



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM FINANCIAL REPORT III 2007/8

INTERIM FINANCIAL REPORT ON THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2008

Q III

INTERIM REPORT III 2007/8

OF SCHLOTT GRUPPE

INTERIM FINANCIAL REPORT ON THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2008

- *Business develops according to plan; annual forecast for 2007/8 is reaffirmed*
- *General economic climate deteriorates*

KEY FINANCIALS OF THE GROUP AS AT 30 JUNE 2008

IN K€	QIII 20078	% total	QIII 20067	% total	9M 20078	% total	9M 20067	% total
Net sales	109,189	203.4	105,208	186.6	348,308	198.1	350,064	187.8
Total revenue	105,308	196.2	111,877	198.4	352,152	200.3	365,266	196.0
Value-added sales	53,678	100.0	56,379	100.0	175,792	100.0	186,395	100.0
Cost cutting programme	(3,529)	--	0	--	(9,840)	--	0	--
EBITDA	1,729	3.2	6,424	11.4	12,931	7.4	33,381	17.9
EBIT	(5,119)	(9.5)	(840)	(1.5)	(7,923)	(4.5)	11,541	6.2
EBT	(7,049)	(13.1)	(3,584)	(6.4)	(12,840)	(7.3)	4,303	2.3
EBT BEFORE COST CUTTING PROGRAMME	(3,520)	(6.6)	(3,584)	(6.4)	(3,000)	(1.7)	4,303	2.3
Post-tax income of continued operations	(4,428)	(8.2)	(2,129)	(3.8)	(8,944)	(5.1)	7,939	4.3
Post-tax income of discontinued operations	0	--	306	0.5	0	--	1,053	0.6
Net earnings	(4,428)	(8.2)	(1,823)	(3.2)	(8,944)	(5.1)	8,992	4.8
Earnings per share entitled to dividend from continued operations (€)	(0.73)	--	(0.34)	--	(1.47)	--	1.28	--
Employees (reporting date)	2,837	--	3,068	--	2,837	--	3,068	--

IN K€	30. JUNE 2008	% total	30. JUNE 2007	% total	30. SEPT. 2007	% total
Goodwill	80,425	16.9	87,806	15.5	81,821	16.1
Total lt. assets	399,830	84.2	420,387	74.3	417,122	81.9
Inventories	26,756	5.6	27,918	4.9	24,584	4.8
Accounts receivable	37,637	7.9	28,566	5.0	47,790	9.4
Cash and cash equivalents	1,211	0.3	2,324	0.4	2,637	0.5
Assets classified as held for sale	0	--	70,246	12.4	0	--
Total st. assets	75,269	15.8	145,376	25.7	92,060	18.1
Total Equity	167,143	35.2	156,660	27.7	181,525	35.7
Debt due to Banks	78,977	16.6	117,202	20.7	99,686	19.6
Lt. provisions	26,345	5.5	27,447	4.9	26,449	5.2
Total lt. liabilities	131,393	27.7	181,418	32.1	157,007	30.8
Debt due to Banks	96,620	20.3	122,839	21.7	71,286	14.0
Accounts payable and other liabilities	28,950	6.1	23,181	4.1	54,177	10.6
St. provisions	37,023	7.8	29,449	5.2	29,791	5.9
Liabilities directly associated with assets classified as held for sale	0	--	40,163	7.1	0	--
Total st. liabilities	176,563	37.2	227,685	40.2	170,650	33.5
Balance sheet total	475,099	100.0	565,763	100.0	509,182	100.0

LETTER TO SHAREHOLDERS

- DEAR SHAREHOLDERS,

schlott gruppe developed in line with expectations over the third quarter of 2007/8. Capacity utilisation remained at an encouraging level, and EBT, excluding charges associated with the company's cost-reduction programme, matched the figure posted for the same period a year ago – despite persistent pressure on prices. Against the backdrop of challenging market conditions, our results for the quarter and the first nine months are within the range targeted by us as part of our annual forecast.

In addition, our forecast for the current financial year is underpinned by orders for the fourth quarter, which point to higher capacity utilisation and corresponding earnings contributions in keeping with the seasonal patterns to which we have become accustomed in our business. On this basis, the most recent deterioration seen within the economy as a whole and the more pronounced cost-related risks associated with the commodities markets will have no adverse effect on our annual targets.

The rising risks increase pressure on the printing industry beyond the prevailing price pressure and prompt strategic moves by the printing companies. Maintaining a close dialogue with our customers, we are committed to finding solutions that best meet the interests of both suppliers and consumers of print-related services. Moreover, market players in the printing industry have also been liaising more closely with each other in recent months. We, too, have stepped up our efforts within this area and will seize opportunities for market consolidation when and where they arise.

Beyond this, we remain focused on streamlining our cost structures. In the third quarter, we completed negotiations at our Nuremberg site – a major landmark for *schlott gruppe*. Having already concluded agreements for our sites in Freudensstadt and Landau, we are now in a position to implement an extensive package aimed at reducing costs at our largest operational facility, Nuremberg, and thus meet the targets we have set ourselves at this facility, too. In addition to streamlining internal processes, all three sites will in future work on the basis of triple-shift operations, adjusting staffing levels and further improving the flexible deployment of personnel.

We will continue to put our trust in this proven two-pronged strategy: the issue of operating under challenging market conditions will be addressed by means of cost and capacity adjustments, which in turn will allow us to contain the impact that such developments generally have on earnings performance; in parallel, we will actively shape the process of market restructuring, seizing any opportunities presented to us in an effort to strengthen *schlott gruppe*. In doing so, we will continue to pursue a leading role within the European printing industry.

6 August 2008

THE MANAGEMENT BOARD

OUR SHARE

- *Markets impacted by ongoing global financial crisis as well as fears over volatile economy and rising inflation*
- *Shares in schlott gruppe continue to trend in line with SDAX*

Over the course of the third quarter of 2007/8 the capital markets were again enveloped by concerns over the stability of the international banking system. Furthermore, more noticeable signs of economic slowdown at a global level and more pronounced inflationary fears put additional pressure on the world's stock markets. Thus, the recovery of both the SDAX and the DAX witnessed from mid-March onwards proved temporary in nature, lasting only until the middle of May. It was followed by another downward correction, which culminated in new annual lows for both indices over the course of July. Within this context, the below-average performance of the SDAX in relation to the DAX continued over the entire period.

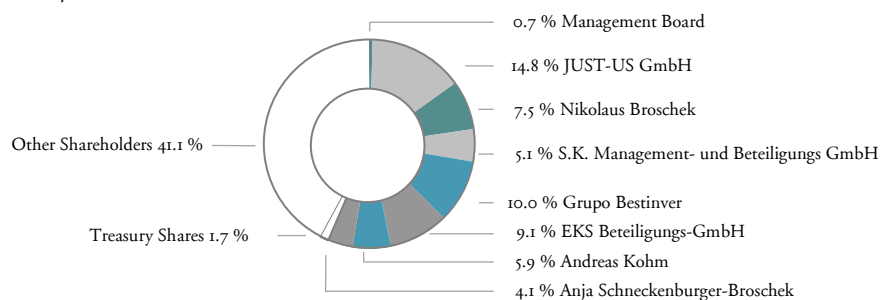
The performance of *schlott gruppe's* shares since the beginning of the financial year on October 1, 2007 has been disappointing. Over the course of this period, the share price trended in line with the SDAX, which means that our stock has now been tracking this index almost precisely for over a year. This may in fact serve as evidence that the fundamental factors associated with our company's business activities have to a large extent been anticipated and are reflected in the share price – and that factors attributable to the general market malaise are now proving to be the dominant force. Having started from a base of €18.50 at the beginning of the financial year on October 1, 2007 *schlott gruppe* stock closed the third quarter (June 30, 2008) at €15.50 and continued to recede further after the end of the quarter.

Our cost-reduction programme is now producing tangible improvements with regard to the Group's overall cost structures. By implementing these measures and due to our low future investment requirements, we will be in a position to generate a significant free cash flow, which in turn should strengthen the appeal of our stock.

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 do not reflect the opportunities presented to *schlott gruppe* by ongoing market consolidation within the European printing industry. In view of the Annual General Meeting of *schlott gruppe* AG, this programme was suspended on January 11, 2008, and subsequently reinstated effective from March 3, 2008, on the basis of a new authorisation granted by the Annual General Meeting; it will remain in place until the end of the financial year on September 30, 2008. In the period leading up to August 1, 2008, 106,277 shares equivalent to €1.75 million were reacquired by the company.

SHAREHOLDER STRUCTURE AS OF 1 AUGUST 2008

based on 6.204.200 shares



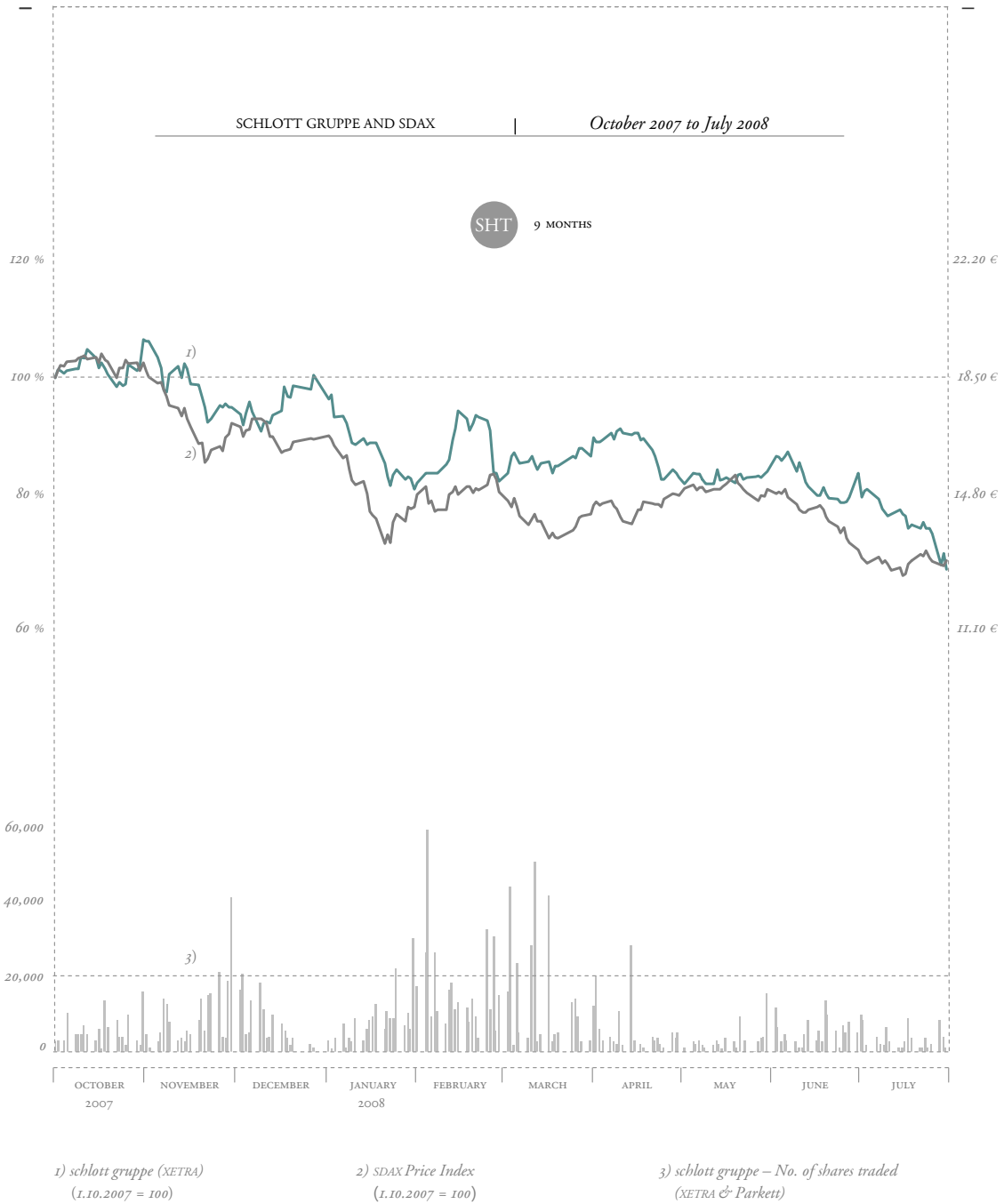
Free Float according to definition Deutsche Börse AG: 57.6 %

Board members once again acquired *schlott gruppe* shares in the third quarter of the current financial year, thereby confirming their commitment to the company.

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	Action	No. of shares	Amount (€)
Nikolaus Broschek	Member of the Supervisory Board	31/03/2008	Purchase	500	8,000.00
Nikolaus Broschek	Member of the Supervisory Board	01/04/2008	Purchase	1,000	16,200.00
Nikolaus Broschek	Member of the Supervisory Board	03/04/2008	Purchase	500	8,275.00
JUST-US GmbH	Relationship to a member of Supervisory Board	11/04/2008	Purchase	8,000	132,800.00
JUST-US GmbH	Relationship to a member of Supervisory Board	14/04/2008	Purchase	22,000	372,460.00
JUST-US GmbH	Relationship to a member of Supervisory Board	27/06/2008	Purchase	10,000	147,110.00
JUST-US GmbH	Relationship to a member of Supervisory Board	03/07/2008	Purchase	10,000	147,528.00

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

- *Economy encumbered by various factors*
- *Unfavourable market sentiment within printing industry*

Germany's economy has been hit by the combined effects of spiralling oil prices, a weak dollar, the global credit crunch, higher inflation and weak consumer spending. As a result, the country's economic upturn has been severely dampened, a situation that is also reflected in the most recent trend indicators presented by the ifo Business Climate Index and the ZEW Business Barometer. Companies have scaled back their expectations for the second half of the year, leading to a marked fall in the ZEW Business Barometer down to the lowest level ever measured.

At the same time, the general outlook for consumer spending has deteriorated significantly in recent months. Both the federal government and leading economic research institutes now expect to see a decline in growth for the second calendar quarter of 2008. On average, the growth outlook for real GDP in 2008 still fluctuates around 1.7 per cent, however.

Data published for July 2008 by Germany's Bundesverband Druck und Medien (bvdM), an association representing the domestic printing and media sector, suggests a severe deterioration in the assessment of the industry's overall situation. The net balance of positive and negative comments has fallen from -3 to -18 per cent compared with the previous month. In particular, the general outlook relating to future production output and demand, as well as order backlog, has fallen sharply. At the same time, non-domestic business is considered to be disappointing, even deteriorating slightly compared with previous figures.

Despite the challenging consumer climate in Germany, the mail-order business has been reporting higher sales, according to the Bundesverband des Deutschen Versandhandels (bvH). Mail-order revenues within the industry as a whole rose by 3.7 per cent to around €28.6 billion in the first half of the year. Sales were driven by online business. The most substantial share of revenue is still being generated by operators with combined catalogue- and internet-based services (multi-channel companies). Having said that, their revenues contracted by 4.6 per cent to €16.6 billion.

- REPORT ON THE RESULTS OF OPERATIONS

- *Cost-reduction programme has a tangible effect, particularly in terms of staff costs*
- *Year-on-year reduction in earnings remains in line with expectations*

In 2007/8, the income statement of *schlott gruppe* encompasses the two business units *print* and *corporate services*. In accordance with IFRS 5, data for the previous year is presented on a comparable basis. This means that the former *direct marketing* division, which was still part of the P&L-statement in the first quarter of the last financial year, has been reclassified and is thus also presented as discontinued operations for last year's nine-month period. In addition, the figures presented in this report for the first nine months of 2007/8 include expense amounting to €9.8 million for the Group's current cost-reduction programme. An annual total of approx. €15 million has been earmarked for these measures.

The overall impact of the first-time consolidation of Dutch-based *biegelaar* (as at November 1, 2006) on year-on-year comparability is negligible when it comes to the nine-month period. In the previous year, *biegelaar* had been included in the P&L-statement for a period of eight months, while it was included for the full nine months in the latest results.

schlott gruppe applies value-added sales (VAS), defined as sales revenue less inventory changes and material-related expenses, as its principal indicator to track its business activities. VAS provides the basis for the targets set for the operational units, as external factors such as changes in the volume of paper supplied by customers for specific projects are eliminated. In the first nine months of the current financial year, the paper-provision ratio fell to 70.7 per cent, compared to 73.2 per cent a year ago, and to 74.1 per cent in the third quarter, compared to 74.7 per cent in the same period last year. In other words, we now purchase more paper on behalf of our customers – and invoice these volumes to customers – than in the same period a year ago. This has a direct impact on revenue and cost of materials, without resulting in any change to total output or capacity levels.

A comparison of VAS and tonnage is useful when it comes to outlining operational performance; it also reveals the negative impact of the current price situation. In the third quarter, VAS declined from €56.4 million a year ago to €53.7 million, a year-on-year reduction of 4.8 per cent. In the first nine months of the financial year, VAS contracted by 5.7 per cent, down from €186.4 million to €175.8 million. In parallel, tonnage declined by 3.2 per cent in the third quarter from 141.6 thousand tonnes to 137.0 thousand tonnes, while the nine-month period saw a decline of 1.6 per cent to 444.7 thousand tonnes, down from 452.1 thousand tonnes.

The cost-reduction programme has already produced increasingly positive results within the area of staff costs: in absolute terms, they fell by 9.2 per cent year on year in the third quarter and by 6.3 per cent year on year in the first nine months. By contrast, other operating expense was higher than a year ago, prompted mainly by higher distribution costs, which includes, among other items, outsourcing of formerly internal logistical services. Viewed against this background, higher operating expenses are in fact an integral element of our cost-reduction programme, and our streamlining targets have been formulated in such a way as to take into account these contrary effects.

At EBT level, the reduction in operating costs, including the slight fall in depreciation and amortisation expense, was more than offset by charges for the cost-reduction programme, which amounted to €3.5 million in the third quarter and €9.8 million in the first nine months. It consists principally of allocations to provisions in response to the reduction in staffing levels.

Finance costs were considerably lower compared with last year in terms of the third quarter and the first nine months. Within this context, the budgeted reduction in interest expense had a tangible effect. In parallel, we saw a significant rise in foreign currency gains. In this area we hedge orders in our books only. This means that gains recorded within finance income are contrasted with translation losses from changes in the exchange rates. These two effects offset each other at EBT level.

In the third quarter, EBT before one-time charges associated with the cost-reduction programme stood at minus €3.5 million and, including one-time charges, at minus €7.0 million, compared with minus €3.6 million a year ago. The loss after taxes was €4.4 million and the loss per share was €0.73. In the previous year, the loss after taxes from continuing operations had stood at €2.1 million and €0.34 per share. In addition, in the last year we recorded earnings after taxes of €0.3 million from discontinued operations.

For the first nine months of 2007 EBT before one-time charges amounted to minus €3.0 million and, including one-time charges, minus €12.8 million, compared with €4.3 million a year ago. The loss after taxes was €8.9 million, which corresponds to a loss of €1.47 per share, in contrast to last year's profit after taxes of €7.9 million and €1.28 per share from continuing operations. Profit after taxes from discontinued operations had stood at €1.1 million in the first nine months of 2006.

- REPORT ON THE DEVELOPMENT OF THE SEGMENTS

- *Business develops in line with expectations in the first nine months*
- *Successful conclusion of negotiations for cost-reduction programme in Nuremberg*

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 €53.5 million in the third quarter of 2007/8, after €55.5 million in the same period a year ago. Expense attributable to the cost-reduction programme amounted to €3.0 million. Excluding this expense item, EBT amounted to minus €3.8 million, while EBT after the aforementioned charges totalled minus €6.8 million, compared with minus €2.7 million in the same period a year ago.

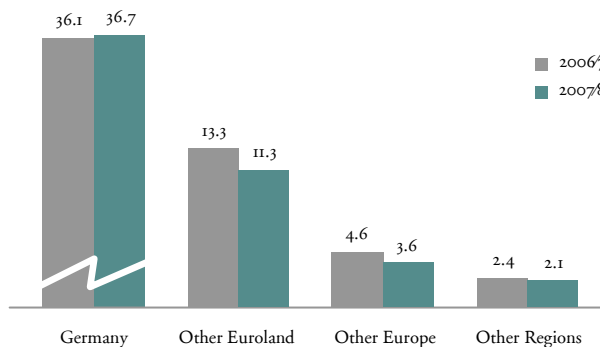
In the nine-month period VAS receded to €173.8 million, after €183.2 million in the first nine months of 2006/7. Before expenses attributable to the cost-reduction programme, amounting to €9.3 million, the loss before taxes was €1.1 million; including expenses from the cost-reduction programme, the loss before taxes stood at €10.4 million, compared with a profit of €7.1 million for the same period a year ago. 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.

The contraction in earnings within this business segment continues to be driven mainly by the lacklustre performance of the gravure printing market as a whole. In view of this, the majority of measures implemented with the express purpose of adjusting our cost structures in line with lower market prices have been directed at this area of our business activities. Beyond this, however, we will continue to push ahead with cost-reduction measures at all business processes within the Group.

The third quarter of 2007/8 marked an important milestone for our company: the conclusion of negotiations concerning the reconciliation of interests and a social compensation plan at our site in Nuremberg. Thus, having already finalised agreements for our sites in Freudenstadt and Landau, we are now in a position to meet the targets we had set ourselves for the reduction of staff costs at our largest operating facility, too.

REGIONAL BREAKDOWN OF VALUE-ADDED SALES IN THE THIRD QUARTER

in €m



The headcount at our Nuremberg site is to be scaled down by around 100. A major part of the reduction has been realised socially acceptable by cancellation agreements. The redundancy notices inevitable have already been issued. Owing to the long period of service of some of the employees affected by these measures, the statutory periods of notice will in fact extend into the second quarter of 2008/9 in specific cases. We also succeeded in negotiating a company-specific wage agreement, which includes a permanent reduction of 75 per cent in one-time benefits paid to labourers. At the same time, an agreement was reached concerning the protection against dismissal of this group of employees until May 2011. In total, these measures will bring about a permanent reduction in costs of around €5 million per financial year at the Nuremberg facility.

As regards our regional performance, and in particular our domestic market of Germany, the third quarter – for the first time during the current financial year – saw no further decline in our business activities compared to the previous year. By contrast, business in this market had been lagging behind slightly in the first half of the current financial year.

VAS in the rest of the Eurozone remained down on last year's figures both in terms of the third quarter and the first nine months, however. In addition, third-quarter VAS in the other two regions covered by our operations also fell short of last year's figures, having initially gained some forward momentum in the first half. This was attributable in particular to the discontinuation of some print products by our customers. We were yet unable to compensate for this shortfall in orders over the course of the third quarter.

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 before one-time charges fell from €2.6 million a year ago to €2.3 million in the third quarter of 2007/8, in the first nine months of 2007/8 costs declined to €7.3 million, down from €7.6 million a year ago. In this case, the reduction in staffing levels had a noticeable impact, with personnel expenses falling below last year's nine-month figure.

Excluding one-time charges, EBT generated by *corporate services* remained at break-even in the third quarter, in contrast to the loss of €0.2 million posted for the same period a year ago. In the first months of 2007/8 EBT before one-time charges improved considerably from minus €1.8 million a year ago to minus €1.3 million in the current financial year. Charges associated with our cost-reduction programme amounted to €0.5 million in the reporting quarter.

- REPORT ON THE FINANCIAL SITUATION AND NET ASSETS

Compared to the end of the same quarter last year, in which the former *direct marketing* division was still included, the balance sheet total for *schlott gruppe* contracted considerably. In addition to the effects of the sale, the balance sheet total continued to decline over the course of the 2007/8 financial year, from €509.2 million at the beginning of the financial year to €475.1 million at the end of the third quarter under review. Around half of this reduction is attributable to the permanent release of funds within the area of property, plant and equipment. Indeed, due to our low investment requirement at present, depreciation and amortisation are currently higher than capital expenditure. By contrast, the reduction of current assets, which also contributed significantly to the contraction of the balance sheet total, was driven mainly by the seasonal fluctuation of receivables.

Owing to the contraction of the balance sheet total, the equity ratio of 35.2 per cent recorded at the end of June 2008 remained largely unchanged on the figure of 35.7 per cent recorded at the end of the 2006/7 financial year, despite the substantial expenses associated with the cost-reduction programme. Compared with the figure of 27.7 per cent recorded at the end of the first nine months of 2006/7, we managed to increase our equity ratio substantially.

Bank borrowings rose from €171.0 million at the end of the 2006/7 financial year to €175.6 million at the end of the third quarter under review; this increase was considerably less than the reduction in trade payables by €25.2 million. The decline of these is also the result of our optimised purchasing related to our clear focus on profitability. Additionally, we had to account for expenses connected with the cost-reduction programme, which meant an increase in provisions.

The reduction in cash flow in the nine-month period was less pronounced than the decline in earnings. This resulted from the fact that a large proportion of cash outflow attributable to our cost-reduction programme has yet to be executed. Furthermore, the substantial depreciation and amortisation expenses associated with our capital-intensive business have a stabilising effect on cash flow. Additionally, funds committed to current assets were scaled back.

As outlined above, the latter has a seasonal component when viewed across the 2007/8 financial year as a whole. However, compared to the first nine months and the third quarter of the previous year, the reduction in funds committed within this area was much more pronounced in the corresponding periods of the current financial year. As a result, cash flow from operating activities rose to €5.6 million in the third quarter, up from €2.5 million in the same period a year ago, and to €10.4 million in the first nine months, up from €8.5 million. Cash flow from operating activities was boosted further by tax paybacks related to earlier financial years. By contrast, in the comparable periods 2006/7 tax payments for prior years were due.

In view of the low level of investments required by *schlott gruppe* at this moment in time, the outflow of cash for investing activities during the first nine months fell from €8.1 million a year ago to €4.6 million in the period under review. In the third quarter, the cash outflow within this area stood at €1.7 million, which was largely unchanged from last year's third-quarter figure of €1.8 million. Including cash proceeds from the disposal of property, plant and equipment, net cash used in investing activities in the first nine months of the current financial year amounted to €2.2 million, compared to €8.0 million, before acquisitions, in the same period a year ago and €26.6 million including cash used as part of the acquisition of *biegelaar*. In the third quarter, €1.4 million was used in investing activities, compared to €1.8 million in the same period a year ago.

The change in cash flow attributable to financing activities was influenced heavily by the balance between proceeds from bank loans taken out by *schlott gruppe* and loan repayments. Within this context, liabilities were increased by €4.6 million in the first nine months of the current financial year, with a concomitant effect on cash, while this figure had amounted to €43.3 million in the same period a year ago. In the third quarter, the increase amounted to €2.1 million, after €7.8 million in the same period a year ago. Moreover, the third quarter of 2006/7 had included a cash outflow of €3.2 million for Group financing of discontinued operations, i.e. the former *direct marketing* division.

- STAFF

- *Effects of HR downsizing become increasingly noticeable*

The reduction in Group staffing levels in line with changing market conditions has had an increasingly tangible effect now that statutory periods of notice are gradually coming to an end. Beyond the cost-reduction programme, we shall continue to review all processes with the express purpose of implementing additional streamlining measures.

At the end of the reporting period, the Group employed 2,837 people, compared with 3,068 a year ago. Of these employees, 2,757 were assigned to the *print* division, compared with 2,968 employed within this area last year; the *corporate services* segment accounted for 80 members of staff, compared with 100 a year ago. Over the course of the third quarter of the current financial year, the number of staff employed in the *print* segment was scaled back by 69, while the headcount in the *corporate services* segment was reduced by 5, i.e. the overall headcount at Group level was reduced by 74.

The agreement negotiated with regard to the further reduction in HR levels at the company's Nuremberg site will become visible in the reported figures in the coming quarters. Within this context, redundancy notices have already been issued. In total, HR realignment will be completed in the course of the second quarter of fiscal 2008/9.

- EVENTS AFTER THE BALANCE SHEET DATE

No events of material significance, thus necessitating disclosure, occurred after the balance sheet date.

- REPORT ON FORECASTS AND THE OUTLOOK FOR THE GROUP

- *General economic climate deteriorates*
- *Annual forecast for 2007/8 is reaffirmed*

OPPORTUNITIES AND RISKS

The opportunities and risks of relevance to our business and discussed as part of the forecast for the 2007/8 financial year have not changed from the details outlined in the 2006/7 annual report. Having said this, we have seen an increase in risk relating to overall economic growth as well as more pronounced cost-specific risks associated with the commodities market.

We anticipate that the adverse effects associated with these recent developments will remain within contained parameters in the three months to the end of the 2007/8 financial year on September 30. At present, however, it is impossible to gauge the future impact of these changes to the economic climate. The printing industry as a whole is having to contend with immense pressure on margins and has therefore no leeway to compensate for rising prices of commodities and energy. In fact, customers are becoming more and more appreciative of this.

A reduction in overall capacity levels at printing companies in response to weaker economic growth would add to the intensity of competition within the industry as a whole. For an industry that is as capital-intensive as ours, even a moderate reduction in capacity levels generally leads to a noticeable deterioration in earnings performance.

The risks presented as part of this report apply to the Group and to both of our business units.

ANTICIPATED DEVELOPMENT OF THE BUSINESS

The fourth quarter of our financial year is generally considered one of the more buoyant periods in our annual business cycle. What is more, our current orders in hand suggest that *schlott gruppe* will again be operating at high capacity in the final three months of the financial year, which will be complemented by an earnings performance according to our planning.

On this basis, we continue to expect a decline in VAS by around four per cent to approx. €240 million and a break-even result before one-time charges. Expense relating to the cost-reduction programme is likely to be approx. €15 million, as a result of which EBT, including charges relating from the cost-reduction programme, should amount to minus €15 million. The year-on-year decline in EBT before non-recurring charges is due mainly to price erosion experienced over the course of the previous financial year, combined with price-related pressures in the current financial year. Without the first positive effects of our cost-reduction programme, the extent of this year-on-year contraction would have been even more severe.

This programme is scheduled to run for a period of three years, with completion planned for 2009/10. It is designed to streamline our cost base substantially and to maintain both our cash flow and equity ratio at a high level. In pursuing this approach, we aim to contain the potential impact that a deteriorating economy may have on our earnings performance.

INTERIM FINANCIAL STATEMENTS

GROUP PROFIT AND LOSS STATEMENT (QUARTER)

in the period from 1 April to 30 June 2008 (previous year for comparison)

IN K€	QII 20078	QIII 20078	QIII 20067	% change vs. previous year
Net sales	111,651	109,189	105,208	3.8
Increase (decrease) in inventory				
of finished goods and work in progress	4,715	(5,562)	4,739	n.m.
Own expenses capitalised	0	0	0	--
Other operating income	1,697	1,681	1,930	(12.9)
Total revenue	118,063	105,308	111,877	(5.9)
Cost of raw materials, supplies and purchased goods	(46,783)	(39,211)	(41,586)	(5.7)
Cost of purchased services	(12,638)	(10,738)	(11,982)	(10.4)
Personnel expenses	(34,621)	(33,212)	(36,590)	(9.2)
Cost cutting programme	(6,311)	(3,529)	0	--
Other operating expenses	(18,577)	(16,889)	(15,295)	10.4
EBITDA	(867)	1,729	6,424	(73.1)
Expenses for scheduled depreciation	(6,955)	(6,848)	(7,264)	(5.7)
EBIT	(7,822)	(5,119)	(840)	n.m.
Income from foreign exchange transactions	1,211	518	(412)	n.m.
Interest and similar income	64	70	614	(88.6)
Interest and similar expenses	(2,425)	(2,518)	(2,946)	(14.5)
Net financial results	(1,150)	(1,930)	(2,744)	(29.7)
EBT	(8,972)	(7,049)	(3,584)	(96.7)
Taxes on income	2,401	2,621	1,455	80.1
Post-tax income of continued operations	(6,571)	(4,428)	(2,129)	n.m.
Post-tax income of discontinued operations	0	0	306	n.m.
Earnings after tax	(6,571)	(4,428)	(1,823)	n.m.
<i>Thereof applicable to</i>				
Shareholders of schlott gruppe AG	(6,570)	(4,427)	(1,822)	n.m.
Minorities	(1)	(1)	(1)	--

GROUP PROFIT AND LOSS STATEMENT (NINE MONTHS)

in the period from 1 October 2007 to 30 June 2008 (previous year for comparison)

IN K€	9M 2007/8	9M 2006/7	% change vs. previous year
Net sales	348,308	350,064	(0.5)
Increase (decrease) in inventory of finished goods and work in progress	(628)	7,198	n.m.
Own expenses capitalised	0	0	--
Other operating income	4,472	8,004	(44.1)
Total revenue	352,152	365,266	(3.6)
Cost of raw materials, supplies and purchased goods	(133,769)	(130,194)	2.7
Cost of purchased services	(38,119)	(40,673)	(6.3)
Personnel expenses	(104,055)	(111,006)	(6.3)
Cost cutting programme	(9,840)	0	--
Other operating expenses	(53,438)	(50,012)	6.9
EBITDA	12,931	33,381	(61.3)
Expenses for scheduled depreciation	(20,854)	(21,840)	(4.5)
EBIT	(7,923)	11,541	n.m.
Income from foreign exchange transactions	2,245	(383)	n.m.
Interest and similar income	202	1,887	(89.3)
Interest and similar expenses	(7,364)	(8,742)	(15.8)
Net financial results	(4,917)	(7,238)	(32.1)
EBT	(12,840)	4,303	n.m.
Taxes on income	3,896	3,636	7.2
Post-tax income of continued operations	(8,944)	7,939	n.m.
Post-tax income of discontinued operations	0	1,053	n.m.
Earnings after tax	(8,944)	8,992	n.m.
<i>Thereof applicable to</i>			
<i>Shareholders of schlott gruppe AG</i>	(8,943)	8,993	n.m.
<i>Minorities</i>	(1)	(1)	--

DEVELOPMENT OF BUSINESS SEGMENTS (QUARTER)

in the period from 1 April to 30 June 2008 (previous year for comparison)

IN k€	print		corporate services		All sectors		Reconciliation		Group (Continued Operations)	
	20078	20067	20078	20067	20078	20067	20078	20067	20078	20067
Net sales to customers	109,092	104,773	97	435	109,189	105,208	0	0	109,189	105,208
Inter-company sales	26	39	2,249	2,221	2,275	2,260	(2,275)	(2,260)	0	0
Changes in inventory	(5,562)	4,739	0	0	(5,562)	4,739	0	0	(5,562)	4,739
Cost of materials	(39,332)	(42,226)	0	0	(39,332)	(42,226)	121	640	(39,211)	(41,586)
Cost of services purchased	(10,738)	(11,982)	0	0	(10,738)	(11,982)	0	0	(10,738)	(11,982)
Value-added sales	53,486	55,343	2,346	2,656	55,832	57,999	(2,154)	(1,620)	53,678	56,379
Other operating income	1,298	1,885	506	688	1,804	2,573	(123)	(643)	1,681	1,930
Personnel expenses	(31,361)	(34,420)	(1,851)	(2,170)	(33,212)	(36,590)	0	0	(33,212)	(36,590)
Depreciation expenses	(6,459)	(6,809)	(151)	(177)	(6,610)	(6,986)	(238)	(278)	(6,848)	(7,264)
Cost cutting programme	(3,045)	0	(484)	0	(3,529)	0	0	0	(3,529)	0
Other operating expenses	(18,417)	(16,694)	(755)	(862)	(19,172)	(17,556)	2,283	2,261	(16,889)	(15,295)
EBIT	(4,498)	(695)	(389)	135	(4,887)	(560)	(232)	(280)	(5,119)	(840)
Short-term interest result	(732)	(591)	(199)	115	(931)	(476)	0	0	(931)	(476)
Segment earnings	(5,230)	(1,286)	(588)	250	(5,818)	(1,036)	(232)	(280)	(6,050)	(1,316)
Long-term interest result	(838)	(1,024)	(680)	(834)	(1,518)	(1,858)	1	2	(1,517)	(1,856)
Foreign exchange result	(701)	(409)	808	389	107	(20)	411	(392)	518	(412)
EBT	(6,769)	(2,719)	(460)	(195)	(7,229)	(2,914)	180	(670)	(7,049)	(3,584)
Employees (reporting date)	2,757	2,968	80	100	2,837	3,068	----	----	2,837	3,068

DEVELOPMENT OF BUSINESS SEGMENTS (NINE MONTHS)

in the period from 1 October 2007 to 30 June 2008 (previous year for comparison)

IN k€	print		corporate services		All sectors		Reconciliation		Group (Continued Operations)	
	20078	20067	20078	20067	20078	20067	20078	20067	20078	20067
Net sales to customers	347,913	348,756	395	1,308	348,308	350,064	0	0	348,308	350,064
Inter-company sales	132	140	6,756	6,689	6,888	6,829	(6,888)	(6,829)	0	0
Changes in inventory	(628)	7,198	0	0	(628)	7,198	0	0	(628)	7,198
Cost of materials	(135,546)	(132,210)	0	(17)	(135,546)	(132,227)	1,777	2,033	(133,769)	(130,194)
Cost of services purchased	(38,119)	(40,701)	0	0	(38,119)	(40,701)	0	28	(38,119)	(40,673)
Value-added sales	173,752	183,183	7,151	7,980	180,903	191,163	(5,111)	(4,768)	175,792	186,395
Other operating income	4,481	7,332	4,294	4,218	8,775	11,550	(4,303)	(3,546)	4,472	8,004
Personnel expenses	(98,257)	(104,506)	(5,811)	(6,522)	(104,068)	(111,028)	13	22	(104,055)	(111,006)
Depreciation expenses	(19,630)	(20,343)	(461)	(692)	(20,091)	(21,035)	(763)	(805)	(20,854)	(21,840)
Cost cutting programme	(9,336)	0	(504)	0	(9,840)	0	0	0	(9,840)	0
Other operating expenses	(57,602)	(53,760)	(4,280)	(4,543)	(61,882)	(58,303)	8,444	8,291	(53,438)	(50,012)
EBIT	(6,592)	11,906	389	441	(6,203)	12,347	(1,720)	(806)	(7,923)	11,541
Short-term interest result	(1,933)	(1,255)	(270)	49	(2,203)	(1,206)	0	0	(2,203)	(1,206)
Segment earnings	(8,525)	10,651	119	490	(8,406)	11,141	(1,720)	(806)	(10,126)	10,335
Long-term interest result	(2,752)	(3,223)	(2,212)	(2,437)	(4,964)	(5,660)	5	11	(4,959)	(5,649)
Foreign exchange result	830	(377)	272	180	1,102	(197)	1,143	(186)	2,245	(383)
EBT	(10,447)	7,051	(1,821)	(1,767)	(12,268)	5,284	(572)	(981)	(12,840)	4,303
Employees (reporting date)	2,757	2,968	80	100	2,837	3,068	----	----	2,837	3,068

BALANCE SHEET: ASSETS

as at 30 June 2008 (previous year and end of fiscal year 2007 for comparison)

IN K€	30. JUNE 2008	% total	30. JUNE 2007	% total	30. SEPT. 2007	% total
Goodwill	80,425	16.9	87,806	15.5	81,821	16.1
Other intangible assets	13,034	2.7	1,877	0.3	13,505	2.7
Intangible assets	93,459	19.7	89,683	15.9	95,326	18.7
Land, land rights and buildings, incl. buildings on land owned by others	129,592	27.3	131,673	23.3	132,547	26.0
Industrial plant and machinery	143,770	30.3	161,030	28.5	153,601	30.2
Other plant, machinery, and business equipment	18,533	3.9	20,941	3.7	20,386	4.0
Downpayments and plant under construction	1,273	0.3	2,997	0.5	1,014	0.2
Fixed Assets	293,168	61.7	316,641	56.0	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	3,948	0.8	6,147	1.1	6,088	1.2
Tax benefits	4,563	1.0	5,082	0.9	4,552	0.9
Other lt. assets	2,257	0.5	2,409	0.4	2,362	0.5
Lt. Receivables and Other Lt. Assets	6,820	1.4	7,491	1.3	6,914	1.4
Deferred taxes	1,989	0.4	0	0.0	821	0.2
Total lt. assets	399,830	84.2	420,387	74.3	417,122	81.9
Raw materials and supplies	15,924	3.4	13,815	2.4	13,337	2.6
Work in process; goods and services	8,346	1.8	12,439	2.2	9,912	1.9
Finished goods	2,486	0.5	1,664	0.3	1,335	0.3
Inventories	26,756	5.6	27,918	4.9	24,584	4.8
Accounts receivable	37,637	7.9	28,566	5.0	47,790	9.4
Tax refunds	2,202	0.5	6,834	1.2	2,330	0.5
Other st. assets	4,666	1.0	6,252	1.1	13,348	2.6
St. receivables and other st. assets	44,505	9.4	41,652	7.4	63,468	12.5
Cash and cash equivalents	1,211	0.3	2,324	0.4	2,637	0.5
Assets classified as held for sale	0	--	70,246	12.4	0	--
Deferred Income	2,797	0.6	3,236	0.6	1,371	0.3
Total st. assets	75,269	15.8	145,376	25.7	92,060	18.1
Balance sheet total	475,099	100.0	565,763	100.0	509,182	100.0

BALANCE SHEET: LIABILITIES

as at 30 June 2008 (previous year and end of fiscal year 2007 for comparison)

IN K€	30. JUNE 2008	% total	30. JUNE 2007	% total	30. SEPT. 2007	% total
Subscribed capital	18,613	3.9	18,613	3.3	18,613	3.7
Capital reserves	56,998	12.0	58,668	10.4	58,669	11.5
Earnings reserves	61,456	12.9	51,083	9.0	50,787	10.0
Valuation reserves	380	0.1	985	0.2	148	0.0
Retained earnings	29,700	6.3	28,426	5.0	53,311	10.5
Cumulative income or expense recognised directly in equity relating to a assets classified as held for sale	0	--	(1,112)	(0.2)	0	--
Shareholders' equity	167,147	35.2	156,663	27.7	181,528	35.7
Minorities	(4)	0.0	(3)	0.0	(3)	0.0
Total Equity	167,143	35.2	156,660	27.7	181,525	35.7
Debt due to Banks	78,977	16.6	117,202	20.7	99,686	19.6
Other lt. liabilities	793	0.2	805	0.1	806	0.2
Provision for pensions and similar liabilities	19,978	4.2	20,001	3.5	19,886	3.9
Other lt. provisions	6,367	1.3	7,446	1.3	6,563	1.3
Lt. provisions	26,345	5.5	27,447	4.9	26,449	5.2
Lt. deferrals	1,580	0.3	2,063	0.4	1,755	0.3
Deferred taxes	23,698	5.0	33,901	6.0	28,311	5.6
Total lt. liabilities	131,393	27.7	181,418	32.1	157,007	30.8
Debt due to Banks	96,620	20.3	122,839	21.7	71,286	14.0
St. liabilities	96,620	20.3	122,839	21.7	71,286	14.0
Advance payments received on orders	1,837	0.4	291	0.1	1,305	0.3
Accounts payable	28,950	6.1	23,181	4.1	54,177	10.6
Liabilities to affiliated parties	33	0.0	31	0.0	33	0.0
Other liabilities	11,856	2.5	11,728	2.1	13,813	2.7
Accounts payable and other liabilities	42,676	9.0	35,231	6.2	69,328	13.6
Tax provisions	1,420	0.3	1,235	0.2	1,741	0.3
Other provisions	35,603	7.5	28,214	5.0	28,050	5.5
St. provisions	37,023	7.8	29,449	5.2	29,791	5.9
Liabilities directly associated with assets classified as held for sale	0	--	40,163	7.1	0	--
Deferred charges	244	0.1	3	0.0	245	0.0
Total st. liabilities	176,563	37.2	227,685	40.2	170,650	33.5
Balance sheet total	475,099	100.0	565,763	100.0	509,182	100.0

CASH FLOW STATEMENT

in the period from 1 October 2007 to 30 June 2008 (previous year for comparison)

IN K€	QII 2007/8	QIII 2007/8	QIII 2006/7	9M 2007/8	9M 2006/7
CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES					
RESULTS FROM ORDINARY BUSINESS ACTIVITIES INCLUDING					
FOREIGN EXCHANGE GAINS/(LOSSES)	(6,611)	(4,601)	(1,253)	(5,678)	11,158
Depreciation of fixed assets	6,955	6,848	7,264	20,854	21,840
Decrease / (Increase) in value of fixed assets	0	0	0	0	0
Increase / (decrease) in provisions	3,385	2,183	1,110	7,449	(3,268)
Gains / (losses) from disposals of fixed assets	41	(216)	(8)	(194)	(221)
RESULTS PRIOR TO CHANGES IN NET CURRENT ASSETS	3,770	4,214	7,113	22,431	29,509
(Increase) / decrease in inventory	(5,378)	5,042	(3,890)	(2,172)	(5,825)
(Increase) / decrease in trade receivables	18,036	(5,555)	8,701	10,153	17,782
(Increase) / decrease in trade payables	(5,794)	(1,704)	(8,392)	(25,227)	(23,492)
(Increase) / decrease in other net current assets	(3,645)	3,646	(1,051)	5,243	(9,509)
NET CASHFLOW FROM CURRENT BUSINESS ACTIVITIES	6,989	5,643	2,481	10,428	8,465
(Outflow of) / Receipts of income taxes	371	1,399	(2,468)	966	(14,008)
NET CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES OF CONTINUED OPERATIONS	7,360	7,042	13	11,394	(5,543)
CASHFLOW FROM INVESTMENT ACTIVITIES					
Investments in property, plant and equipment	(1,773)	(1,711)	(1,784)	(4,599)	(8,146)
Receipts from disposals of property, plant and equipment	1,953	351	30	2,405	324
Investments in intangible assets	(3)	(27)	(64)	(30)	(142)
Receipts from disposals of intangible assets	0	0	0	0	0
Investments in financial assets	0	0	0	(21)	(23)
Receipts from disposal of financial assets	0	0	0	0	0
Investments in subsidiaries	0	0	0	0	(18,626)
Receipts from disposal of subsidiaries	0	0	0	0	0
NET CASHFLOW FROM INVESTMENT ACTIVITIES OF CONTINUED OPERATIONS	177	(1,387)	(1,818)	(2,245)	(26,613)
CASHFLOW FROM FINANCING ACTIVITIES					
Receipts from capital contributions	(316)	(449)	0	(1,671)	0
Distributions to shareholders and minority interests	(6,150)	0	0	(6,150)	(6,204)
Receipts from taking out loans	0	0	0	0	16,556
Payments made for the discharge of bonds and loans	(11,418)	(4,814)	(4,885)	(20,709)	(29,249)
Increase / (decrease) in short-term liabilities to banks	12,062	2,716	12,656	25,334	55,862
Receipts from other long-term liabilities	0	(6)	(3)	(3)	27
Payments made for the discharge of other long-term liabilities	(120)	(130)	(123)	(363)	(449)
Group financing discontinued operations	0	0	(3,223)	0	4,212
Interest paid	(2,556)	(2,476)	(2,830)	(7,013)	(8,233)
NET CASHFLOW FROM FINANCING ACTIVITIES OF CONTINUED OPERATIONS	(8,498)	(5,159)	1,592	(10,575)	32,522
NET INCREASE / (DECREASE) IN CASH	(961)	496	(213)	(1,426)	366
EXCHANGE-RATE AND VALUATION-RELATED CHANGES TO CASH AND CASH EQUIVALENTS					
	0	0	0	0	0
CASH AT THE BEGINNING OF THE PERIOD	1,676	715	0	2,637	1,958
CASH AT THE END OF THE PERIOD	715	1,211	(213)	1,211	2,324

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in the period from 1 October 2007 to 30 June 2008

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Direct recognitions*	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2007	18,613	58,669	50,314	473	148	53,311	0	181,528	(3)	181,525
Valuation of marketable securities and cashflow hedges	0	0	0	0	98	0	0	98	0	98
Differentials from translation of foreign currencies	0	0	0	681	0	11	0	692	0	692
Gains and losses not recognized in profit and loss statement	0	0	0	681	98	11	0	790	0	790
Net income	0	0	0	0	0	2,055	0	2,055	(1)	2,054
Total income of the period	0	0	0	681	98	2,066	0	2,845	(1)	2,844
Dividends	0	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0	0
Issuance of shares	0	(906)	0	0	0	0	0	(906)	0	(906)
Issuance of employee shares	0	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0	0
Balance on 31 December 2007	18,613	57,763	50,314	1,154	246	55,377	0	183,467	(4)	183,463
Balance on 31 December 2007	18,613	57,763	50,314	1,154	246	55,377	0	183,467	(4)	183,463
Valuation of marketable securities and cashflow hedges	0	0	0	0	(34)	0	0	(34)	0	(34)
Differentials from translation of foreign currencies	0	0	0	612	0	(26)	0	586	0	586
Gains and losses not recognized in profit and loss statement	0	0	0	612	(34)	(26)	0	552	0	552
Net income	0	0	0	0	0	(6,571)	0	(6,571)	0	(6,571)
Total income of the period	0	0	0	612	(34)	(6,597)	0	(6,019)	0	(6,019)
Dividends	0	0	0	0	0	(6,150)	0	(6,150)	0	(6,150)
Acquisition of minority interest	0	(316)	0	0	0	0	0	(316)	0	(316)
Issuance of shares	0	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	8,500	0	0	(8,500)	0	0	0	0
Balance on 31 March 2008	18,613	57,447	58,814	1,766	212	34,130	0	170,982	(4)	170,978
Balance on 31 March 2008	18,613	57,447	58,814	1,766	212	34,130	0	170,982	(4)	170,978
Valuation of marketable securities and cashflow hedges	0	0	0	0	168	0	0	168	0	168
Differentials from translation of foreign currencies	0	0	0	876	0	(2)	0	874	0	874
Gains and losses not recognized in profit and loss statement	0	0	0	876	168	(2)	0	1,042	0	1,042
Net income	0	0	0	0	0	(4,428)	0	(4,428)	0	(4,428)
Total income of the period	0	0	0	876	168	(4,430)	0	(3,386)	0	(3,386)
Dividends	0	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	(449)	0	0	0	0	0	(449)	0	(449)
Issuance of shares	0	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0	0
Balance on 30 June 2008	18,613	56,998	58,814	2,642	380	29,700	0	167,147	(4)	167,143

*Cumulative income or expense recognised directly in equity relating to a disposal group

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY: PREVIOUS YEAR (FOR COMPARISON)

in the period from 1 October 2006 to 30 June 2007

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Direct recognitions*	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2006	18,613	58,669	42,814	(46)	324	33,112	0	153,486	(2)	153,484
Valuation of marketable securities and cashflow hedges	0	0	0	0	(56)	0	0	(56)	0	(56)
Differentials from translation of foreign currencies	0	0	0	34	0	8	0	42	(1)	41
Gains and losses not recognized in profit and loss statement	0	0	0	34	(56)	8	0	(14)	(1)	(15)
Net income	0	0	0	0	0	10,420	0	10,420	0	10,420
Total income of the period	0	0	0	34	(56)	10,428	0	10,406	(1)	10,405
Dividends	0	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0	0	0
Issuance of employee shares	0	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0	0
Balance on 31 December 2006	18,613	58,669	42,814	(12)	268	43,540	0	163,892	(3)	163,889
Balance on 31 December 2006	18,613	58,669	42,814	(12)	268	43,540	0	163,892	(3)	163,889
Valuation of marketable securities and cashflow hedges	0	0	0	0	295	0	0	295	0	295
Differentials from translation of foreign currencies	0	0	0	349	0	8	(474)	(117)	1	(116)
Gains and losses not recognized in profit and loss statement	0	0	0	349	295	8	(474)	178	1	179
Net income	0	0	0	0	0	826	0	826	(1)	825
Total income of the period	0	0	0	349	295	834	(474)	1,004	0	1,004
Dividends	0	0	0	0	0	(6,204)	0	(6,204)	0	(6,204)
Acquisition of minority interest	0	0	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	7,500	0	0	(7,500)	0	0	0	0
Balance on 31 March 2007	18,613	58,669	50,314	337	563	30,670	(474)	158,692	(3)	158,689
Balance on 31 March 2007	18,613	58,669	50,314	337	563	30,670	(474)	158,692	(3)	158,689
Valuation of marketable securities and cashflow hedges	0	0	0	0	422	0	0	422	0	422
Differentials from translation of foreign currencies	0	0	0	431	0	1	(638)	(206)	0	(206)
Gains and losses not recognized in profit and loss statement	0	0	0	431	422	1	(638)	216	0	216
Net income	0	0	0	0	0	(2,245)	0	(2,245)	0	(2,245)
Total income of the period	0	0	0	431	422	(2,244)	(638)	(2,029)	0	(2,029)
Dividends	0	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0	0
Balance on 30 June 2007	18,613	58,669	50,314	768	985	28,426	(1,112)	156,663	(3)	156,660

*Cumulative income or expense recognised directly in equity relating to a disposal group

SELECTED NOTES

- GENERAL INFORMATION

The consolidated interim report for *schlott gruppe* for the reporting period from 1 October to 30 June 2008 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. DRS 16, which was released on 24 July 2008 and will replace DRS 6, has not yet been observed in this interim report.

The Interim Report for the Group takes into account all standards and interpretations applicable at 30 June 2008. 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. The consolidated group remained unchanged compared with 30 September, 2007, with the following two exceptions: Under the merger agreement of 27 November 2007, and in accordance with the resolutions passed by the contracting parties on the same day, FDS Energie GmbH was merged with u.e.sebald druck GmbH. This was recorded in the Commercial Register on 1 January 2008. The Friedland Správa nemovitosti s.r.o. was merged with Reus s.r.o. on 1 June 2008. This was filed with the Commercial Register on 26 June 2008.

- 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 the figures for the previous year in this report. 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.

- 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 consolidated group of *schlott gruppe*.

In the period covered by this report the following new Standards and Interpretations were issued or amended that have yet to come into force.

Amendments to IFRS 1 *Cost of a Subsidiary in the Separate Financial Statements of a Parent on First-time Adoption of IFRS* Application for annual periods beginning on or after January 1, 2009

As a result of the first annual improvements project, a number of amendments and changes were made to the International Financial Reporting Standards. The wording of some standards was revised in order to provide greater clarity with regard to certain provisions and regulations. Additionally, changes were made that have a direct impact on accounting, recognition or measurement. Unless otherwise stated in the specific standard, these amendments apply for financial years beginning on or after January 1, 2009.

schlott gruppe does not anticipate that first-time application of the aforementioned standards in their amended or revised version will have a material effect on the presentation of financial performance, financial position or cash flows.

- NOTES TO INCOME STATEMENT

The following disclosures relate solely to continued operations. The *direct marketing* segment is presented as discontinued operations in the figures for the previous year.

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. 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€	QIII 20078	QIII 20067	9M 20078	9M 20067
Net sales	109,189	105,208	348,308	350,064
Change in inventories	(5,562)	4,739	(628)	7,198
Own expenses capitalised	0	0	0	0
Cost of raw materials, supplies and goods purchased	(39,211)	(41,586)	(133,769)	(130,194)
Cost of services purchased	(10,738)	(11,982)	(38,119)	(40,673)
Value-added sales	53,678	56,379	175,792	186,395

Revenue is attributable to the following areas of operation:

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Preprint	860	904	2,853	3,180
Gravure printing	85,477	81,489	264,620	266,020
Offset printing	16,662	18,473	58,195	58,699
Bindery	6,093	3,898	22,245	20,848
Business segment print	109,092	104,764	347,913	348,747
Business segment corporate services	97	444	395	1,317
Total	109,189	105,208	348,308	350,064

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

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Business segment print	53,486	55,343	173,752	183,183
Business segment corporate services	2,346	2,656	7,151	7,980
Reconciliation	(2,154)	(1,620)	(5,111)	(4,768)
Total	53,678	56,379	175,792	186,395

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

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Germany	64,184	59,910	207,369	215,708
Other Euro-Zone	25,327	28,436	80,295	87,681
Other Europe	11,356	8,060	37,830	26,094
RoW	8,322	8,802	22,814	20,581
Total	109,189	105,208	348,308	350,064

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

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Germany	36,690	36,097	115,110	126,456
Other Euro-Zone	11,310	13,263	36,758	40,147
Other Europe	3,575	4,633	17,162	13,761
RoW	2,103	2,386	6,762	6,031
Total	53,678	56,379	175,792	186,395

For further information about revenue and value-added sales categorised according to segments, please refer to the Segment Reporting section on page 20.

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€	QIII 20078	QIII 20067	9M 20078	9M 20067
Paper	27,718	28,715	95,952	90,375
Ink	9,222	10,298	30,553	32,325
Other materials	3,465	3,669	11,167	10,344
Bonuses and discounts	(1,194)	(1,096)	(3,903)	(2,850)
Purchased goods for resales	10,738	11,982	38,119	40,673
Total	49,949	53,568	171,888	170,867

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

IN TONNES	QIII 20078	QIII 20067	9M 20078	9M 20067
Paper supplied by customers	101,549	105,767	314,380	330,844
Paper purchased	35,464	35,828	130,275	121,298
Total tonnage	137,013	141,595	444,655	452,142

PERSONNEL EXPENSES

Personnel expenses were lower compared to both the previous year figures. This development is a result of outsourcing programmes, employee layoffs, and the reduction of benefits above the general pay scale. Expenses for the outsourced logistics services appear in other operating expense.

COST CUTTING PROGRAMME

schlott gruppe is currently executing a cost cutting programme for the gravure printing facilities located in Germany. The programme mainly consists of, among others, a reduction of the labour force by adjusting staff requirements, and the utilisation of various options within the collective wage agreement. During the third quarter the programme caused charges of €3,529 thousand. This total expenses at the reporting date were €9,840 thousand, of which additions to provisions for personnel expenses were €8,091 thousand.

OTHER OPERATING EXPENSE

Other operating expense is categorised as follows:

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Maintenance expenses	4,372	4,174	13,193	13,096
Rental and leasing expenses	1,312	1,158	3,791	3,721
Fringe benefits and expenses for temporary employment	2,108	1,706	6,610	5,737
Sales and marketing expenses	5,671	4,484	18,076	15,266
Miscellaneous expenses	3,426	3,773	11,768	12,192
Total	16,889	15,295	53,438	50,012

SYSTEMATIC DEPRECIATION / AMORTISATION EXPENSE

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

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Intangible assets	156	132	513	589
Property, plant, and equipment	6,651	7,066	20,168	21,045
Investment properties	41	66	173	206
Total	6,848	7,264	20,854	21,840

TAXES ON INCOME

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

IN K€	QIII 20078	QIII 20067	9M 20078	9M 20067
Current income tax expense	(243)	2,405	(546)	631
Taxes for prior years	(18)	0	(173)	5,264
Deferred taxes	2,882	(950)	4,615	(2,259)
Total	2,621	1,455	3,896	3,636

Taxes for prior years include 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:

	QIII 20078	QIII 20067	9M 20078	9M 20067
Net income from continued operations (in €)	(4,428,109)	(2,128,556)	(8,943,914)	7,939,059
Number of shares eligible for dividends	6,104,815	6,204,200	6,104,815	6,204,200
Net income per share (in €)	-0.73	-0.34	-1.47	1.28
Undiluted average number of shares	6,148,174	6,204,200	6,148,174	6,204,200
Undiluted net income per share from continued operations (in €)	-0.72	-0.34	-1.45	1.28
Diluted average number of shares	6,148,174	6,204,200	6,148,174	6,204,200
Diluted net income per share from continued operations (in €)	-0.72	-0.34	-1.45	1.28

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

	QIII 20078	QIII 20067	9M 20078	9M 20067
Net income from discontinued operations (in €)	0	305,606	0	1,052,917
Number of shares eligible for dividends	6,104,815	6,204,200	6,104,815	6,204,200
Net income per share (in €)	0.00	0.05	0.00	0.17
Undiluted average number of shares	6,148,174	6,204,200	6,148,174	6,204,200
Undiluted net income per share from discontinued operations (in €)	0.00	0.05	0.00	0.17
Diluted average number of shares	6,148,174	6,204,200	6,148,174	6,204,200
Diluted net income per share from discontinued operations (in €)	0.00	0.05	0.00	0.17

- NOTES TO THE BALANCE SHEET

The *direct marketing* business unit was disposed of as per 31 July 2007. In the comparative balance sheet as at 30 June 2007, the assets and liabilities of the business unit were reclassified as "Non-current Assets/Disposal Groups Held for Sale" and "Liabilities Related Directly to Non-current Assets/Disposal Groups Held for Sale".

INTANGIBLE ASSETS

The development of intangible assets is shown in the following table:

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Total at the beginning of the period	95,326	92,258	92,258
Translation differences	3	(1)	8
Additions	30	4,081	730
Additions due to changes in the scope of consolidation	0	0	12,000
Disposals	(1,397)	0	(67)
Disposals due to changes in the scope of consolidation	0	0	(8,571)
Disposals of assets classified as held for sale	0	(6,036)	0
Transfers	10	52	52
Value increases	0	0	0
Value decreases	(513)	(671)	(1,084)
Total	93,459	89,683	95,326

The reduction in goodwill is the result of the retrospective capitalisation of deferred tax assets in connection with loss carryforwards of *sebaldis gruppe*; these existed at the date of acquisition but were not utilisable for tax purposes at the time. Under the provisions of IAS 12, retrospective capitalisation leads to a reduction in the carrying amount of goodwill to be accounted for in profit or loss. The adjustment is made by applying the amount that would have been recognised if the deferred tax had been accounted for as an asset at the acquisition date.

PROPERTY, PLANT AND EQUIPMENT

Changes to property, plant and equipment are outlined below:

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Total at the beginning of the period	307,548	342,365	342,365
Translation differences	1,443	(155)	575
Additions	4,599	10,285	12,650
Additions due to changes in the scope of consolidation	0	31,421	26,465
Disposals	(244)	(598)	(916)
Disposals due to changes in the scope of consolidation	0	0	(43,479)
Disposals of assets classified as held for sale	0	(42,793)	0
Transfers	(10)	(270)	(52)
Value decreases	(20,168)	(23,614)	(30,060)
Total	293,168	316,641	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 third quarter under review. During the first nine months investment property – former company buildings leased to other parties – was disposed of at the Plauen and Landau sites. The assets disposed of by the company had a residual book value of €1,960 thousand. The book loss on disposal was €48 thousand. No additions were recorded. No additions or disposals were recorded also in the same period a year ago; an amount of €1,235 thousand was reclassified as "Non-current Assets/Disposal Groups Held for Sale".

TAX ASSETS

Tax assets are as follows:

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Lt. corporate income tax	4,563	5,082	4,552
St. corporate income tax	2,202	6,834	2,330
Total	6,765	11,916	6,882

CURRENT RECEIVABLES AND OTHER ASSETS

Individual trade receivables were collected prior to the due date as part of a forfaiting agreement. The receivables sold under this agreement are not accounted for in the balance sheet.

Other assets are categorised as follows:

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Creditors with debit balances	0	0	678
Claims against Österr. Post	0	0	7,745
Turnover bonuses from suppliers	1,184	796	1,512
Market value of derivative instruments	1,895	2,342	345
Others	1,587	3,114	3,068
Total	4,666	6,252	13,348

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

This position includes the assets of the *direct marketing* segment as well as smaller desinvestments.

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Goodwill	0	5,367	0
Fixed Assets	0	42,799	0
Deferred taxes	0	1,935	0
Other longterm assets	0	1,917	0
Inventories	0	3,709	0
Accounts receivable	0	10,861	0
Other shortterm assets	0	3,658	0
Total	0	70,246	0

EQUITY

The share capital of *schlott gruppe AG* amounts to €18,612,600 and is divided into 6,204,200 no-par-value shares. At the reporting date, *schlott gruppe AG* held 99,385 treasury shares.

On 26 February 2008, the Annual General Meeting of Shareholders adopted the proposal put forward by the Management Board by passing a resolution for the distribution of €6,150 thousand to shareholders, taken from the unappropriated surplus (distributable profit) of the 2006/7 financial year. This corresponds to a dividend of €1.00 per share entitled to participate in dividends. After the temporary suspension of the share buy-back programme between 14 January and 27 February 2008, the share buy-back arrangement was resumed effective from 3 March 2008, for the period ending 30 September 2008, on the basis of the new authorisation granted by the General Meeting of Shareholders of 26 February 2008. Changes in equity of *schlott gruppe* are outlined in the Statement of Changes in Equity on page 24 et seq.

OTHER NON-CURRENT LIABILITIES

At the end of the quarter, other non-current liabilities included liabilities of €14 thousand (previous year: €4,2 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 2008 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 €31,791 thousand (previous year: €26,795 thousand). The remaining amount is attributable to current bank overdrafts.

OTHER CURRENT LIABILITIES

Other current liabilities include the following items:

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Tax liabilities	4,405	4,141	4,339
Liabilities in connection with social security	791	752	853
Liabilities to employees	5,775	5,233	4,468
Market value of derivative instruments	132	416	154
St. portion of other lt. liabilities	16	454	392
Others	737	732	3,607
Total	11,856	11,728	13,813

OTHER CURRENT PROVISIONS

Other current provisions are categorised as follows:

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Personnel	11,590	12,641	15,086
Cost Cutting Programme	8,091	0	0
Outstanding suppliers' invoices	5,207	3,851	2,261
Contingent losses	4,818	4,332	4,636
Rehabilitation liabilities	210	584	529
Others	5,687	6,806	5,538
Total	35,603	28,214	28,050

LIABILITIES RELATED DIRECTLY TO ASSETS HELD FOR SALE

This position includes the liabilities and provisions of the *direct marketing* segment.

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Long-term debt due to Banks	0	8,745	0
Long-term provisions	0	3,244	0
Deferred taxes	0	3,951	0
Other long-term liabilities	0	442	0
Accounts payable	0	4,983	0
Short-term debt due to Banks	0	9,875	
Short-term provisions	0	5,896	0
Other short-term liabilities	0	3,027	0
Total	0	40,163	0

- NOTES TO CASH FLOW STATEMENT

The disclosures in the cash flow statement relate solely to continued operations. 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.

- OTHER NOTES

CONTINGENT LIABILITIES

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

IN K€	30. JUNE 2008	30. JUNE 2007	30. SEPT. 2007
Guarantees / warranties	1	1	1
Orders placed with suppliers	32,901	30,816	28,493

Open orders primarily consist of raw materials and supplies.

- RELATED PARTY TRANSACTIONS

No transactions with related parties others than those commented on in the Group financial statements as of 30 September 2007 took place during the reporting period. Those transactions had on a whole no significant effects on the earnings, financial and asset situation of *schlott gruppe*.

- MANAGEMENT AND SUPERVISORY BOARD

Management Board: Bernd Rose (Chairman), Heiko Arnold, Adam Valeri, Werner Reiser (until 31 May 2008)

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

Deutsches Eigenkapitalforum	11 November 2008
Preliminary figures Interim Report I 2008/9	28 January 2009
Balance Sheet Press Conference	28 January 2009
DVFA-Analyst Meeting	28 January 2009
Interim Report I 2008/9	04 February 2009
Annual General Meeting, Freudenstadt	03 March 2009
Preliminary figures Interim Report II 2008/9	22 April 2009
Interim Report II 2008/9	06 May 2009
Preliminary figures Interim Report III 2008/9	22 July 2009
Interim Report III 2008/9	05 August 2009

- YOUR CONTACT

schlott gruppe Aktiengesellschaft

Wittlensweilerstraße 3 ··· 72250 Freudenstadt ··· GERMANY ··· www.schlottgruppe.de

- INVESTOR RELATIONS

Marco Walz ··· Telephone +49 7441 531 230 ··· Fax +49 7441 531 204 ··· marco.walz@schlottgruppe.de

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.