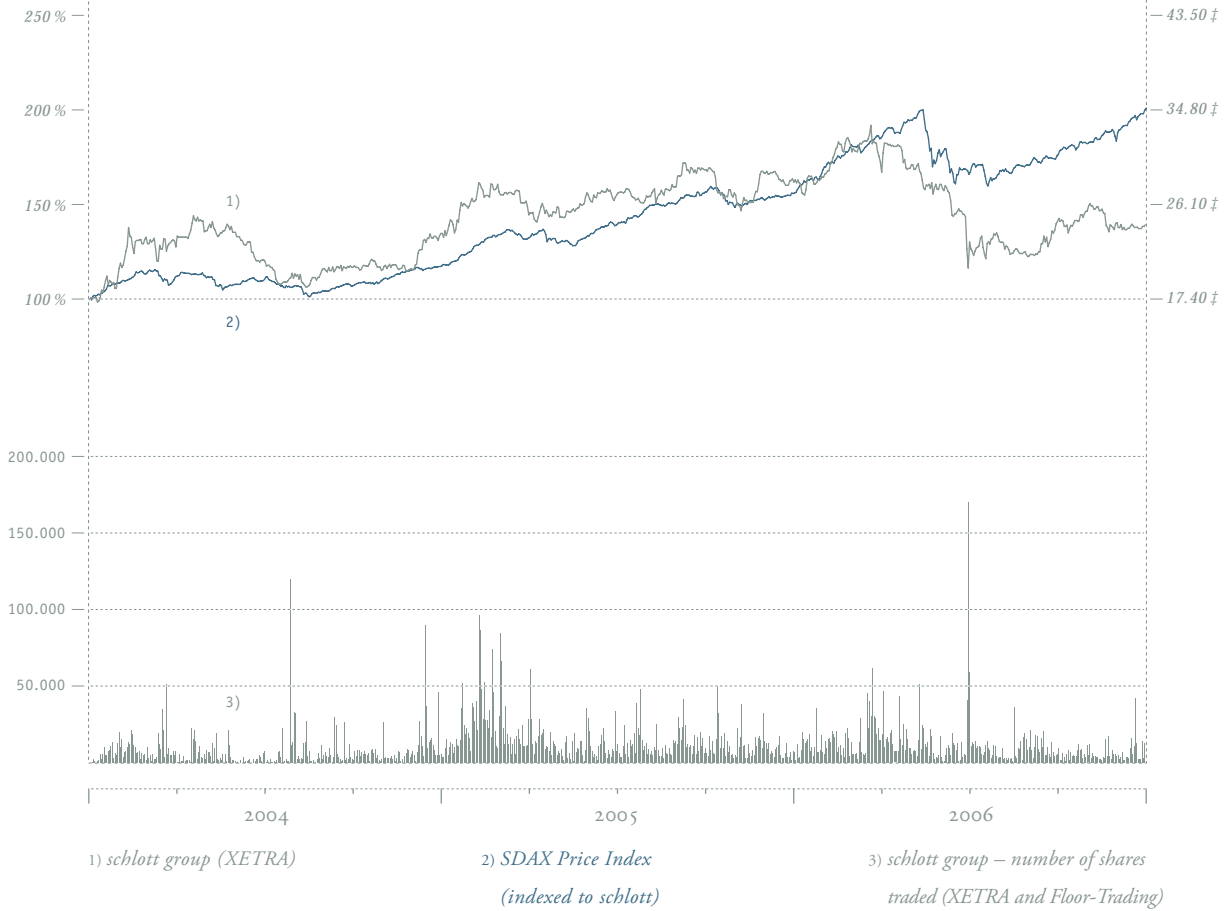


THE SCHLOTT GRUPPE AND SDAX

*in comparison*

SHT

01-01-2004-12-31-2006



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# THE SHARE

SCHLOTT GRUPPE AG

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## MARKET TRENDS

The share of *schlott gruppe AG* has gone through three phases in the course of 2006: until the Annual General Meeting on March 21, the share price had risen continually to an all-time high (€ 33.45; Xetra), after closing out the year 2005 at € 28.15, representing an increase of 19 percent between the end of the calendar year 2005 and the date of the Annual General Meeting. Following the distribution of dividends after the Annual General Meeting, the share moved essentially parallel to the SDAX-Index.

In the final phase of the market's correction, the *schlott group* made a public announcement to the effect that in view of continued difficult business conditions in the latter part of the business year 2005/06, it had to make adjustments to its expected turnover and earnings results for the business year 2005/06. This information resulted in an additional downward pressure on the share price, which for a short time traded even below € 20.00. The share recovered about 20 percent of these losses until the end of the calendar year and traded at € 24.50 at year-end, representing a total decline for the entire year of 13 percent. At the beginning of 2007, the share of *schlott gruppe AG* continued on an upward trend to above € 25.00.

## DIVIDEND POLICY

The capital intensity of the core business and the acquisition strategy of the *schlott group* require on the one hand a sufficient strengthening of the equity base through earnings generated from operations; on the other hand, we subscribe to a shareholder-friendly dividend policy and are guided by our investors' interest in an attractive dividend and above average yield. Conflicting goals are avoided as the application of net income takes into consideration the three parameters of continuity in dividends, earnings and the relationship between cash flow and net liabilities.

For fiscal year 2005/06, the Board of Management and the Supervisory Board of *schlott gruppe AG* propose to the Annual General Meeting an unchanged dividend of € 1.00 per share. With this recommendation, the distribution of dividends is sustained at a high level, following increases of € 0.10 per share in the previous two years. We are thus upholding the principle of continuity in dividends for the reporting year. In spite of the reduction in net income for the year, the Board of Management and the Supervisory Board deem this distribution as justified

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because the net income for the year continues to cover comfortably the dividend distribution and because the equity base was further strengthened through retained earnings of the business year 2005/06. The ratio of net liabilities to EBITDA remains as of September 30, 2006, well below our internally set limit of about 3.5, even after distribution of the recommended dividend.

#### THE CASE FOR INVESTMENT

The generation of free cash flow, the growth of the Corporation and our dividend policy are the main factors in the positioning of the share of *schlott gruppe AG*. In this connection, high levels of internal financing strength play a central role in our communication with the capital markets.

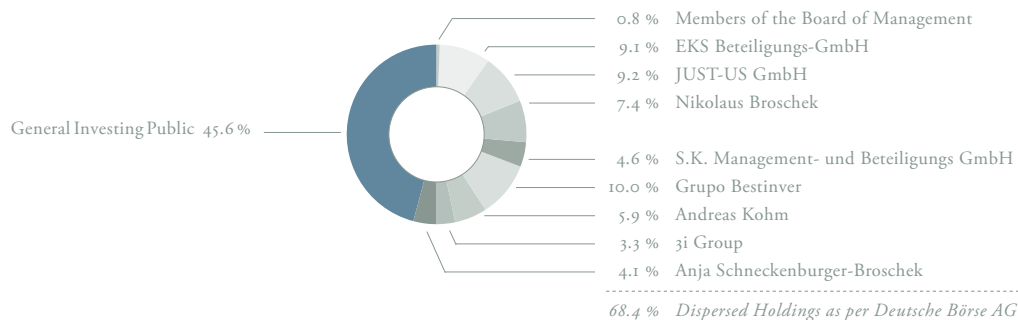
During the business year 2005/06, the *schlott group* was once again able to demonstrate its financial prowess. Even though the continued difficult industry environment and the increase in accounts receivable at year-end have measurably influenced the level of internally generated cash, we were in a position to fund very high levels of capital expenditures again fully from internally generated funds.

Both the increase in accounts receivable and the strong rise in capital expenditures are temporary events: accounts receivable have been liquefied to a high degree already at the beginning of the new business year. The level of capital expenditures during 2006/07 will be halved in comparison to the previous year and will be sustained in the long term at a more normal level of about € 25 million beyond 2006/07. As a result, the *schlott group* will during fiscal year 2006/07 generate again a significant level of free cash.

In the highly transparent and competitive printing industry, internal growth can essentially only be generated by increasing capacity through the replacement of fixed assets. The large capital expenditure project in Freudenstadt serves as a current example. Due to current market conditions, the opportunities for internal growth are limited. Internally generated growth is being strategically accompanied by a consistent policy of acquisitions over the long-term. The *schlott group* does not always focus on large acquisitions having the potential of materially increasing market shares. The *group* also engages in opening new markets and in supplementing the product and service mix in a strategic way. The acquisition of the *reus group* in the Czech Republic during the reporting year and the take-over of *biegelaar B.V.* in the Netherlands at the beginning of the current year serve as examples in this regard.

## STRUCTURE OF SHAREHOLDERS

Based on 6,204,200 shares on December 31, 2006



As one of the three largest suppliers in European intaglio printing, we are well positioned to continue influencing the ongoing market consolidation. Major benefits in our acquisition policy, aside from the growth in volume, are substantial cost and process optimizations and the resultant synergies generated from the integration of acquired companies. Consequently, we have significant additional earnings potential and are generating internal growth in addition to acquired growth.

## INVESTOR RELATIONS

The *schlott group* subscribes to a reporting policy that widely exceeds standard requirements. In particular, the high level of transparency of our annual and quarterly reports are well received. To meet the rising demands of the capital markets, we have continued our policy during the reporting year of road shows, analysts conferences and numerous presentations with private and institutional investors.

Although the share was withdrawn from the SDAX-Index in the second half of 2006 due to a number of high-value initial public offerings, the number of analysts that follow the *schlott group* remained the same. It is our expressed goal to return as a member of the SDAX.

The structure of the shareholders of *schlott group AG* has not changed materially during the past year. Members of the Supervisory Board have continued to acquire shares. The Board of Management welcomes these activities as these confirm the confidence the Supervisory Board has in the strategy and long-term success of the Corporation and as these represent a positive signal to the capital markets. The free float of the share of *schlott gruppe AG* has declined slightly from 49.4 percent at the end of 2005 to 45.6 percent at year-end 2006.

Our website [www.schlottgruppe.de](http://www.schlottgruppe.de) offers in-depth information to capital markets and investors. Details about our goals and strategies are provided in a timely fashion beyond what is normally required so that our investors have the necessary information for their investment decisions. This information is organized in such a way that analysts and investors can conveniently access and work with the data provided. A further feature of our website is a constantly updated FAQ section dealing with questions posed by the broad investing public.

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*The share of schlott gruppe AG in the fiscal year 2005/06*

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Total number of shares outstanding and registered as per September 30, 2006:	6,204,200
Weighted average number of shares during 2005/06 (undiluted):	6,204,200
Weighted average number of shares during 2005/06 (diluted):	6,204,200
Total number of shares eligible for dividends:	6,204,200
Type:	bearer shares without par value
Arithmetic par value:	€ 3.00
Bloomberg symbol:	SHT
Reuters symbol:	SHTG
ISIN:	DE0005046304

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*Key figures for the fiscal year 2005/06 (Base 6,204,200 shares)*

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Total value-added turnover per share:	€ 48.68
EBITDA per share:	€ 9.93
EBIT per share:	€ 5.16
Net income per share:	€ 1.91
Dividend per share (proposal):	€ 1.00
Book value per share as per September 30, 2006:	€ 24.74
Accounting standards:	IAS/IFRS

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*Market data 2005/06*

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Exchange segment:	Official Trading (Prime Standard)
Indices:	Prime All Share, Classic All Share, CDAX-Industrials
Designated sponsor:	Commerzbank
Market capitalization as per September 30, 2006:	€ 153.1 million
Turnover of shares during 2005/06:	12,712 shares/day

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*The share is traded on XETRA as well as the Frankfurt exchange*

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