as November 2007.

In parallel, we initiated the necessary measures to strengthen *schlott gruppe's* competitive position on a sustainable basis. The details of this cost-reduction programme were outlined at the financial press conference and analysts' meeting hosted by us in January 2008.

We have already negotiated a company-specific agreement for our Freudenstadt site, which will lead to sustained savings of two million euros per annum. Thus, the measures envisaged for this facility have been implemented in line with our initial action plan. We have also entered into intensive negotiations with staff representatives in Nuremberg. Concrete measures are already in the process of implementation in Landau. An agreement governing the retention of jobs is still in place in Hamburg.

The market in which we operate continues to be extremely challenging. Having said that, we have been encouraged by the more stable market trends witnessed in recent months. Demand, for instance, remains satisfactory, and the prices to be achieved within the marketplace have developed in line with expectations. What is more, the sector as a whole has become much more dynamic.

In autumn 2007 two major European printing companies reported that they had entered into merger negotiations. Additionally, the ongoing debate surrounding capacity downsizing has now been followed through with concrete plans for the first site closure within the industry. We, too, have been contributing to market streamlining by decommissioning machinery no longer considered viable.

There is good reason for optimism that the industry as a whole will find an appropriate balance between demand for printed items and the supply of printing capacity. *schlott gruppe* will remain a leading player within the European printing industry and will continue to shape market structures in years to come. Equipped with a programme aimed at reducing costs, we are committed to strengthening our company and thus expanding our market position.

6 February 2008

THE MANAGEMENT BOARD

THE SHARE

OF SCHLOTT GRUPPE

- *Subprime crisis weighs on international capital markets*
- *Attractive investment case: cost-cutting programme, high dividend yield, expected high free cash flow and M&A prospects*

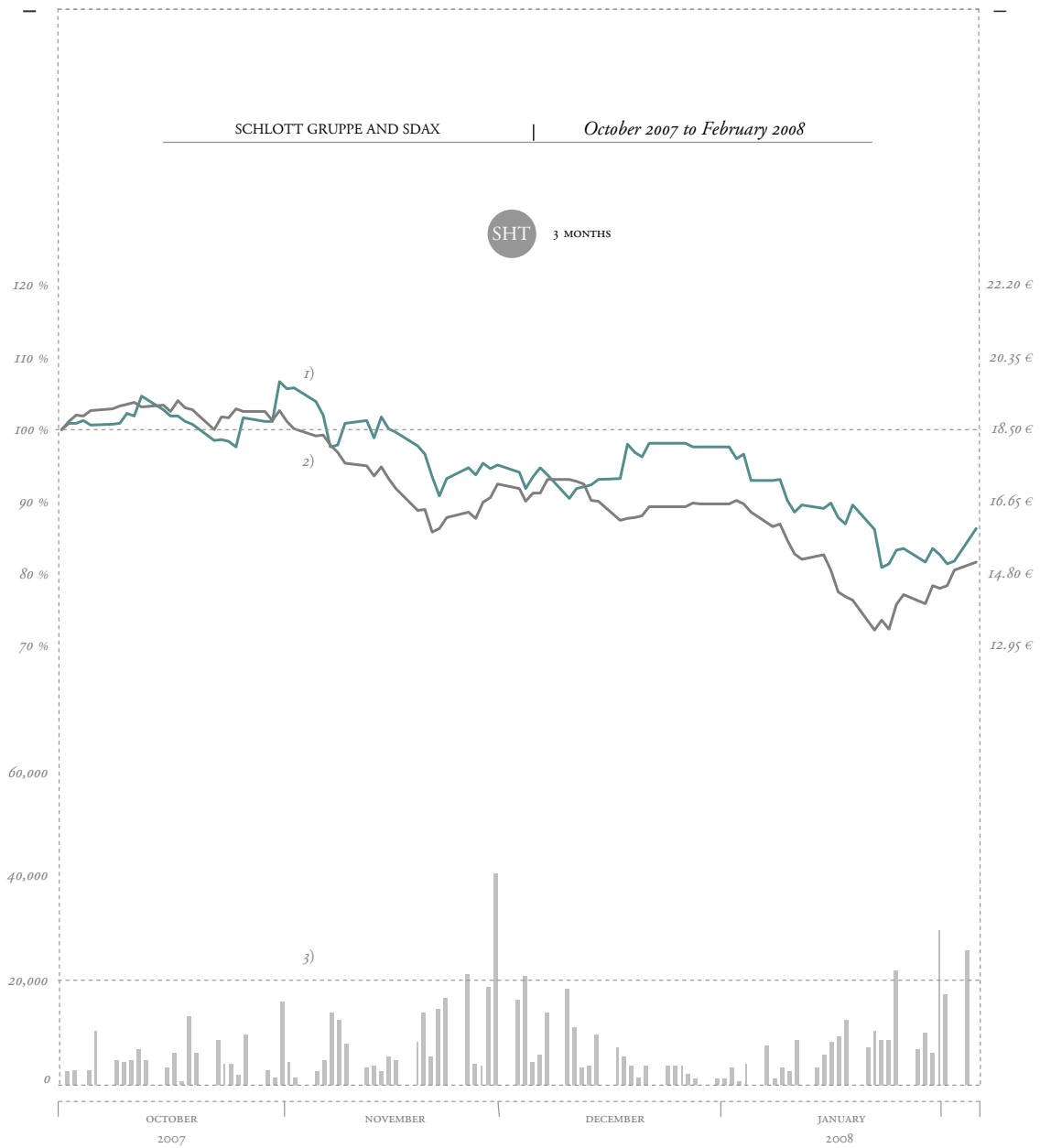
The capital markets are currently dominated by considerable uncertainty about the potential impact of the us subprime crisis on the international banking industry as well as the repercussions that this crisis is likely to have on the economy as a whole. In November 2007, the markets contracted sharply for the second time during the calendar year, and the start to 2008 was anything but encouraging as markets were again faced with a significant realignment in January.

Whereas 2007 was marked by increasing pressure on small caps, which tend to reflect the breadth of an economy, the more recent phase of market realignment was due to short-term transactions associated with the principal index, the DAX. Having said that, the small-cap segment mirrored the general market performance during this latest period of readjustment, as a result of which small and big caps moved in parallel with each other calculated on the basis of the SDAX and DAX.

Since the beginning of our current financial year on October 1, 2007, our share has depicted an unsatisfying trend leading to a price decline from €19.25 at the beginning of the financial year to €15.00 at the end of January 2008.

Calculated on the basis on an unchanged dividend of €1.00 per share to be proposed by the Management Board and Supervisory Board of *schlott gruppe* to this year's AGM on February 26, 2008, the dividend yield for our shares currently stands at 6.7 per cent. We are confident that this significant return will contribute to the financial appeal of our stock, even more so when one considers that our forecast for the next three years includes a substantial free cash flow, before dividend payments, in excess of €60 million in total.

We intend to reiterate these points in our dealings with the capital markets. The cost-reduction programme announced by us at the end of January 2008 marks the first stage of a campaign aimed at raising market awareness of *schlott gruppe's* prospects and marketing our share's investment case in a more targeted manner.



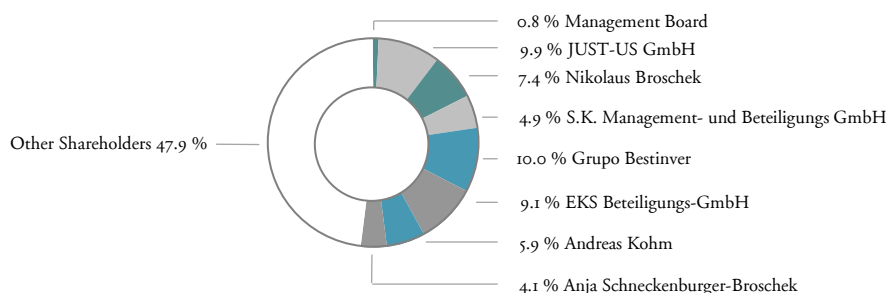
1) schlott gruppe (XETRA)
(1.10.2007 = 100)

2) SDAX Price Index
(1.10.2007 = 100)

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

SHAREHOLDER STRUCTURE AS OF 4 FEBRUARY 2007

based on 6,204,200 shares



Free Float according to definition Deutsche Börse AG: 68.4 %

The purchase of further shares by board members in the quarter under review is to be viewed as a positive move, as it underscores their confidence in our business and reaffirms their long-term commitment towards the company as a whole.

On November 9, 2007, we passed a resolution for the repurchase of equity instruments, as we were of the opinion that the market price of our shares did not reflect the opportunities presented to *schlott gruppe* by ongoing market consolidation within the European printing industry. In view of this year's Annual General Meeting of *schlott gruppe* AG, the aforementioned programme was suspended on January 11, 2008. Up to this date, 54,358 shares had been repurchased by the company for a total consideration of €947,822.05.

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

Name	Function	Date of transaction	Type	No. of shares	Amount (€)
JUST-US GmbH	Relationship to a member of the Supervisory Board	29/11/2007	Purchase	5,000	87,500.00
JUST-US GmbH	Relationship to a member of the Supervisory Board	04/12/2007	Purchase	5,000	84,850.00
S.K. Management- und Beteiligungs GmbH	Relationship to a member of the Supervisory Board	13/12/2007	Purchase	20,350	347,578.00
JUST-US GmbH	Relationship to a member of the Supervisory Board	14/12/2007	Purchase	4,250	71,999.25
JUST-US GmbH	Relationship to a member of the Supervisory Board	16/01/2008	Purchase	5,250	86,205.00
JUST-US GmbH	Relationship to a member of the Supervisory Board	18/01/2008	Purchase	5,500	88,715.00
JUST-US GmbH	Relationship to a member of the Supervisory Board	18/01/2008	Purchase	5,000	81,600.00
JUST-US GmbH	Relationship to a member of the Supervisory Board	25/01/2008	Purchase	5,000	77,250.00

In the period from the beginning of the quarter to the publication date of this report schlott gruppe received no notifications according to §21 WpHG.

INTERIM MANAGEMENT REPORT

- BUSINESS ENVIRONMENT

- *Economic growth prospects are weakening in Europe and in the Eurozone*
- *Business Climate in the print industry continues to be very modest*

The general economic climate weakened over the course of the second half of the 2007 calendar year in the wake of the us subprime mortgage crisis. The immediate economic impact for 2007 – and thus also for the first quarter of our 20078 financial year – remained within relatively narrow parameters. However, an increasing number of market pundits now believe that the economy will deteriorate significantly in 2008.

While Germany was able to generate real GDP growth of 2.5 per cent in 2007, the latest data published by the German government points to just 1.7 per cent growth for 2008. Similarly, the latest economic indicators for the eurozone as a whole would appear to suggest that the projected growth rate of 2.0 per cent for 2007 will not be matched in 2008.

A report published by Nielsen Media Research with regard to the overall performance of the advertising market in 2007 cites a 3.7 per cent rise in gross advertising spending within the traditional media segment. The most significant gains were attributable to the first calendar quarter, whereas growth was less pronounced in the subsequent months. What is more, these trends applied mainly to television and billboard advertising, a segment that is of no relevance to *schlott gruppe*.

By contrast, the overall volume of mailshots was more encouraging, rising by 9.4 per cent during the 2007 calendar year. Mailshot advertising, as defined by Nielsen Media Research, includes direct-mail activities as well as media campaigns such as those covered by our supplements business group. Therefore, data relating to trends within this area are of particular significance to our company. With value-added sales accounting for a larger proportion of this product group in the financial year just ended, we were able to reap the rewards of market momentum within this specific area. This encouraging trend continued into the first quarter of 20078.

In the first quarter of our financial year, business performance within the printing sector – measured on the basis of the ifo Business Climate Index – remained in the very narrow range witnessed for the past one and a half years. December saw a slight improvement in business sentiment as demand picked up and production output improved. As a result, the industry has not had to contend with any visible increases in price-related pressures over the recent months.

Having said that, only ten per cent of those surveyed anticipate an improvement in business in the next six months; three-quarters of those taking part expect the overall business climate to remain unchanged. Thus, the industry as a whole is unlikely to see any significant stimulus in the foreseeable future.

- REPORT ON THE RESULTS OF OPERATIONS

- *Initial positive effects from the cost-cutting programme*
- *Earnings reduction in line with expectations*

In 2007/8, the income statement of *schlott gruppe* encompasses the business units *print* and *corporate services*, which constitute the continued operations of the Group. In accordance with IFRS 5, data for the previous year is presented on a comparable basis. As part of this approach, the *direct marketing* division, which was still part of the consolidated group in the first quarter of 2006/7, has been reclassified and is presented as discontinued operations.

The figures presented do not yet include provisions for the Group's cost-reduction programme, which are estimated at approx. €15 million for the current financial year.

The consolidation of *biegelaar* has an impact on year-on-year comparability. First-time consolidation of this entity occurred as of November 1, 2006. Therefore, *biegelaar* contributed to profit and loss for the entire quarter of the current period under review. By contrast, this entity was included in the consolidated group for a period of just two months in Q1 2006/7.

Given the size and scope of this entity in relation to the remaining *schlott gruppe*, the impact of this factor on the quarterly financial statements of the Group is considered as not substantial. However, the relative effect is more pronounced when it comes to revenue and material expenses because *biegelaar's* purchases of paper are much more extensive than those of *schlott gruppe*.

Additionally, the exceptionally high paper provision ratio of 81.1 per cent recorded by *schlott gruppe*, as it was then, in the first quarter of 20067 was scaled back to 76.2 per cent in the period under review. This also had an impact on the reported increase in revenue and material expenses, but without affecting VAS.

Focusing on the purely organic development of *schlott gruppe* in the period under review, output declined from 147.4 thousand tonnes a year ago to 142.3 thousand tonnes in the first quarter of 20078. Including the effects of consolidation, the company recorded an increase from 159.9 thousand tonnes in the first quarter of 20067 to 162.7 thousand tonnes in the reporting period. Calculated on the same basis, VAS fell from €69.3 million to €65.2 million.

In response, *schlott gruppe* was able to stabilise charges relating to services purchased as well as other operating expenses, as a result of which these two items represented no significant additional encumbrance to financial performance in the first quarter of 20078. The development of staff costs was altogether more encouraging. Despite the slight improvement in tonnage, they remained €1.9 million below last year's figure, which corresponds to a 5.0 per cent reduction. These positive effects are a clear testament to the early success of our cost-reduction measures.

Savings made within this area, however, were more than offset at EBT level by a €2.8 million year-on-year decline in other operating income. However, this trend was foreseeable, and thus in part the factors outlined above have been taken into account in our earnings expectations for the first quarter and the current financial year as a whole.

With depreciation expense remaining almost unchanged and finance cost improving slightly year on year from €2.1 million to €1.8 million, EBT for the first quarter of 20078 amounted to €3.2 million, compared with €8.5 million in the same period a year ago. Tax expense totalled € 1.1 million in the period under review, compared with a refund on €1.5 million for the same period last year – particularly as part of the mandatory capitalisation of corporation tax credits. Overall, net profit within the Group stood at €2.1 million for the period under review, while earnings per share amounted to €0.33. In the same period a year ago, earnings from continued operations had totalled €10.0 million, resulting in earnings per share of €1.60.

- REPORT ON THE DEVELOPMENT OF THE SEGMENTS

- *Cost-cutting programme in Nuremburg and Landau in progress*
- *VAS growth abroad continues*

Segment reporting continues to encompass the two business units *print* and *corporate services*. The *print* unit is responsible for the operating activities of *schlott gruppe*, while all Group services, including those attributable to *schlott gruppe* AG, have been assigned to the *corporate services* unit.

The *print* unit generated value-added sales of €64.2 million in the first quarter of 20078, after €68.2 million in the same period a year ago. Earnings before taxes amounted to €4.1 million, compared with €9.1 million in the first three months of 20067.

On the whole, the performance details presented as part of the discussion and analysis of financial performance also apply to the *print* division. In order to avoid repetitions, readers are kindly requested to refer to the chapter outlining details relating to the consolidated income statement.

Within the *print* division, gravure printing – an area accounting for a significant proportion of value-added sales (VAS) and EBT – had to contend with a decline in bottom-line results. By contrast, offset printing developed slightly better than expected, while postpress remained within the normal range of fluctuation.

The investments channelled into these activities as well as the measures already implemented in recent years in order to improve profitability have clearly had a favourable impact. We will initiate the necessary measures in gravure printing over the course of this financial year, the focus being on strengthening *schlott gruppe* for the future.

For this purpose, we have drawn up an extensive action plan that encompasses all gravure printing sites in Germany as well as Purchasing and – to the extent that this is deemed necessary – the cross-departmental functions within the Group. Over the course of the current financial year, we will be reducing our HR requirements at the operating sites in Freudenstadt, Landau and Nuremberg.

The measures envisaged will involve utilising every possible option within the collective wage agreement, which includes a more flexible approach to operating hours, the adjustment of working hours and the further reduction in existing benefits that go beyond the scale negotiated as part of the collective agreement.

Additionally, we will implement a three-shift system in Nuremberg and Landau, two sites currently operating on the basis of a four-shift model. This move will bring about a significant reduction in the overall number of staff employed. In combination with additional streamlining efforts encompassing the full range of internal processes, the measures outlined above will allow us to scale down our staffing levels by approx. 100 employees in Nuremberg and around 12 in Landau.

Furthermore, our plans for the Nuremberg site include transferring assistant labourer roles to external service providers. These measures will affect a further 90 members of the workforce. In pursuing this approach, we will be able to rein back costs without having to deal with the downside of job losses.

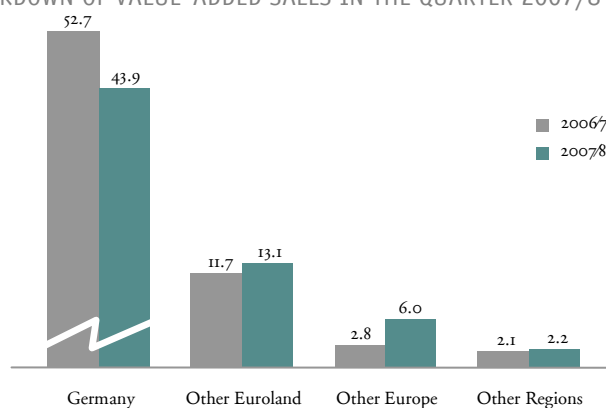
In combination, the above-mentioned measures will result in a significant reduction of *schlott gruppe's* cost base, strengthen the company's competitiveness and safeguard the future of jobs and operating plants.

Beyond the adjustments directed at existing HR structures, we are also committed to pursuing decisive cost-reduction measures in all other areas of our business. This action plan applies in particular to our purchasing department, where we intend to improve current procurement structures by making existing framework agreements more flexible, reducing contracting periods and improving the general terms and conditions of payment.

At the same time, we are committed to alleviating some of the price-related pressure exerted on our market as a whole by decommissioning machinery no longer considered viable. In the area of highly flexible and specialised printing machinery no changes are planned.

REGIONAL BREAKDOWN OF VALUE-ADDED SALES IN THE QUARTER 2007/8

in €m



As regards our regional sales markets, the trend witnessed over the course of 2006/7 continued into the first quarter of the current financial year. The price reductions faced by market players were particularly noticeable in Germany, as a result of which domestic VAS again declined as expected in the period under review.

This trend was offset in part by growth generated in the rest of the eurozone, although this was driven principally by consolidation effects attributable to *biegelaar* (see discussion and analysis of financial performance). Furthermore, business performance in the rest of Europe, i.e. Denmark, Sweden and the UK, proved very robust and generated significant momentum. Thus, our activities in Europe are to be seen as a driving force when it comes to the development of the Group as a whole.

Value-added sales generated in the *corporate services* segment are attributable principally to cost allocations associated with *print* segment operations. Therefore, when analysing the revenue performance of this business unit, it is advisable to focus solely on cost-related trends, the emphasis being on costs before finance cost because *corporate services* is responsible for refinancing the other entities of *schlott gruppe*.

Analysed against this backdrop, costs fell from €2.5 million a year ago to €1.8 million in the first quarter of 2007/8, which constitutes a significant year-on-year cost improvement for this segment. The loss before taxes incurred within the *corporate services* segment stood at €0.3 million at the end of the first quarter of 2007/8, after a loss of €1.0 million for the same period a year ago.

- REPORT ON THE FINANCIAL SITUATION AND NET ASSETS

- *Capex reduced according to schedule*
- *Equity ratio continues to expand*

Compared with the end of Q1 20067, the balance sheet total of *schlott gruppe* has been scaled back markedly, while the equity ratio has significantly improved. In the first quarter of 20067 the former *direct marketing* business unit was still included. Alongside these year-on-year changes, the balance sheet structure also improved visibly over the course of the period under review.

The balance sheet total contracted slightly from €509.2 million at the beginning of the quarter to €499.8 million at the end, while the equity ratio continued to rise and now stands at 36.7 per cent. The contraction of the balance sheet total is attributable mainly to the reduction in trade payables, which had been relatively high at the end of the 20067 financial year due to accounting-specific factors. In parallel, equity continued to rise due to the allocation of net profit for the period.

An analysis of *schlott gruppe's* asset structures reveals a slight decline in property, plant and equipment over the course of the quarter, which was attributable to the scheduled reduction in investments. As already discussed on previous occasions, at present no major new investments are required within the Group. Beyond this, other assets were scaled down considerably as we received the proceeds from the sale of the former *direct marketing* division.

Despite lower earnings, cash flow before changes in working capital was just slightly down on last year's figure. This was attributable to net allocations to provisions in the quarter under review, while provisions had been reversed in the same period a year ago. At operating level, too, we recorded only a moderate cash outflow of €3.0 million, compared with €1.4 million a year ago; current assets were managed in such a manner as to ensure that the net changes to asset items on the one hand and liabilities on the other offset each other to the greatest extent possible.

The most visible change in cash flow during the period under review was that associated with investing activities. In contrast with the previous year, we no longer had to contend with an outflow of cash from the acquisition of *biege-laar* and *reus*. Furthermore, the investments were limited to maintenance capex, which produced an additional reduction in cash outflow by €3.9 million. In total, net cash used in investing activities was scaled down from €23.3 million a year ago to €1.0 million in the first quarter of 20078. The thus remaining financing requirements were covered by means of short-term refinancing in a net amount of €6.1 million.

In the same period a year ago, net borrowings within this area had amounted to €32.7 million. The cash flow trends outlined above are attributable to the seasonality of our business over the course of the year. At the end of the seasonally buoyant quarters, we generally have to finance a substantial amount of receivables. As receivables are gradually scaled down during the subsequent weeks, we are able to build up free cash flow over the remainder of the financial year.

- STAFF

- *Visible decline of number of employees yoy*
- *Further reduction during the reporting quarter*

At the end of the first quarter of 20078 *schlott gruppe* employed a total of 2,944 people, 2,855 members of staff within the *print* division and 89 within the *corporate services* unit. During the period under review, we continued our efforts to scale down costs and increase the overall efficiency of our processes throughout the entire organisation, as a result of which the total headcount was again lower.

At the end of the 20067 financial year, the staff number stood at 2,994 in Group level with the *print* division accounting for 2,897 employees, while *corporate services* had a workforce of 97. This downward trend becomes even more apparent when we look at the headcount at the end of the first quarter of 20067, which stood at 2,996 in the case of *print* and 103 in the case of *corporate services*.

These changes are to be seen as tangible evidence of our commitment to adjusting continuously the company's overall cost base. In view of the considerable erosion of prices within the gravure printing market over the course of the 20067 financial year, these ongoing measures by themselves will not be sufficient to secure the competitiveness of our company in a sustainable manner. With this in mind, we are currently implementing an extensive action plan aimed at driving down costs at our domestic gravure printing sites.

One part of this is the outsourcing of our internal logistics to an external service provider. A substantial part to the decline of the workforce applies to this. Our main focus is on exhausting every possible option open to us within the framework of the collective wage agreement concluded for our industry. These measures are to include amicable solutions negotiated between the company and its staff. Indeed, we have already negotiated a specific company agreement for our Freudenstadt site, which will lead to a permanent reduction in costs equivalent to two million euros per annum.

- EVENTS AFTER THE BALANCE SHEET DATE

No events of material significance for the earnings development or the financial situation, thus necessitating disclosure, occurred after the balance sheet date.

- CHANGES IN THE MANAGEMENT BOARD

The composition of the Management and the Supervisory Board did not change in the reporting period. As already communicated, Mr. Werner Reiser decided after the end of the reporting period to step down from the Management Board of *schlott gruppe* AG on expiry of this contract on May 31, 2008, after 15 years of service. Both the Supervisory Board and the Management Board deeply regret his decision.

They fully respects his wish to step down from his duties as a Management Board member after such an extensive period of service and thank Mr. Werner Reiser for a rapport established between him and the members of both boards which was outstanding in every respect over the full period of time. The members of the Management and the Supervisory Board wish him success and best health for the future. Upon his resignation his duties will be taken over by the other members of the Management Board. This will ensure continuity and an effective transition of Management Board duties.

- REPORT ON FORECASTS AND THE OUTLOOK FOR THE GROUP

- *Opportunities and risks of business development unchanged*
- *Forecast for current fiscal year confirmed*

OPPORTUNITIES AND RISKS

There have been no material changes to the opportunities and risks of the forecast for the 2007/8 financial year compared with the details outlined in the 2006/7 annual report. We continue to believe that the prospects of unlocking additional earnings potential with the help of a significant improvement in demand and growing capacity utilisation within the industry as a whole are relatively remote. Forward momentum within the market would possibly lead to price recovery, as would a substantial reduction in existing printing capacity. Moreover, there is initial evidence to suggest greater price awareness among printing operators. However, it would be presumptuous to assume that this will translate into significant earnings growth over the course of the current financial year.

Among the principal risks to our forecast are price-related pressures in excess of those anticipated by the company, a continued rise in energy and raw material prices, a slower as expected overall economic growth as well as delays to the implementation of our cost-reduction programme. However, at present there is no evidence to suggest that these risks will materialise, and on this basis we can confirm our forecast for the current financial year. The opportunities and risks presented as part of this report apply to the Group and to both of our business units.

ANTICIPATED DEVELOPMENT OF THE BUSINESS

Our guidance forecast for the 2007/8 financial year suggests a decline in value-added sales by around four per cent to approx. €240 million and break-even EBT, before non-recurring charges for the cost-reduction programme, which are likely to total approx. €15 million. With tonnage output remaining virtually unchanged, the projected decline in value-added sales reflects first and foremost the price reductions implemented in the previous financial year, in addition to continued price erosion accounted for in our forecasts for the current 2007/8 financial year. The visible decline in EBT, down to break-even, is also attributable to these factors.

In fact, the downward trend would have been much more pronounced had it not been for the initial offsetting effects of our cost-reduction programme. The latter has been scheduled for a period of three years. Our aim is to downsize our cost base by a double-digit figure in the million-euro range (annually), return to above-par single-digit EBT in 2008/9, followed by double-digit EBT in 2009/10 – and to a satisfactory return on equity. Our cash flow and equity ratio will remain encouragingly high over the entire period due to the low level of required investments.

INTERIM FINANCIAL STATEMENTS

GROUP PROFIT AND LOSS STATEMENT

in the period from 1 October to 31 December 2007 (previous year for comparison)

IN K€	Q1 2007 8	Q1 2006 7	% change vs. previous year
Net sales	127,468	122,379	4.2
Increase (decrease) in inventory			
of finished goods and work in progress	219	5,290	(95.9)
Own expenses capitalized	0	0	--
Other operating income	1,094	3,885	255.1
Total revenue	128,781	131,554	(2.1)
Cost of raw materials,			
supplies and purchased goods	(47,775)	(43,541)	9.7
Cost of purchased services	(14,743)	(14,834)	(0.6)
Personnel expenses	(36,222)	(38,073)	(4.9)
Other operating expenses	(17,972)	(17,430)	3.1
EBITDA	12,069	17,676	(31.7)
Expenses for scheduled depreciation	(7,051)	(7,096)	(0.6)
EBIT	5,018	10,580	(52.6)
Income from foreign exchange transactions	516	(26)	n.m.
Interest and similar income	68	839	(91.9)
Interest and similar expenses	(2,421)	(2,899)	(16.5)
Net financial results	(1,837)	(2,086)	(11.9)
EBT	3,181	8,494	(62.6)
Taxes on income	(1,126)	1,460	n.m.
Post-tax income of continued operations	2,055	9,954	(79.4)
Post-tax income of discontinued operations	0	466	n.m.
Earnings after tax	2,055	10,420	(80.3)
<i>Thereof applicable to</i>			
Shareholders of schlott gruppe AG	2,056	10,421	(80.3)
Minorities	(1)	(1)	--

DEVELOPMENT OF BUSINESS SEGMENTS

in the period from 1 October to 31 December 2007 (previous year for comparison)

IN K€	print		corporate services		All sectors		Reconciliation		Group	
	20078	20067	20078	20067	20078	20067	20078	20067	20078	20067
Net sales to customers	127,336	121,939	132	440	127,468	122,379	0	0	127,468	122,379
Inter-company sales	26	31	2,264	2,251	2,290	2,282	(2,290)	(2,282)	0	0
Changes in inventory	219	5,290	0	0	219	5,290	0	0	219	5,290
Cost of materials	(48,597)	(44,272)	0	(17)	(48,597)	(44,289)	822	748	(47,775)	(43,541)
Cost of services purchased	(14,743)	(14,834)	0	0	(14,743)	(14,834)	0	0	(14,743)	(14,834)
Value-added sales	64,241	68,154	2,396	2,674	66,637	70,828	(1,468)	(1,534)	65,169	69,294
Other operating income	1,056	3,329	2,921	2,782	3,977	6,111	(2,883)	(2,226)	1,094	3,885
Personnel expenses	(34,269)	(35,912)	(1,959)	(2,183)	(36,228)	(38,095)	6	22	(36,222)	(38,073)
Depreciation expenses	(6,622)	(6,581)	(159)	(342)	(6,781)	(6,923)	(270)	(173)	(7,051)	(7,096)
Other operating expenses	(19,310)	(18,366)	(2,503)	(2,807)	(21,813)	(21,173)	3,841	3,743	(17,972)	(17,430)
EBIT	5,096	10,624	696	124	5,792	10,748	(774)	(168)	5,018	10,580
Short-term interest result	(593)	(240)	3	36	(590)	(204)	0	0	(590)	(204)
Segment earnings	4,503	10,384	699	160	5,202	10,544	(774)	(168)	4,428	10,376
Long-term interest result	(980)	(1,134)	(785)	(727)	(1,765)	(1,861)	2	5	(1,763)	(1,856)
Foreign exchange result	555	(116)	(238)	(479)	317	(595)	199	569	516	(26)
EBT	4,078	9,134	(324)	(1,046)	3,754	8,088	(573)	406	3,181	8,494
Employees (reporting date)	2,855	2,996	89	103	2,944	3,099	-	-	2,944	3,099

BALANCE SHEET: ASSETS

as at 31 December 2007 (previous year and end of fiscal year 2006/7 for comparison)

IN K€	31. DEC. 2007		31. DEC. 2006		30. SEPT. 2007	
		% total		% total		% total
Goodwill	81,821	16.4	91,509	15.8	81,821	16.1
Other intangible assets	13,324	2.7	2,352	0.4	13,505	2.7
Downpayments	0	0.0	86	0.0	0	0.0
Intangible assets	95,145	19.0	93,947	16.2	95,326	18.7
Land, land rights and buildings, incl. buildings on land owned by others	131,565	26.3	160,850	27.8	132,547	26.0
Industrial plant and machinery	150,324	30.1	177,898	30.7	153,601	30.2
Other plant, machinery, and business equipment	19,436	3.9	21,916	3.8	20,386	4.0
Downpayments and plant under construction	795	0.2	10,203	1.8	1,014	0.2
Fixed Assets	302,120	60.4	370,867	64.1	307,548	60.4
Shares in affiliated companies	209	0.0	209	0.0	209	0.0
Shares in other companies	194	0.0	194	0.0	194	0.0
Other loans	43	0.0	22	0.0	22	0.0
Financial Assets	446	0.1	425	0.1	425	0.1
Investment properties	6,014	1.2	7,550	1.3	6,088	1.2
Tax claims	4,456	0.9	4,960	0.9	4,552	0.9
Other	2,315	0.5	2,467	0.4	2,362	0.5
Lt. Receivables/Other lt. Assets	6,771	1.4	7,427	1.3	6,914	1.4
Deferred taxes	896	0.2	1,010	0.2	821	0.2
Total lt. assets	411,392	82.3	481,226	83.1	417,122	81.9
Raw materials and supplies	14,877	3.0	16,918	2.9	13,337	2.6
Work in process; goods and services	9,870	2.0	13,396	2.3	9,912	1.9
Finished goods	1,673	0.3	1,250	0.2	1,335	0.3
Inventories	26,420	5.3	31,564	5.5	24,584	4.8
Accounts receivable	50,118	10.0	54,064	9.3	47,790	9.4
Tax refunds	2,458	0.5	228	0.0	2,330	0.5
Other st. assets	6,465	1.3	5,993	1.0	13,348	2.6
St. receivables/other st. assets	59,041	11.8	60,285	10.4	63,468	12.5
Cash and cash equivalents	1,676	0.3	3,348	0.6	2,637	0.5
Assets classified as held for sale	0	0.0	223	0.0	0	0.0
Deferred Income	1,294	0.3	2,121	0.4	1,371	0.3
Total st. assets	88,431	17.7	97,541	16.9	92,060	18.1
Balance sheet total	499,823	100.0	578,767	100.0	509,182	100.0

BALANCE SHEET: LIABILITIES

as at 31 December 2007 (previous year and end of fiscal year 2006/7 for comparison)

IN k€	%		%		%	
	31. DEC. 2007	total	31. DEC. 2006	total	30. SEPT. 2007	total
Subscribed capital	18,613	3.7	18,613	3.2	18,613	3.7
Capital reserves	57,763	11.6	58,668	10.1	58,669	11.5
Earnings reserves	51,468	10.3	42,803	7.4	50,787	10.0
Valuation reserves	246	0.0	268	0.0	148	0.0
Retained earnings	55,377	11.1	43,540	7.5	53,311	10.5
Shareholders' equity	183,467	36.7	163,892	28.3	181,528	35.7
Minorities	-4	--	-3	0.0	-3	0.0
Total Equity	183,463	36.7	163,889	28.3	181,525	35.7
Debt due to Banks	95,209	19.0	130,798	22.6	99,686	19.6
Other lt. liabilities	807	0.2	1,534	0.3	806	0.2
Provision for pensions and similar liabilities	19,911	4.0	22,910	4.0	19,886	3.9
Other lt. provisions	6,506	1.3	7,617	1.3	6,563	1.3
Lt. provisions	26,417	5.3	30,527	5.3	26,449	5.2
Government subsidies	1,695	0.3	2,173	0.4	1,755	0.3
Deferred taxes	28,788	5.8	34,058	5.9	28,311	5.6
Total lt. liabilities	152,916	30.6	199,090	34.4	157,007	30.8
Debt due to Banks	81,842	16.4	111,179	19.2	71,286	14.0
St. liabilities	81,842	16.4	111,179	19.2	71,286	14.0
Advance payments received on orders	1,294	0.3	772	0.1	1,305	0.3
Accounts payable	36,448	7.3	38,566	6.7	54,177	10.6
Liabilities to affiliated parties	33	0.0	32	0.0	33	0.0
Other liabilities	11,330	2.3	14,292	2.5	13,813	2.7
Accounts payable and other liabilities	49,105	9.8	53,662	9.3	69,328	13.6
Tax provisions	2,289	0.5	11,600	2.0	1,741	0.3
Other provisions	29,963	6.0	39,258	6.8	28,050	5.5
St. provisions	32,252	6.5	50,858	8.8	29,791	5.9
Deferred charges	245	0.0	89	0.0	245	0.0
Total st. liabilities	163,444	32.7	215,788	37.3	170,650	33.5
Balance sheet total	499,823	100.0	578,767	100.0	509,182	100.0

CASH FLOW STATEMENT

in the period from 1 October to 31 December 2007 (previous year for comparison)

IN K€	Q1 2007/8	Q1 2006/7
CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES		
RESULTS FROM ORDINARY BUSINESS ACTIVITIES		
INCLUDING FOREIGN EXCHANGE GAINS/(LOSSES)	5,534	10,553
Depreciation of fixed assets	7,051	7,096
Decrease / (Increase) in value of fixed assets	0	0
Increase / (decrease) in provisions	1,881	(1,934)
Gains / (losses) from disposals of fixed assets	(19)	(109)
RESULTS PRIOR TO CHANGES IN NET CURRENT ASSETS	14,447	15,606
(Increase) / decrease in inventory	(1,836)	(6,182)
(Increase) / decrease in trade receivables	(2,328)	8,201
(Increase) / decrease in trade payables	(17,729)	(12,622)
(Increase) / decrease in other net current assets	5,242	(5,372)
NET CASHFLOW FROM CURRENT BUSINESS ACTIVITIES	(2,204)	(369)
(Outflow of) / Receipts of income taxes	(804)	(1,037)
NET CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES OF CONTINUED OPERATIONS	(3,008)	(1,406)
CASHFLOW FROM INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(1,115)	(5,063)
Receipts from disposals of property, plant and equipment	101	281
Investments in intangible assets	0	(60)
Receipts from disposals of intangible assets	0	0
Investments in financial assets	(21)	(23)
Receipts from disposal of financial assets	0	0
Investments in subsidiaries	0	(18,477)
Receipts from disposal of subsidiaries	0	0
Dividends received	0	0
NET CASHFLOW FROM INVESTMENT ACTIVITIES OF CONTINUED OPERATIONS	(1,035)	(23,342)
CASHFLOW FROM FINANCING ACTIVITIES		
Receipts from capital contributions	(906)	0
Distributions to shareholders and minority interests	0	0
Receipts from taking out loans	0	16,000
Payments made for the discharge of bonds and loans	(4,477)	(12,030)
Increase / (decrease) in short-term liabilities to banks	10,556	28,680
Receipts from other long-term liabilities	3	3
Payments made for the discharge of other long-term liabilities	(113)	(225)
Group financing discontinued operations	0	(4,356)
Interest paid	(1,981)	(3,134)
NET CASHFLOW FROM FINANCING ACTIVITIES OF CONTINUED OPERATIONS	3,082	24,938
NET INCREASE / (DECREASE) IN CASH	(961)	190
EXCHANGE-RATE AND VALUATION-RELATED CHANGES TO CASH AND CASH EQUIVALENTS	0	0
CASH AT THE BEGINNING OF THE PERIOD	2,637	1,958
CASH AT THE END OF THE PERIOD	1,676	2,148

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in the period from 1 October to 31 December 2007 (previous year for comparison)

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2007	18,613	58,669	50,314	473	148	53,311	181,528	(3)	181,525
Valuation of marketable securities and cashflow hedges	0	0	0	0	98	0	98	0	98
Differentials from translation of foreign currencies	0	0	0	681	0	11	692	0	692
Gains and losses not recognized in profit and loss statement	0	0	0	681	98	11	790	0	790
Net income	0	0	0	0	0	2,055	2,055	(1)	2,054
Total income of the period	0	0	0	681	98	2,066	2,845	(1)	2,844
Dividends	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0
Issuance of shares	0	906	0	0	0	0	906	0	906
Issuance of employee shares	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0
Balance on 30 June 2007	18,613	57,763	50,314	1,154	246	55,377	183,467	(4)	183,463

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2006	18,613	58,669	42,814	(46)	324	33,112	153,486	(2)	153,484
Valuation of marketable securities and cashflow hedges	0	0	0	0	(56)	0	(56)	0	(56)
Differentials from translation of foreign currencies	0	0	0	34	0	8	42	(1)	41
Gains and losses not recognized in profit and loss statement	0	0	0	34	(56)	8	(14)	(1)	(15)
Net income	0	0	0	0	0	10,420	10,420	0	10,420
Total income of the period	0	0	0	34	(56)	10,428	10,406	(1)	10,405
Dividends	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0	0
Issuance of employee shares	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0
Balance on 31 December 2006	18,613	58,669	42,814	(12)	268	43,540	163,892	(3)	163,889

SELECTED NOTES

- STATEMENT OF COMPLIANCE AND GENERAL INFORMATION

The consolidated interim report for *schlott gruppe* for the reporting period from 1 October to 31 December 2007 has been prepared in accordance with International Financial Reporting Standards (IFRS) as required in the EU in compliance with IAS 34 Interim Financial Reporting. In addition, the provisions set out in DRS 6 Interim Financial Reporting have been observed accordingly.

The Interim Report for the Group takes into account all standards and interpretations applicable at 31 December 2007. The accounting policies applied to the interim report are essentially consistent with those used in the consolidated financial statements for the 2006/7 financial year. Departures from these accounting policies due to new or amended standards have been outlined in the section entitled *Accounting policies*. In this case, the financial statements of previous reporting periods have been adjusted in order to ensure comparability.

This interim report constitutes an update of the consolidated financial statements for the 2006/7 financial year. All information presented therein continues to be valid; the interim report focuses solely on significant new activities, events and circumstances.

Accruals and deferrals associated with seasonally induced income or expenses that do not arise on a regular basis are only recognised at the interim reporting date if such period-end adjustments were also deemed appropriate at the end of the financial year. The consolidated interim reports of *schlott gruppe* are subject neither to audits by an auditor of consolidated financial statements nor to any form of examination by an auditing professional.

- CHANGES TO THE BASIS OF CONSOLIDATION

In addition to *schlott gruppe AG*, all significant domestic and foreign subsidiaries have been included in the consolidated group in the reporting period. In the first quarter, the consolidated group of companies remains unchanged compared 30 September 2007.

- DISCONTINUED OPERATIONS

In the previous year the Group announced that it successfully sold its *direct marketing* division to Österreichische Post AG. Therefore, the segment is presented as discontinued operations in this report. The prior-period figures disclosed in the income statement and the cash flow statement have been adjusted. The following information has been compiled on the same basis as that determined as part of segment reporting and shall not be regarded as a separate presentation of the *direct marketing* segment.

IN K€	Q1 2007/8	Q1 2006/7
Net sales	-	23,308
Total revenue	-	23,831
Value-added sales		
EBITDA	-	2,207
EBITDA	-	843
EBT	-	533
Post-tax profit or loss	-	466
Net Cashflow attributable to ordinary business activities	-	3,168
Net Cashflow attributable to investment activities	-	(701)
Net Cashflow attributable to financing activities	-	(2,190)

- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared on the basis of accounting policies that are consistent with those applied to the preceding consolidated financial statements at 30 September 2007. For a detailed description of these accounting policies, please refer to the Notes to the consolidated financial statements for 2006/7. The following new or revised and amended Standards and Interpretations, applicable as from January 1, 2007, have been considered for the first time:

Change to IAS 1 *Presentation of Financial Statements*

IFRS 7 *Financial Instruments: Disclosures*

IFRIC 10 *Interim Financial Reporting and Impairment*

IFRIC 11 *IFRS 2 Group and Treasury Share Transactions*

Initial application did not have a material effect on the report of the financial performance, financial position and cash flows of the consolidate group of *schlott gruppe*.

In the period covered by this report no new Standards and Interpretations were issued.

- NOTES TO INCOME STATEMENT

The following disclosures relate solely to continued operations. The *direct marketing* segment is presented as discontinued operations. The prior-year amounts have been adjusted accordingly.

VALUE-ADDED SALES AND REVENUE

Alongside *revenues/sales*, *schlott gruppe* uses so-called *value-added sales* (VAS) as a financial indicator – both in its external communications and as part of its internal controlling mechanisms. Revenue is subject to fluctuations that are attributable to the volume of paper supplied by customers as raw material for certain projects. Such fluctuations do not affect earnings: In contrast to paper purchased directly by the company, paper supplied by customers is not included in the accounts of *schlott gruppe*. In the value-added sales figure such fluctuations in the volume of paper supplied by customers are eliminated. Thus, VAS is depicting the actual business trend.

The following table presents an overview of value-added sales generated by *schlott gruppe*.

IN K€	Q1 2007	Q1 2006
Net sales	127,468	122,379
Change in inventories	219	5,290
Own expenses capitalized	0	0
Cost of raw materials, supplies and goods purchased	(47,775)	(43,541)
Cost of services purchased	(14,743)	(14,834)
Value-added sales	65,169	69,294

Revenue is attributable to the following areas of operation:

IN K€	Q1 20078	Q1 20067
Preprint	1,027	1,388
Gravure printing	100,177	92,693
Offset printing	20,612	19,819
Bindery	5,521	8,035
Business segment print	127,337	121,935
Business segment corporate services	131	444
Total	127,468	122,379

The breakdown of value-added sales by business segment is as follows:

IN K€	Q1 20078	Q1 20067
Business segment print	64,241	68,154
Business segment corporate services	2,396	2,674
Reconciliation	(1,468)	(1,534)
Total	65,169	69,294

The regional breakdown of revenue by selling market of the printing products is as follows:

IN K€	Q1 20078	Q1 20067
Germany	75,448	81,633
Other Euro-Zone	32,287	30,179
Other Europe	12,137	4,905
RoW	7,596	5,662
Total	127,468	122,379

The regional breakdown of value-added sales by selling market of the printing products is as follows:

For further information about revenue and value-added sales categorised according to segments, please refer to the Segment Reporting section on page 19 et seq.

IN K€	Q1 20078	Q1 20067
Germany	43,850	52,662
Other Euro-Zone	13,084	11,683
Other Europe	6,004	2,834
RoW	2,231	2,115
Total	65,169	69,294

OTHER OPERATING INCOME

Other operating income primarily includes the write-back of provisions, income from the sale of fixed assets and rental income as well as government subsidies.

COST OF MATERIALS

The cost of materials is categorised as follows:

IN K€	Q1 20078	Q1 20067
Paper	33,661	29,029
Ink	11,554	12,133
Further processing	4,001	3,255
Bonuses and discounts	(1,441)	(876)
Purchased goods for resales	14,743	14,834
Total	62,518	58,375

The volume of paper processed within the *print* business unit is outlined in the following table.

IN TONNES	Q1 20078	Q1 20067
Paper supplied by customers	115,704	122,102
Paper purchased	46,991	37,821
Total tonnage	162,695	159,923

OTHER OPERATING EXPENSE

Other operating expense is categorised as follows:

IN K€	Q1 20078	Q1 20067
Maintenance expenses	4,240	4,187
Rental and leasing expenses	1,160	1,191
Fringe benefits and expenses for temporary employment	2,372	2,320
Sales and marketing expenses	5,980	5,184
Miscellaneous expenses	4,220	4,548
Total	17,972	17,430

SYSTEMATIC DEPRECIATION / AMORTISATION EXPENSE

Depreciation/amortisation expense in the period under review was as follows:

IN K€	Q1 20078	Q1 20067
Intangible assets	182	330
Property, plant, and equipment	6,795	6,700
Investment properties	74	66
Total	7,051	7,096

TAXES ON INCOME

Taxes on income are categorised as follows, with tax expenses being depicted as a negative value:

IN K€	Q1 20078	Q1 20067
Current income tax expense	(618)	(3,170)
Taxes for prior years	(116)	5,267
Deferred taxes	(392)	(637)
Total	(1,126)	1,460

Taxes for prior years include in the first quarter 20067 corporation tax credits of €4,960 thousand. These will be collected in ten equal yearly installements of €666 thousand each.

EARNINGS PER SHARE

Earnings per share from continued operations have been calculated on the following basis:

	Q1 20078	Q1 20067
Net income from continued operations (in €)	2,055,329	9,953,289
Number of shares eligible for dividends	6,152,592	6,204,200
Net income per share (in €)	0.33	1.60
Undiluted average number of shares	6,185,797	6,204,200
Undiluted net income per share from continued operations (in €)	0.33	1.60
Diluted average number of shares	6,185,797	6,204,200
Diluted net income per share from continued operations (in €)	0.33	1.60

Earnings per share from discontinued operations have been calculated on the following basis:

	Q1 20078	Q1 20067
Net income from discontinued operations (in €)	0	465,750
Number of shares eligible for dividends	6,152,592	6,204,200
Net income per share (in €)	0.00	0.08
Undiluted average number of shares	6,185,797	6,204,200
Undiluted net income per share from discontinued operations (in €)	0.00	0.08
Diluted average number of shares	6,185,797	6,204,200
Diluted net income per share from discontinued operations (in €)	0.00	0.08

- NOTES TO THE BALANCE SHEET

The *direct marketing* segment was sold in the third quarter of the prior year. The balance sheet as per 31 December 2006 still contains the assets and liabilities of that segment.

PROPERTY, PLANT AND EQUIPMENT

Changes to property, plant and equipment are outlined below:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Total at the beginning of the period	307,548	342,365	342,365
Translation differences	335	640	575
Additions	1,115	5,064	12,650
Additions due to changes in the scope of consolidation	0	31,564	26,465
Disposals	(82)	(531)	(916)
Disposals due to changes in the scope of consolidation	0	0	(43,479)
Transfers	0	(223)	(52)
Value decreases	(6,795)	(8,012)	(30,060)
Total	302,121	370,867	307,548

For details regarding investments in this area, please refer to page 13.

INVESTMENT PROPERTY

There were no additions to or disposals of investment property in the reporting period, as was the case in the same period a year ago.

NON-CURRENT RECEIVABLES AND OTHER ASSETS

Non-current receivables include the following items:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Sales	0	0	0
Claim out of tax credits	4,456	4,960	4,552
Others	2,315	2,467	2,362
Total	6,771	7,427	6,914

TAX ASSETS

Tax assets are as follows:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Longterm corporate income tax	4,456	4,960	4,552
Shortterm corporate income tax	2,458	228	2,330
Total	6,914	5,188	6,882

OTHER ASSETS

Other assets are categorised as follows:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Creditors with debit balances	0	0	678
Postage paid for customers	0	0	7,745
Turnover bonuses from suppliers	2,176	1,855	1,512
Market value of derivative instruments	759	793	345
Others	3,530	3,345	3,068
Total	6,465	5,993	13,348

EQUITY

The share capital of *schlott gruppe* AG totals €18,612,600, divided into 6,204,200 no-par value shares. At the reporting date *schlott gruppe* held 51,608 treasury shares.

The Management and Supervisory Board will propose to the Annual General Meeting on 26 February 2007 to distribute €6,204 thousand to shareholders from the unappropriated surplus (*Bilanzgewinn*, also referred to as net retained profits) of the 2006/7 financial year, which corresponds to an unchanged dividend of €1.00 for each share equipped with a dividend entitlement. At the date of the suspension of the share buy-back *schlott gruppe* held 54,358 treasury shares.

Changes in equity of *schlott gruppe* are outlined in the Statement of Changes in Equity on page 23 et seq.

OTHER NON-CURRENT LIABILITIES

At the end of the quarter, other non-current liabilities included liabilities of €17 thousand (previous year: €748 thousand) from financial leasing.

OTHER NON-CURRENT PROVISIONS

There were no significant changes to the structure of other non-current provisions as at 30 June 2007 or the corresponding balance sheet date of the preceding financial year.

DEFERRED TAXES

Interim measurement of deferred taxes is based on the expected average tax rate for the reporting year.

CURRENT LIABILITIES

The current portion of long-term loans from banks amounts to €31,707 thousand (previous year: €41,231 thousand). The remaining amount is attributable to current bank overdrafts.

OTHER CURRENT LIABILITIES

Other current liabilities include the following items:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Tax liabilities	4,911	5,153	4,339
Liabilities in connection with social security	1,010	984	853
Liabilities to employees	4,337	5,988	4,468
Market value of derivative instruments	84	536	154
St. portion of other lt. liabilities	259	599	392
Others	729	1,032	3,607
Total	11,330	14,292	13,813

OTHER CURRENT PROVISIONS

Other current provisions are categorised as follows:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Personnel	12,217	15,416	15,086
Outstanding suppliers' invoices	5,039	8,343	2,261
Contingent losses	5,062	5,098	4,636
Rehabilitation liabilities	580	1,040	529
Others	7,065	9,361	5,538
Total	29,963	39,258	28,050

- NOTES TO CASH FLOW STATEMENT

The disclosures in the cash flow statement relate solely to continued operations. Prior-year disclosures have been adjusted accordingly. Information pertaining to the cash flows of the discontinued *direct marketing* segment has been presented on an aggregated basis in the section entitled *Discontinued Operations*.

- NOTES TO SEGMENT REPORTING

Classified as discontinued operations, the *direct marketing* segment is no longer included in segment reporting. Figures pertaining to the preceding year were adjusted accordingly.

- OTHER NOTES

CHANGES IN CONTINGENT LIABILITIES

The changes in contingent liabilities as at the reporting date were as follows:

IN K€	31. DEC. 2007	31. DEC. 2006	30. SEPT. 2007
Guarantees / warranties	1	60	1
Orders placed with suppliers	38,753	20,278	28,493

- MANAGEMENT AND SUPERVISORY BOARD

Members of the Management Board remained unchanged in the period under review.

Management Board: Bernd Rose (Chairman), Heiko Arnold, Werner Reiser, Adam Valeri

Supervisory Board: Sigmund Kiener (Chairman), Ivan Bebek (Deputy Chairman), Nikolaus Broschek, Reinhard Burck, Dr. Rainer Hillebrand, Edmund Hug, Joachim Kohm, Josef Peitz, Dr. Herbert Pototzky, Andrea Raab, Michael Schlecht, Reinhold Schreiner

- FINANCIAL CALENDAR

Annual General Meeting, Freudenstadt	26 February 2008
Preliminary figures Interim Report II 2007/8	23 April 2008
Interim Report II 2007/8	07 May 2008
Preliminary figures Interim Report III 2007/8	23 July 2008
Interim Report III 2007/8	06 August 2008

- YOUR CONTACT

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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.