



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM FINANCIAL REPORT II 2007/8

INTERIM FINANCIAL REPORT ON THE SECOND QUARTER AND THE FIRST HALF ENDED 31 MARCH 2008

Q II

INTERIM REPORT II 2007/8

OF SCHLOTT GRUPPE

INTERIM FINANCIAL REPORT ON THE SECOND QUARTER AND THE FIRST HALF ENDED 31 MARCH 2008

- Slightly positive EBT before cost cutting programme for first half financial year in line with annual forecast
- Cost cutting measures strictly executed

KEY FINANCIALS OF THE GROUP AS AT 31 MARCH 2008

| IN K€ | QII 20078 | % total | QII 20067 | % total | HI 20078 | % total | HI 20067 | % total |
|---|----------------|---------------|---------------|--------------|----------------|--------------|----------------|--------------|
| Net sales | 111,651 | 196.1 | 122,477 | 201.7 | 239,119 | 195.8 | 244,856 | 188.3 |
| Total revenue | 118,063 | 207.3 | 121,835 | 200.6 | 246,844 | 202.1 | 253,389 | 194.9 |
| Value-added sales | 56,945 | 100.0 | 60,723 | 100.0 | 122,114 | 100.0 | 130,017 | 100.0 |
| Cost Cutting Programme | (6,311) | -- | 0 | -- | (6,311) | -- | 0 | -- |
| EBITDA | (867) | (1.5) | 9,282 | 15.3 | 11,202 | 9.2 | 26,958 | 20.7 |
| EBIT | (7,822) | (13.7) | 1,802 | 3.0 | (2,804) | (2.3) | 12,382 | 9.5 |
| EBT | (8,972) | (15.8) | (606) | (1.0) | (5,791) | (4.7) | 7,888 | 6.1 |
| EBT BEFORE COST CUTTING PROGRAMME | (2,661) | (4.7) | (606) | (1.0) | 520 | 0.4 | 7,888 | 6.1 |
| Post-tax income of continued operations | (6,571) | (11.5) | 114 | 0.2 | (4,516) | (3.7) | 10,068 | 7.7 |
| Post-tax income of discontinued operations | 0 | 0.0 | 711 | 1.2 | 0 | 0.0 | 1,177 | 0.9 |
| Net earnings for the period | (6,571) | (11.5) | 825 | 1.4 | (4,516) | (3.7) | 11,245 | 8.6 |
| Earnings per share | | | | | | | | |
| from continued operations (€) | (1.07) | -- | 0.02 | -- | (0.74) | -- | 1.62 | -- |
| Free Cashflow (after dividend) | 1,387 | -- | (11,807) | -- | (2,656) | -- | (36,555) | -- |
| Employees (reporting date) | 2,911 | -- | 3,123 | -- | 2,911 | -- | 3,123 | -- |

| IN K€ | 31 MARCH 2008 | % total | 31 MARCH 2007 | % total | 30 SEPT. 2007 | % total |
|---|------------------|--------------|------------------|--------------|------------------|--------------|
| Goodwill | 81,821 | 17.0 | 87,806 | 15.5 | 81,821 | 16.1 |
| Total lt. assets | 404,921 | 84.3 | 425,990 | 75.2 | 417,122 | 81.9 |
| Inventories | 31,798 | 6.6 | 24,028 | 4.2 | 24,584 | 4.8 |
| Accounts receivable | 32,082 | 6.7 | 37,266 | 6.6 | 47,790 | 9.4 |
| Cash and cash equivalents | 715 | 0.1 | 2,537 | 0.4 | 2,637 | 0.5 |
| Assets classified as held for sale | 0 | 0.0 | 67,671 | -- | 0 | -- |
| Total st. assets | 75,423 | 15.7 | 140,153 | 24.8 | 92,060 | 18.1 |
| Total Equity | 170,978 | 35.6 | 158,689 | 28.0 | 181,525 | 35.7 |
| Debt due to Banks | 83,791 | 17.4 | 124,188 | 21.9 | 99,686 | 19.6 |
| Lt. provisions | 26,372 | 5.5 | 27,434 | 4.8 | 26,449 | 5.2 |
| Total lt. liabilities | 139,325 | 29.0 | 185,634 | 32.8 | 157,007 | 30.8 |
| Debt due to Banks | 93,904 | 19.5 | 108,084 | 19.1 | 71,286 | 14.0 |
| Accounts payable and other liabilities | 30,567 | 6.4 | 31,479 | 5.6 | 54,177 | 10.6 |
| St. provisions | 35,287 | 7.3 | 28,359 | 5.0 | 29,791 | 5.9 |
| Liabilities directly associated with assets classified as held for sale | 0 | 0.0 | 42,968 | -- | 0 | -- |
| Total st. liabilities | 170,041 | 35.4 | 221,820 | 39.2 | 170,650 | 33.5 |
| Balance sheet total | 480,344 | 100.0 | 566,143 | 100.0 | 509,182 | 100.0 |

LETTER TO SHAREHOLDERS

- DEAR SHAREHOLDERS,

In line with the annual forecast, *schlott gruppe* achieved marginally positive EBT of €0.5 million during the first half of 2007/8, before having accounted for its cost reduction programme.

During the second quarter and the first half of the year as a whole there was, as expected, little change to the general data for the sector. Typically for the season, capacity utilisation in the quarter under review remained at a low but steady level, and price-related pressure developed as anticipated. Compared to the previous quarter, the price reductions conceded in the course of the last financial year are similarly reflected in the figures.

We are well on the way towards realising our cost reduction programme. The planned measures implemented in the first quarter of the current financial year at the Freudenstadt gravure printing site were also introduced at the Landau facility during the second quarter.

In Nuremberg, where a very wide-ranging package of measures is planned, we are engaged in concerted negotiations with employee representatives. At other Group sites, we are also seeking to achieve cost reductions beyond those envisaged in the programme as it stands. These will be implemented within the framework of the measures routinely carried out by the Group.

It has to be viewed positively that the sector as a whole is still in a period of upheaval. In the current climate, more and more suppliers are reviewing their positions applying various strategies and measures ranging even to the closure of entire sites. These trends, together with rising price sensitivity across the sector, inspire a certain degree of confidence in terms of future price developments.

We have pinpointed the necessary steps for staying both profitable and competitive in this market environment, and we are now executing them as appropriate. As a result, *schlott gruppe* will retain its place in the vanguard of Europe's printing companies, and will continue to influence the market structures of the future.

6 May 2008

THE MANAGEMENT BOARD

THE SHARE

OF SCHLOTT GRUPPE

- *International capital markets still adversely affected by subprime crisis*
- *Capital market communication focuses on cost reduction programme and anticipated high free cash flow*

During the second quarter of the 20078 financial year, capital markets continued to be characterised by tangible anxiety as to the extent of impairment losses suffered by the international banking sector. Moreover, growing economic uncertainties stemming from the USA have now also led to significant downward revision of growth forecasts across Europe.

As a result, the markets underwent another major correction in January. Despite persistent and deep-seated risks – fuelled by rising raw material prices and high inflation rates – the first signs of share prices bottoming out emerged around the end of January. Since then, both *schlott gruppe's* share price and the SDAX index have trended sideways, with minor fluctuations.

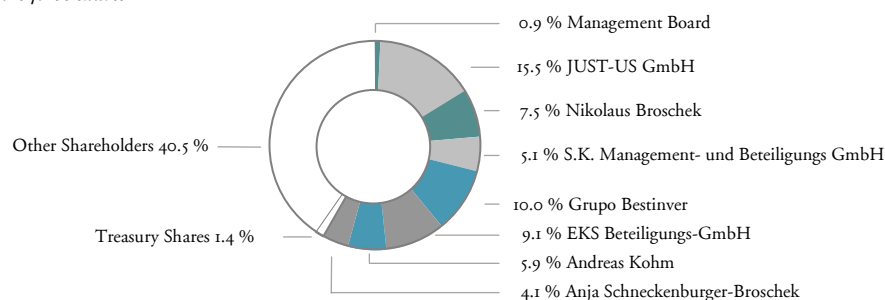
Although *schlott gruppe* shares have not developed as hoped since the start of the financial year on October 1, 2007, this trend reflects the movement of the SDAX index during the same period, with *schlott gruppe* shares actually performing slightly better. The share price stood at €18.50 at the start of the financial year on October 1, 2007, and remained relatively stable until the end of 2007, falling by just 2.4 per cent to €18.06. Over the same period, the SDAX receded by 10 per cent.

Shares in *schlott gruppe* were unable to extricate themselves from the next market downturn in January, which was triggered by the financial market crisis and affected small-cap shares in particular; the adjustment of the share price has been slightly less than that for the index. From the second half of January to the end of the quarter, the share price and the index maintained a sideways trend with an overall upward tendency; this trend continued into April. The €1.00 dividend reduction on the trading day following the Annual General Meeting on February 26, equivalent to 5.9 per cent of the share price before the discount, must be taken into consideration.

We remain confident that our cost reduction programme announced at the end of January 2008 will significantly improve the return of *schlott gruppe* and thus the financial appeal of our stock. These measures, in conjunction with a reduction in our future investment requirement, are likely to produce a high free cash flow, before dividend payments, of more than €60 million in total over the next three years. We are currently making every effort to raise awareness of our position in our dealings with the capital markets.

SHAREHOLDER STRUCTURE AS OF 6 MAY 2008

based on 6.204.200 shares



Free Float according to definition Deutsche Börse AG: 56.9 %

The Annual General Meeting held on February 26, 2008 proceeded smoothly, with shareholders approving all management resolutions with large majorities. The proposal of the Management Board and Supervisory Board to distribute an unchanged dividend of €1.00 for each share with dividend entitlement for the financial year 2006/7 was also adopted almost unanimously.

On November 9, 2007, we passed a resolution for the repurchase of own shares, as we were of the opinion that the market price of our shares did not reflect the opportunities presented to *schlott gruppe* by ongoing market consolidation within the European printing industry. In view of this year's Annual General Meeting of *schlott gruppe AG*, this programme was suspended on January 11, 2008. With effect from March 3, 2008, and on the basis of new powers granted by the Annual General Meeting, the share repurchase initiative will continue to the end of the financial year on September 30, 2008. By April 25, 2008, a total of 84,809 shares with a combined value of €1,439,146.07 had been repurchased.

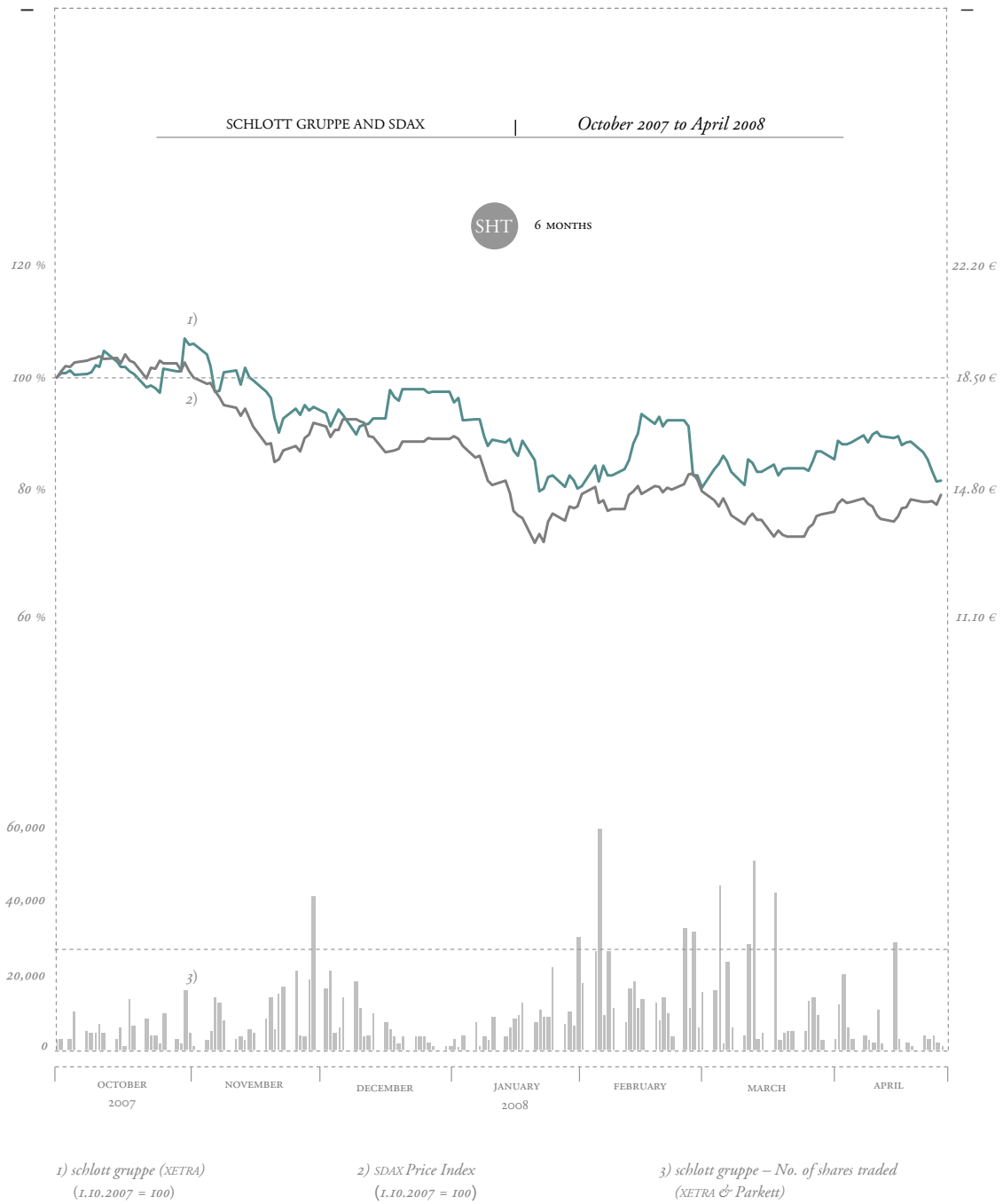
Board members once again acquired *schlott gruppe* shares in the second quarter of the current financial year, thereby confirming their commitment to the company.

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

| Name | Date of notification | Reason of notification | Size of stake |
|--|----------------------|--|---------------|
| JUST-US GmbH | 12/02/08 | Move above 10% threshold | 10.64% |
| Joachim Kohm | 03/03/08 | Move above 3%, 5% and 10% thresholds according to section 22 sentence 1 no. 1 WpHG | 10.96% |
| S.K. Management- und Beteiligungs GmbH | 22/02/08 | Move above 5% threshold according to section 22 sentence 1 no. 1 WpHG | 5.05% |
| Sigmund Kiener | 22/02/08 | Move above 5% threshold according to section 22 sentence 1 no. 1 WpHG | 5.05% |
| Armin Sohler | 12/02/08 | Move above 10% threshold according to section 22 sentence 1 no. 1 WpHG | 10.64% |
| Armin Sohler | 03/03/08 | Move below 10%, 5% and 3% thresholds | 0.00% |

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

| Name | Function | Date of transaction | Action | No. of shares | Amount (€) |
|--|---|---------------------|----------|---------------|------------|
| JUST-US GmbH | Relationship to a member of Supervisory Board | 16/01/2008 | Purchase | 5,250 | 86,205.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 18/01/2008 | Purchase | 5,500 | 88,715.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 18/01/2008 | Purchase | 5,000 | 81,600.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 25/01/2008 | Purchase | 5,000 | 77,250.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 31/01/2008 | Purchase | 5,000 | 75,500.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 06/02/2008 | Purchase | 40,000 | 618,920.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 07/02/2008 | Purchase | 20,000 | 310,000.00 |
| S.K. Management- und Beteiligungs GmbH | Relationship to a member of Supervisory Board | 15/02/2008 | Purchase | 3,400 | 52,700.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 28/02/2008 | Purchase | 10,000 | 155,000.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 04/03/2008 | Purchase | 60,000 | 947,400.00 |
| Nikolaus Broschek | Relationship to a member of Supervisory Board | 06/03/2008 | Purchase | 150 | 2,385.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 07/03/2008 | Purchase | 15,000 | 240,000.00 |
| Nikolaus Broschek | Supervisory Board Member | 07/03/2008 | Purchase | 350 | 5,565.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 12/03/2008 | Purchase | 60,000 | 960,000.00 |
| Nikolaus Broschek | Supervisory Board Member | 14/03/2008 | Purchase | 500 | 7,850.00 |
| Nikolaus Broschek | Supervisory Board Member | 14/03/2008 | Purchase | 500 | 7,900.00 |
| Nikolaus Broschek | Supervisory Board Member | 14/03/2008 | Purchase | 500 | 7,850.00 |
| Nikolaus Broschek | Supervisory Board Member | 14/03/2008 | Purchase | 500 | 7,725.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 17/03/2008 | Purchase | 35,000 | 553,000.00 |
| Nikolaus Broschek | Supervisory Board Member | 18/03/2008 | Purchase | 425 | 6,587.50 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 19/03/2008 | Purchase | 1,120 | 17,584.00 |
| Nikolaus Broschek | Supervisory Board Member | 19/03/2008 | Purchase | 75 | 1,158.00 |
| Nikolaus Broschek | Supervisory Board Member | 25/03/2008 | Purchase | 500 | 7,875.00 |
| Nikolaus Broschek | Supervisory Board Member | 25/03/2008 | Purchase | 500 | 7,875.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 26/03/2008 | Purchase | 8,880 | 141,902.40 |
| Nikolaus Broschek | Supervisory Board Member | 31/03/2008 | Purchase | 500 | 8,000.00 |
| Nikolaus Broschek | Supervisory Board Member | 01/04/2008 | Purchase | 1,000 | 16,200.00 |
| Nikolaus Broschek | Supervisory Board Member | 03/04/2008 | Purchase | 500 | 8,275.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 11/04/2008 | Purchase | 8,000 | 132,800.00 |
| JUST-US GmbH | Relationship to a member of Supervisory Board | 14/04/2008 | Purchase | 22,000 | 372,460.00 |



INTERIM MANAGEMENT REPORT

- BUSINESS ENVIRONMENT

- *Growth forecasts scaled down in Germany and the Eurozone*
- *Business climate in the printing industry remains cautious*

Owing to the US subprime mortgage crisis, the general economic mood has darkened considerably over the past six months, with economic institutes, organisations and governments significantly downgrading their growth forecasts. Having achieved real GDP growth of 2.5 per cent in 2007, the German federal government and leading economic institutes in their spring report are predicting an expansion of just 1.7 to 1.8 per cent in 2008; adjusted for the number of working days, the federal government anticipates growth of not more than 1.4 per cent.

The future is highly uncertain in view of the dynamic start made to the current year by German industry, the recent volatility of the ifo Business Climate Index as well as elevated raw material prices and inflation rates. Given the significant upturn in private consumption that is being incorporated into forecasts (+0.8 per cent in 2008 compared to -0.4 per cent in 2007), this latter point constitutes a key risk factor. Expectations have also been revised downwards across the Eurozone, where real growth for 2008 is not expected to exceed 1.9 per cent.

According to the German Printing and Media Industries Federation (bvdM), the business environment in the printing sector remains generally unsatisfactory, especially in terms of order balances and levels of capacity utilisation. Estimates expressed by companies surveyed are conspicuously disparate. After very negative reports in February, the overall picture brightened somewhat in March, but still fell short of positive territory. This pattern is likely to be repeated for the next three to six months.

- REPORT ON THE RESULTS OF OPERATIONS

- *Cost reduction programme having positive effects, especially on personnel costs*
- *Earnings reduction compared to previous year in line with expectations*

In 2007/8, the income statement of *schlott gruppe* encompasses the business units *print* and *corporate services*. In accordance with IFRS 5, half-yearly figures for the previous year are presented on a comparable basis. This means that the former *direct marketing* division, which was still part of the consolidated group in the first quarter of last year, has been reclassified and thus presented as discontinued operations for the first quarter as well as the first half of last year. For the first time, the figures presented contain expenditure of €6.3 million for the second quarter of 2007/8 in relation to the Group's ongoing cost reduction programme, for which approximately €15 million is earmarked over the financial year as a whole.

To a limited degree, the consolidation of *biegelaar*, which was initially consolidated on November 1, 2006, is still affecting year-on-year comparability. This entity contributed to profit and loss for five months of the previous year and the full six months of the period under review.

In overall terms, the paper provision ratio for *schlott gruppe* dropped from 72.5 per cent in the previous year to 69.2 per cent in the first half of the reporting year. The decline is reflected in higher material expenses but does not affect value-added sales (VAS).

On the other hand, the trend in VAS clearly illustrates the negative impact of price developments. In quarterly comparisons, VAS fell by 6.3 per cent, from €60.7 million to €56.9 million; over the six-month period, VAS declined by 6.1 per cent, from €130.0 million to €122.1 million. Tonnage for the quarter under review was unchanged from the previous year's level of 144.9 thousand tonnes, and declined by just 1.0 per cent during the first half (from 310.6 thousand tonnes to 307.6 thousand tonnes). Comparison of these figures gives an indication of the price-related pressure exerted during last financial year and this financial year.

The cost reduction programme is having a tangible effect on personnel costs, which, compared to the previous year, fell in the quarter under review and the first half by 4.7 and 4.8 per cent respectively in absolute terms. The rise in other operating expenses, with the exception of distribution costs as well as more frequent use of temporary workers, was also reined in. Distribution costs rose mainly as a result of the outsourcing of internal logistics services last year and due to a higher assignment of temporary staff.

At EBIT level, savings in the area of operating costs, including marginally lower depreciation, were more than compensated by non-recurring charges of €6.3 million posted in relation to the cost reduction programme during the quarter under review. This sum essentially covers short-term provisions of €6.0 million.

Comparing the quarter under review to the same period last year, the net interest result benefited to a greater extent from higher foreign exchange gains; at the same time, interest expenses also fell as scheduled. In the quarter under review, therefore, EBT stood at -€2.7 million excluding the non-recurring charges relating to the cost reduction programme; factoring in these charges, the figure is -€9.0 million compared to -€0.6 million in the previous year. For the first half of 2007/8, EBT amounts to €0.5 million excluding the non-recurring charges; taking the charges into consideration, the figure is -€5.8 million compared to €7.9 million a year ago. The tax item of €2.4 million for the quarter (€1.3 million for the first half) comprises tax credits (partially earnings-related but mainly deferred).

As a result, the post-tax result from continued operations for the quarter under review amounted to -€6.6 million compared to €0.1 million in the previous year. Earnings per share for the quarter under review stood at -€1.07 compared to €0.02. In the comparable quarter of last year, earnings per share from discontinued operations of €0.11 were recorded additionally. In the first half, the post-tax result from continued operations stood at -€4.5 million compared to €10.1 million, and earnings per share amounted to -€0.74 following €1.62. In the first half of last year, earnings per share from discontinued operations amounted to €0.19.

- REPORT ON THE DEVELOPMENT OF THE SEGMENTS

- *Print division achieves positive EBT in first half before cost reduction programme*
- *Cost reduction measures executed in Freudenstadt and Landau*
- *Negotiations continue in Nuremberg*

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

During the second quarter of 2007/8, the *print* division recorded VAS of €56.0 million, compared to €59.7 million in the previous year. Charges of €6.3 million relating to the cost reduction programme were posted for the first time in this quarter. Excluding this sum, EBT amounted to -€1.5 million; including charges attributable to the cost reduction programme, EBT stood at -€7.8 million, compared to €0.6 million in the previous year.

In the first half of the year, VAS stood at €120.3 million, set against €127.8 million in the previous year. Prior to the aforementioned charges connected to the cost reduction programme, an EBT of €2.6 million was recorded; taking the charges into account, EBT was -€3.7 million, compared to €9.8 million last year. On the whole, the notes on the development of the consolidated income statement also apply to the *print* division, so to avoid repetition, please refer to this section.

Within the *print* division, gravure printing was largely responsible for the decline in earnings outlined above. In this area, we are steadily adjusting cost structures to the falling market price level as necessary to provide a stronger basis for *schlott gruppe*.

In particular, the cost reduction programme involves utilising every possible option within the collective wage agreement, such as introducing greater flexibility to operating hours, adjusting working hours and reducing existing benefits that go beyond the scale negotiated as part of the collective agreement. Moreover, shift models will be adjusted and other technical and organisational enhancements will be made to internal processes. The transfer of assistant labourer roles to external service providers is also planned at the Nuremberg site.

Aside from the changes to gravure printing, we are continually targeting cost reduction measures at all other sites and Group business processes.

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

in €m



As regards our regional sales markets, business performance continued to decline in both the second quarter and the first six months as a whole in Germany, the market most affected by the price reductions imposed in 2006/7 and which are now taking effect. In the *Eurozone*, VAS fell short of the previous year's level in the second quarter, resulting in zero growth for the first six months in overall terms. By contrast, business with customers in the *Other Euro-land* and the *Other Regions* remained healthy. In these regions, order receipts are comfortably outpacing last year's level, which enabled us to achieve tangible growth for the quarter as well as the six-month period under review.

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

Analysed against this backdrop, costs fell from €2.6 million in the previous year to €2.3 million in the second quarter of 2007/8; for the first half of 2007/8, there was a sharper decline from €5.1 million last year to €4.0 million. We have also succeeded in realigning costs effectively in this division. In the quarter under review, EBT for *corporate services* stood at -€1.0 million compared to the previous year's figure of -€0.5 million, mainly as a result of less favourable valuations of the foreign exchange result due to reporting date-related factors. EBT for the first half of 2007/8 was -€1.4 million compared to -€1.6 million last year.

- REPORT ON THE FINANCIAL SITUATION AND NET ASSETS

Compared to the end of the same quarter last year, in which the former *direct marketing* division was still included, the balance sheet total for *schlott gruppe* declined considerably. In addition to the effects of the sale, the balance sheet total continued to decline during the second quarter, from €499.8 million at the start of the period to €480.3 million at the end of the quarter under review.

On the asset side, this was largely the result of the present low requirement for investment, levels of which were below depreciation. Additionally, investment property in Plauen and Landau was disposed of in the second quarter with almost no influence on earnings. As regards current assets, higher reporting date-related work in progress (goods and services) was offset by significantly lower trade receivables, as a result of which current assets also receded during the second quarter.

As regards liabilities, payment of the previous year's dividend in the second quarter and the net loss for the period produced lower equity. The ratio fell from 36.7 per cent at the end of the first quarter of this financial year, to 35.6 per cent. As far as debt is concerned, trade payables in particular were reduced overall whereas bank debt correspondingly rose slightly. Provisions on balance also rose given the allocation from the non-recurring charges in net income for the period.

During the quarter under review, cash flow from operating activities expanded significantly (from -€4.2 million last year to €7.4 million) as a result of these changes to funds tied up in current assets and lower levels of tax payable for the last financial year. Cash flow increased to a similar degree over the six-month period, from -€5.6 million to €4.4 million. This more than compensated for the downturn in earnings.

Looking at cash flow from investing activities for the second quarter of 2007/8, disposals exceeded new investments by a marginal €0.2 million due to reporting-date-related factors; the previous year's investment total of €1.5 million was also moderate. In the half year under review, €0.9 million was invested, compared to €24.8 million of investment in the same period last year for property, plant and equipment and the acquisition of subsidiaries. This

trend underlines the low investment requirement of *schlott gruppe* at present. Having invested heavily in recent years, we now have highly modern production sites that will tend to require only replacement investment in the years ahead.

The high cash flow for the second quarter of 2007/8 largely covered the dividend payout for the past financial year of almost €6.2 million as well as interest payable of €2.6 million. By contrast, financial liabilities expanded by €6.7 million in the first half of 2007/8 due to reporting-date-related factors. The comparable periods of last year included the exceptional effects of Group financing for the discontinued *direct marketing* division.

- STAFF

- *Employee numbers adjusted from last year as part of continuing cost reductions*

schlott gruppe is currently implementing its cost reduction programme, with the defined measures already put into effect at the Freudenstadt and Landau sites. Where necessary, redundancies have been made; however, given that most notice periods have not yet been served, this is not yet reflected in staffing levels.

Negotiations with employees' representatives are still in progress at the Nuremberg site. Aside from the gravure printing sites, cost cutting measures are being applied to all other Group areas.

In overall terms, therefore, a slight adjustment of staff numbers took place during the second quarter of 2007/8. As of the reporting date, the number of employees in the *print* division fell from 2,855 at the start of the quarter to 2,826; in the *corporate services* division, the figure declined from 89 to 85 over the same period.

Compared to the previous year, the adjustment of personnel capacity is now clearly reflected in the Group's headcount: at the end of the second quarter of 2006/7, the *print* division had 3,021 staff members and the *corporate services* unit had 102 employees.

- EVENTS AFTER THE BALANCE SHEET DATE

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

- REPORT ON FORECASTS AND THE OUTLOOK FOR THE GROUP

- *Opportunities and risks to business development unchanged*
- *Annual forecast is confirmed*

OPPORTUNITIES AND RISKS

The opportunities and risks to the forecast for the 20078 financial year have not changed significantly from the details outlined in the 20067 annual report. Recent downward revisions of growth forecasts for the economy as a whole by economic research institutes and the federal government are principally based on lower investment forecasts. With private consumption expected to display an upward trend, we do not perceive any need to adjust our annual targets. Moreover, with worsening forecasts affecting the general business climate, we believe we are justified in our caution as regards additional opportunities for earnings based on demand outpacing current expectations.

The principal risks to our forecast would include unexpectedly strong price pressure, energy and raw material prices rising faster than anticipated, weaker than expected growth in volumes and delays in implementing the cost reduction programme; these risks apply to both the Group and our two business divisions. There is no substantial risk to our annual forecast at the present time, however, and on that basis we can confirm the targets as stated.

ANTICIPATED DEVELOPMENT OF THE BUSINESS

For the 20078 financial year, we still expect value-added sales to decline by some four per cent to approximately €240 million. We also anticipate a negative EBT of -€15 million, which will be influenced by non-recurring charges of around €15 million linked to the cost reduction programme. With tonnage likely to remain virtually unchanged, the predicted decline in VAS will be the result of price reductions sustained in the last financial year as well as further expected price-related pressure in the 20078 financial year.

The price trend is also the reason for the aforementioned visible decline in EBT before non-recurring charges. In fact, the downward trend would be significantly sharper were it not for the initial positive effects in this financial year of our cost reduction programme, which is scheduled to run for three years. The aim of this is to reduce our cost base each year by a double-digit figure in the million-euro range. Given the low level of required investment, our cash flow and equity ratio will remain satisfactorily high over the entire three-year period.

INTERIM FINANCIAL STATEMENTS

GROUP PROFIT AND LOSS STATEMENT (QUARTER)

in the period from 1 January to 31 March 2008 (previous year for comparison)

| IN K€ | QI 20078 | QII 20078 | QII 20067 | % change vs. previous year |
|--|----------------|----------------|----------------|-------------------------------|
| Net sales | 127,468 | 111,651 | 122,477 | (8.8) |
| Increase (decrease) in inventory | | | | |
| of finished goods and work in progress | 219 | 4,715 | (2,831) | n.s. |
| Other operating income | 1,094 | 1,697 | 2,189 | (22.5) |
| Total revenue | 128,781 | 118,063 | 121,835 | (3.1) |
| Cost of raw materials, supplies and purchased goods | (47,775) | (46,783) | (45,066) | 3.8 |
| Cost of purchased services | (14,743) | (12,638) | (13,857) | (8.8) |
| Personnel expenses | (36,222) | (34,621) | (36,343) | (4.7) |
| Cost cutting programme | 0 | (6,311) | 0 | -- |
| Other operating expenses | (17,972) | (18,577) | (17,287) | 7.5 |
| EBITDA | 12,069 | (867) | 9,282 | n.m. |
| Expenses for scheduled depreciation | (7,051) | (6,955) | (7,480) | (7.0) |
| EBIT | 5,018 | (7,822) | 1,802 | n.m. |
| Income from foreign exchange transactions | 516 | 1,211 | 55 | n.s. |
| Interest and similar income | 68 | 64 | 434 | (85.3) |
| Interest and similar expenses | (2,421) | (2,425) | (2,897) | (16.3) |
| Net financial results | (1,837) | (1,150) | (2,408) | (52.2) |
| EBT | 3,181 | (8,972) | (606) | n.m. |
| Taxes on income | (1,126) | 2,401 | 720 | 233.5 |
| Post-tax income of continued operations | 2,055 | (6,571) | 114 | n.m. |
| Post-tax income of discontinued operations | 0 | 0 | 711 | n.m. |
| Earnings after tax | 2,055 | (6,571) | 825 | n.m. |
| <i>Thereof applicable to</i> | | | | |
| Shareholders of schlott gruppe AG | 2,056 | (6,570) | 826 | n.m. |
| Minorities | (1) | (1) | (1) | -- |

GROUP PROFIT AND LOSS STATEMENT (FIRST HALF)

in the period from 1 October 2007 to 31 March 2008 (previous year for comparison)

| IN K€ | HI 20078 | HI 20067 | % change vs. previous year |
|--|----------------|----------------|-------------------------------|
| Net sales | 239,119 | 244,856 | (2.3) |
| Increase (decrease) in inventory | | | |
| of finished goods and work in progress | 4,934 | 2,459 | 100.7 |
| Other operating income | 2,791 | 6,074 | (54.1) |
| Total revenue | 246,844 | 253,389 | (2.6) |
| Cost of raw materials, supplies and purchased goods | (94,558) | (88,607) | 6.7 |
| Cost of purchased services | (27,381) | (28,691) | (4.6) |
| Personnel expenses | (70,843) | (74,416) | (4.8) |
| Cost cutting programme | (6,311) | 0 | -- |
| Other operating expenses | (36,549) | (34,717) | 5.3 |
| EBITDA | 11,202 | 26,958 | (58.4) |
| Expenses for scheduled depreciation | (14,006) | (14,576) | (3.9) |
| EBIT | (2,804) | 12,382 | (122.6) |
| Income from foreign exchange transactions | 1,727 | 29 | -- |
| Interest and similar income | 132 | 1,273 | (89.6) |
| Interest and similar expenses | (4,846) | (5,796) | (16.4) |
| Net financial results | (2,987) | (4,494) | (33.5) |
| EBT | (5,791) | 7,888 | n.m. |
| Taxes on income | 1,275 | 2,180 | (41.5) |
| Post-tax income of continued operations | (4,516) | 10,068 | n.m. |
| Post-tax income of discontinued operations | 0 | 1,177 | -- |
| Earnings after tax | (4,516) | 11,245 | n.m. |
| <i>Thereof applicable to</i> | | | |
| Shareholders of schlott gruppe AG | (4,515) | 11,246 | n.m. |
| Minorities | (1) | (1) | -- |

DEVELOPMENT OF BUSINESS SEGMENTS (QUARTER)

in the period from 1 January to 31 March 2008 (previous year for comparison)

| IN K€ | print | | corporate services | | All sectors | | Reconciliation | | Group (Continued Operations) | |
|----------------------------|----------------|---------------|--------------------|--------------|----------------|---------------|----------------|----------------|------------------------------|---------------|
| | 20078 | 20067 | 20078 | 20067 | 20078 | 20067 | 20078 | 20067 | 20078 | 20067 |
| Net sales to customers | 111,485 | 122,044 | 166 | 433 | 111,651 | 122,477 | 0 | 0 | 111,651 | 122,477 |
| Inter-company sales | 80 | 70 | 2,243 | 2,217 | 2,323 | 2,287 | (2,323) | (2,287) | 0 | 0 |
| Changes in inventory | 4,715 | (2,831) | 0 | 0 | 4,715 | (2,831) | 0 | 0 | 4,715 | (2,831) |
| Cost of materials | (47,617) | (45,712) | 0 | 0 | (47,617) | (45,712) | 834 | 646 | (46,783) | (45,066) |
| Cost of services purchased | (12,638) | (13,885) | 0 | 0 | (12,638) | (13,885) | 0 | 28 | (12,638) | (13,857) |
| Value-added sales | 56,025 | 59,686 | 2,409 | 2,650 | 58,434 | 62,336 | (1,489) | (1,613) | 56,945 | 60,723 |
| Other operating income | 2,127 | 2,118 | 867 | 748 | 2,994 | 2,866 | (1,297) | (677) | 1,697 | 2,189 |
| Personnel expenses | (32,627) | (34,174) | (2,001) | (2,169) | (34,628) | (36,343) | 7 | 0 | (34,621) | (36,343) |
| Depreciation expenses | (6,549) | (6,953) | (151) | (173) | (6,700) | (7,126) | (255) | (354) | (6,955) | (7,480) |
| Cost cutting programme | (6,291) | 0 | (20) | 0 | (6,311) | 0 | 0 | 0 | (6,311) | 0 |
| Other operating expenses | (19,875) | (18,700) | (1,022) | (874) | (20,897) | (19,574) | 2,320 | 2,287 | (18,577) | (17,287) |
| EBIT | (7,190) | 1,977 | 82 | 182 | (7,108) | 2,159 | (714) | (357) | (7,822) | 1,802 |
| Short-term interest result | (608) | (424) | (74) | (102) | (682) | (526) | 0 | 0 | (682) | (526) |
| Segment earnings | (7,798) | 1,553 | 8 | 80 | (7,790) | 1,633 | (714) | (357) | (8,504) | 1,276 |
| Long-term interest result | (934) | (1,065) | (747) | (876) | (1,681) | (1,941) | 2 | 4 | (1,679) | (1,937) |
| Foreign exchange result | 976 | 148 | (298) | 270 | 678 | 418 | 533 | (363) | 1,211 | 55 |
| EBT | (7,756) | 636 | (1,037) | (526) | (8,793) | 110 | (179) | (716) | (8,972) | (606) |
| Employees (reporting date) | 2,826 | 3,021 | 85 | 102 | 2,911 | 3,123 | ---- | ---- | 2,911 | 3,123 |

DEVELOPMENT OF BUSINESS SEGMENTS (FIRST HALF)

in the period from 1 October 2007 to 31 March 2008 (previous year for comparison)

| IN K€ | print | | corporate services | | All sectors | | Reconciliation | | Group (Continued Operations) | |
|----------------------------|----------------|----------------|--------------------|----------------|----------------|----------------|----------------|----------------|------------------------------|----------------|
| | 20078 | 20067 | 20078 | 20067 | 20078 | 20067 | 20078 | 20067 | 20078 | 20067 |
| Net sales to customers | 238,821 | 243,983 | 298 | 873 | 239,119 | 244,856 | 0 | 0 | 239,119 | 244,856 |
| Inter-company sales | 106 | 101 | 4,507 | 4,468 | 4,613 | 4,569 | (4,613) | (4,569) | 0 | 0 |
| Changes in inventory | 4,934 | 2,459 | 0 | 0 | 4,934 | 2,459 | 0 | 0 | 4,934 | 2,459 |
| Cost of materials | (96,214) | (89,984) | 0 | (17) | (96,214) | (90,001) | 1,656 | 1,394 | (94,558) | (88,607) |
| Cost of services purchased | (27,381) | (28,719) | 0 | 0 | (27,381) | (28,719) | 0 | 28 | (27,381) | (28,691) |
| Value-added sales | 120,266 | 127,840 | 4,805 | 5,324 | 125,071 | 133,164 | (2,957) | (3,147) | 122,114 | 130,017 |
| Other operating income | 3,183 | 5,447 | 3,788 | 3,530 | 6,971 | 8,977 | (4,180) | (2,903) | 2,791 | 6,074 |
| Personnel expenses | (66,896) | (70,086) | (3,960) | (4,352) | (70,856) | (74,438) | 13 | 22 | (70,843) | (74,416) |
| Depreciation expenses | (13,171) | (13,534) | (310) | (515) | (13,481) | (14,049) | (525) | (527) | (14,006) | (14,576) |
| Cost cutting programme | (6,291) | 0 | (20) | 0 | (6,311) | 0 | 0 | 0 | (6,311) | 0 |
| Other operating expenses | (39,185) | (37,066) | (3,525) | (3,681) | (42,710) | (40,747) | 6,161 | 6,030 | (36,549) | (34,717) |
| EBIT | (2,094) | 12,601 | 778 | 306 | (1,316) | 12,907 | (1,488) | (525) | (2,804) | 12,382 |
| Short-term interest result | (1,201) | (664) | (71) | (66) | (1,272) | (730) | 0 | 0 | (1,272) | (730) |
| Segment earnings | (3,295) | 11,937 | 707 | 240 | (2,588) | 12,177 | (1,488) | (525) | (4,076) | 11,652 |
| Long-term interest result | (1,914) | (2,199) | (1,532) | (1,603) | (3,446) | (3,802) | 4 | 9 | (3,442) | (3,793) |
| Foreign exchange result | 1,531 | 32 | (536) | (209) | 995 | (177) | 732 | 206 | 1,727 | 29 |
| EBT | (3,678) | 9,770 | (1,361) | (1,572) | (5,039) | 8,198 | (752) | (310) | (5,791) | 7,888 |
| Employees (reporting date) | 2,826 | 3,021 | 85 | 102 | 2,911 | 3,123 | ---- | ---- | 2,911 | 3,123 |

BALANCE SHEET: ASSETS

as at 31 March 2008 (previous year and end of fiscal year 2007 for comparison)

| IN K€ | 31 MARCH 2008 | % total | 31 MARCH 2007 | % total | 30 SEPT. 2007 | % total |
|---|------------------|--------------|------------------|--------------|------------------|--------------|
| Goodwill | 81,821 | 17.0 | 87,806 | 15.5 | 81,821 | 16.1 |
| Other intangible assets | 13,153 | 2.7 | 1,895 | 0.3 | 13,505 | 2.7 |
| Downpayments | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Intangible assets | 94,974 | 19.8 | 89,701 | 15.8 | 95,326 | 18.7 |
| Land, land rights and buildings, incl. buildings on land owned by others | 130,585 | 27.2 | 132,766 | 23.5 | 132,547 | 26.0 |
| Industrial plant and machinery | 147,269 | 30.7 | 164,249 | 29.0 | 153,601 | 30.2 |
| Other plant, machinery, and business equipment | 18,685 | 3.9 | 20,367 | 3.6 | 20,386 | 4.0 |
| Downpayments and plant under construction | 1,126 | 0.2 | 4,850 | 0.9 | 1,014 | 0.2 |
| Fixed Assets | 297,665 | 62.0 | 322,232 | 56.9 | 307,548 | 60.4 |
| Shares in affiliated companies | 209 | 0.0 | 209 | 0.0 | 209 | 0.0 |
| Shares in other companies | 194 | 0.0 | 194 | 0.0 | 194 | 0.0 |
| Other loans | 43 | 0.0 | 22 | 0.0 | 22 | 0.0 |
| Financial Assets | 446 | 0.1 | 425 | 0.1 | 425 | 0.1 |
| Investment properties | 3,989 | 0.8 | 6,213 | 1.1 | 6,088 | 1.2 |
| Tax benefits | 4,509 | 0.9 | 5,021 | 0.9 | 4,552 | 0.9 |
| Other lt. assets | 2,305 | 0.5 | 2,398 | 0.4 | 2,362 | 0.5 |
| Lt. Receivables / Other lt. Assets | 6,814 | 1.4 | 7,419 | 1.3 | 6,914 | 1.4 |
| Deferred taxes | 1,033 | 0.2 | 0 | 0.0 | 821 | 0.2 |
| Total lt. assets | 404,921 | 84.3 | 425,990 | 75.2 | 417,122 | 81.9 |
| Raw materials and supplies | 15,498 | 3.2 | 14,142 | 2.5 | 13,337 | 2.6 |
| Work in process; goods and services | 14,403 | 3.0 | 9,306 | 1.6 | 9,912 | 1.9 |
| Finished goods | 1,897 | 0.4 | 580 | 0.1 | 1,335 | 0.3 |
| Inventories | 31,798 | 6.6 | 24,028 | 4.2 | 24,584 | 4.8 |
| Accounts receivable | 32,082 | 6.7 | 37,266 | 6.6 | 47,790 | 9.4 |
| Tax refunds | 2,481 | 0.5 | 2,150 | 0.4 | 2,330 | 0.5 |
| Other st. assets | 6,659 | 1.4 | 4,825 | 0.9 | 13,348 | 2.6 |
| St. Receivables / other st. assets | 41,222 | 8.6 | 44,241 | 7.8 | 63,468 | 12.5 |
| Cash and cash equivalents | 715 | 0.1 | 2,537 | 0.4 | 2,637 | 0.5 |
| Assets classified as held for sale | 0 | 0.0 | 67,671 | 12.0 | 0 | 0.0 |
| Deferred Income | 1,688 | 0.4 | 1,676 | 0.3 | 1,371 | 0.3 |
| Total st. assets | 75,423 | 15.7 | 140,153 | 24.8 | 92,060 | 18.1 |
| Balance sheet total | 480,344 | 100.0 | 566,143 | 100.0 | 509,182 | 100.0 |

BALANCE SHEET: LIABILITIES

as at 31 March 2008 (previous year and end of fiscal year 2006/7 for comparison)

| IN K€ | 31 MARCH 2008 | % total | 31 MARCH 2007 | % total | 30 SEPT. 2007 | % total |
|---|------------------|--------------|------------------|--------------|------------------|--------------|
| Subscribed capital | 18,613 | 3.9 | 18,613 | 3.3 | 18,613 | 3.7 |
| Capital reserves | 57,447 | 12.0 | 58,668 | 10.4 | 58,669 | 11.5 |
| Earnings reserves | 60,580 | 12.6 | 50,652 | 8.9 | 50,787 | 10.0 |
| Valuation reserves | 212 | 0.0 | 563 | 0.1 | 148 | 0.0 |
| Retained earnings | 34,130 | 7.1 | 30,670 | 5.4 | 53,311 | 10.5 |
| Cumulative income or expense recognised directly in equity relating to a assets classified as held for sale | 0 | -- | (474) | -- | 0 | -- |
| Shareholders' equity | 170,982 | 35.6 | 158,692 | 28.0 | 181,528 | 35.7 |
| Minorities | (4) | -- | (3) | 0.0 | (3) | 0.0 |
| Total Equity | 170,978 | 35.6 | 158,689 | 28.0 | 181,525 | 35.7 |
| Debt due to Banks | 83,791 | 17.4 | 124,188 | 21.9 | 99,686 | 19.6 |
| Other lt. liabilities | 882 | 0.2 | 902 | 0.2 | 806 | 0.2 |
| Provision for pensions and similar liabilities | 19,944 | 4.2 | 19,985 | 3.5 | 19,886 | 3.9 |
| Other lt. provisions | 6,428 | 1.3 | 7,449 | 1.3 | 6,563 | 1.3 |
| Lt. provisions | 26,372 | 5.5 | 27,434 | 4.8 | 26,449 | 5.2 |
| Government subsidies | 1,638 | 0.3 | 2,124 | 0.4 | 1,755 | 0.3 |
| Deferred taxes | 26,642 | 5.5 | 30,986 | 5.5 | 28,311 | 5.6 |
| Total lt. liabilities | 139,325 | 29.0 | 185,634 | 32.8 | 157,007 | 30.8 |
| Debt due to Banks | 93,904 | 19.5 | 108,084 | 19.1 | 71,286 | 14.0 |
| St. liabilities | 93,904 | 19.5 | 108,084 | 19.1 | 71,286 | 14.0 |
| Advance payments received on orders | 1,696 | 0.4 | 290 | 0.1 | 1,305 | 0.3 |
| Accounts payable | 30,567 | 6.4 | 31,479 | 5.6 | 54,177 | 10.6 |
| Liabilities to affiliated parties | 33 | 0.0 | 31 | 0.0 | 33 | 0.0 |
| Other liabilities | 8,310 | 1.7 | 10,565 | 1.9 | 13,813 | 2.7 |
| Accounts payable and other liabilities | 40,606 | 8.5 | 42,365 | 7.5 | 69,328 | 13.6 |
| Tax provisions | 1,894 | 0.4 | 1,241 | 0.2 | 1,741 | 0.3 |
| Other provisions | 33,393 | 7.0 | 27,118 | 4.8 | 28,050 | 5.5 |
| St. provisions | 35,287 | 7.3 | 28,359 | 5.0 | 29,791 | 5.9 |
| Liabilities directly associated with assets classified as held for sale | 0 | 0.0 | 42,968 | 7.6 | 0 | 0.0 |
| Deferred charges | 244 | 0.1 | 44 | 0.0 | 245 | 0.0 |
| Total st. liabilities | 170,041 | 35.4 | 221,820 | 39.2 | 170,650 | 33.5 |
| Balance sheet total | 480,344 | 100.0 | 566,143 | 100.0 | 509,182 | 100.0 |

CASH FLOW STATEMENT

in the period from 1 October 2007 to 31 March 2008 (previous year for comparison)

| IN K€ | QI 20078 | QII 20078 | QIII 20067 | HI 20078 | HI 20067 |
|---|---------------|---------------|---------------|---------------|----------------|
| CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES | | | | | |
| FOREIGN EXCHANGE GAINS/(LOSSES) | 5,534 | -6,611 | 1,858 | -1,077 | 12,411 |
| Depreciation of fixed assets | 7,051 | 6,955 | 7,480 | 14,006 | 14,576 |
| Increase / (decrease) in provisions | 1,881 | 3,385 | -2,444 | 5,266 | -4,378 |
| Gains / (losses) from disposals of fixed assets | -19 | 41 | -104 | 22 | -213 |
| RESULTS PRIOR TO CHANGES IN NET CURRENT ASSETS | 14,447 | 3,770 | 6,790 | 18,217 | 22,396 |
| (Increase) / decrease in inventory | -1,836 | -5,378 | 4,247 | -7,214 | -1,935 |
| (Increase) / decrease in trade receivables | -2,328 | 18,036 | 880 | 15,708 | 9,081 |
| (Increase) / decrease in trade payables | -17,729 | -5,794 | -2,478 | -23,523 | -15,100 |
| (Increase) / decrease in other net current assets | 5,242 | -3,645 | -3,086 | 1,597 | -8,458 |
| NET CASHFLOW FROM CURRENT BUSINESS ACTIVITIES | -2,204 | 6,989 | 6,353 | 4,785 | 5,984 |
| (Outflow of) / Receipts of income taxes | -804 | 371 | -10,503 | -433 | -11,540 |
| NET CASHFLOW FROM ORDINARY BUSINESS ACTIVITIES OF CONTINUED OPERATIONS | -3,008 | 7,360 | -4,150 | 4,352 | -5,556 |
| CASHFLOW FROM INVESTMENT ACTIVITIES | | | | | |
| Investments in property, plant and equipment | -1,115 | -1,773 | -1,299 | -2,888 | -6,362 |
| Receipts from disposals of property, plant and equipment | 101 | 1,953 | 13 | 2,054 | 294 |
| Investments in intangible assets | 0 | -3 | -18 | -3 | -78 |
| Receipts from disposals of intangible assets | 0 | 0 | 0 | 0 | 0 |
| Investments in financial assets | -21 | 0 | 0 | -21 | -23 |
| Receipts from disposal of financial assets | 0 | 0 | 0 | 0 | 0 |
| Investments in subsidiaries | 0 | 0 | -149 | 0 | -18,626 |
| Receipts from disposal of subsidiaries | 0 | 0 | 0 | 0 | 0 |
| Dividends received | 0 | 0 | 0 | 0 | 0 |
| NET CASHFLOW FROM INVESTMENT ACTIVITIES OF CONTINUED OPERATIONS | -1,035 | 177 | -1,453 | -858 | -24,795 |
| CASHFLOW FROM FINANCING ACTIVITIES | | | | | |
| Receipts from capital contributions | -906 | -316 | 0 | -1,222 | 0 |
| Distributions to shareholders and minority interests | 0 | -6,150 | -6,204 | -6,150 | -6,204 |
| Receipts from taking out loans | 0 | 0 | 556 | 0 | 16,556 |
| Payments made for the discharge of bonds and loans | -4,477 | -11,418 | -12,334 | -15,895 | -24,364 |
| Increase / (decrease) in short-term liabilities to banks | 10,556 | 12,062 | 14,526 | 22,618 | 43,206 |
| Receipts from other long-term liabilities | 3 | 0 | 27 | 3 | 30 |
| Payments made for the discharge of other long-term liabilities | -113 | -120 | -101 | -233 | -326 |
| Group financing discontinued operations | 0 | 0 | 11,791 | 0 | 7,435 |
| Interest paid | -1,981 | -2,556 | -2,269 | -4,537 | -5,403 |
| NET CASHFLOW FROM FINANCING ACTIVITIES OF CONTINUED OPERATIONS | 3,082 | -8,498 | 5,992 | -5,416 | 30,930 |
| NET INCREASE / (DECREASE) IN CASH | -961 | -961 | 389 | -1,922 | 579 |
| EXCHANGE-RATE AND VALUATION-RELATED CHANGES TO CASH AND CASH EQUIVALENTS | | | | | |
| | 0 | 0 | 0 | 0 | 0 |
| CASH AT THE BEGINNING OF THE PERIOD | 2,637 | 1,676 | 2,148 | 2,637 | 1,958 |
| CASH AT THE END OF THE PERIOD | 1,676 | 715 | 2,537 | 715 | 2,537 |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

in the period from 1 October 2007 to 31 March 2008

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

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

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

in the period from 1 October 2006 to 31 March 2007

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

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

SELECTED NOTES

- GENERAL INFORMATION

The consolidated interim report for *schlott gruppe* for the reporting period from 1 October to 31 March 2008 has been prepared in accordance with International Financial Reporting Standards (IFRS) as required in the EU in compliance with IAS 34 Interim Financial Reporting. In addition, the provisions set out in DRS 6 Interim Financial Reporting have been observed accordingly.

The Interim Report for the Group takes into account all standards and interpretations applicable at 31 March 2008. The accounting policies applied to the interim report are essentially consistent with those used in the consolidated financial statements for the 2006/7 financial year. Departures from these accounting policies due to new or amended standards have been outlined in the section entitled *Accounting Policies*. In this case, the financial statements of previous reporting periods have been adjusted in order to ensure comparability.

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

Accruals and deferrals associated with seasonally induced income or expenses that do not arise on a regular basis are only recognised at the interim reporting date if such period-end adjustments were also deemed appropriate at the end of the financial year.

The consolidated interim reports of *schlott gruppe* are subject neither to audits by an auditor of consolidated financial statements nor to any form of examination by an auditing professional.

- CHANGES TO THE BASIS OF CONSOLIDATION

In addition to *schlott gruppe AG*, all significant domestic and foreign subsidiaries have been included in the consolidated group in the reporting period. The consolidated group remained unchanged compared with 30 September, 2007, with the following exception: Under the merger agreement of 27 November 2007, and in accordance with the resolutions passed by the contracting parties on the same day, FDS Energie GmbH was merged with u.e.sebald druck GmbH. This was recorded in the Commercial Register on 1 January 2008.

- DISCONTINUED OPERATIONS

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|---|--------------|--------------|-------------|-------------|
| Net sales | - | 21,028 | - | 44,336 |
| Total revenue | - | 20,837 | - | 44,668 |
| Value-added sales | - | 14,614 | - | 29,222 |
| EBITDA | - | 2,276 | - | 4,483 |
| EBITDA | - | 968 | - | 1,811 |
| EBT | - | 672 | - | 1,205 |
| Post-tax profit or loss | - | 711 | - | 1,177 |
| Net Cashflow attributable to ordinary business activities | - | 4,825 | - | 7,993 |
| Net Cashflow attributable to investment activities | - | (1,039) | - | (1,740) |
| Net Cashflow attributable to financing activities | - | (3,421) | - | (5,611) |

- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared on the basis of accounting policies that are consistent with those applied to the preceding consolidated financial statements at 30 September 2007. For a detailed description of these accounting policies, please refer to the Notes to the consolidated financial statements for 20067. The following new or revised and amended Standards and Interpretations, applicable as from January 1, 2007, have been considered for the first time:

Change to IAS 1 *Presentation of Financial Statements*

IFRS 7 *Financial Instruments: Disclosures*

IFRIC 10 *Interim Financial Reporting and Impairment*

IFRIC 11 *IFRS 2 Group and Treasury Share Transactions*

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

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

Amendments to IAS 32 *Financial Instruments: Presentation* Application for annual periods beginning on or after January 1, 2009

Amendments to IFRS 2 *Share-based Payment* Application for annual periods beginning on or after January 1, 2009

Revised version of IFRS 3 *Business Combinations* Application for annual periods beginning on or after July 1, 2009

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

- NOTES TO INCOME STATEMENT

The following disclosures relate solely to continued operations. The *direct marketing* segment is presented as discontinued operations.

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€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|---|---------------|---------------|----------------|----------------|
| Net sales | 111,651 | 122,477 | 239,119 | 244,856 |
| Change in inventories | 4,715 | (2,831) | 4,934 | 2,459 |
| Own expenses capitalized | 0 | 0 | 0 | 0 |
| Cost of raw materials, supplies and goods purchased | (46,783) | (45,066) | (94,558) | (88,607) |
| Cost of services purchased | (12,638) | (13,857) | (27,381) | (28,691) |
| Value-added sales | 56,945 | 60,723 | 122,114 | 130,017 |

Revenue is attributable to the following areas of operation:

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|--|----------------|----------------|----------------|----------------|
| Preprint | 966 | 888 | 1,993 | 2,276 |
| Gravure printing | 78,966 | 91,838 | 179,143 | 184,531 |
| Offset printing | 20,921 | 20,407 | 41,533 | 40,226 |
| Bindery | 10,631 | 8,915 | 16,152 | 16,950 |
| Business segment print | 111,484 | 122,048 | 238,821 | 243,983 |
| Business segment corporate services | 167 | 429 | 298 | 873 |
| Total | 111,651 | 122,477 | 239,119 | 244,856 |

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

| IN K€ | QII 20078 | QII 20077 | HI 20078 | HI 20067 |
|-------------------------------------|---------------|---------------|----------------|----------------|
| Business segment print | 56,025 | 59,686 | 120,266 | 127,841 |
| Business segment corporate services | 2,409 | 2,650 | 4,805 | 5,324 |
| Reconciliation | (1,489) | (1,613) | (2,957) | (3,148) |
| Total | 56,945 | 60,723 | 122,114 | 130,017 |

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|-----------------|----------------|----------------|----------------|----------------|
| Germany | 67,737 | 74,165 | 143,185 | 155,798 |
| Other Euro-Zone | 22,681 | 29,066 | 54,968 | 59,245 |
| Other Europe | 14,337 | 13,129 | 26,474 | 18,034 |
| RoW | 6,896 | 6,117 | 14,492 | 11,779 |
| Total | 111,651 | 122,477 | 239,119 | 244,856 |

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|-----------------|---------------|---------------|----------------|----------------|
| Germany | 34,570 | 37,698 | 78,420 | 90,360 |
| Other Euro-Zone | 12,364 | 15,201 | 25,448 | 26,884 |
| Other Europe | 7,583 | 6,294 | 13,587 | 9,128 |
| RoW | 2,428 | 1,530 | 4,659 | 3,645 |
| Total | 56,945 | 60,723 | 122,114 | 130,017 |

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

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€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|-----------------------------|---------------|---------------|----------------|----------------|
| Paper | 34,573 | 32,631 | 68,234 | 61,660 |
| Ink | 9,777 | 9,894 | 21,331 | 22,027 |
| Further processing | 3,701 | 3,419 | 7,702 | 6,674 |
| Bonuses and discounts | (1,268) | (878) | (2,709) | (1,754) |
| Purchased goods for resales | 12,638 | 13,857 | 27,381 | 28,691 |
| Total | 59,421 | 58,923 | 121,939 | 117,298 |

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

| IN TONNES | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|-----------------------------|----------------|----------------|----------------|----------------|
| Paper supplied by customers | 97,127 | 101,577 | 212,831 | 225,077 |
| Paper purchased | 47,820 | 43,318 | 94,811 | 85,545 |
| Total tonnage | 144,947 | 144,895 | 307,642 | 310,622 |

PERSONNEL EXPENSES

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

COST CUTTING PROGRAMME

schlott gruppe is currently executing a cost cutting programme for the gravure printing facilities located in Germany. The programme mainly consists of, among others, a reduction of the labour force by adjusting staff requirements, utilisation of various options within the collective wage agreement, and the outsourcing of helper functions to external service providers. During the second quarter the programme caused charges of €6.3 million. This sum essentially covers short-term provisions of €6.0 million.

OTHER OPERATING EXPENSE

Other operating expense is categorised as follows:

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|---|---------------|---------------|---------------|---------------|
| Maintenance expenses | 4,581 | 4,735 | 8,821 | 8,922 |
| Rental and leasing expenses | 1,319 | 1,372 | 2,479 | 2,563 |
| Fringe benefits and expenses for temporary employment | 2,130 | 1,711 | 4,502 | 4,031 |
| Sales and marketing expenses | 6,425 | 5,598 | 12,405 | 10,782 |
| Miscellaneous expenses | 4,122 | 3,871 | 8,342 | 8,419 |
| Total | 18,577 | 17,287 | 36,549 | 34,717 |

SYSTEMATIC DEPRECIATION / AMORTISATION EXPENSE

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|--------------------------------|--------------|--------------|---------------|---------------|
| Intangible assets | 175 | 127 | 357 | 457 |
| Property, plant, and equipment | 6,722 | 7,279 | 13,517 | 13,979 |
| Investment properties | 58 | 74 | 132 | 140 |
| Total | 6,955 | 7,480 | 14,006 | 14,576 |

TAXES ON INCOME

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|----------------------------|--------------|--------------|--------------|--------------|
| Current income tax expense | 315 | 1,395 | (303) | (1,775) |
| Taxes for prior years | (39) | (3) | (155) | 5,264 |
| Deferred taxes | 2,125 | (672) | 1,733 | (1,309) |
| Total | 2,401 | 720 | 1,275 | 2,180 |

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

EARNINGS PER SHARE

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|--|--------------|--------------|--------------|-------------|
| Net income from continued operations (in €) | (6,571,134) | 114,326 | (4,515,805) | 10,067,615 |
| Number of shares eligible for dividends | 6,132,853 | 6,204,200 | 6,132,853 | 6,204,200 |
| Net income per share (in €) | -1.07 | 0.02 | -0.74 | 1.62 |
| Undiluted average number of shares | 6,164,969 | 6,204,200 | 6,164,969 | 6,204,200 |
| Undiluted net income per share from continued operations (in €) | -1.07 | 0.02 | -0.73 | 1.62 |
| Diluted average number of shares | 6,164,969 | 6,204,200 | 6,164,969 | 6,204,200 |
| Diluted net income per share from continued operations (in €) | -1.07 | 0.02 | -0.73 | 1.62 |

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

| IN K€ | QII 20078 | QII 20067 | HI 20078 | HI 20067 |
|---|--------------|--------------|-------------|-------------|
| Net income from discontinued operations (in €) | 0 | 711,029 | 0 | 1,176,779 |
| Number of shares eligible for dividends | 6,132,853 | 6,204,200 | 6,132,853 | 6,204,200 |
| Net income per share (in €) | 0.00 | 0.11 | 0.00 | 0.19 |
| Undiluted average number of shares | 6,164,969 | 6,204,200 | 6,164,969 | 6,204,200 |
| Undiluted net income per share from discontinued operations (in €) | 0.00 | 0.11 | 0.00 | 0.19 |
| Diluted average number of shares | 6,164,969 | 6,204,200 | 6,164,969 | 6,204,200 |
| Diluted net income per share from discontinued operations (in €) | 0.00 | 0.11 | 0.00 | 0.19 |

- NOTES TO THE BALANCE SHEET

The *direct marketing* business unit was disposed of in the third quarter of the previous financial year. In the comparative balance sheet as at 31 March 2007, the assets and liabilities of the business unit were reclassified as "Non-current Assets/Disposal Groups Held for Sale" and "Liabilities Related Directly to Non-current Assets/Disposal Groups Held for Sale".

PROPERTY, PLANT AND EQUIPMENT

Changes to property, plant and equipment are outlined below:

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|--|------------------|------------------|------------------|
| Total at the beginning of the period | 307,548 | 342,365 | 342,365 |
| Translation differences | 855 | 285 | 575 |
| Additions | 2,888 | 7,917 | 12,650 |
| Additions due to changes in the scope of consolidation | 0 | 31,421 | 26,465 |
| Disposals | (109) | (455) | (916) |
| Disposals due to changes in the scope of consolidation | 0 | 0 | (43,479) |
| Disposals of assets classified as held for sale | 0 | (42,538) | 0 |
| Transfers | 0 | (215) | (52) |
| Value decreases | (13,517) | (16,548) | (30,060) |
| Total | 297,665 | 322,232 | 307,548 |

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

INVESTMENT PROPERTY

In the period under review, investment property – former company buildings leased to other parties – were disposed of at the Plauen and Landau sites. The assets disposed of by the company had a residual book value of €1,960 thousand. The book loss on disposal was €48 thousand. No additions were recorded. No additions or disposals were recorded in the same period a year ago; an amount of €1,235 thousand was reclassified as "Non-current Assets/Disposal Groups Held for Sale".

INVENTORIES

The increase in inventories is caused by a higher stock in unfinished print products by the reporting date.

TAX ASSETS

Tax assets are as follows:

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|----------------------|------------------|------------------|------------------|
| Corporate income tax | 4,509 | 5,021 | 4,552 |
| Business tax | 2,481 | 2,150 | 2,330 |
| Total | 6,990 | 7,171 | 6,882 |

CURRENT RECEIVABLES AND OTHER ASSETS

Individual trade receivables amounting to €3,203 thousand were collected prior to the due date as part of a forfaiting agreement. The receivables sold under this agreement are not accounted for in the balance sheet.

Other assets are categorised as follows:

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|--|------------------|------------------|------------------|
| Creditors with debit balances | 0 | 0 | 678 |
| Receivables Österreichische Post | 0 | 0 | 7,745 |
| Turnover bonuses from suppliers | 1,638 | 1,433 | 1,512 |
| Market value of derivative instruments | 1,537 | 1,134 | 345 |
| Others | 3,484 | 2,258 | 3,068 |
| Total | 6,659 | 4,825 | 13,348 |

ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|------------------------|------------------|------------------|------------------|
| Goodwill | 0 | 5,367 | 0 |
| Fixed Assets | 0 | 42,538 | 0 |
| Deferred taxes | 0 | 1,627 | 0 |
| Other longterm assets | 0 | 1,789 | 0 |
| Inventories | 0 | 2,426 | 0 |
| Accounts receivable | 0 | 11,052 | 0 |
| Other shortterm assets | 0 | 2,871 | 0 |
| Total | 0 | 67,670 | 0 |

EQUITY

The share capital of *schlott gruppe AG* amounts to €18,612,600 and is divided into 6,204,200 no-par-value shares. At the reporting date, *schlott gruppe AG* held 71,347 treasury shares.

On 26 February 2008, the Annual General Meeting of Shareholders adopted the proposal put forward by the Management Board by passing a resolution for the distribution of €6,150 thousand to shareholders, taken from the unappropriated surplus (distributable profit) of the 2006/7 financial year. This corresponds to a dividend of €1.00 per share entitled to participate in dividends. After the temporary suspension of the share buy-back programme between 14 January and 27 February 2008, the share buy-back arrangement was resumed effective from 3 March 2008, for the period ending 30 September 2008, on the basis of the new authorisation granted by the General Meeting of Shareholders of 26 February 2008. Changes in equity of *schlott gruppe* are outlined in the Statement of Changes in Equity on page 23 et seq.

OTHER NON-CURRENT LIABILITIES

At the end of the quarter, other non-current liabilities included liabilities of €16 thousand (previous year: €120 thousand) from financial leasing.

OTHER NON-CURRENT PROVISIONS

There were no significant changes to the structure of other non-current provisions as at 31 March 2008 or the corresponding balance sheet date of the preceding financial year.

DEFERRED TAXES

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

CURRENT LIABILITIES

The current portion of long-term loans from banks amounts to €31,744 thousand (previous year: €27,098 thousand). The remaining amount is attributable to current bank overdrafts.

OTHER CURRENT LIABILITIES

Other current liabilities include the following items:

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|--|------------------|------------------|------------------|
| Tax liabilities | 2,001 | 3,890 | 4,339 |
| Liabilities in connection with social security | 748 | 627 | 853 |
| Liabilities to employees | 4,208 | 4,503 | 4,468 |
| Market value of derivative instruments | 520 | 80 | 154 |
| St. portion of other lt. liabilities | 149 | 488 | 392 |
| Others | 684 | 977 | 3,607 |
| Total | 8,310 | 10,565 | 13,813 |

OTHER CURRENT PROVISIONS

Other current provisions are categorised as follows:

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|---------------------------------|------------------|------------------|------------------|
| Personnel | 11,681 | 12,081 | 15,086 |
| Cost cutting programme | 5,988 | 0 | 0 |
| Outstanding suppliers' invoices | 5,265 | 3,261 | 2,261 |
| Contingent losses | 4,862 | 4,899 | 4,636 |
| Rehabilitation liabilities | 210 | 566 | 529 |
| Others | 5,387 | 6,311 | 5,538 |
| Total | 33,393 | 27,118 | 28,050 |

LIABILITIES RELATED DIRECTLY TO ASSETS HELD FOR SALE

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

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|------------------------------|------------------|------------------|------------------|
| Long-term debt due to Banks | 0 | 9,440 | 0 |
| Long-term provisions | 0 | 3,243 | 0 |
| Deferred taxes | 0 | 5,296 | 0 |
| Other long-term liabilities | 0 | 475 | 0 |
| Accounts payable | 0 | 4,451 | 0 |
| Short-term debt due to banks | 0 | 11,385 | 0 |
| Short-term provisions | 0 | 6,385 | 0 |
| Other short-term liabilities | 0 | 2,293 | 0 |
| Total | 0 | 42,968 | 0 |

- NOTES TO CASH FLOW STATEMENT

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

- NOTES TO SEGMENT REPORTING

Classified as discontinued operations, the *direct marketing* segment is no longer included in segment reporting.

- OTHER NOTES

CONTINGENT LIABILITIES

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

| IN K€ | 31 MARCH 2008 | 31 MARCH 2007 | 30 SEPT. 2007 |
|------------------------------|------------------|------------------|------------------|
| Guarantees / warranties | 1 | 1 | 1 |
| Orders placed with suppliers | 33,319 | 32,328 | 28,493 |

Open orders primarily consist of raw materials and supplies.

- RELATED PARTY TRANSACTIONS

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

- CONFIRMATION BY THE COMPANY'S MANAGEMENT

We confirm that, to the best of our knowledge, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the group management report gives a true and fair view of business performance including the results of operations and the situation of the Group, and describes the main opportunities and risks and anticipated development of the Group in accordance with applicable financial framework for interim financial reporting.

FREUDENSTADT, 6 MAY 2008
SCHLOTT GRUPPE AKTIENGESELLSCHAFT

THE MANAGEMENT BOARD

BERND ROSE

HEIKO ARNOLD

WERNER REISER

ADAM VALERY

- MANAGEMENT AND SUPERVISORY BOARD

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

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

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

- FINANCIAL CALENDAR

| | |
|---|----------------|
| Preliminary figures Interim Report III 2007/8 | 23 July 2008 |
| Interim Report III 2007/8 | 06 August 2008 |

- YOUR CONTACT

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The report is published in German and as an English translation. In the event of any conflict or inconsistency between the English and the German versions, the German original shall prevail.