



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM REPORT III 2005/6

REPORT ON THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2006

Q III

INTERIM REPORT III 2005/6

OF SCHLOTT GRUPPE

REPORT ON THE THIRD QUARTER AND THE NINE MONTHS ENDED 30 JUNE 2006

- *We were faced with formidable challenges in the third quarter of the 2005/6*
- *However, we expect earnings growth again as early as FY 2006/7*
- *We expect to benefit from the current consolidation phase in the medium-term*

KEY FINANCIALS OF THE GROUP AS AT 30 JUNE 2006

IN K€	QIII 2005/6	% total	QIII 2004/5	% total	9M 2005/6	% total	9M 2004/5	% total
Net sales	108,153	162.5	116,738	158.1	367,850	168.2	412,981	168.2
Total revenue	113,698	170.8	124,221	168.3	377,585	172.6	425,423	173.2
Value-added sales	66,576	100.0	73,823	100.0	218,714	100.0	245,599	100.0
EBITDA	8,858	13.3	14,262	19.3	40,393	18.5	47,952	19.5
EBIT	3,438	5.2	5,326	7.2	18,387	8.4	21,404	8.7
EBT	1,194	1.8	3,071	4.2	12,245	5.6	14,489	5.9
EAT attr. to shareholders	686	1.0	1,406	1.9	7,511	3.4	8,373	3.4
Earnings per div. ent. share (€)	0.11	--	0.23	--	1.21	--	1.35	--
Free Cashflow (after dividend)	(13,186)	--	(2,003)	--	(17,858)	--	9,281	--
Employees (reporting date)	4,154	--	4,038	--	4,154	--	4,038	--

IN K€	30 JUNE 2006	% total	30 JUNE 2005	% total	30 SEPT. 2005	% total
Goodwill	87,334	16.6	87,792	17.6	87,796	17.4
Total lt. assets	445,264	84.4	416,868	83.7	418,733	83.0
Inventories	27,331	5.2	25,046	5.0	24,826	4.9
Accounts receivable	42,686	8.1	44,041	8.8	49,889	9.9
Cash and cash equivalents	1,860	0.4	3,053	0.6	1,838	0.4
Total st. assets	82,354	15.6	81,255	16.3	85,794	17.0
Total equity	149,233	28.3	136,187	27.3	144,867	28.7
Lt. debt due to banks	130,568	24.7	114,207	22.9	107,375	21.3
Lt. provisions	26,141	5.0	26,653	5.4	25,897	5.1
Total lt. liabilities	192,406	36.5	176,522	35.4	167,810	33.3
St. debt due to banks	79,826	15.1	87,661	17.6	71,928	14.3
Accounts payable	31,878	6.0	26,011	5.2	42,966	8.5
St. provisions	45,803	8.7	43,618	8.8	53,599	10.6
Total st. liabilities	185,979	35.2	185,414	37.2	191,850	38.0
Balance sheet total	527,618	100.0	498,123	100.0	504,527	100.0

The effect from the required extension of depreciation periods in accordance with IAS 16 amounts to €3.4m in the quarter and in the nine months.

Last year's figures include heckel GmbH which was deconsolidated as of 1 October 2005.

LETTER TO SHAREHOLDERS

- DEAR SHAREHOLDERS,

owing to prevailing market conditions, we were faced with formidable challenges in the third quarter of the 2005/6 financial year. With a proven track record spanning many years, we have become accustomed to dealing with pricing pressures. In pursuing a highly focused approach in terms of improving productivity levels, we have been more than capable of counteracting the latent pressure on prices affecting our line of business. Equipped with increasingly flexible employment models, we have also been able to compensate for short-term fluctuations in volumes.

However, it has become apparent that a number of competitors within today's gravure printing market are now willing to accept orders at price levels that ensure short-term capacity utilisation but are unprofitable and unsustainable in the longer term. This is the main reason for the plummeting prices witnessed within our industry in recent months. However, a three-month period obviously provides little scope to push through additional cost reductions in response to yet another considerable downturn in the market.

Additionally, our *direct marketing* activities in Scandinavia fell well short of expectations in the third quarter. It was against this backdrop that we were forced to revise our original earnings forecast for the 2005/6 financial year. However, we would like to reiterate that our company continues to generate above-average returns within the *print* segment, benefiting from highly efficient processes and cost structures that are unrivalled throughout the industry.

The rationale behind our revised forecast has already been outlined at numerous investor and analyst meetings. In this interim report we are also focusing on the performance in the quarter providing a transparent overview of how market conditions have impacted on our financial results. Nevertheless, we take a look to the future, confident in our ambition of invigorating our earnings performance as early as 2006/7.

The low level of prices will be reflected in the results of our *print* division for a full financial period, and this is unlikely to be offset completely by cost streamlining. The additional measures currently being phased in are not expected to come into full effect until the twelve-month period following the next financial year.

In the medium term, however, we are confident that we will emerge stronger and better: the pressure in terms of market consolidation has become more pronounced, marginal sellers are gradually being squeezed out as their prices fail to cover costs, and better positioned companies are embracing growth opportunities as part of larger units. Given our superior level of profitability and our incisive strategy of consolidation, we consider ourselves to be a strong partner for such companies. A case in point: our acquisition of the Reus Group in the Czech Republic serving as a valuable complement to our bindery service portfolio in gravure printing, which was finalised in the period under review.

Earnings growth planned for 20067 is to be driven by *direct marketing*. The company's operating units in Germany and the Czech Republic have, according to plan, strongly gained momentum. Moreover, our activities in Scandinavia will no longer have a detrimental effect on results. In addition, we have identified new opportunities resulting from the liberalisation of the European postal markets.

9 August 2006

THE MANAGEMENT BOARD

FINANCIAL AND BUSINESS REVIEW

- BUSINESS ENVIRONMENT

- *More robust growth in Germany, buoyed by private consumption*
- *Expectations within printing industry remain subdued; continued erosion of prices*

Overall, the economic forecasts for Germany have become more encouraging, with real growth expected to be around 1.8 per cent in the current year. This opinion is shared by the majority of the country's economic research institutes as well as the Bundesverband der deutschen Industrie (BDI), an association of German industry. The domestic economy, in particular, is now being cited as a more dynamic growth driver, while foreign trade continues to flourish.

Resurgent demand within the consumer segment has lifted the spirits of advertisers: according to a recent survey by Nielsen Media Research, gross ad spend in the first half of 2006 rose by 5.6 per cent to €9.7 billion – with a considerable increase in the second quarter of the calendar year, not least due to the FIFA World Cup. According to Nielsen, the magazine sector benefited even more strongly: advertising revenue within this area rose by a solid 8.3 per cent.

Despite the forward momentum generated by Germany's economy and the more favourable prospects of the domestic advertising sector, the German printing industry as a whole remains in a quagmire. Printing companies concurrently report about lagging volumes and consistently eroding prices. This is especially the case in the area of mass merchandising catalogues, where the merchandisers have not yet reached fundamental decisions regarding their future marketing strategies and thus call for very high price concessions.

In view of lingering overcapacities within their sector web offset and gravure printing enterprises are particularly worried by this development. This situation is compounded by spiralling energy and raw material prices on the supply side. No wonder that the business climate index compiled by Germany's Bundesverband Druck und Medien (BVDm), an association for the printing and media industry, has shown hardly any sign of improvement since the end of 2003.

Against this backdrop, the companies surveyed by the BVDm are less upbeat about the immediate future of the industry as a whole. The majority of enterprises are predicting a further contraction of prices and higher costs – not the least in view of the future increase in German VAT.

- STAFF

- *Headcount rises after first-time consolidation of Reus*
- *Other areas in print segment remain unchanged*
- *Staffing levels in direct marketing scaled back*

Without taking into consideration changes caused by first time consolidations and de-consolidations staff count at *schlott gruppe* stood at 3,777 at the end of the third quarter, remaining below the figure of 3,818 at the end of the second quarter and below last year with 3,873 staff (adjusted by 165 staff at *heckel GmbH*, which was de-consolidated as of October 1, 2005). The first-time consolidation of Reus prompted an increase in the number of *schlott gruppe* personnel in the quarter under review to 4,154.

At the end of June, 2,906 members of staff were employed in the *print* segment. Excluding the 377 staff members of Reus, headcount declined slightly compared to 2,542 at the beginning of the quarter. Within this context, 28 employees had already left Reus over the course of the quarter. This figure corresponds to the staff reduction target we had set ourselves, as we do not intend to continue the enterprise's book printing and web offset activities. After the completion of streamlining measures within the Reus service portfolio, the main focus being on bindery, our headcount there will stand at around 300. The contract terminations required in order to implement this realignment have already been issued. Staff downsizing has been structured in a manner that is as socially acceptable as possible without affecting our results in terms of expense items.

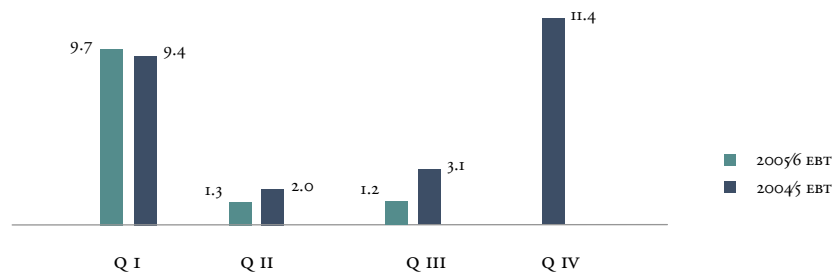
Furthermore, we outsourced the prepress activities of u.e. *sebald druck GmbH*, Nuremberg, to our subsidiary *mediazprint GmbH* in the third quarter, the rationale being to enhance internal processes yet further. Moreover, we are looking to finalise our company-specific agreements within the *print* segment for the purpose of implementing the industry-wide framework agreement, insofar as this has not already been done.

With the exception of our activities in Scandinavia, we managed to achieve a significant improvement in earnings performance within the *direct marketing* segment in the current financial year. Our accomplishments within this area were driven in particular by the sizeable reduction in staffing levels. In the period under review, the number of employees was scaled back further by 29 to 1,144. Compared with the beginning of the financial year, staff numbers were cut by 62. Within this context, our operations in the Czech Republic were strengthened by 10 newly appointed members of the team, taking the total to 426, while the other locations were downsized.

At the end of the period under review, our headcount within the *corporate services* segment was 104, thus remaining virtually unchanged compared with the total of 103 recorded at the beginning of the quarter. Compared with the total of 112 at the beginning of the current financial year it was still significantly lower.

DEVELOPMENT OF GROUP EBT IN THE QUARTERS

in €m



- EARNINGS PERFORMANCE

- *First time implementation of required extension of depreciation periods*
- *Pretax Earnings below last year*

In the third quarter, *schlott gruppe* generated value-added sales of €66.6 million, compared with €70.5 million, adjusted for heckel, in the same period a year ago. For the first nine months of the current financial year this figure stood at €218.7 million, after €234.2 million (adjusted) for the same period a year ago. EBT amounted to €1.2 million in the third quarter, compared with €3.1 million last year, while EBT for the first nine months totalled €12.2 million, as opposed to €14.5 million a year ago. heckel had no significant effect on earnings in the preceding financial year.

The required extension of depreciation periods in accordance with IAS 16, as already outlined on previous occasions, was implemented for the first time in the quarter under review, covering the nine-month period of FY 2006. Therefore, the financial results both for the third quarter as well as the first nine months include a positive effect compared with the preceding year; this is equivalent to €3.4 million for the Group (corresponds to 9/12 of the annual volume of €4.5 million).

In addition to this change and the deconsolidation of heckel, a new entity – Reus – was included in the consolidated group for the first time. The latter is expected to contribute an only small amount to value-added sales in the current financial year, notable contributions to earnings are not yet to be expected.

To a certain extent, the decline in earnings is also a result of the targeted reduction in other operating income, which has become less significant to bottom-line results. This item was scaled back by €0.8 million in the third quarter and by €2.3 million in the first nine months.

We were unable to adjust staffing levels fully to the sudden deterioration in market conditions, thus resulting in an increase of the ratio of staff costs for the quarter from 61.4 per cent a year ago to 64.3 per cent in the current financial year. This rise was connected solely with the *print* segment. In contrast, the ratio of staff costs within the *direct marketing* segment improved further. Optimization of staff costs is a continuing process drawing unchanged attentiveness.

Other operating expenses were again scaled back over the third quarter. Pursuing an approach of continuous cost streamlining and optimisation, we have been achieving tangible improvements within this area. Owing to the extended depreciation periods, depreciation expense remained below that recorded in the same period a year ago. Without this effect, depreciation expense would have been comparable to last year's figure. The net finance result was virtually unchanged year on year following the short-term increase in bank borrowings connected with our acquisition of Reus and the strong capital expenditures at the Freudenstadt site.

Our tax rate for the third quarter, standing at 42.5 per cent, was still above the expected average for the year. However, the overall figure for the first nine months stands at 38.7 per cent, which is in close proximity to the target of around 38 per cent predicted for the financial year as a whole. Net profit attributable to the shareholders of *schlott gruppe* amounted to €0.7 million in the third quarter of 2005/6, compared with €1.4 million a year ago, while net profit for the first nine months totalled €7.5 million, after €8.4 million last year. Earnings per share (EPS) amounted to €0.11 in the third quarter, compared with €0.23 a year ago, while EPS for the nine-month period stood at €1.21, in contrast to €1.35 last year.

- SEGMENT REPORTING

- *print segment falls short of expectations in third quarter*
- *direct marketing segment performs particularly well in Germany and the Czech Republic*

Segment reporting encompasses the following segments: *print*, *direct marketing* and *corporate services*. Within this context, *corporate services* covers the full range of Group services, including *schlott gruppe AG*.

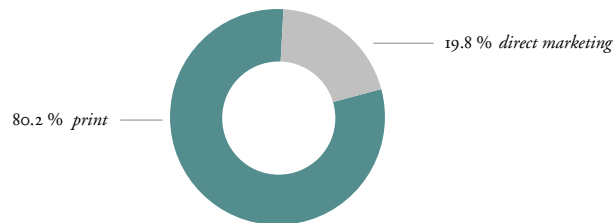
The *print* segment generated value-added sales of €53.7 million in the quarter under review, compared with €56.7 million in the same period a year ago (adjusted for heckel). The year-on-year decline is attributable solely to lower prices, while the overall volume rose to 121.1 thousand tonnes in the quarter, after 116.2 thousand tonnes a year ago. It should be noted that the third quarter of the previous financial year had been impacted by production shortfalls due to industrial action. Taking these events into account, this year's growth in tonnage can be considered below average and significantly below plan. This as well as the slight decline in tonnage compared with the second quarter of the current financial year (123.0 thousand tonnes) clearly reflects the general malaise within the market, in particular in mass merchandising. Usually, capacity utilisation increases significantly in the third quarter. In the first nine months, value-added sales amounted to €174.1 million, compared with €185.1 million a year ago; the volume for the first nine months was 390.2 thousand tonnes, as opposed to 399.7 thousand tonnes, adjusted, in the same period a year ago.

The prevailing pressure on prices within the industry as a whole is reflected in our EBT for the quarter. Segment EBT for the third quarter contracted to a level of €4.4 million, compared with €5.0 million, adjusted for heckel, in the same period a year ago. Within this context, the effect on earnings associated with the extension of depreciation periods pursuant to IAS 16 amounts to €2.9 million. In the second quarter of the current financial year, EBT had amounted to €3.4 million, with slightly higher tonnage.

The latest figures are a reflection of still changing and not yet fully aligned strategies among mass merchandising customers as regards their favoured marketing approaches. Catalogue dispatches, and consequently the entire production process, are currently managed on a particularly flexible basis. Within this context, publication dates may change at very short notice.

BREAKDOWN OF VALUE-ADDED SALES BY SEGMENT IN THE NINE MONTHS 2005/6

100 percent = 218,714 k€



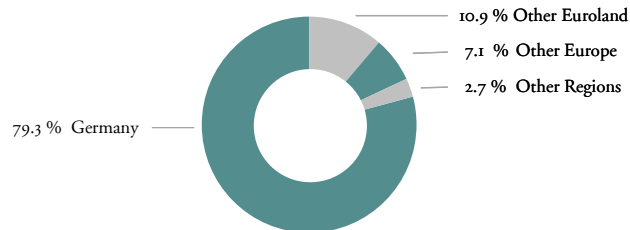
Additionally, as in the first six months, results were influenced by front-end costs associated with the company's large-scale investment project at the Freudenstadt plant. The project is progressing in line with our targets. Installation of the new high-performance rotary printing unit, which has a web width of 364 cm and is capable of processing a host of different print formats, commenced in July, as announced. Thus, our plans regarding the start-up of production in the first quarter of FY 2006/7 remain unchanged. State-of-the-art in-line features – such as the unit designed to, among others, imprint the addresses of various branch offices on the advertising media being produced for specific customers or the integration of two folding machines – will allow us to produce a significantly broader range of advertising supplements, with costs below those usually achieved with offset printing. This is expected to generate additional business.

Performance within the *direct marketing* segment is bifurcated: The overall operative performance on the sites located in Germany and the Czech Republic is satisfying. In fact, in these two regions we are now well on the way to achieving positive results for FY 2005/6 – despite ongoing weakness on the market place and further price erosion. In contrast, our operations in Scandinavia have been incurring considerable losses. As already announced, we have therefore decided to implement far-reaching restructuring measures in order to ensure that the *direct marketing* segment is no longer encumbered with losses from this particular region. The costs of this restructuring programme will amount to approx. €2.6 million, which are to be accounted for in this financial year's fourth quarter segment result, as already outlined on an earlier occasion. Losses on the operating level are expected to amount to about €2 million, so that the full negative effect coming from the Scandinavian activities and affecting earnings will total approx. €4.6 million.

At 12.4 million, value-added sales (VAS) generated within the *direct marketing* segment in the quarter under review were lower than in the same period a year ago, when VAS had totalled €12.9 million. Having said this, we were able to limit the year-on-year decline to just 3.9 per cent, compared with 11.1 per cent in the first half. VAS for the first nine months were €42.9 million compared to €47.2 million a year ago. The loss before taxes was €2.1 million for the quarter, compared with a loss of €2.3 million in the same period a year ago. Within this context, the effect on earnings associated with the extension of depreciation periods pursuant to IAS 16 amounts to €0.5 million. Earnings performance benefited from the reduction in staff costs. Within this area, the expense ratio was reined back from 77.5 per cent a year ago to 71.0 per cent in the third quarter of the current financial year. At the same time, however, EBT was affected by lower other operating income in the region of €0.6 million as well as a year-on-year increase of €0.3 million in other operating expenses. However, it should be noted that the rise in expenses, in particular, is expected to be of a temporary nature, as our cost reduction measures have already produced tangible results in this area.

REGIONAL BREAKDOWN OF VALUE-ADDED SALES IN THE NINE MONTHS 2005/6

100 percent = 218,714 k€



Business performance in Germany and the Czech Republic, on the other hand, compensated for market weakness over the course of the current financial year. On the whole, customers keep focusing on straightforward products without any or with only few special features. As a result, the pressure on margins is substantial. We have already phased in a number of measures to ensure successful operations even under these challenging market conditions:

Cost reduction on all levels is one of the potent weapons in our arsenal. Additional measures to reduce costs have already been initiated and will be implemented with the same vigour and determination displayed in the past. Another integral element within our game plan for the sustainable improvements in profitability is the division of labour between our units in Germany and the Czech Republic, an approach which we further extended in the period under review. Thus, we have further enhanced our operational flexibility, allowing us to extend significantly the depth of value-creation processes in the Czech Republic.

Alongside these internal improvements, we have also strengthened our market position. Focusing our sales activities on customers requiring complex product solutions, we were able to secure a number of attractive contracts. Furthermore, we are committed to establishing future-orientated partnerships with our customers, underpinned by long-term master agreements. Within this context, the approach of dividing up our service portfolio between independent enterprises is essential to our competitive strength and earnings performance. The level of cost transparency associated with these structures allows us to remain extremely competitive vis-à-vis operators with highly focused service offerings.

Value-added sales relating to the *corporate services* segment are derived solely from the internal charging associated with services rendered as well as internal cost allocation. This figure may fluctuate depending on factors relating to the balance sheet date. However, such fluctuations are not necessarily connected with significant or persistent changes.

In the third quarter the *corporate services* segment recorded a loss of €0.8 million before taxes, as opposed to earnings before taxes of €0.5 million in Q3 2005/6; the loss before taxes for the first nine months amounted to €2.4 million, compared with a loss before taxes of €2.0 million a year ago. It should be noted that the year-on-year comparison of the quarterly results is misleading due to the fact that the profit posted for last year's quarter was solely due to reporting date factors.

When analysing segment performance, it is advisable to focus on operating costs prior to the net finance result, simply because the net finance result is influenced materially by the activities of *schlott gruppe AG* as the refinancing unit for the respective operating locations. Applying this approach, operating costs were scaled back in the third quarter, receding to €3.3 million, compared with €3.4 million in the second quarter.

- BALANCE SHEET, CASHFLOW UND CAPITAL EXPENDITURE

- *Solid equity ratio even after acquisition of Reus*
- *Compared to its level after nine months free cash flow is expected to improve significantly until year end*

The structure of our balance sheet is dominated by the deconsolidation of heckel at the beginning of the 2005/6 financial year, the major investment at the Freudenstadt site, the extension of depreciation periods regarding property, plant and equipment, and the first-time inclusion of Reus in the consolidated group during the third quarter. In aggregate, these changes led to an increase in our balance sheet total: at the end of June 2006 it stood at €527.6 million, compared with €504.5 million at the end of FY 2004/5. At the reporting date, the equity ratio was 28.3 per cent, compared with 28.7 per cent at the end of the previous financial year.

The operative performance is thus not reflected in the changes of the balance sheet between June 30 and the end of the last financial year. In view of this, the following analysis of balance sheet changes is based on the data from cash flows, where the operating performance is visible.

Overall, cash flows from operating activities in the third quarter reflect the contraction of operating income. The reduction in depreciation and amortisation expense according to IAS 16 is levelled by a corresponding increase in deferred taxes and higher provisions. Turning to the working capital, we scaled back a substantially higher amount of trade receivables than in the same quarter a year ago; the significant increase in other working capital is temporary. In total, cash flow from operating activities thus amounted to €2.0 million in the quarter under review, compared with €6.1 million in the same period a year ago.

Net investments in property, plant and equipment, before the first installment of €10.5 million associated with the acquisition of Reus, amounted to €4.7 million in the quarter under review and thus exceeded our capabilities in terms of full internal financing. We also recorded negative free cash flow after dividend payments in the nine-month period amounting to minus €17.9 million with cash outflows regarding capital expenditures including the Reus acquisition totalling €37.4 million. Our aim is to increase the free cash flow substantially until the end of the current financial year by the operative performance during the fourth quarter and by additional measures regarding the working capital.

In total, owing to the increase in bank borrowings, cash flow from financing activities was €14.1 million in the third quarter, compared with €3.5 million a year ago, while the nine-month period produced cash flow from financing activities of €12.6 million, compared with minus €13.8 million in the same period a year ago. Thus, overall cash and cash equivalents changed only marginally.

- EVENTS AFTER THE BALANCE SHEET DATE

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

- OUTLOOK

- *Interim results confirm reduced forecast for 2005/6*
- *Higher earnings expected in 2006/7*

We expect EBT on the operating level to fall to €20 million in the 2005/6 financial year as a whole, compared with an operating EBT of €25.9 million last year. This is the result of the above mentioned challenging situation in the mass merchandise business as well as the unexpectedly high loss generated at the Scandinavian activities in *direct marketing*. Value-added sales are expected to total around €300 million, compared with €320 million posted in FY 2004/5 (adjusted for heckel).

Reported EBT will also be impacted by two exceptional factors not associated with operating performance. Firstly, and as outlined, our Scandinavian *direct marketing* activities are currently in the process of extensive restructuring. The costs associated with these measures are expected to amount to approx. €2.6 million. With these measures we make sure that this area will no longer affect consolidated earnings in the coming financial year.

Secondly, our annual result will benefit – by €4.5 million – from the longer depreciation periods for property, plant and equipment stipulated by IAS 16; this factor has been accounted for in the interim report for the first nine months. Overall, reported EBT is thus expected to total €22 million.

Regarding the succession of profits in the past and in view of the expected improvement in earnings next year, the Management Board will suggest an unchanged dividend of €1.00 per share for the financial year 2005/6 to the Supervisory Board.

We anticipate that our operating result will improve in FY 2006/7. Furthermore, the restructuring costs associated with our activities in Scandinavia will no longer apply. Overall, value-added sales are forecast at €310 million (2005/6: approx. €300 million), while EBT is expected to rise to €25 million, up from €22 in the current financial year. The longer depreciation and amortisation periods have been accounted for to the same extent in both financial years.

As a consolidating force within the European gravure printing industry, we invest substantial resources by permanently negotiating with European competitors and painstakingly evaluating options concerning the possibility of a corporate acquisition. Based on a highly focused service portfolio our strategic aim is to establish *schlott gruppe* as a leading supplier within the consolidated European market and keep the company also growing by acquisitions. In pursuing this goal, we shall bolster profitability within the Group.

THE SHARE

OF SCHLOTT GRUPPE

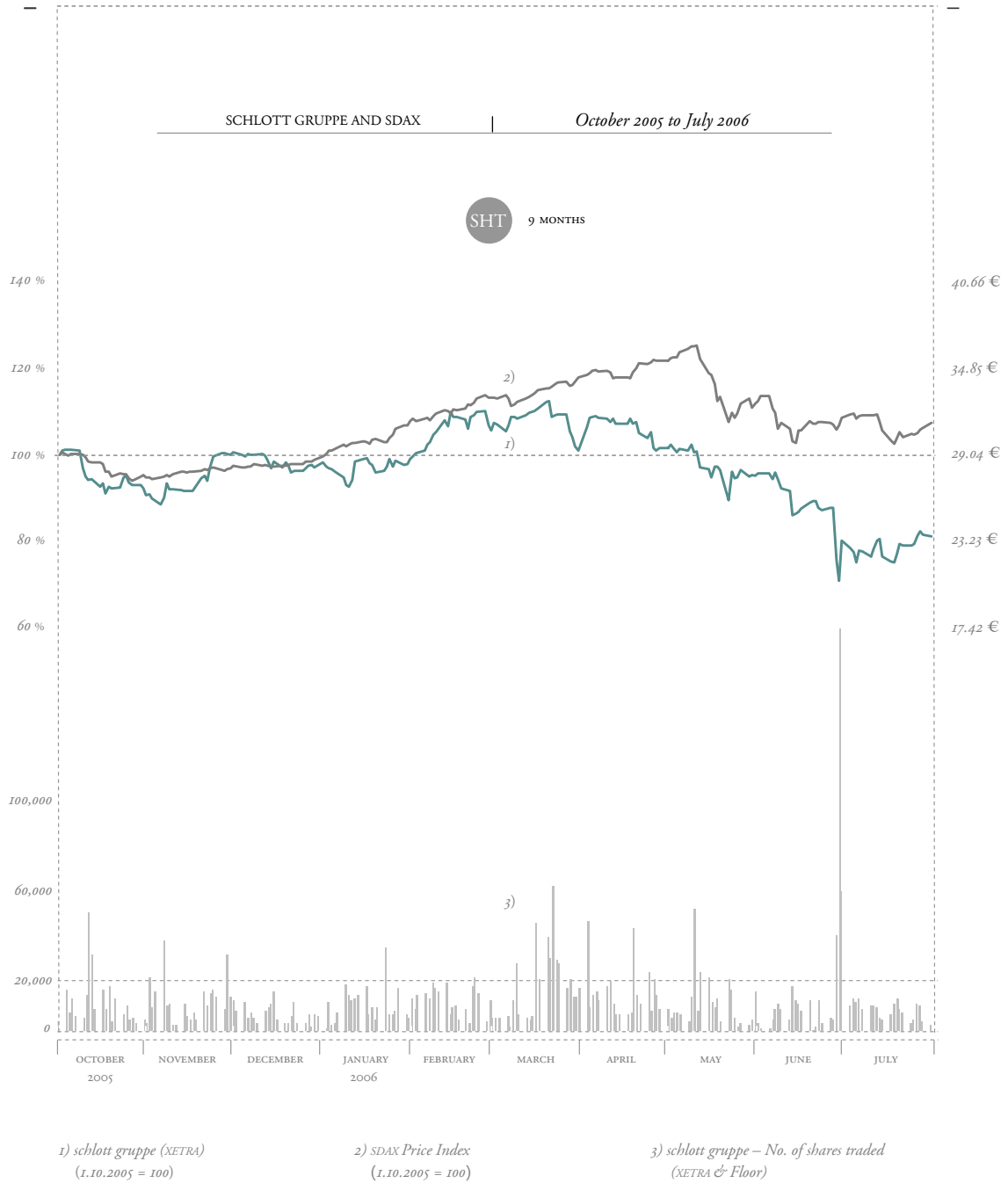
- *Share price consolidation after adjustment to revenue and profit guidance for FY 2005/6*
- *Analysts reaffirm positive assessment of corporate strategy*

within the stock market – calculated on the basis of the SDAX index – but also the adjustment to the company's annual revenue and profit guidance at the end of June. Having gained 13 per cent between 1 October 2005, i.e. the beginning of the financial year, and the end of March 2006, the date of the General Meeting of Shareholders, the company's share price fell more sharply than the downward movement generally attributable to the ex-dividend date. The share price has now been trending lower since the beginning of April. On the announcement day of the guidance adjustment the share price fell as low as €18.80 intra-day. Meanwhile, the share price has stabilised on a level above €22.

We are as disappointed with our share performance as we are with the development of our operating results in the financial year to date. Having said that, we remain hopeful that our commitment to thoroughly transparent financial reporting will weigh in our favour in these challenging times. Therefore, we believe that it is of importance that we outline and elucidate specific elements of our operating performance as well exceptional occurrences.

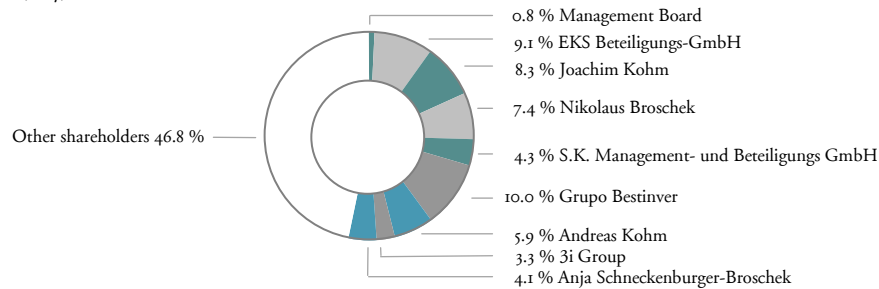
In response to the capital market's requirements in terms of in-depth information, the Management Board decided and announced as early as July 2006 to propose to the Supervisory Board an unchanged dividend payment of €1.00 per share for the 2005/6 financial year. Therewith we continue our long-term approach of dividend continuity even during short-term earnings volatility.

In view of the less favourable performance, analysts covering the shares of *schlott gruppe* have recently been slightly tentative in their assessment of the short-term prospects for growth. However, investors and analysts remain confident when it comes to our overall business strategy. Indeed, the current trend within the gravure printing industry in particular is considered to be of benefit to *schlott gruppe* as a driving force within the European printing sector, the reason being that market consolidation in this segment will become even more pronounced.



SHAREHOLDER STRUCTURE AS OF 8 AUGUST 2006

based on 6,204,200 shares



Free float according to definition of Deutsche Börse AG: 69,3 %

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 notification	Action	No. of shares	Amount (€)
Joachim Kohm	Member of Supervisory Board (SB)	30.06.2006	Purchase	10,000	203,500.00
Joachim Kohm	Member of Supervisory Board	30.06.2006	Purchase	5,000	104,250.00
S.K. Management- und Beteiligungs GmbH	Relationship to a Member of SB	03.07.2006	Purchase	10,000	204,500.00
S.K. Management- und Beteiligungs GmbH	Relationship to a Member of SB	03.07.2006	Purchase	1,000	20,950.00
S.K. Vermögensholding GmbH	Relationship to a Member of SB	07.07.2006	Purchase	4,000	86,384.00
S.K. Management- und Beteiligungs GmbH	Relationship to a Member of SB	07.07.2006	Purchase	3,968	86,106.00
S.K. Management- und Beteiligungs GmbH	Relationship to a Member of SB	07.08.2006	Purchase	5,998	139,657.00

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

Name	Date of notification	Reason of notification	Size of stake
3i Group	18.04.2006	Move below 5%-Threshold	3.33%

FINANCIALS

GROUP PROFIT AND LOSS STATEMENT (QUARTER)

in the period from 1 April to 30 June 2006 (previous year for comparison)

IN K€	QII 2005/6	QIII 2005/6	QIII 2004/5	% change to prev. year
Net sales	118,694	108,153	116,738	(7.4)
Increase (decrease) in inventory of finished goods and work in progress	(3,087)	3,343	4,528	(26.2)
Own expenses capitalized	63	0	0	n. mean.
Other operating income	3,520	2,202	2,955	(25.5)
<i>Total revenue</i>	119,190	113,698	124,221	(8.5)
Cost of raw materials, supplies and purchased goods	(33,598)	(31,192)	(36,740)	(15.1)
Cost of purchased services	(13,020)	(13,728)	(10,703)	28.3
Personnel expenses	(42,402)	(42,821)	(45,268)	(5.4)
Other operating expenses	(18,701)	(17,099)	(17,248)	(0.9)
EBITDA	11,469	8,858	14,262	(37.9)
Expenses for scheduled depreciation	(8,177)	(5,420)	(8,936)	(39.3)
EBIT	3,292	3,438	5,326	(35.4)
Income from participations	0	0	0	--
Income from foreign exchange transactions	(76)	(82)	(14)	485.7
Interest and similar income	31	16	42	(61.9)
Mark-downs of financial assets and marketable securities	0	0	0	--
Interest and similar expenses	(1,937)	(2,178)	(2,283)	(4.6)
Gains (losses) from participations carried at equity	0	0	0	n. mean.
<i>Net financial results</i>	(1,982)	(2,244)	(2,255)	0.5
EBT	1,310	1,194	3,071	(61.1)
Taxes on income	(211)	(508)	(1,665)	(69.5)
EAT	1,099	686	1,406	(51.2)
<i>Thereof applicable to</i>				
Shareholders of schlott gruppe AG	1,100	686	1,406	(16.5)
Minorities	(1)	0	0	n. mean.

GROUP PROFIT AND LOSS STATEMENT (NINE MONTHS)

in the period from 1 October 2005 to 30 June 2006 (previous year for comparison)

IN K€	9M 2005/6	9M 2004/5	% change to prev. year
Net sales	367,850	412,981	(10.9)
Increase (decrease) in inventory of finished goods and work in progress	2,177	2,609	(16.6)
Own expenses capitalised	63	0	n. mean.
Other operating income	7,495	9,833	(23.8)
<i>Total revenue</i>	377,585	425,423	(11.2)
Cost of raw materials, supplies and purchased goods	(106,728)	(130,030)	(17.9)
Cost of purchased services	(44,648)	(39,961)	11.7
Personnel expenses	(130,845)	(145,162)	(9.9)
Other operating expenses	(54,971)	(62,318)	(11.8)
EBITDA	40,393	47,952	(15.8)
Expenses for scheduled depreciation	(22,006)	(26,548)	(17.1)
EBIT	18,387	21,404	(14.1)
Income from participations	0	0	--
Income from foreign exchange transactions	(151)	(76)	98.7
Interest and similar income	130	404	(67.8)
Mark-downs of financial assets and marketable securities	0	0	--
Interest and similar expenses	(6,121)	(7,243)	(15.5)
Gains (losses) from participations carried at equity	0	0	--
<i>Net financial results</i>	(6,142)	(6,915)	11.2
EBT	12,245	14,489	(15.5)
Taxes on income	(4,735)	(6,096)	(22.3)
EAT	7,510	8,393	(10.5)
<i>Thereof applicable to</i>			
Shareholders of schlott gruppe AG	7,511	8,373	(2.0)
Minorities	(1)	20	n. mean.

DEVELOPMENT OF BUSINESS SEGMENTS (QUARTER)

in the period from 1 April to 30 June 2006 (previous year for comparison)

IN K€	print		direct marketing		corporate services		All sectors		Reconciliation		Group	
	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5
Net sales to customers	85,428	95,267	22,686	21,432	39	39	108,153	116,738	0	0	108,153	116,738
Inter-company sales	2,760	2,054	761	1,026	2,515	3,925	6,036	7,005	(6,036)	(7,005)	0	0
Changes in inventory	4,441	4,343	(1,098)	185	0	0	3,343	4,528	0	0	3,343	4,528
Cost of materials	(27,851)	(33,791)	(5,508)	(4,800)	0	0	(33,359)	(38,591)	2,167	1,851	(31,192)	(36,740)
Cost of services purchased	(11,082)	(7,901)	(4,441)	(4,927)	0	0	(15,523)	(12,828)	1,795	2,125	(13,728)	(10,703)
Value-added sales	53,696	59,972	12,400	12,916	2,554	3,964	68,650	76,852	(2,074)	(3,029)	66,576	73,823
Other operating income	1,973	2,111	164	827	711	1,240	2,848	4,178	(646)	(1,223)	2,202	2,955
Personnel expenses	(31,933)	(32,889)	(8,839)	(9,997)	(2,049)	(2,382)	(42,821)	(45,268)	0	0	(42,821)	(45,268)
Depreciation expenses	(3,861)	(6,841)	(933)	(1,463)	(326)	(305)	(5,120)	(8,609)	(300)	(327)	(5,420)	(8,936)
Other operating expenses	(14,391)	(16,401)	(4,546)	(4,219)	(883)	(1,023)	(19,820)	(21,643)	2,721	4,395	(17,099)	(17,248)
EBIT	5,484	5,952	(1,754)	(1,936)	7	1,494	3,737	5,510	(299)	(184)	3,438	5,326
St. interest result	(403)	(204)	(223)	(197)	(284)	(312)	(910)	(713)	0	42	(910)	(671)
Segment earnings	5,081	5,748	(1,977)	(2,133)	(277)	1,182	2,827	4,797	(299)	(142)	2,528	4,655
Lt. interest result	(631)	(798)	(64)	(64)	(557)	(666)	(1,252)	(1,528)	0	(42)	(1,252)	(1,570)
Foreign exchange result	(65)	62	(12)	(74)	0	0	(77)	(12)	(5)	(2)	(82)	(14)
EBT	4,385	5,012	(2,053)	(2,271)	(834)	516	1,498	3,257	(304)	(186)	1,194	3,071
Employees (reporting date)	2,906	2,724	1,144	1,202	104	112	4,154	4,038	--	--	4,154	4,038

DEVELOPMENT OF BUSINESS SEGMENTS (NINE MONTHS)

in the period from 1 October 2005 to 30 June 2006 (previous year for comparison)

IN K€	print		direct marketing		corporate services		All sectors		Reconciliation		Group	
	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5	2005/6	2004/5
Net sales to												
customers	290,239	334,812	77,268	78,051	343	118	367,850	412,981	0	0	367,850	412,981
Inter-company sales	9,474	5,301	2,230	3,039	7,857	9,795	19,561	18,135	(19,561)	(18,135)	0	0
Changes in												
inventory	2,799	2,461	(622)	148	0	0	2,177	2,609	0	0	2,177	2,609
Cost of materials	(94,429)	(115,552)	(19,179)	(17,637)	0	0	(113,608)	(133,189)	6,880	3,159	(106,728)	(130,030)
Cost of services												
purchased	(34,027)	(30,511)	(16,838)	(16,421)	0	0	(50,865)	(46,932)	6,217	6,971	(44,648)	(39,961)
Value-added sales	174,119	196,511	42,859	47,180	8,200	9,913	225,178	253,604	(6,464)	(8,005)	218,714	245,599
Other operating												
income	6,447	8,106	787	1,610	4,264	5,465	11,498	15,181	(4,003)	(5,348)	7,495	9,833
Personnel expenses	(96,811)	(106,195)	(27,769)	(31,533)	(6,265)	(7,437)	(130,845)	(145,165)	0	3	(130,845)	(145,162)
Depreciation												
expenses	(16,464)	(20,487)	(3,735)	(4,316)	(909)	(906)	(21,108)	(25,709)	(898)	(839)	(22,006)	(26,548)
Other operating												
expenses	(46,301)	(53,363)	(14,005)	(16,398)	(5,298)	(6,050)	(65,604)	(75,811)	10,633	13,493	(54,971)	(62,318)
EBIT	20,990	24,572	(1,863)	(3,457)	(8)	985	19,119	22,100	(732)	(696)	18,387	21,404
St. interest result	(855)	(509)	(670)	(576)	(736)	(874)	(2,261)	(1,959)	0	125	(2,261)	(1,834)
Segment earnings	20,135	24,063	(2,533)	(4,033)	(744)	111	16,858	20,141	(732)	(571)	16,126	19,570
Lt. interest result	(1,865)	(2,583)	(179)	(212)	(1,686)	(2,085)	(3,730)	(4,880)	0	(125)	(3,730)	(5,005)
Foreign exchange												
result	(85)	63	(60)	(135)	0	0	(145)	(72)	(6)	(4)	(151)	(76)
EBT	18,185	21,543	(2,772)	(4,380)	(2,430)	(1,974)	12,983	15,189	(738)	(700)	12,245	14,489
Employees												
(reporting date)	2,906	2,724	1,144	1,202	104	112	4,154	4,038	--	--	4,154	4,038

BALANCE SHEET: ASSETS

as at 30 June 2006 (previous year and end of fiscal year 2004/5 for comparison)

IN K€	30 JUNE 2006		30 JUNE 2005		30 SEPT. 2005	
		% total		% total		% total
Goodwill	87,334	16.6	87,792	17.6	87,796	17.4
Other intangible assets	2,896	0.5	2,157	0.4	1,853	0.4
Downpayments	57	0.0	103	0.0	103	0.0
<i>Intangible assets</i>	90,287	17.1	90,052	18.1	89,752	17.8
on land owned by others	161,288	30.6	146,718	29.5	148,860	29.5
Industrial plant and machinery	141,136	26.7	138,065	27.7	135,155	26.8
Other plant, machinery, and business equipment	21,919	4.2	25,444	5.1	24,770	4.9
Downpayments and plant under construction	20,378	3.9	7,933	1.6	11,431	2.3
<i>Fixed Assets</i>	344,721	65.3	318,160	65.1	320,216	63.5
Shares in affiliated companies	209	0.0	29	0.0	29	0.0
Shares in associated companies	0	0.0	0	0.0	0	0.0
Shares in other companies	194	0.0	215	0.0	215	0.0
Loans to associated companies	0	0.0	0	0.0	0	0.0
Other loans	0	0.0	0	0.0	0	0.0
<i>Financial Assets</i>	403	0.1	244	0.0	244	0.0
<i>Investment properties</i>	7,743	1.5	8,011	1.6	8,005	1.6
<i>Lt. Receivables/Other lt. Assets</i>	108	0.0	280	0.1	61	0.0
<i>Deferred taxes</i>	2,002	0.4	121	0.0	455	0.1
<i>Total fixed assets</i>	445,264	84.4	416,868	83.7	418,733	83.0
Raw materials and supplies	13,744	2.6	12,101	2.4	13,290	2.6
Work in process; goods and services	13,032	2.5	12,254	2.5	10,772	2.1
Finished goods	555	0.1	691	0.1	764	0.2
Payments in advance	0	0.0	0	0.0	0	0.0
<i>Inventories</i>	27,331	5.2	25,046	5.0	24,826	4.9
Accounts receivable	42,686	8.1	44,041	8.8	49,889	9.9
Receivables from affiliated companies	0	0.0	0	0.0	0	0.0
Receivables from participations	0	0.0	0	0.0	0	0.0
Tax refunds	1,422	0.3	1,120	0.2	1,344	0.3
Other securities	0	0.0	0	0.0	0	0.0
Other st. assets	5,719	1.1	4,336	0.9	6,106	1.2
<i>St. receivables/other st. assets</i>	49,827	9.4	49,497	9.9	57,339	11.4
<i>Cash and cash equivalents</i>	1,860	0.4	3,053	0.6	1,838	0.4
<i>Assets held for sale</i>	0	0.0	0	0.0	0	0.0
<i>Deferred Income</i>	3,336	0.6	3,659	0.7	1,791	0.4
<i>Total st. assets</i>	82,354	15.6	81,255	16.3	85,794	17.0
<i>Balance sheet total</i>	527,618	100.0	498,123	100.0	504,527	100.0

BALANCE SHEET: LIABILITIES

as at 30 June 2006 (previous year and end of fiscal year 2004/5 for comparison)

IN K€	30 JUNE 2006	% total	30 JUNE 2005	% total	30 SEPT. 2005	% total
Subscribed capital	18,613	3.5	18,570	3.7	18,570	3.7
Capital reserves	58,668	11.1	58,353	11.7	58,711	11.6
Earnings reserves	42,629	8.1	35,423	7.1	35,422	7.0
Valuation reserves	515	0.1	(3,334)	(0.7)	(2,522)	(0.5)
Retained earnings	28,811	5.5	27,178	5.5	34,688	6.9
Shareholders' equity	149,236	28.3	136,190	27.3	144,869	28.7
Minorities	(3)	0.0	(3)	0.0	(2)	0.0
<i>Total Equity</i>	149,233	28.3	136,187	27.3	144,867	28.7
<i>Debt due to Banks</i>	130,568	24.7	114,207	22.9	107,375	21.3
<i>Other lt. liabilities</i>	1,255	0.2	942	0.2	893	0.2
Provision for pensions and similar liabilities	22,885	4.3	22,929	4.6	22,849	4.5
Other lt. provisions	3,256	0.6	3,724	0.7	3,048	0.6
<i>Lt. provisions</i>	26,141	5.0	26,653	5.4	25,897	5.1
<i>Government subsidies</i>	2,748	0.5	2,380	0.5	2,533	0.5
<i>Deferred taxes</i>	31,694	6.0	32,340	6.5	31,112	6.2
<i>Total lt. liabilities</i>	192,406	36.5	176,522	35.4	167,810	33.3
<i>St. bonds</i>	0	0.0	0	0.0	0	0.0
<i>Debt due to Banks</i>	79,826	15.1	87,661	17.6	71,928	14.3
<i>St. liabilities</i>	79,826	15.1	87,661	17.6	71,928	14.3
Advance payments received on orders	2,222	0.4	3,192	0.6	2,347	0.5
Accounts payable	31,878	6.0	26,011	5.2	42,966	8.5
Liabilities to affiliated parties	30	0.0	29	0.0	32	0.0
Liabilities to participations	0	0.0	21	0.0	20	0.0
Other liabilities	26,212	5.0	24,882	5.0	20,902	4.1
<i>Accounts payable and other liabilities</i>	60,342	11.4	54,135	10.9	66,267	13.1
Tax provisions	7,192	1.4	1,564	0.3	9,265	1.8
Other provisions	38,611	7.3	42,054	8.4	44,334	8.8
<i>St. provisions</i>	45,803	8.7	43,618	8.8	53,599	10.6
<i>Liabilities held for sale</i>	0	0.0	0	0.0	0	0.0
<i>Deferred charges</i>	8	0.0	0	0.0	56	0.0
<i>Total st. liabilities</i>	185,979	35.2	185,414	37.2	191,850	38.0
<i>Balance sheet total</i>	527,618	100.0	498,123	100.0	504,527	100.0

CASH FLOW STATEMENT

in the period from 1 October 2005 to 30 June 2006 (previous year for comparison)

IN K€	QII 20056	QIII 20056	QIII 20045	9M 20056 ^{9M}	20045
CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES					
RESULTS FROM ORDINARY BUSINESS ACTIVITIES INCLUDING					
FOREIGN EXCHANGE GAINS/(LOSSES)	3,217	3,355	5,311	18,235	21,328
Depreciation of fixed assets	8,177	5,420	8,936	22,006	26,548
Decrease / (Increase) in value of fixed assets	0	0	0	0	0
Increase / (decrease) in provisions	(6,315)	1,785	(643)	(7,534)	(3,759)
Increase / (decrease) in deferred taxes	(44)	1,108	(148)	940	(1,144)
Gains / (losses) from disposals of fixed assets	(76)	(28)	21	(90)	(678)
RESULTS PRIOR TO CHANGES IN NET CURRENT ASSETS	4,959	11,640	13,477	33,557	42,295
(Increase) / decrease in inventory	3,334	(3,106)	(5,123)	(3,007)	(2,089)
(Increase) / decrease in trade receivables	12,277	1,589	233	8,373	13,069
(Increase) / decrease in trade payables	(1,439)	(3,737)	(1,178)	(9,469)	(17,330)
(Increase) / decrease in other net current assets	221	(3,902)	(169)	598	2,963
NET CASHFLOW FROM CURRENT BUSINESS ACTIVITIES	19,352	2,484	7,240	30,052	38,908
Interest received	15	17	3	80	16
(Outflow of) / Receipts of income taxes	(1,519)	(532)	(1,190)	(4,340)	(2,079)
NET CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES	17,848	1,969	6,053	25,792	36,845
CASHFLOW FROM INVESTMENT ACTIVITIES					
Investments in property, plant and equipment	(7,608)	(8,734)	(7,859)	(31,178)	(22,702)
Receipts from disposals of property, plant and equipment	137	1,824	69	2,012	1,385
Investments in intangible assets	(88)	(1,680)	(261)	(1,865)	(484)
Receipts from disposals of intangible assets	0	3,885	(5)	3,885	0
Investments in financial assets	0	0	0	0	0
Receipts from disposal of financial assets	0	0	0	0	25
Investments in subsidiaries	0	(10,450)	0	(10,450)	(255)
Receipts from disposal of subsidiaries	0	0	0	150	38
Dividends received	0	0	0	0	0
NET CASHFLOW FROM INVESTMENT ACTIVITIES	(7,559)	(15,155)	(8,056)	(37,446)	(21,993)
CASHFLOW FROM FINANCING ACTIVITIES					
Receipts from capital contributions	0	0	0	0	0
Distributions to shareholders and minority interests	(6,204)	0	0	(6,204)	(5,571)
Receipts from taking out loans	0	30,000	4,000	30,000	4,000
Payments made for the discharge of bonds and loans	(9,272)	(2,880)	(10,942)	(15,380)	(26,532)
Increase / (decrease) in short-term liabilities to banks	7,226	(10,853)	12,923	10,458	21,880
Receipts from other long-term liabilities	53	(5)	(10)	51	(4)
Payments made for the discharge of other long-term liabilities	(87)	(97)	(305)	(327)	(676)
Interest paid	(1,896)	(2,053)	(2,176)	(5,988)	(6,875)
NET CASHFLOW FROM FINANCING ACTIVITIES	(10,180)	14,112	3,490	12,610	(13,778)
NET INCREASE/(DECREASE) IN CASH	109	926	1,487	956	1,074
EXCHANGE-RATE, CONSOLIDATION AND VALUATION-RELATED CHANGES TO CASH AND CASH EQUIVALENTS					
	0	(932)	0	(934)	148
CASH AT THE BEGINNING OF THE PERIOD	1,757	1,866	1,566	1,838	1,831
CASH AT THE END OF THE PERIOD	1,866	1,860	3,053	1,860	3,053

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in the period from 1 October 2005 to 30 June 2006

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2005	18,570	58,711	35,615	(193)	(2,522)	34,688	144,869	(2)	144,867
Valuation of marketable securities and cashflow hedges	0	0	0	0	1,137	0	1,137	0	1,137
Differentials from translation of foreign currencies	0	0	0	50	0	0	50	(1)	49
Gains and losses not recognized in profit and loss statement	0	0	0	50	1,137	0	1,187	(1)	1,186
Net income	0	0	0	0	0	5,725	5,725	0	5,725
Total income of the period	0	0	0	50	1,137	5,725	6,912	(1)	6,911
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	43	(43)	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0
Balance on 31 December 2005	18,613	58,668	35,615	(143)	(1,385)	40,413	151,781	(3)	151,778
Balance on 31 December 2005	18,613	58,668	35,615	(143)	(1,385)	40,413	151,781	(3)	151,778
Valuation of marketable securities and cashflow hedges	0	0	0	0	1,316	0	1,316	0	1,316
Differentials from translation of foreign currencies	0	0	0	32	0	2	34	1	35
Gains and losses not recognized in profit and loss statement	0	0	0	32	1,316	2	1,350	1	1,351
Net income	0	0	0	0	0	1,100	1,100	(1)	1,099
Total income of the period	0	0	0	32	1,316	1,102	2,450	0	2,450
Dividends	0	0	0	0	0	(6,204)	(6,204)	0	(6,204)
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
Additions to earnings reserves	0	0	7,200	0	0	(7,200)	0	0	0
Balance on 31 March 2006	18,613	58,668	42,815	(111)	(69)	28,111	148,027	(3)	148,024
Balance on 31 March 2006	18,613	58,668	42,815	(111)	(69)	28,111	148,027	(3)	148,024
Valuation of marketable securities and cashflow hedges	0	0	0	0	584	0	584	0	584
Differentials from translation of foreign currencies	0	0	0	(75)	0	14	(61)	0	(61)
Gains and losses not recognized in profit and loss statement	0	0	0	(75)	584	14	523	0	523
Net income	0	0	0	0	0	686	686	0	686
Total income of the period	0	0	0	(75)	584	700	1,209	0	1,209
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
	0	0	0	0	0	0	0	0	0
Balance on 30 June 2006	18,613	58,668	42,815	(186)	515	28,811	149,236	(3)	149,233

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (FOR COMPARISON)

in the period from 1 October 2004 to 30 June 2005

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2004	18,570	58,353	31,115	(307)	(1,040)	28,831	135,522	(23)	135,499
Valuation of marketable securities and cashflow hedges	0	0	0	0	(317)	0	(317)	0	(317)
Differentials from translation of foreign currencies	0	0	0	(32)	0	6	(26)	(2)	(28)
<i>Gains and losses not recognized in profit and loss statement</i>	0	0	0	(32)	(317)	6	(343)	(2)	(345)
Net income	0	0	0	0	0	5,649	5,649	1	5,650
<i>Total income of the period</i>	0	0	0	(32)	(317)	5,655	5,306	(1)	5,305
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 2004	18,570	58,353	31,115	(339)	(1,357)	34,486	140,828	(24)	140,804
Balance on 31 December 2004	18,570	58,353	31,115	(339)	(1,357)	34,486	140,828	(24)	140,804
Valuation of marketable securities and cashflow hedges	0	0	0	0	(402)	0	(402)	0	(402)
Differentials from translation of foreign currencies	0	0	0	76	0	43	119	3	122
<i>Gains and losses not recognized in profit and loss statement</i>	0	0	0	76	(402)	43	(283)	3	(280)
Net income	0	0	0	0	0	1,318	1,318	19	1,337
<i>Total income of the period</i>	0	0	0	76	(402)	1,361	1,035	22	1,057
Dividends	0	0	0	0	0	(5,571)	(5,571)	0	(5,571)
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
Additions to earnings reserves	0	0	4,500	0	0	(4,500)	0	0	0
Balance on 31 March 2005	18,570	58,353	35,615	(263)	(1,759)	25,776	136,292	(2)	136,290
Balance on 31 March 2005	18,570	58,353	35,615	(263)	(1,759)	25,776	136,292	(2)	136,290
Valuation of marketable securities and cashflow hedges	0	0	0	0	(1,575)	0	(1,575)	0	(1,575)
Differentials from translation of foreign currencies	0	0	0	71	0	(4)	67	(1)	66
<i>Gains and losses not recognized in profit and loss statement</i>	0	0	0	71	(1,575)	(4)	(1,508)	(1)	(1,509)
Net income	0	0	0	0	0	1,406	1,406	0	1,406
<i>Total income of the period</i>	0	0	0	71	(1,575)	1,402	(102)	(1)	(103)
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
Additions to earnings reserves	0	0	0	0	0	0	0	0	0
Balance on 30 June 2005	18,570	58,353	35,615	(192)	(3,334)	27,178	136,190	(3)	136,187

SELECTED NOTES

- STATEMENT OF COMPLIANCE AND GENERAL INFORMATION

The consolidated interim report for *schlott gruppe* for the reporting period from 1 April 2006 to 30 June 2006 as well as the nine months from 1 October 2005 to 30 June 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS) 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 30 June 2006. The accounting policies applied to the interim report are essentially consistent with those used in the consolidated financial statements for the 2004/5 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 2004/5 financial year. All information presented therein continues to be valid; the interim report focuses solely on 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*, the consolidated group includes all significant domestic and foreign subsidiaries. Effective from 1 October 2005, heckel GmbH was deconsolidated from the Group accounts. The income statement for FY 2005/6 does not include any minority interest attributable to heckel GmbH. As of 1 May 2006 the Reus-Group, located in Pilsen in the Czech Republic, as well as two sales subsidiaries purchased in that transaction were consolidated for the first time. The consolidation took place on the basis of preliminary figures. Apart from the changes outlined above, the scope of the consolidated group has remained unchanged since 30 September 2005. The effects of changes to the basis of consolidation on the financial performance, financial position and cash flows of the Group are negligible.

- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The quarterly 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 2005. For a detailed description of these accounting policies, please refer to the Notes to the consolidated financial statements for 2004/5.

All standards and interpretations applicable as of 1 January 2005 have been used as a basis of this interim report. One of the principal changes of relevance to *schlott gruppe* relates to IAS 1 *Presentation of Financial Statements*, which stipulates that balance sheets shall be classified using the current / non-current distinction. Assets, liabilities and provisions which have individual maturities of less than 12 months or which are expected to be realised within the normal operating cycle have been categorised as *current*. All the remaining items have been categorised as *non-current*. The comparative figures for previous periods were adjusted accordingly.

IFRS 3 (2004) *Business Combinations*, IAS 36 (2004) *Impairment of Assets* as well as IAS 38 (2004) *Intangible Assets* were applied to the consolidated financial statements as at 30 September 2004.

IFRS 2 *Share-based Payment* was implemented ahead of schedule as part of the consolidated financial statements as at 30 September 2005. The other revised standards applied had either no or only an insignificant effect on the presentation and informative value of the financial statements.

In the reporting quarter the expected useful life of essential fixed assets were reconsidered. As a result the amortisation periods of printing as well as bindery machinery were extended according to our new assessment. These changes were applied prospectively according to IAS 8, the financial statements of previous reporting periods remain unadjusted in this case.

- NOTES TO INCOME STATEMENT

VALUE-ADDED SALES AND REVENUE

Alongside *revenue/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€	QIII 20056	QIII 20045	9M 20056	9M 20045
Net sales	108,153	116,738	367,850	412,981
Change in inventories	3,343	4,528	2,177	2,609
Own expenses capitalized	0	0	63	0
Cost of raw materials, supplies and goods purchased	(31,192)	(36,740)	(106,728)	(130,030)
Cost of services purchased	(13,728)	(10,703)	(44,648)	(39,961)
<i>Value-added sales</i>	66,576	73,823	218,714	245,599

Revenue is attributable to the following areas of operation:

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Preprint	1,225	994	3,119	3,369
Gravure printing	64,875	73,744	231,909	260,616
Offset printing	13,941	17,205	42,178	59,050
Bindery	5,387	3,324	13,033	11,777
<i>Business segment print</i>	85,428	95,267	290,239	334,812
<i>Business segment direct marketing</i>	22,686	21,432	77,268	78,051
<i>Business segment corporate services</i>	39	39	343	118
<i>Total</i>	108,153	116,738	367,850	412,981

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

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Business segment print	53,696	59,972	174,119	196,511
Business segment direct marketing	12,400	12,916	42,859	47,180
Business segment corporate services	2,554	3,964	8,200	9,913
Reconciliation	(2,074)	(3,029)	(6,464)	(8,005)
<i>Total</i>	66,576	73,823	218,714	245,599

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

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Germany	81,593	89,092	274,871	309,877
Other Euro-Zone	14,634	14,083	47,399	51,068
Other Europe	7,014	7,999	29,465	33,983
RoW	4,912	5,564	16,115	18,053
<i>Total</i>	108,153	116,738	367,850	412,981

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

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Germany	53,563	59,632	173,407	195,413
Other Euro-Zone	6,955	7,437	23,863	25,593
Other Europe	4,006	4,639	15,483	18,607
RoW	2,052	2,115	5,961	5,986
<i>Total</i>	66,576	73,823	218,714	245,599

For further information about revenue and value-added sales categorised according to segments, please refer to the Segment Reporting section on page 21 et seq.

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 20056	QIII 20045	9M 20056	9M 20045
Paper	18,363	25,834	68,549	91,561
Ink	9,643	8,342	29,931	30,532
Further processing	4,162	3,661	11,801	12,160
Bonuses and discounts	(976)	(1,097)	(3,553)	(4,223)
Purchased goods for resales	13,728	10,703	44,648	39,961
<i>Total</i>	44,920	47,443	151,376	169,991

The volume of paper processed within the *print* business unit is outlined in the following table. Within the *direct marketing* business unit key indicators such as paper supply and paper purchasing are of minor significance.

IN TONNES	QIII 20056	QIII 20045	9M 20056	9M 20045
Paper supplied by customers	100,155	92,106	310,512	314,379
Paper purchased	20,935	32,897	79,710	115,048
<i>Total tonnage</i>	121,090	125,003	390,222	429,427

STAFF COST

The share of salaries and wages in relation to overall staff costs in the reporting period was €35,003 thousand (FY 20045: €36,979 thousand). In the first half, the overall share was €107,463 thousand (FY 20045: €119,339 thousand).

OTHER OPERATING EXPENSE

Other operating expense is categorised as follows:

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Maintenance expenses	4,441	4,718	14,717	17,454
Rental and leasing expenses	999	1,128	2,857	3,789
Fringe benefits and expenses for temporary employment	1,868	1,728	5,930	5,845
Sales and marketing expenses	5,620	5,605	18,291	19,458
Miscellaneous expenses	4,171	4,069	13,176	15,772
<i>Total</i>	17,099	17,248	54,971	62,318

SYSTEMATIC DEPRECIATION / AMORTISATION EXPENSE

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

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Intangible assets	349	371	989	1,167
Property, plant, and equipment	4,984	8,481	20,757	25,129
Investment properties	87	84	260	252
<i>Total</i>	5,420	8,936	22,006	26,548

The effect from the required extension of depreciation periods in accordance with IAS 16 amounts to €3.4m in the quarter and in the nine months.

TAXES ON INCOME

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

IN K€	QIII 20056	QIII 20045	9M 20056	9M 20045
Current income tax expense	(36)	1,604	4,740	7,086
Taxes for prior years	3	(11)	3	(11)
Deferred taxes	541	72	(8)	(979)
<i>Total</i>	508	1,665	4,735	6,096

EARNINGS PER SHARE

Earnings per share have been calculated on the following basis:

	QIII 20056	QIII 20045	9M 20056	9M 20045
Net income (in €)	687,282	1,405,442	7,511,412	8,372,385
Number of shares eligible for dividends	6,204,200	6,190,020	6,204,200	6,190,020
<i>Net income per share (in €)</i>	0.11	0.23	1.21	1.35
Undiluted average number of shares	6,204,200	6,190,020	6,204,200	6,190,020
<i>Undiluted net income per share (in €)</i>	0.11	0.23	1.21	1.35
Diluted average number of shares	6,204,200	6,190,020	6,204,200	6,190,020
<i>Diluted net income per share (in €)</i>	0.11	0.23	1.21	1.35

NOTES TO THE BALANCE SHEET

PROPERTY, PLANT AND EQUIPMENT

Changes to property, plant and equipment are outlined below:

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Total at the beginning of the period	320,216	314,776	314,775
Translation differences	384	368	566
Additions	31,178	22,697	33,467
Additions due to changes in the scope of consolidation	23,074	6,318	6,318
Disposals	(1,921)	(707)	(1,298)
Disposals due to changes in the scope of consolidation	(7,448)	(151)	(151)
Transfers	(5)	(12)	5
Value increases	0	0	235
Value decreases	(20,757)	(25,129)	(33,701)
<i>Total</i>	344,721	318,160	320,216

For details regarding investments in this area, please refer to page 12 et seq.

INVESTMENT PROPERTY

There were no additions to or disposals of investment property in the first half or the current financial year.

NON-CURRENT RECEIVABLES AND OTHER ASSETS

Non-current receivables include the following items:

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Trade and other receivables	94	189	61
Claim out of compensation payment	0	0	0
Others	14	91	0
<i>Total</i>	108	280	61

INVENTORIES

At the end of the quarter, inventories included raw materials and consumables totalling €12,725 thousand (previous year: €12,101 thousand).

TAX ASSETS

Tax assets are as follows:

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Corporate income tax	212	59	199
Business tax	243	190	335
Other income taxes	0	3	0
Other taxes	967	868	810
<i>Total</i>	1,422	1,120	1,344

OTHER ASSETS

Other assets are categorised as follows:

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Creditors with debit balances	0	0	715
Postage paid for customers	72	101	245
Turnover bonuses from suppliers	684	899	1,589
Market value of derivative instruments	1,010	108	130
Claim out of compensation payment	0	1,848	1,396
Others	3,953	1,380	2,031
<i>Total</i>	5,719	4,336	6,106

EQUITY

As part of the Employee Share Plan, 14,180 no-par value shares (*Stückaktien* governed by German law) were issued in FY 2004/2005. As a result, the share capital of *schlott gruppe AG* increased by €42,540. It totals €18,612,600, divided into 6,204,200 no-par value shares.

Management proposed the distribution, from the unappropriated surplus (*Bilanzgewinn*, also referred to as net retained profits), of €6,204 thousand to shareholders, which corresponds to a dividend of €1.00 for each share equipped with a dividend entitlement. On 21 March 2006, the General Meeting of Shareholders agreed to the aforementioned proposal. In the previous year, the dividend had been €0.90 per share.

Changes in equity of *schlott gruppe* are outlined in the Statement of Changes in Equity on page 26 et seq.

OTHER NON-CURRENT LIABILITIES

At the end of the quarter, other non-current liabilities included liabilities of €447 thousand (previous year: €153 thousand) from financial leasing.

OTHER NON-CURRENT PROVISIONS

There were no significant changes to the structure of other non-current provisions as at 31 June 2006 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 €29,151 thousand (previous year: €37,898 thousand). The remaining amount is attributable to current bank overdrafts.

OTHER CURRENT LIABILITIES

Other current liabilities include the following items:

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Tax liabilities	3,573	4,380	4,055
Liabilities in connection with social security	1,498	5,170	4,846
Liabilities to employees	6,814	6,670	6,571
Market value of derivative instruments	230	3,545	2,699
St. portion of other lt. liabilities	646	635	442
Others	13,451	4,482	2,289
<i>Total</i>	26,212	24,882	20,902

OTHER CURRENT PROVISIONS

Other current provisions are categorised as follows:

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Personnel	16,905	18,958	20,959
Outstanding suppliers' invoices	4,861	6,140	3,383
Contingent losses	5,430	5,969	6,715
Rehabilitation liabilities	2,969	2,720	2,914
Others	8,446	8,267	10,363
<i>Total</i>	38,611	42,054	44,334

- OTHER NOTES

CHANGES IN CONTINGENT LIABILITIES

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

IN K€	30 JUNE 2006	30 JUNE 2005	30 SEPT. 2005
Guarantees / warranties	13,253	58	90
Orders placed with suppliers	50,019	n.v.	53,122

- MANAGEMENT AND SUPERVISORY BOARD

Hwiko Arnold took office as Chief Financial Officer of *schlott gruppe* as planned on 1 June 2006. Irene Salberg, workers' representative, left the Supervisory Board on 30 April 2006.

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

Supervisory Board: Erwin J. Kiefer (Chairman), Ivan Bebek (Deputy Chairman), Nikolaus Broschek, Edmund Hug, Sigmund Kiener, Joachim Kohm, Dr. Herbert Pototzky, Andrea Raab, Harald Roller, Irene Salberg (until 30 April 2006), Michael Schlecht, Reinhold Schreiner

- FINANCIAL CALENDAR

Deutsches Eigenkapitalforum	27 November 2006
Preliminary figures Interim Report I 2006/7	24 January 2007
Balance Sheet Press Conference	24 January 2007
DVEFA-Analyst Meeting	24 January 2007
Interim Report I 2006/7	7 February 2007
Annual General Meeting	13 March 2007
Preliminary figures Interim Report II 2006/7	25 April 2007
Interim Report II 2006/7	9 May 2007
Preliminary figures Interim Report III 2006/7	25 July 2007
Interim Report III 2006/7	8 August 2007

- YOUR CONTACT

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