



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM REPORT I 2006/7

REPORT ON THE FIRST QUARTER ENDED 31 DECEMBER 2006

Q I

INTERIM REPORT I 2006/7

OF SCHLOTT GRUPPE

REPORT ON THE FIRST QUARTER ENDED 31 DECEMBER 2006

- *Encouraging start to the new financial year*
- *Consolidation in European gravure-printing sector gathers pace*
- *Planned disposal of direct marketing produces additional room to manoeuvre*

KEY FINANCIALS OF THE GROUP AS AT 31 DECEMBER 2006

IN K€	Q1 2006/7	% total	Q1 2005/6	% total
Net sales	145,687	173.6	141,003	169.7
Total revenue	155,385	185.2	144,697	174.2
Value-added sales	83,900	100.0	83,086	100.0
EBITDA	19,881	23.7	20,066	24.2
EBIT	11,421	13.6	11,657	14.0
EBT	9,025	10.8	9,741	11.7
Net earnings	10,419	12.4	5,725	6.9
Earnings per share (€)	1.68	--	0.92	--
Free Cashflow (after dividend)	(3,642)	--	(8,957)	--
Employees (reporting date)	4,224	--	3,838	--

IN K€	31. DEC. 2006	% total	31. DEC. 2005	% total	30. SEPT. 2006	% total
Goodwill	91,509	15.8	87,796	17.3	89,575	16.8
Total lt. assets	481,226	83.1	417,627	82.2	443,797	83.3
Inventories	31,564	5.5	26,383	5.2	21,441	4.0
Accounts receivable	54,064	9.3	51,963	10.2	57,667	10.8
Cash and cash equivalents	3,348	0.6	1,757	0.3	2,881	0.5
Total st. assets	97,541	16.9	90,341	17.8	89,175	16.7
Total Equity	163,889	28.3	151,778	29.9	153,484	28.8
Debt due to Banks	130,798	22.6	105,290	20.7	115,297	21.6
Lt. provisions	30,527	5.3	29,895	5.9	30,027	5.6
Total lt. liabilities	199,090	34.4	168,520	33.2	181,717	34.1
Debt due to Banks	111,179	19.2	84,870	16.7	78,745	14.8
Accounts payable and other liabilities	38,566	6.7	35,750	7.0	45,141	8.5
St. provisions	50,858	8.8	47,349	9.3	46,238	8.7
Total st. liabilities	215,788	37.3	187,670	36.9	197,771	37.1
Balance sheet total	578,767	100.0	507,968	100.0	532,972	100.0

LETTER TO SHAREHOLDERS

- DEAR SHAREHOLDERS,

Overall, *schlott gruppe* managed to stand its ground in what has become an increasingly demanding market place. Despite price-related pressures and somewhat sluggish demand, we succeeded in raising tonnage output slightly (excluding growth induced by the inclusion of *biegelaar* in our consolidated group for the first time) and maintaining earnings before interest and taxes at a stable level. Given the current market climate, we can certainly draw encouragement from this performance. As regards our performance in the financial year as a whole, the coming months, a period during the year that is traditionally less buoyant, will prove decisive. Having said that, we have yet to record a clear trend.

In contrast, our industry's route for the medium term has already been charted: market consolidation within the European gravure-printing sector has clearly gathered pace. Exposed to these changes, many suppliers are currently assessing their position. What is more, there is evidence to suggest that customers are also considering the merits of forming strategic alliances with a select group of service providers. Thus, both suppliers and customers are repositioning themselves. Drawing strength from its powerful position as the second-largest player within the European gravure-printing market and buoyed by a solid customer base, best-in-class production sites and many years of M&A experience, *schlott gruppe* will make every effort to seize the opportunities arising from a changing market in the interests of all its stakeholders – customers, shareholders and employees alike.

To achieve this, we will be very well prepared and pool all our resources. As already announced, we have decided to dispose of our *direct marketing* unit in the course of this financial year. In the last financial year the *direct marketing* segment – excluding the now discontinued operations in Sweden – recorded a significant improvement in earnings. This solid performance continued in the first quarter. As a result, our *direct marketing* unit is now well positioned to return to a path of high-margin growth. Indeed, the market is developing favourably for services within this field, driven in particular by the liberalisation of Germany's postal market: stamp prices, which account for more than two-thirds of standard mailing costs, are to fall as the market is set free in 2008. Direct marketing will become even more appealing to companies wishing to promote their goods and services. Our subsidiary *meiller direct*, one of Europe's major players within this field, is to be given the chance to reap the full rewards of future opportunities in this sector. Therefore, we are convinced that this is just the right time to sell this business. In parallel, the disposal will provide us with more room to manoeuvre by enhancing our financial position and allowing us to focus management resources on our *print* business. In pursuing this approach, we will be able to position ourselves for the next stage of growth within the European gravure-printing market.

7 February 2007

THE MANAGEMENT BOARD

FINANCIAL AND BUSINESS REVIEW

- BUSINESS ENVIRONMENT

- *Continued optimism in the economy*
- *But spirits in the printing industry are dampened by lasting pressure on prices*

With an expected gain of five per cent in 2006, the global economy managed to even surpass the robust real growth recorded a year earlier. Within this context, the Eurozone and thus the European Economic Area produced a robust level of forward momentum in its GDP, up from a paltry 1.5 per cent in 2005 to a respectable 2.6 per cent in 2006. Growth was driven to a large extent by the significant improvement in Germany's economic state of affairs. Here, the growth rate was propelled upwards from 0.9 per cent in 2005 to 2.5 per cent in 2006. Economists are confident that the favourable trend will continue in 2007 despite a significant deterioration in consumer confidence in January 2007 noticed by the market research institute GfK, a situation which is forecast to continue in February. This trend is likely to impact on consumer spending over the course of the entire first quarter. However, market pundits are adamant that this decline represents a temporary dip induced by Germany's increase in value-added tax at the beginning of the year.

Against the backdrop of a favourable economic climate, industry federations and market analysts specialising in the advertising sector reported solid results for 2006 and are looking forward with optimism to the current calendar year. Nielsen Media Research recorded a 5.1 per cent increase in advertising within the classic media segment for 2006, with mass-market magazines achieving a growth rate of 7.2 per cent. According to the Zentralverband der Deutschen Werbewirtschaft (ZAW), an association of advertising professionals, total advertising expenditure in 2006 is likely to have increased by almost two per cent; 2007 is forecast to see growth of one to two per cent. This assessment is echoed by the German trade association of magazine publishers, which has forecast a gain of two per cent in 2007 when it comes to ad spend.

To a large extent, however, this positive trend has bypassed the printing industry. Ever-increasing competition within the retail sector in general and the continued malaise of Germany's standard mail-order sector have had a considerable knock-on effect, prompting intense price negotiations and squeezing profits within the printing industry. Thus, the benefits of higher advertising volumes are being under-mined by price cutting. Against this background, the business climate index of the Bundesverband Druck und Medien (bvdM), an association for the printing and media industry, has been fluctuating within a tight band and at low level since the end of 2005. Thus, the sentiment among association members is less upbeat than in the case of industrial companies on average.

- STAFF

- *Integration of biegejaar on schedule*
- *Focus on preparations for next wage negotiations*

The initial consolidation of *biegejaar* prompted an increase in *schlott gruppe's* headcount by 201 in the first quarter of 2006/7 compared with the end of FY 2005/6. Beyond that, recent trends in staffing levels continued: the number of employees working within the *print* segment remained virtually unchanged, while the headcount for the *direct marketing* unit was further adjusted.

At the end of the first quarter, *schlott gruppe* employed 4,224 people in total, compared with 4,062 at the end of the 2005/6 financial year and 3,838 at the end of Q1 2005/6. The *print* segment accounted for 2,996 members of staff, compared with 2,560 a year ago. In addition to the first-time consolidation of *biegejaar* effective from November 1, 2006, the figures for the period under review include staff taken on from *reus gruppe* in mid-2006. At the end of the first quarter the headcount for this entity stood at 280.

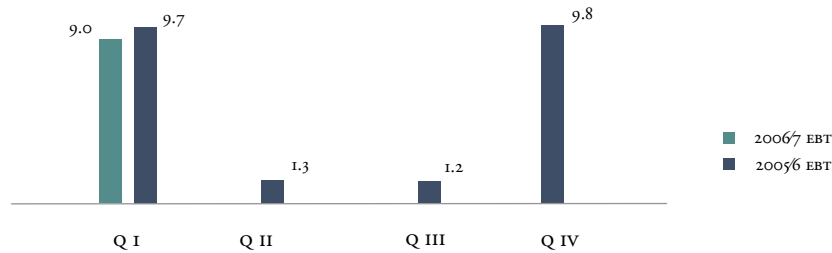
Another round of decisive adjustments within the *direct marketing* segment led to a further reduction in personnel levels at the end of the first quarter, down to 1,125 staff members compared with 1,169 a year ago. At the end of the quarter, 43 members of staff remained on the payroll of our Scandinavian subsidiary *meiller lithorex*. As discussed on previous occasions, the majority of staff members have now left the Group following the scheduled completion of contracts in progress. Following the relocation of Swedish operations to Schwandorf, our market presence in Sweden will be limited to a local sales team.

Within the *corporate services* segment efforts to raise efficiency levels were reflected in a moderate reduction in personnel, down from 109 staff members at the end of Q1 2005/6 to 103 at the end of the period under review.

Our HR activities in the first quarter were mainly centred around the swift integration of newly acquired gravure printer *biegejaar*, a programme which has been phased in as scheduled. In addition, we are currently charting our course for the next round of wage negotiations. The outcome of these negotiations will form the basis for our future action plan, the prime objective being to further bolster *schlott gruppe's* position as the industry's low cost producer and secure its overall market position in the future.

DEVELOPMENT OF GROUP EBT IN THE QUARTERS

in €m



- EARNINGS PERFORMANCE

- Value-added sales buoyed by initial consolidation of *biegelaar*
- EBT slightly down year on year
- Net profit for the period benefited from capitalisation of corporation tax credits

In the first quarter, *schlott gruppe* recorded a slight rise in value-added sales (VAS) to €83.9 million, compared with €83.1 million a year ago. Growth within this area was attributable mainly to the acquisition of Dutch-based gravure printer *biegelaar* in autumn 2006 and the inclusion of this entity in the consolidated group from November onwards. The current level of revenue provides a stark reminder of the continuing market challenges faced by *schlott gruppe's* two key business segments. In addition to tentative spending on the part of customers, the pressure on prices witnessed in our industry continues unabated.

We remain thoroughly focused on counteracting the associated strain on margins by performing additional cost streamlining and implementing further efficiency improvements. Drawing on our strengths within this area, we were able to stem the rise in staff costs in the first quarter and maintain a level that mirrored growth in value-added sales. Having said that, we still lack the necessary flexibility to react even more directly to short-term developments. At 2.0 per cent, the increase in staff costs was thus slightly more pronounced than the equivalent rise in value-added sales. With this in mind, we are currently channelling our efforts into achieving further structural cost improvements.

Earnings in the first quarter of 2006/7 benefit from a slight improvement in the bottom-line result of other operating income less expenses. As a consequence, EBIT remained virtually unchanged year on year at €11.4 million, after €11.7 million in Q1 2005/6. In contrast, earnings before taxes were affected by a substantial increase in interest expense as a result of higher net debt caused by the acquisitions of *reus* and *biegelaar* as well as the strong rise of capital expenditures at the Freudenstadt site. Consequently, EBT contracted to €9.0 million in the period under review, compared with €9.7 million a year ago.

On a more positive note, net profit for the period was catapulted from €5.7 million a year ago to €10.4 million. The substantial rise in net profit was attributable to a certain extent to the anticipated improvement in our tax rate compared with the same period a year ago. Beyond that, changes to Germany's tax regulations resulted in the capitalisation of corporation tax credits, the positive effect of which was equivalent to €5.0 million.

Capitalisation will have a favourable impact on the results of the entire financial year to the extent outlined above; this applies both to consolidated net profit for the year and annual net profit of *schlott gruppe AG*. Earnings per share rose to €1.68 in the period under review, after €0.92 a year ago.

- SEGMENT REPORTING

- *print holds its ground under challenging market conditions*
- *direct marketing continues its encouraging performance*

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*.

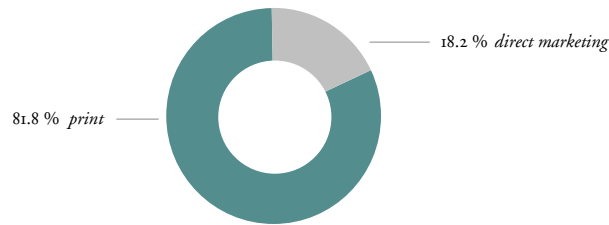
The *print* segment is currently operating in a particularly challenging environment characterised by sluggish demand and substantial pressure on prices. Overall, value-added sales (VAS) and earnings remained solid in the period under review. With VAS rising slightly from €66.0 million a year ago to €68.2 million in the first quarter of the current financial year, EBIT remained relatively stable at €10.6 million in the period under review, compared with a figure of €11.2 million posted a year ago. The contraction of EBT from €10.4 million to €9.1 million was more pronounced, prompted mainly by an increase in finance cost as debt rose (cf. also the analysis of financial performance) particularly in the *print* segment. Output rose from 146.2 thousand metric tons a year ago to 165.9 thousand metric tons in the period under review.

The key financials of the first quarter have been influenced heavily by the initial consolidation of *biegelaar*. As is customary at *schlott gruppe*, the above-mentioned enterprise was incorporated directly into the system of centralised production planning, which allocates contracts to the respective production sites according to machine specialisation and operating times as well as on the basis of specific logistical considerations.

In the two months since its inclusion in the consolidated group on November 1, 2006, *biegelaar* recorded a tonnage of 18.4 thousand metric tons. In the same period, *schlott gruppe* – excluding *biegelaar* – registered a slight increase from 146.2 thousand metric tons a year ago to 147.4 thousand metric tons in the current financial year.

BREAKDOWN OF VALUE-ADDED SALES BY SEGMENT IN THE FIRST QUARTER 2006/7

100 percent = 83,900 k€



The integration of *biegelaar* is progressing well and in accordance with our predefined schedules. Key activities have already been merged and the IT systems for the financial accounting (SAP) have been fully integrated. In addition, the cash pooling with *schlott gruppe* has just been implemented. Looking beyond the integration of administrative areas, we are particularly encouraged by the favour-able response of our customers to the acquisition of *biegelaar*. Moreover, both teams have already gelled very well. These factors are integral to the successful integration of a newly acquired enterprise.

Our new machine in Freudenstadt was put into operation in line with company planning. The strategic decision to deploy a fast and highly flexible printing system has been well received within the marketplace, which we find very reassuring. Our Freudenstadt plant offers a particularly broad range of gravure-printing services. Ramping up our operations, we were thus able to achieve a very high level of capacity utilisation in the first quarter. This trend looks set to continue for the newly installed machine.

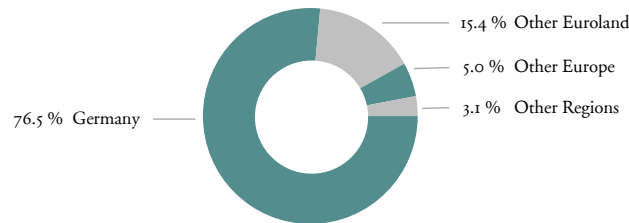
The *direct marketing* segment was able to emulate the solid performance shown in recent months. First-quarter growth in EBT from €0.2 million a year ago to €0.7 million in the period under review, coinciding with a decline in value-added sales from €16.2 million to €15.1 million, clearly reflects the competitive clout of this business unit. The favourable direction taken by this segment with regard to earnings was attributable principally to the further reduction in staff costs from €9.8 million a year ago to €8.5 million in the period under review. The expense ratio fell from 60.5 per cent to 56.3 per cent.

In particular, we drew encouragement from the fact that all activities within this segment contributed to improved earnings in the period under review. This applies to the finishing section as well as to bindery and dialogue services, the latter being the traditionally more profitable activities. The lettershop section, including our Czech-based unit as outsourcing partner, also developed well.

The process of relocating production from Sweden to Schwandorf was initiated over the course of the first three months of the current financial year, in line with corporate planning, and was implemented at the beginning of the second quarter following the completion of contracts in progress. As a result, the headcount will have been scaled back even further by the end of the next quarter.

REGIONAL BREAKDOWN OF VALUE-ADDED SALES IN THE FIRST QUARTER 2006/7

100 percent = 83,900 k€



The additional orders received from Scandinavia will lead to improved capacity utilisation at our Schwandorf site. What is more, Schwandorf is in a position to process these projects with a more extensive vertical range of production, as a result of which the proportion of value added generated within the *direct marketing* segment will be higher than in the past.

Alongside internal measures aimed at enhancing efficiency levels, we also strengthened the overall position of this segment within the competitive arena. On the back of a successful start to key projects, our document-related business generated substantial additional volume in the period under review. In response to the call for an increasingly accurate approach to communicating with target groups, we have implemented a proprietary CRM system that has allowed us to set new standards within the field of one-to-one marketing. Committed to seizing new opportunities in *direct marketing*, we are also homing in on the rapidly growing Eastern European region as well as the United Kingdom. Within this in mind, we shall further expand our activities in Nyrany, as well as establishing a stronger presence in the UK with the help of a dedicated sales team for this region.

Value-added sales within the *corporate services* segment are generated mainly through internal cost allocations to the operational units, i.e. *print* and *direct marketing*. With this in mind, the main focus of financial analysis within this area should be directed at recent trends in cost structures, and in particular at costs before finance cost, given that *corporate services* are responsible for refinancing the other business segments at *schlott gruppe*. Costs in this definition fell from €2.8 million a year ago to €2.6 million in the first quarter of 2006/7, thus reflecting our continuing efforts to scale back expense items.

The breakdown of *schlott gruppe's* VAS by target market reveals a significant reduction in the proportion of value-added sales generated in Germany and a corresponding shift towards other countries within the eurozone as well as other foreign sales markets as a whole. The acquisition of *biegelaar* has paved the way for access to the Dutch market, as well as bolstering our position in the entire Benelux region. The proportion of supplements and magazines is much higher here than in Germany, presenting us an outstanding opportunity to diversify our product portfolio.

Overall, the international business activities of *schlott gruppe* developed well in the period under review. On the whole, there were no significant demand-side shifts. Our business with the UK, which has recently seen a substantial rise in gravure-printing capacity, also remains stable. Gravure printing in general is currently capturing a sizeable share of the local market, to the detriment of the more wide-spread yet less quality-driven method of web offset printing.

- BALANCE SHEET, CASHFLOW UND CAPITAL EXPENDITURE

- *Substantial equity ratio even after initial consolidation of biegehaar*
- *Net debt / EBITDA remains in target range*

As part of the first-time consolidation of *biegehaar*, the balance sheet total of *schlott gruppe* rose significantly from €532.0 million at the end of the 2005/6 financial year to €578.8 million at the end of Q1 2006/7. At 28.3 per cent, the equity ratio fell only slightly below the figure of 28.8 per cent registered at the end of FY 2005/6. Changes to the other balance sheet items were also insignificant. The only areas in which we recorded a slightly more pronounced shift were current assets and liabilities; these will gradually return to traditional levels as the integration of *biegehaar* progresses.

At the end of the first quarter, net debt stood at €238.7 million, compared with €191.1 million at the end of the last financial year. Net debt in relation to EBITDA, a key financial ratio for the Group, rose from 3.1 in the 2005/6 financial year to just over 3.5 in the period under review and thus remains well within the target range even after the acquisitions of *reus gruppe* and *biegehaar* as well as the substantial investments made in Freudenstadt.

At €17.8 million, cash flow before changes in working capital for Q1 2006/7 was comparable to last year's figure of €17.7 million, a tribute to stable EBIT. Owing to higher funds committed within the area of current assets – a year ago funds had been freed up in this area – and the simultaneous reduction in trade payables by €13.3 million compared with €4.3 million a year ago, cash flow from operating activities was considerably lower year on year, down from €5.9 million to €1.3 million.

Following substantial capital expenditure totalling €14.8 million last year, with a strong focus on the Freudenstadt plant, payments were visibly lower within this area in the period under review, dropping as scheduled to €5.1 million. As a result, free cash flow before acquisitions improved from minus €9.0 to minus €3.6 million. The cash outflow for acquisitions amounted to €18.5 million. As already communicated on previous occasions, this figure comprised the second instalment of the purchase consideration for *reus gruppe*, amounting to approx. €10 million, as well as the purchase consideration for *biegehaar* totalling €7.9 million. Financing requirements were covered by bank borrowings. Overall, cash flow for the period under review stood at €0.4 million, compared with minus €0.1 million a year ago. Cash and cash equivalents totalled €3.3 at the end of the period under review, compared with €2.9 million at the beginning.

- EVENTS AFTER THE BALANCE SHEET DATE

On January 23, 2007, *schlott gruppe* issued an ad hoc announcement stating that it had taken the strategic decision to dispose of its *direct marketing* business unit and reinvest freed-up funds within its core *print* segment. Furthermore, it said that it had retained an investment bank for the purpose of finding potential buyers for the *direct marketing* business unit.

- OUTLOOK

- *Challenging conditions expected in the traditionally less buoyant period from January to April*
- *Risks currently outweigh opportunities*

Business progressed at an encouraging level in the first quarter, as evidenced by an increase in tonnage. Emulating this performance in the coming months will be one of our key challenges, particularly given the fact that this period is traditionally considered less buoyant throughout the industry. Within this context, the principal risks to our future earnings performance are likely to be centred around additional investments in customer relations for the purpose of securing long-term capacity levels as well as potential expenses arising from the latest wage negotiations in 2007.

Therefore, we prepare ourselves intensively in the run-up to this year's wage negotiations. Based on the outcome of these negotiations, we shall decide which measures are to be implemented in the second half of our financial year.

It is often the case that a challenging market environment produces certain opportunities for the more powerful players within the competitive arena. *schlott gruppe* is among this group. The sale of our *direct marketing* division will allow us to position ourselves as a highly focused European printing company with the necessary resources to drive the process of consolidation in the regional gravure-printing market. We shall make active use of these capabilities and take *schlott gruppe* forward to the next level – to the benefit of our customers, our shareholders and our employees.

THE SHARE

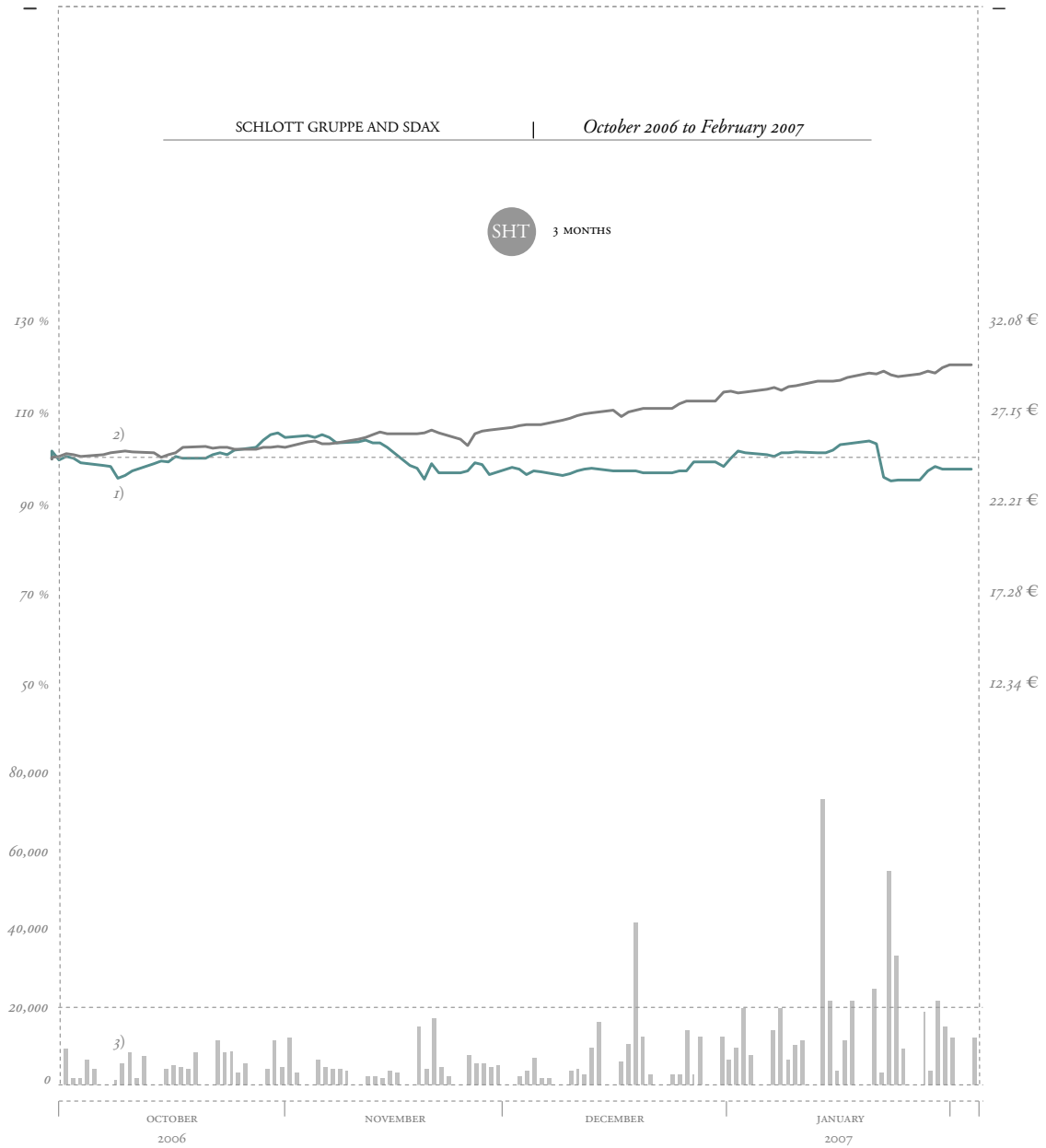
OF SCHLOTT GRUPPE

- *Stock consolidates in the first months of the current financial year*
- *Strong focus on medium-term prospects of market concentration*

schlott gruppe's share price underwent a process of consolidation in the beginning of the company's 2006/7 financial year. While the stock had mirrored the market's positive performance – measured on the basis of the SDAX – until November, albeit with certain fluctuations, it began to lose substantial ground in the ensuing months. After a more favourable performance at the beginning of January, *schlott gruppe's* share price had to contend with increasing downward pressure following the announcement of preliminary results for the first quarter, which included a conservative outlook for the 2006/7 financial year. At present, the company's share price is hovering just under the level recorded at the beginning of the current financial year.

Overall, stock performance is a reflection of *schlott gruppe's* current operational situation. With this in mind, we believe it is all the more important that we provide a particularly comprehensive assessment of the key opportunities and risks facing us in the coming months and quarters. Two issues are considered to be of central importance to *schlott gruppe's* future development within the market-place and thus also the company's share price: Firstly, the risks associated with our operating performance within a particularly demanding business environment; Secondly, on a more positive note, the opportunities arising from market consolidation within the European gravure-printing industry. This is why we made the decision to sell our *direct marketing* activities and re-invest the proceeds thereof into our core business.

Drawing on many years of experience in acquiring and integrating corporations, we are in an excellent position to develop *schlott gruppe* into new business dimensions. Our goal is to evolve the company into a leading player in a lucrative market dominated by a select group of suppliers and characterised by substantial barriers to entry. *schlott gruppe* and its shareholders shall draw lasting benefits from this strategy.



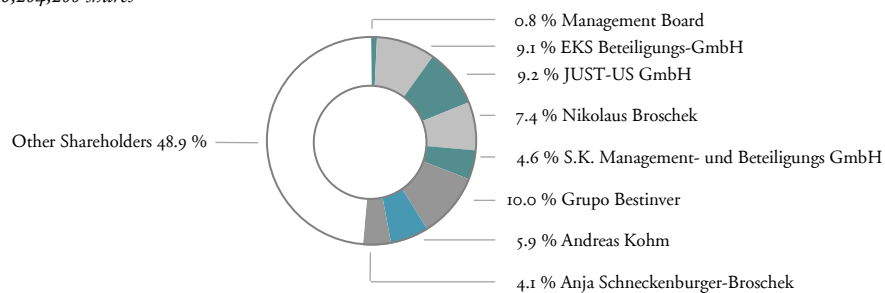
1) schlott gruppe (XETRA)
(1.10.2006 = 100)

2) SDAX Price Index
(1.10.2006 = 100)

3) schlott gruppe – Number of shares traded
(XETRA & Parkett)

SHAREHOLDER STRUCTURE AS OF 6 FEBRUARY 2007

based on 6,204,200 shares



Free float according to definition of Deutsche Börse AG: 68.4 %

In the period from the beginning of the quarter to the publication date of this report schlott gruppe received no notifications according to §15a WpHG.

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:

FINANCIALS

GROUP PROFIT AND LOSS STATEMENT

in the period from 1 October to 31 December 2006 (previous year for comparison)

IN K€	Q1 2006/7	Q1 2005/6	% change
Net sales	145,687	141,003	3.3
Increase (decrease) in inventory of finished goods and work in progress	5,315	1,921	176.7
Other operating income	4,383	1,773	147.2
Total revenue	155,385	144,697	7.4
Cost of raw materials, supplies and purchased goods	(48,693)	(41,938)	16.1
Cost of purchased services	(18,409)	(17,900)	2.8
Personnel expenses	(46,555)	(45,622)	2.0
Other operating expenses	(21,847)	(19,171)	14.0
EBITDA	19,881	20,066	(0.9)
Expenses for scheduled depreciation	(8,460)	(8,409)	0.6
EBIT	11,421	11,657	(2.0)
Income from foreign exchange transactions	21	7	200.0
Interest and similar income	605	83	628.9
Interest and similar expenses	(3,022)	(2,006)	50.6
Net financial results	(2,396)	(1,916)	25.1
EBT	9,025	9,741	(7.4)
Taxes on income	1,394	(4,016)	(134.7)
Earnings after tax	10,419	5,725	82.0
<i>Thereof applicable to</i>			
<i>Shareholders of schlott gruppe AG</i>	10,419	5,725	82.0
<i>Minorities</i>	0	0	--

DEVELOPMENT OF BUSINESS SEGMENTS

in the period from 1 October to 31 December 2006 (previous year for comparison)

IN k€	print		direct marketing		corporate services		All sectors		Reconciliation		Group	
	20067	20056	20067	20056	20067	20056	20067	20056	20067	20056	20067	20056
Net sales												
to customers	118,239	111,189	27,398	29,555	50	259	145,687	141,003	0	0	145,687	141,003
Inter-company sales	3,731	3,349	1,286	677	2,641	2,660	7,658	6,686	(7,658)	(6,686)	0	0
Changes in inventory	5,290	1,207	25	714	0	0	5,315	1,921	0	0	5,315	1,921
Cost of materials	(44,272)	(36,915)	(6,883)	(7,540)	(17)	0	(51,172)	(44,455)	2,479	2,517	(48,693)	(41,938)
Cost of services purchased	(14,834)	(12,848)	(6,691)	(7,164)	0	0	(21,525)	(20,012)	3,116	2,112	(18,409)	(17,900)
Value-added sales	68,154	65,982	15,135	16,242	2,674	2,919	85,963	85,143	(2,063)	(2,057)	83,900	83,086
Other operating income	3,329	1,154	814	472	2,782	3,023	6,925	4,649	(2,542)	(2,876)	4,383	1,773
Personnel expenses	(35,912)	(33,710)	(8,478)	(9,801)	(2,183)	(2,111)	(46,573)	(45,622)	18	0	(46,555)	(45,622)
Depreciation expenses	(6,581)	(6,392)	(1,247)	(1,421)	(342)	(296)	(8,170)	(8,109)	(290)	(300)	(8,460)	(8,409)
Other operating expenses	(18,366)	(15,834)	(5,256)	(5,049)	(2,807)	(3,385)	(26,429)	(24,268)	4,582	5,097	(21,847)	(19,171)
EBIT	10,624	11,200	968	443	124	150	11,716	11,793	(295)	(136)	11,421	11,657
St. interest result	(240)	(221)	(293)	(221)	36	336	(497)	(106)	0	45	(497)	(61)
Segment earnings	10,384	10,979	675	222	160	486	11,219	11,687	(295)	(91)	10,924	11,596
Lt. interest result	(1,134)	(586)	(64)	(53)	(727)	(1,178)	(1,925)	(1,817)	5	(45)	(1,920)	(1,862)
Foreign exchange result	(116)	25	39	(18)	(479)	0	(556)	7	577	0	21	7
EBT	9,134	10,418	650	151	(1,046)	(692)	8,738	9,877	287	(136)	9,025	9,741
Employees (reporting date)	2,996	2,560	1,125	1,169	103	109	4,224	3,838	--	--	4,224	3,838

BALANCE SHEET: ASSETS

as at 31 December 2006 (previous year and end of fiscal year 20056 for comparison)

IN K€	%		%		%	
	31. DEC. 2006	total	31. DEC. 2005	total	30. SEPT. 2006	total
Goodwill	91,509	15.8	87,796	17.3	89,575	16.8
Other intangible assets	2,352	0.4	1,598	0.3	2,650	0.5
Downpayments	86	0.0	103	0.0	33	0.0
Intangible assets	93,947	16.2	89,497	17.6	92,258	17.3
Land, land rights and buildings, incl. buildings on land owned by others	160,850	27.8	146,119	28.8	145,972	27.4
Industrial plant and machinery	177,898	30.7	126,693	24.9	139,351	26.1
Other plant, machinery, and business equipment	21,916	3.8	23,356	4.6	21,734	4.1
Downpayments and plant under construction	10,203	1.8	23,514	4.6	35,308	6.6
Fixed Assets	370,867	64.1	319,682	65.1	342,365	64.2
Shares in affiliated companies	209	0.0	29	0.0	209	0.0
Shares in other companies	194	0.0	194	0.0	194	0.0
Other loans	22	0.0	0	0.0	0	0.0
Financial Assets	425	0.1	223	0.0	403	0.1
Investment properties	7,550	1.3	7,919	1.6	7,627	1.4
Lt. Receivables/Other Lt. Assets	7,427	1.3	60	0.0	67	0.0
Deferred taxes	1,010	0.2	246	0.0	1,077	0.2
Total lt. assets	481,226	83.1	417,627	82.2	443,797	83.3
Raw materials and supplies	16,918	2.9	13,520	2.7	13,464	2.5
Work in process; goods and services	13,396	2.3	12,486	2.5	7,138	1.3
Finished goods	1,250	0.2	377	0.1	839	0.2
Inventories	31,564	5.5	26,383	5.2	21,441	4.0
Accounts receivable	54,064	9.3	51,963	10.2	57,667	10.8
Tax refunds	228	0.0	447	0.1	254	0.0
Other st. assets	5,993	1.0	8,054	1.6	5,239	1.0
St. receivables/other st. assets	60,285	10.4	60,464	11.9	63,160	11.9
Cash and cash equivalents	3,348	0.6	1,757	0.3	2,881	0.5
Asstes held for sale	223	0.0	0	0.0	0	0.0
Deferred Income	2,121	0.4	1,737	0.3	1,693	0.3
Total st. assets	97,541	16.9	90,341	17.8	89,175	16.7
Balance sheet total	578,767	100.0	507,968	100.0	532,972	100.0

BALANCE SHEET: LIABILITIES

as at 31 December 2006 (previous year and end of fiscal year 20056 for comparison)

IN K€	%		%		%	
	31. DEC. 2006	total	31. DEC. 2005	total	30. SEPT. 2006	total
Subscribed capital	18,613	3.2	18,613	3.7	18,613	3.5
Capital reserves	58,668	10.1	58,668	11.5	58,668	11.0
Earnings reserves	42,803	7.4	35,472	7.0	42,769	8.0
Valuation reserves	268	0.0	(1,385)	(0.3)	324	0.1
Retained earnings	43,540	7.5	40,413	8.0	33,112	6.2
Shareholders' equity	163,892	28.3	151,781	29.9	153,486	28.8
Minorities	(3)	0.0	(3)	0.0	(2)	0.0
Total Equity	163,889	28.3	151,778	29.9	153,484	28.8
Debt due to Banks	130,798	22.6	105,290	20.7	115,297	21.6
Other lt. liabilities	1,534	0.3	814	0.2	1,683	0.3
Provision for pensions and similar liabilities	22,910	4.0	22,674	4.5	22,833	4.3
Other lt. provisions	7,617	1.3	7,221	1.4	7,194	1.3
Lt. provisions	30,527	5.3	29,895	5.9	30,027	5.6
Government subsidies	2,173	0.4	2,365	0.5	2,234	0.4
Deferred taxes	34,058	5.9	30,156	5.9	32,476	6.1
Total lt. liabilities	199,090	34.4	168,520	33.2	181,717	34.1
Debt due to Banks	111,179	19.2	84,870	16.7	78,745	14.8
St. liabilities	111,179	19.2	84,870	16.7	78,745	14.8
Advance payments received on orders	772	0.1	1,824	0.4	414	0.1
Accounts payable	38,566	6.7	35,750	7.0	45,141	8.5
Liabilities to affiliated parties	32	0.0	30	0.0	32	0.0
Other liabilities	14,292	2.5	17,765	3.5	27,031	5.1
Accounts payable and other liabilities	53,662	9.3	55,369	10.9	72,618	13.6
Tax provisions	11,600	2.0	11,340	2.2	10,055	1.9
Other provisions	39,258	6.8	36,009	7.1	36,183	6.8
St. provisions	50,858	8.8	47,349	9.3	46,238	8.7
Deferred charges	89	0.0	82	0.0	170	0.0
Total st. liabilities	215,788	37.3	187,670	36.9	197,771	37.1
Balance sheet total	578,767	100.0	507,968	100.0	532,972	100.0

CASHFLOW STATEMENT

in the period from 1 October to 31 December 2006 (previous year for comparison)

IN K€	Q1 2006	Q1 2005
CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES		
RESULTS FROM ORDINARY BUSINESS ACTIVITIES INCLUDING FOREIGN EXCHANGE GAINS/(LOSSES)	11,442	11,663
Depreciation of fixed assets	8,460	8,409
Decrease / (Increase) in value of fixed assets	0	0
Increase / (decrease) in provisions	(2,346)	(2,384)
Gains / (losses) from disposals of fixed assets	255	14
RESULTS PRIOR TO CHANGES IN NET CURRENT ASSETS	17,811	17,702
(Increase) / decrease in inventory	(6,063)	(3,235)
(Increase) / decrease in trade receivables	10,083	(5,493)
(Increase) / decrease in trade payables	(13,295)	(4,293)
(Increase) / decrease in other net current assets	(6,207)	3,533
NET CASHFLOW FROM CURRENT BUSINESS ACTIVITIES	2,329	8,214
(Outflow of) / Receipts of income taxes	(1,037)	(2,289)
NET CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES	1,292	5,925
CASHFLOW FROM INVESTMENT ACTIVITIES		
Investments in property, plant and equipment	(5,064)	(14,836)
Receipts from disposals of property, plant and equipment	276	51
Investments in intangible assets	(123)	(97)
Receipts from disposals of intangible assets	0	0
Investments in financial assets	(23)	0
Receipts from disposal of financial assets	0	0
Investments in subsidiaries	(18,477)	0
Receipts from disposal of subsidiaries	0	150
Dividends received	0	0
NET CASHFLOW FROM INVESTMENT ACTIVITIES	(23,411)	(14,732)
CASHFLOW FROM FINANCING ACTIVITIES		
Receipts from capital contributions	0	0
Distributions to shareholders and minority interests	0	0
Receipts from taking out loans	16,000	0
Payments made for the discharge of bonds and loans	(18,429)	(3,228)
Increase / (decrease) in short-term liabilities to banks	28,532	14,085
Receipts from other long-term liabilities	3	3
Payments made for the discharge of other long-term liabilities	(225)	(143)
Interest paid	(3,295)	(1,991)
NET CASHFLOW FROM FINANCING ACTIVITIES	22,586	8,726
NET INCREASE / (DECREASE) IN CASH	467	(81)
EXCHANGE-RATE AND VALUATION-RELATED CHANGES TO CASH AND CASH EQUIVALENTS	0	0
CASH AT THE BEGINNING OF THE PERIOD	2,881	1,838
CASH AT THE END OF THE PERIOD	3,348	1,757

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in the period from 1 October to 31 December 2006 (previous year for comparison)

IN K€	Issued capital	Capital reserves	Other retained earnings	Translation provisions	Valuation reserves	Consolidated profits	Shareholders' Equity	Minority interests	Total
Balance on 1 October 2006	18,613	58,668	42,815	(46)	324	33,112	153,486	(2)	153,484
Valuation of marketable securities and cashflow hedges	0	0	0	0	(56)	0	(56)	0	(56)
Differentials from translation of foreign currencies	0	0	0	34	0	9	43	(1)	42
Gains and losses not recognized in profit and loss statement	0	0	0	34	(56)	9	(13)	(1)	(14)
Net income	0	0	0	0	0	10,419	10,419	0	10,419
Total income of the period	0	0	0	34	(56)	10,428	10,406	(1)	10,405
Dividends	0	0	0	0	0	0	0	0	0
Acquisition of minority interest	0	0	0	0	0	0	0	0	0
Issuance of shares	0	0	0	0	0	0	0	0	0
Issuance of employee shares	0	0	0	0	0	0	0	0	0
Additions to earnings reserves	0	0	0	0	0	0	0	0	0
Balance on 31 December 2006	18,613	58,668	42,815	(12)	268	43,540	163,892	(3)	163,889

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	(2)	48
Gains and losses not recognized in profit and loss statement	0	0	0	50	1,137	0	1,187	(2)	1,185
Net income	0	0	0	0	0	5,725	5,725	1	5,726
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

SELECTED NOTES

- GENERAL INFORMATION

The Group quarterly report of *schlott gruppe* for the period from October 1 to December 31, 2006, has been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and 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 December 31, 2006. The accounting policies applied to the interim report are essentially consistent with those used in the consolidated financial statements for the 2005/6 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 2005/6 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 Group 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 first quarter of 2006/7. For the first time, Biegelaar B.V., a gravure printing company based in Maarssen, Netherlands, and acquired on October 9, 2006, has been included in the consolidated group. At the date of closing on November 9, 2006, *schlott gruppe AG* acquired a 100% interest in the aforementioned entity. The cost of the combination amounted to €7,905 thousand, of which a total of €303 thousand represents costs directly attributable to the combination. Initial consolidation took place as at November 1, 2006, on the basis of provisional values because the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities could be determined only provisionally. For the time being, a goodwill in the amount of €1,935 thousand has been assumed. The effects of the first time consolidation of *biegelaar* on the balance sheet and profit and loss statements as of December 12, 2006 are outlined in the following tables.

BALANCE SHEET

IN K€	Group Q1 2006/7	of which first-time consolidations
Long-term assets	481,226	33,604
Short-term assets	97,541	11,596
Total Equity	163,889	240
Long-term liabilities	199,090	6,419
Short-term liabilities	215,788	16,409

PROFIT AND LOSS STATEMENT

IN K€	Group Q1 2006/7	of which first-time consolidations
Net sales	145,687	14,162
Increase (decrease) in inventory of finished goods and work in progress	5,315	(37)
Other capitalised work	0	0
Other operating income	4,383	624
Material expenses and purchased services	(67,102)	(10,244)
Personnel expenses	(46,555)	(2,166)
Depreciation	(8,460)	(431)
Other operating expenses	(21,847)	(1,233)
EBIT	11,421	675
Financial result	(2,396)	(215)
EBT	9,025	460
Taxes on income	1,394	(168)
Earnings after tax	10,419	292

- 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 September 30, 2006. For a detailed description of these accounting policies, please refer to the Notes to the consolidated financial statements for 2007/6.

These interim financial statements have been prepared for the first time on the basis of the following new or revised and amended Standards and Interpretations applicable as from January 1, 2006:

Amendments to IAS 19 *Employee Benefits*

Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*

Amendments to IAS 39 on the *Fair Value Option*

IFRS 6 *Exploration for and Evaluation of Mineral Resources*

IFRIC 4 *Determining whether an Arrangement contains a Lease*

IFRIC 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

IFRIC 6 *Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment*

IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

IFRIC 8 *Scope of IFRS 2*

IFRIC 9 *Reassessment of Embedded Derivatives*

The initial application had no material effect on the financial performance, financial position and cashflows of *schlott gruppe's* consolidated group.

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

IFRS 8 *Operating Segments*, applicable to annual financial statements for periods beginning on or after January 1, 2009

IFRIC 10 *Interim Financial Reporting and Impairment*, applicable to annual periods beginning on or after November 1, 2006

IFRIC 11 IFRS 2 - *Group and Treasury Share Transactions*, applicable to annual periods beginning on or after March 1, 2007

IFRIC 12 *Service Concession Arrangements*, applicable to annual periods beginning on or after January 1, 2008

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

- 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€	Q1 20067	Q1 20056
Net sales	145,687	141,003
Change in inventories	5,315	1,921
Own expenses capitalized	0	0
Cost of raw materials, supplies and goods purchased	(48,693)	(41,938)
Cost of services purchased	(18,409)	(17,900)
Value-added sales	83,900	83,086

Revenue is attributable to the following areas of operation:

IN K€	Q1 20067	Q1 20056
Preprint	1,338	1,129
Gravure printing	92,680	92,536
Offset printing	16,444	13,672
Bindery	7,770	3,851
Business segment print	118,232	111,188
Business segment direct marketing	27,398	29,556
Business segment corporate services	57	259
Total	145,687	141,003

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

IN K€	Q1 20067	Q1 20056
Business segment print	68,154	65,982
Business segment direct marketing	15,135	16,242
Business segment corporate services	2,674	2,919
Reconciliation	(2,063)	(2,057)
Total	83,900	83,086

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

IN K€	Q1 20067	Q1 20056
Germany	96,633	105,115
Other Euro-Zone	34,914	20,569
Other Europe	7,324	9,047
RoW	6,816	6,272
Total	145,687	141,003

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

IN K€	Q1 20067	Q1 20056
Germany	64,195	67,034
Other Euro-Zone	12,930	10,136
Other Europe	4,202	3,813
RoW	2,573	2,103
Total	83,900	83,086

OTHER OPERATING INCOME

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

COST OF MATERIALS

The cost of materials is categorised as follows:

IN K€	Q1 20067	Q1 20056
Paper	32,470	27,708
Ink	12,389	11,362
Further processing	4,898	4,231
Bonuses and discounts	(1,064)	(1,363)
Purchased goods for resales	18,409	17,900
Total	67,102	59,838

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	Q1 20067	Q1 20056
Paper supplied by customers	122,102	114,286
Paper purchased	37,821	31,877
Total tonnage	159,923	146,163

STAFF COST

The share of salaries and wages in relation to overall staff costs in the reporting period was €38,182 thousand (FY 2005/6: €37,606 thousand).

OTHER OPERATING EXPENSE

Other operating expense is categorised as follows:

IN K€	Q1 20067	Q1 20056
Maintenance expenses	5,054	4,672
Rental and leasing expenses	1,589	926
Fringe benefits and expenses for temporary employment	3,204	2,170
Sales and marketing expenses	6,708	6,771
Miscellaneous expenses	5,292	4,632
Total	21,847	19,171

SYSTEMATIC DEPRECIATION / AMORTISATION EXPENSE

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

IN K€	Q1 20067	Q1 20056
Intangible assets	372	333
Property, plant, and equipment	8,012	7,989
Investment properties	76	87
Total	8,460	8,409

TAXES ON INCOME

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

IN K€	Q1 20067	Q1 20056
Current income tax expense	3,120	4,297
Taxes for prior years	(5,267)	0
Deferred taxes	753	(281)
Total	(1,394)	4,016

Income tax for prior years include capitalised, discounted corporation tax credits. They will be paid back in ten yearly instalments of €666 thousand each.

EARNINGS PER SHARE

Earnings per share have been calculated on the following basis:

	Q1 20067	Q1 20056
Net income (in €)	10,419,283	5,725,296
Number of shares eligible for dividends	6,204,200	6,204,200
Net income per share (in €)	1.68	0.92
Undiluted average number of shares	6,204,200	6,204,200
Undiluted net income per share (in €)	1.68	0.92
Diluted average number of shares	6,204,200	6,204,200
Diluted net income per share (in €)	1.68	0.92

NOTES TO THE BALANCE SHEET

PROPERTY, PLANT AND EQUIPMENT

Changes to property, plant and equipment are outlined below:

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Total at the beginning of the period	342,365	320,216	320,216
Translation differences	640	140	413
Additions	5,064	14,836	50,226
Additions due to changes in the scope of consolidation	31,564	0	21,485
Disposals	(531)	(64)	(15,229)
Disposals due to changes in the scope of consolidation	0	(7,448)	(7,448)
Transfers	(223)	(9)	(7)
Value increases	0	0	680
Value decreases	(8,012)	(7,989)	(27,971)
Total	370,867	319,682	342,365

For details regarding investments in this area, please refer to page 10 et seq.

INVESTMENT PROPERTY

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

NON-CURRENT RECEIVABLES AND OTHER ASSETS

Non-current receivables include the following items:

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Sales	0	60	4
Claim out of tax credits	4,960	0	0
Others	2,467	0	63
Total	7,427	60	67

TAX ASSETS

Tax assets are as follows:

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Corporate income tax	4,960	191	(26)
Business tax	228	256	280
Other income taxes	0	0	0
Other taxes	0	0	0
Total	5,188	447	254

OTHER ASSETS

Other assets are categorised as follows:

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Creditors with debit balances	0	0	383
Postage paid for customers	19	356	186
Turnover bonuses from suppliers	1,855	1,808	1,447
Market value of derivative instruments	794	220	686
Claim out of compensation payment	0	938	0
Others	3,325	4,732	2,537
Total	5,993	8,054	5,239

EQUITY

The share capital of *schlott gruppe AG* totals €18,612,600, divided into 6,204,200 no-par value shares.

Management and Supervisory Board will propose to the Annual General Meeting on 13 March 2007 the distribution, from the unappropriated surplus (*Bilanzgewinn*, also referred to as net retained profits), of €6,204 thousand to shareholders, which corresponds to an unchanged dividend of €1.00 for each share equipped with a dividend entitlement.

Changes in equity of *schlott gruppe* are outlined in the Statement of Changes in Equity on page 21.

OTHER NON-CURRENT LIABILITIES

At the end of the quarter, other non-current liabilities included liabilities of €748 thousand (previous year: €0 thousand) from financial leasing.

OTHER NON-CURRENT PROVISIONS

There were no significant changes to the structure of other non-current provisions as at 31 December 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 €41,231 thousand (previous year: €30,568 thousand). The remaining amount is attributable to current bank overdrafts.

OTHER CURRENT LIABILITIES

Other current liabilities include the following items:

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Tax liabilities	5,153	3,393	6,205
Liabilities in connection with social security	984	4,556	881
Liabilities to employees	5,988	6,404	6,012
Market value of derivative instruments	536	1,579	378
Others	1,631	1,833	13,555
Total	14,292	17,765	27,031

OTHER CURRENT PROVISIONS

Other current provisions are categorised as follows:

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Personnel	15,416	14,678	18,498
Outstanding suppliers' invoices	8,343	5,655	5,232
Contingent losses	5,098	4,682	3,666
Rehabilitation liabilities	1,040	547	1,652
Others	9,361	10,447	7,135
Total	39,258	36,009	36,183

- OTHER NOTES

CHANGES IN CONTINGENT LIABILITIES

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

IN K€	31. DEC. 2006	31. DEC. 2005	30. SEPT. 2006
Guarantees / warranties	60	85	60
Orders placed with suppliers	20,278	n.m.	24,764

- MANAGEMENT AND SUPERVISORY BOARD

The members of the Management Board remained unchanged in the reporting period. In the Supervisory Board Josef Peitz took office as employees' representative on 4 October 2006. He followed Irene Salberg, who 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, Josef Peitz, Dr. Herbert Pototzky, Andrea Raab, Harald Roller, Michael Schlecht, Reinhold Schreiner

- FINANCIAL CALENDAR

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

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.