

: PRESS RELEASE

***schlott gruppe* announces preliminary results for Q1 2009/10 in line with expectations**

- > **Value-added sales and earnings for Q1 2009/10 as planned**
- > **Challenging market environment continues**
- > **Current cost-reduction programme underway,
first positive effects**
- > **Continuing negotiations with staff representatives**

Freudenstadt, 27 January 2010. *schlott gruppe* completed the first quarter of its 2009/10 financial year in line with forecasts. The interim financial statements for the first quarter are to be published on 3 February 2010.

The general business trend within the area of web-fed printing remains extremely challenging. Demand for print products has stagnated at the level witnessed throughout the recession, while the fundamental problem of continued pressure on prices has been further compounded by excess capacities within the printing industry as a whole.

In the three months ended 31 December 2009, which corresponds to the first quarter of the company's current 2009/10 financial year, *schlott gruppe* generated value-added sales (VAS) of €46.8 million, down from €56.9 million in the same quarter last year. This corresponds to a year-on-year decline of 17.8 per cent. At the same time, total tonnage contracted by 13.6 per cent, from 153.2k tonnes a year ago to 132.4k tonnes in three months just ended. But a simple comparison of VAS and

tonnage does not exactly mirror the dimension of the price pressure. The trend in customers' demand towards thinner and thus lighter weighted paper is resulting in a noticeable decline in grammage. Total tonnage thus declines at a more pronounced rate than the actual area of paper printed. *schlott gruppe* generated revenue of €87.0 million in the first quarter of 2009/10, compared to €106.6 million in the same period a year ago.

The decline in tonnage during the first quarter underlines the necessity of the decided capacity reductions. The capacity reduction measures resulting in a 20 per cent overall capacity decline are scheduled to begin during the second quarter. Together with additional cost cutting and restructuring measures the capacity reduction will contribute to future profitability of *schlott gruppe*.

The cost-reduction and restructuring measures initiated by the company produced some positive effects over the course of the quarter, with major items such as personnel and other operating expenses being scaled back significantly. Although these measures helped to restrict the adverse operational effects associated with a sluggish market, they were unable to offset them completely.

In aggregate, EBT before restructuring expenses fell to €-1.7 million, down from €2.9 million a year ago. Restructuring expenses amounted to €2.6 million, compared to €0.1 million in the previous year. Including this expense, EBT was €-4.3 million, down from €2.8 million a year ago.

The print segment generated VAS of €46.5 million in the first quarter of 2009/10, after €55.8 million a year ago; segment EBT before restructuring charges was €-0.5 million, compared to €4.1 million;

including charges, EBT was €-1.3 million, compared to €4.0 million. The corporate services segment, whose activities are restricted to providing intragroup services, remained in line with targets.

As regards the current financial year, the Management Board anticipates that the continuation of the challenging overall market situation will contract volumes further. The focus of our efforts is thus clearly oriented towards a consequent execution of the announced capacity reductions. Although earnings performance in the current financial year is expected to benefit from the cost-reduction measures initiated by *schlott gruppe*, the full effects of this programme are unlikely to be seen until the subsequent years, i.e. from fy 2011/12. Within this context, the company will incur costs associated with the restructuring measures already agreed. Against this backdrop, the Management Board anticipates that EBT is again likely to be well below break-even in fiscal 2009/10, both before and after restructuring charges.

Negotiations between the company and staff representatives will continue within the framework of the restructuring programme. First results are expected during the second quarter of the current financial year. Management remains adamant that significant cutbacks on all levels are unavoidable when it comes to safeguarding the future of the company.

The necessary streamlining measures are painful, and all those involved will be required to make significant contributions. However, drawing on the package of measures initiated by the company, the Management Board is confident that *schlott gruppe* will be successful in addressing

the issue of structural change within the European gravure printing industry and returning to sustainable profitability.

Within the parameters of expected business development, financing with regard to the company's operating activities and restructuring measures has been secured up until the financial year 2011/12. As part of the financing concept drawn up by the company, *schlott gruppe* made a seasoned equity offering at the end of December 2009 for the purpose of raising additional capital. Within this context, both the principal shareholders and external capital providers of *schlott gruppe* made a significant contribution to the company's future and thus confirmed their confidence in the entrepreneurial prospects of *schlott gruppe*.

Notes to financial data:

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. In contrast to paper purchased directly by the company, paper supplied by customers is not included in the accounts of *schlott gruppe*. In the 2008/9 financial year, the paper provision ratio stood at 75.2 per cent. As a financial indicator, "value-added sales" eliminates fluctuations relating to paper supplied by customers, thus reflecting the actual sales performance.

For further information, please contact:

schlott gruppe AG	Wittlensweilerstraße 3
Marco Walz	72250 Freudenstadt
Investor Relations & PR	GERMANY
Phone: +49 7441 531-230	marco.walz@schlottgruppe.de
Fax: +49 7441 531-204	www.schlottgruppe.de