



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM REPORT I 2003/04

REPORT ON THE FIRST THREE MONTHS AS OF DECEMBER 31, 2003

Q I

INTERIM REPORT I 2003/04

OF SCHLOTT GRUPPE AG

REPORT ON THE FIRST THREE MONTHS AS OF DECEMBER 31, 2003

- *Good start of new fiscal year*
- *Tonnage up 2.2 % on the previous year*
- *Higher proportion of paper supplied by customers leads to lower sales reported*
- *Decline in EBT as expected and announced: Only due to lower other operating income*

KEY PERFORMANCE INDICATORS OF THE GROUP AS AT DECEMBER 31

IN MILLION €; IAS/IFRS, unaudited	Q I 2003/04		Q I 2002/03		Gj. 2002/03	
		% share		% share		% share
Sales	160.5	99.7	171.5	96.2	613.7	95.7
Total revenues	160.9	100.0	178.3	100.0	641.4	100.0
EBITDA	18.2	11.3	24.0	13.5	65.8	10.3
EBITA	9.2	5.7	14.7	8.2	31.4	4.9
EBIT	7.9	4.9	13.6	7.6	25.6	4.0
EBT	6.1	3.8	10.5	5.9	12.9	2.0
Net income for the period	3.1	1.9	4.4	2.4	4.7	0.7
Earnings per share in €	0.50	—	0.80	—	0.76	—
Headcount (reporting date)	4,324	—	4,469	—	4,380	—

IN MILLION €; IAS/IFRS, unaudited	31.12.2003		31.12.2002		30.09.2003	
		% share		% share		% share
<i>Non-current assets</i>	427.9	78.9	408.1	77.0	430.6	78.2
Goodwill	87.0	16.0	75.4	14.2	88.4	16.1
<i>Current assets</i>	109.2	20.2	119.5	22.6	116.0	21.1
Trade receivables	63.0	11.6	70.2	13.2	64.5	11.7
Cash and cash equivalents	4.5	0.8	4.4	0.8	2.9	0.5
<i>Deferred tax assets</i>	1.8	0.3	1.2	0.2	1.8	0.3
<i>Prepaid expenses</i>	3.2	0.6	1.1	0.2	2.0	0.4
<i>Equity</i>	128.7	23.7	128.2	24.2	125.5	22.8
<i>Borrowed capital</i>	377.5	69.7	375.0	70.8	388.8	70.6
Provisions	72.1	13.3	72.8	13.7	77.0	14.0
Liabilities to banks	236.5	43.6	229.0	43.2	221.7	40.3
Trade payables	30.3	5.6	30.9	5.8	50.4	9.2
<i>Deferred tax liabilities</i>	31.5	5.8	20.6	3.9	31.5	5.7
<i>Deferred income</i>	4.4	0.8	6.1	1.2	4.7	0.9
<i>Total assets / shareholders' equity and liabilities</i>	542.1	100.0	529.9	100.0	550.5	100.0

LETTER TO SHAREHOLDERS

— DEAR SHAREHOLDERS AND READERS

We entered fiscal 2003/04 on an upbeat note, laying the foundations for strong growth this year, with EBT up 50 percent to around € 20 million and free cash flow of some € 30 million.

Our business performance in the first quarter demonstrates that our internal optimization measures are unleashing their effect, with the result that we are now very well positioned. Adjusted for the non-recurring effects arising in earlier years, the profitability of production activities has improved substantially. Accordingly, we are facing the tasks lying ahead over the next few months optimistically.

For the first time since moving to our new location at Nürnberger Hafen gravure printing capacity had almost fully reached its previous level in the first quarter. We managed to achieve full utilization of the available capacity. This was in spite of the mixed picture still being painted by the economic indicators. Consequently, we stand to benefit to an above-average degree from a recovery in the overall economy thanks to our favorable cost structures.

We are observing recent trends in the gravure printing market with confidence and see confirmation for our view that a radical shakeout of the European gravure printing market is necessary. We took precautions for this as far back as at the beginning of the nineties and are now positioned to play a role as one of the active forces in the consolidation process. Our acquisition strategy is clearly focused on growth and creating added value both for us and our customers.

FEBRUARY 13, 2004

THE MANAGEMENT BOARD

BUSINESS DEVELOPMENT

— BUSINESS ENVIRONMENT

- *Advertising sector bottoming out and facing 2004 with optimism*
- *Business confidence barometer for the printing industry up for the sixth month running*

The global economy continued to slightly recover in the fourth quarter of 2003, with the industrial nations as a whole achieving growth of some 2 percent in all of 2003. The nascent upswing in the United States and the recovery of the Japanese economy proved to be the driving forces for this trend. By contrast, the Euro-zone economy was less robust, with economic output rising by only a meager 0.5 percent according to OECD figures.

Turning to 2004, the research institutes uniformly project an appreciable recovery in the economy both in Europe as a whole and in Germany with growth rates of between 1.5 and 2.0 percent. After two very weak years, the German advertising sector bottomed out in 2003. Thus, according to Nielsen Media Research, spending on conventional advertising rose by 3.3 percent last year. Daily newspapers as a whole recorded an increase of a good 10 percent. On the other hand, advertising revenues from general-interest and specialist magazines, a substantial part of our business, contracted by 2.0 and 2.5 percent, respectively.

The industry associations are optimistic about 2004. Thus, the German Federal Advertising Association projects a solid recovery for the sector and has revised its forecast upwards. As a result, it is now expecting an increase of 1–2 percent in advertising spends to a good € 30 billion. Meanwhile, the Federal Association of Communications Agencies is looking for expansion in excess of GDP growth rate. As well as this, the German Association of Newspaper Publishers sees signs of stabilization in advertising revenues and projects a slight increase of 1–2 percent.

The German printing industry will also benefit from these upbeat conditions in 2004 and, according to the German Federal Printing and Media Association, expects to see higher production volumes and revenues. The association's most recent report on the state of the economy reveals that companies are increasingly optimistic about the outlook for their business. This is reflected in the business confidence barometer for the printing industry, which has risen for the sixth consecutive month.

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— EMPLOYEES

- *Headcount lowered in line with plans*
- *Focus on flexibility in working hours*

In fiscal 2002/03, we implemented extensive optimization and cost-cutting measures including adjustments to personnel. Although these activities were completed on September 30, 2003, they are continuing to affect the current fiscal year as the applicable notice periods have not yet expired. As a result of this effect, our headcount dropped to 4,324 as of December 31, 2003, down from 4,380 on September 30, 2003. The reduction took mainly place in the business segment *high performance printing* with 15 staff at foreign locations and 41 at domestic sites.

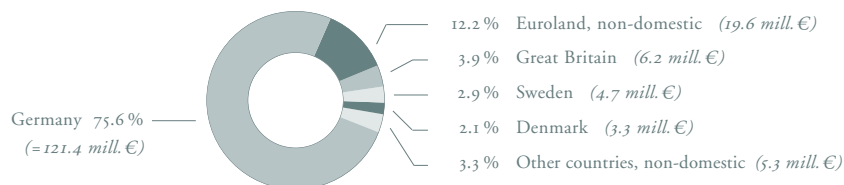
In addition, activities in the personnel area concentrated on the implementation of flexible working hours. Thus, we have now introduced working hour accounts at all gravure printing facilities, allowing us to react to individual capacity utilization levels at these sites to a certain extent. Such flexible working hours have been in use in the other areas for quite some time now.

At the same time, we are permanently reviewing and optimizing all other working-hour arrangements in the light of production-process requirements. As the wage settlements agreed upon in the previous year are valid for two years, we have a reliable basis for budgeting personnel costs this fiscal year.

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REGIONAL SALES BREAKDOWN IN INTERIM REPORT I 2003/04

100 percent = 160.5 mill. €



— BUSINESS DEVELOPMENT

- *EBT on production up very substantially*
- *Reported EBT of € 6.1 million, down from € 10.5 million in the previous year, due to € 6.8 million reduction in other operating income.*

schlott gruppe got off to a favorable start to fiscal 2003/04. In the first quarter from October through December, we matched our internal forecasts in full. At the same time, the preliminary positive signals being emitted by the sector as a whole stabilized, auguring well for the future.

The strong first quarter continued on seamlessly from the very favorable final quarter of the previous fiscal year ending September 30. This suggests that a sustained trend has emerged. As expected, our largest division — *high performance printing* — underpinned our business performance thanks to very high capacity utilization.

This year, *schlott gruppe's* figures will be affected by the relocation of a gravure machine for the last time. By contrast, other extraordinary factors such as the consequences of a fire, conversion to IAS/IFRS accounting as well as the optimization program had left traces on earlier years' figures.

With the relocation of the final gravure machine at the new site, the beginning of the quarter marked the last time during which capacity was not available for production. This concerned a period of five weeks in the first quarter involving roughly 2,000 tons of capacity. At the beginning of November, the machine went into production as scheduled at the new Nürnberger Hafen site. Thus, the new production site was completed in full in record time.

There were no other non-recurring factors. However, any comparison of the current fiscal year with last year must make allowance for the non-recurring factors of last year. In addition, our business is fundamentally characterized by the pronounced cyclicity of business during the year as well as fluctuation in sales on account of the changed behavior of our customers with respect to the provision of paper.

In order to further improve the transparency of our reports, we have included detailed figures on total paper tonnage as well as the basis for *schlott gruppe's* current paper provision ratio for the first time in the tables appended to this report.

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In the first quarter, the total tonnage processed came to 159.8 k tons, an increase of 2.2 percent over the previous year (156.3 k). This is the sole relevant parameter for our value added. At the same time, substantially more customers bought paper themselves and provided it for the printing process. As a result, the paper-provision ratio rose from 65.8 percent to 73.8 percent. Consequently, we bought only 41.8 k tons of paper for onward charging to customers, down from 53.5 k tons in the previous year.

The considerably higher paper-provision ratio as well as the lack of machine capacity are to blame for the decline in consolidated sales from € 171.5 million in the previous year to € 160.5 million in the first quarter of this year. Paper essentially figures as a transitory item under sales and cost of materials on our income statement and thus has no impact on our earnings. Reflecting the lower volume of paper bought, the cost of materials thus contracted to € 50.9 million in the first quarter (previous year: € 61.6 million).

Other operating income is the second main parameter for interpreting our earnings in the first quarter. Over the last few years, this item has been very high particularly on account of machine fires, the effects of adopting IAS/IFRS accounting as well as the optimization program, as explained in the individual reports. This year, we expect this item to show a sustainable level for the first time again, dropping from € 29.7 million in the previous year to below € 10 million for the year as a whole.

As announced, the first quarter saw a pronounced drop in this item compared to the extraordinarily high level of other operating income in the year-ago quarter. Thus, it declined by € 6.8 million from € 9.2 million in the previous year to € 2.4 million this year. As a result, EBT in the first quarter was down on the year-ago figure as announced, contracting from € 10.5 million to € 6.1 million.

If it had not been for this effect, the strong productivity gains which we have now achieved would have shown up in full in our figures. Thus, personnel expenses in the first quarter dropped in absolute terms from € 54.7 million to € 53.9 million in spite of the higher tonnage. At € 21.6 million, other operating expenses also remained steady at the previous year's level (€ 21.8 million).

Scheduled depreciation contracted from € 9.4 million to € 9.0 million on account of the expiry of a number of depreciation periods in the production area as well as the reorganization of subsidiaries at the end of last fiscal year. Goodwill amortization rose slightly from € 1.1 million to € 1.3 million following the final valuation of the broschek group for the purposes of the annual financial statements for fiscal 2002/03.

Net financial result took considerable pressure off earnings. Expenses contracted from € 3.0 million in the previous year to € 1.8 million this year, buoyed by currency gains of € 0.9 million (previous year € 0.1 million). At € 2.8 million, interest expenditure was also down (previous year: € 3.1 million).

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All currency transactions are tied closely to operative business. We hedge orders as soon as we place them on the books. If the exchange rate then moves against us, we lose the earnings contribution on the order but gain the same volume of income from the hedge.

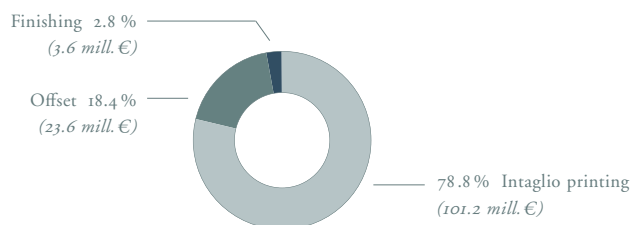
In accordance with the recommendations issued by Deutsche Börse, we reported net income/loss on currency hedges as part of net financial result as of the second quarter of last year. Prior to this, it had been assigned to other operating income. As a result, the adjusted EBITDA, EBITA and EBIT figures included in this report for the first quarter of 2002/03 deviate slightly from the figures reported last year.

As announced, the tax rate decreased substantially from 58.6 to 49.1 percent leading to the expected disproportionately strong growth in net income this fiscal year. It will substantially outstrip projected EBT growth of 50 percent. Profit in the first quarter of the year came to € 3.1 million, down from € 4.4 million in the previous year.

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SALES BREAKDOWN OF HIGH PERFORMANCE PRINTING IN INTERIM REPORT I 2003/04

100 percent = 128.4 mill. €



— SEGMENT REPORT

- Capacity utilization in high performance printing exceeding previous year and budget
- Decline in other operating income unleashing its effect mainly in high performance printing
- direct marketing up in the course of the quarter

Segment reporting comprises the *high performance printing*, *direct marketing* and *digital services* divisions as well as *corporate services*. This latter item includes all the activities of the service companies including the holding company. Sales and earnings in *corporate services* are derived solely from the internal charging of services as well as cost allocation. Accordingly, we will not be dealing with them here in detail.

Segment report for the period October 1 to December 31, (IAS/IFRS, unaudited)

IN MILL. €	high performance printing		direct marketing		digital services		corporate services/ Holding		Total		Reconciliation		Group	
	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03
Sales	128.4	137.7	31.8	33.5	1.5	1.2	3.1	3.3	164.9	175.6	-4.4	-4.2	160.5	171.5
EBIT	8.4	13.3	1.4	3.4	-0.1	-0.1	-0.6	-0.8	9.1	15.8	-1.2	-2.2	7.9	13.6
St. interest result	-0,2	-0,5	-0,3	-0,3	0,0	0,0	-0,4	-0,1	-0,9	-0,9	0,0	0,0	-0,9	-0,9
Segment earnings	8.2	12.8	1.1	3.1	-0.1	-0.1	-1.0	-0.9	8.2	14.9	-1.2	-2.2	7.0	12.7
Lt. interest result	-0,9	-1,1	-0,1	0,0	0,0	0,0	-0,8	-1,2	-1,8	-2,3	0,0	0,0	-1,8	-2,3
Currency gains/losses	0.8	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.9	0.1	0.0	0.0	0.9	0.1
EBT	8.1	11.8	1.1	3.1	-0.1	-0.1	-1.8	-2.1	7.3	12.7	-1.2	-2.2	6.1	10.5
Headcount*	2,746	2,902	1,400	1,395	65	48	113	124	4,324	4,469	—	—	4,324	4,469

* (reporting date)

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We converted our segment earnings from EBT to EBIT due to the fact that IAS 14 stipulates that long-term financing costs in particular should not be included in segment earnings. However, as we are in a capital intensive business these costs are of key importance for assessing the profitability of a segment. We will therefore in future also show a reconciliation from the segment earnings according to IAS to the segment EBT. The latter will be discussed in the following analysis of segmental development.

In the first quarter of the current fiscal year, sales in the *high performance printing* division came to € 128.4 million, down on the year-ago figure of € 137.7 million. This, as already described in the “Sales” section, is primarily due to the changed paper-provision ratio as well as capacity shortfalls. By contrast, tonnage and, thus, capacity utilization, were up year on year.

To continue our extended reporting on the breakdown of sales in the *high performance printing* division, we will now also be including precise figures for gravure, offset and post-production business in our interim reports during the fiscal year. In the first quarter of this fiscal year, the relative contributions to sales by the individual segments were essentially unchanged over the previous year. At just under 80 percent, gravure printing accounts for the lion's share of business and is thus the sales mainstay for the *high performance printing* division. On a very encouraging note, however, the positive effects of the optimization program also came into evidence in the offset segment in the first quarter of 2003/04. In fact, this segment passed the break-even threshold.

Segment EBT in the *high performance printing* division as a whole came to € 8.1 million in the first quarter, down from € 11.8 million one year earlier. This decline must be seen in the light of the fact that the € 6.8 million drop in other operating income on the group level was predominantly caused by this division. Adjusted for this effect, segment earnings would have risen sharply.

This substantial increase in profitability from production operations was primarily due to the greater capacity utilization compared with the previous year, which was in line with forecasts for this quarter. The performance of the *high performance printing* division supports our view that we stand to benefit even from the slightest recovery in the overall economy. This will result in higher print runs and volumes for our existing customers' products, thus heightening our capacity utilization. Beyond the break-even threshold, every additional ton of capacity utilization means above-average margin contribution as our variable costs are low.

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The headcount in this segment testifies to the substantially improved cost structures, standing as it does at 2,746 at the end of the first quarter (previous year: 2,902). This is equivalent to a reduction of 46 compared with the end of last fiscal year. As already stated, the adjustments adopted last year are still taking effect on account of the step-by-step expiry of the notice periods.

After a moderate start to the year, the *direct marketing* division picked up momentum in the course of the quarter. Even so, the improvement was not quite strong enough to ensure a return to the previous year's figures. Thus, sales contracted from € 33.5 million in the first quarter of 2002/03 to € 31.8 million in the first quarter of this year. As a result, segment EBT dropped sharply from € 3.1 million to € 1.1 million.

The upward trend in the course of the quarter shows that the *direct marketing* division is headed in the right direction particularly as the positive impact on earnings stemming from the relocation of labor-intensive processes at our plant in the Czech Republic will strengthen as the year proceeds.

In addition, measures aimed at reducing losses at our two subsidiaries in Poland and the UK as well as at *dialog concept* will increasingly unleash their effects in the course of the fiscal year. Finally we expect to be able to boost our very profitable existing customer base by developing a large volume of business with new customers again as well.

After the substantial changes to staff resources last fiscal year, the headcount in the *direct marketing* division remained largely unchanged in the first quarter of this fiscal year. At the end of the quarter, we had 1,400 employees on our books, down from 1,409 on September 30, 2003 and up from 1,395 at the end of the year-ago quarter. In fiscal 2002/03, we had recruited 119 new employees at our Czech site, but trimmed the headcount at our other facilities by a total of 159.

The *digital services* division performed satisfactorily, with sales rising from € 1.2 million to € 1.5 million as planned. We are continuing to plow profits back into this division to nudge it towards the break-even threshold. Accordingly, at € 0.1million, the loss at the EBT level was unchanged over the previous year. Similarly, the headcount of 65 was almost identical to the level at the end of fiscal 2002/03 (66). A total of 48 people were employed in this segment in the first quarter of the previous year.

At the beginning of the fiscal year, we completed or continued to work on a series of attractive projects offering potential for the future. One notable example was the toy exhibition in Nuremberg, for which we developed and implemented a marketing concept on the basis of the expertise amassed by our three divisions. We also demonstrate digital media competence in strategic projects with Deutsche Post AG, in which, for example, mailing shots are automatically checked for machine-readability.

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— BALANCE SHEET, CASH FLOW AND CAPITAL SPENDING

- *Cash Flow lower due to smaller profit in the quarter*
- *Reduction of trade payables by € 20.0 million solely from internally generated cash*

Cash flow for the first quarter reflects the weaker earnings caused by lower other operating income. As a result, cash flow before changes to net current assets contracted by € 5.3 million over the year-ago quarter to € 14.2 million.

Thanks to very favorable trends in short-term current assets, however, this change was also retained in cash flow from operating activities. This could be achieved even though, as announced, we reduced the yet high level of trade payables on previous year's balance-sheet (as of Sep. 30, 2003) by no less than € 20.0 million (QI 2002/03: € 8.7 million) in the current year's first quarter. In other words, the additional funds for reducing these liabilities were derived from inflows from the reduction in other net current assets. The cash flow from operating activities came to € 0.7 million, down from € 5.7 million. After tax, the cash flow from operating activities stood at a negative € 1.4 million, marking a swing away from the positive € 4.3 million in the previous year.

A sum of € 7.9 million was spent on property, plant and equipment in the first quarter, falling only slightly short of the previous year's figure of € 8.3 million. Even so, a considerable amount of pressure will be taken off cash flow from investing activities this year. Thus, whereas we spent a total of € 47.9 million last fiscal year, we expect to achieve a figure of only around € 25 million this year.

All told, at € 7.8 million cash flow into investment activities was substantially lower than in the previous year (€ 22.4 million) due to the absence of any payments for the acquisition of subsidiaries. Financing requirements in the quarter were covered by raising short-term bank liabilities, as a result of which cash flow from financing activities stood at € 11.0 million, down from € 20.3 million.

These changes are reflected on the balance sheet in non-current assets of € 427.9 million, down from € 430.6 million at the end of fiscal 2002/03. Current assets were valued at € 109.3 million, down from € 116.0 million. The lower funds commitment is particularly reflected in trade receivables: At the end of the first quarter, which is characterized by high capacity utilization, we typically have a high volume of trade receivables. At € 63.0 million, receivables were actually down slightly on the end of fiscal 2002/03 (€ 64.5 million) and very substantially lower than at the end of the year-ago quarter (€ 70.2 million).

All told, total assets shrank from € 550.5 million at the end of last fiscal year to € 542.1 million at the end of the first quarter. This together with net income for the first quarter caused the equity ratio to rise from 22.8 percent to 23.7 percent. Long-term borrowings were trimmed from € 217.1 million to € 211.3 million, with short-term borrowings contracting from € 171.6 million to € 166.3 million. All told, the ratio of net debt to equity came to 1.8, up from 1.7 on the last day of fiscal 2002/03.

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— **OUTLOOK**

- *Cost-side benefits to unleash their full effect*
- *EBT projection for current fiscal year confirmed*

Following the upbeat performance in the first quarter, we are confident about the fiscal year as a whole. Now that our extensive optimization program has been completed, we possess a first-class cost structure. As a result, the benefits from the particular efforts made over the past few years will feed through to the bottom line in full.

The high performance printing division performed in line with expectations in the first quarter. Spurred by rising print runs and volumes for printed products, our capacity utilization also rose substantially in the short term. As a result, earnings are surging. After a moderate start, the direct marketing division has regained momentum.

The second quarter of this fiscal year will see an end to the negative baseline effects in other operating income compared with the previous year, meaning that the planned sharp increases in earnings will show up in full on the EBT level. Our financial potency will then also be reflected in a high positive free cash flow.

This provides a reliable basis for our forecast for this fiscal year. As already stated, we expect EBT to grow by 50 percent to around € 20 million in tandem with positive free cash flow of some € 30 million.

THE SHARE

OF SCHLOTT GRUPPE AG

- *Sharp gains in tandem with high trading volumes*
- *Consistently favorable analyst comments*

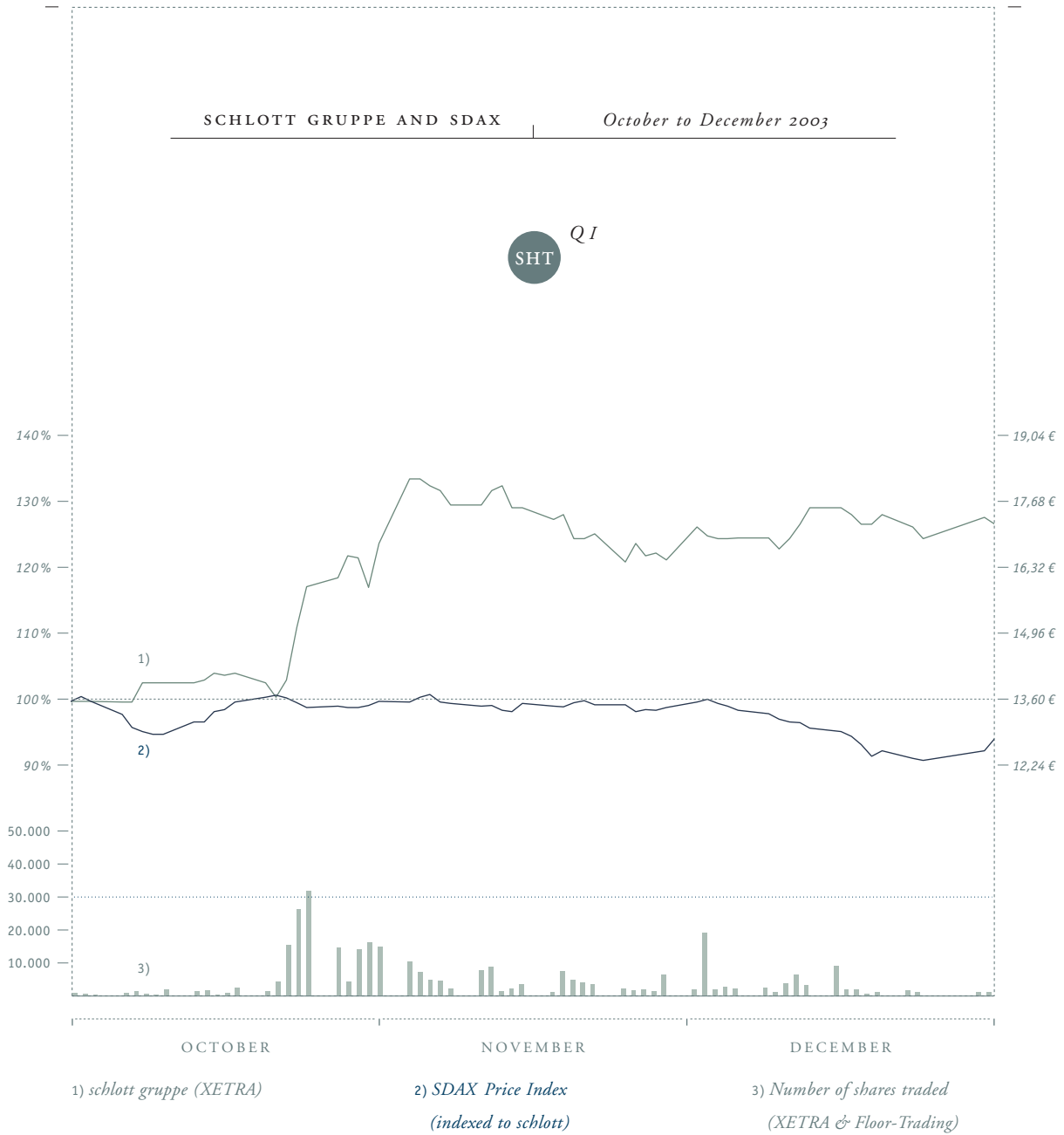
In the first quarter of fiscal 2003/04, i.e. the period from the beginning of October through to the end of December, the schlott gruppe share posted gains of a good 27 percent, thus easily beating its benchmark index, the SDAX Price Index, which slid by over 5 percent in the same period of time. Prior to this, the stock had been caught in several months of base formation, preventing it from participating in the gains achieved by the SDAX.

The sharp upward trend in the share price together with large trading volumes was initially triggered by signs of a base building process in the magazine market in the second half of the 2003 calendar year as well as preliminary favorable comments on the sector perspectives by market observers. In our press release issued at the end of October, we confirmed our earnings guidance for 2002/03 and provided an optimistic outlook for the first quarter of fiscal 2003/04 and, hence, the new year.

This company specific news flow and particularly also the assumption of an earnings turnaround fueled solely from internal sources additionally spurred the share price. In the wake of several positive analyses, the *schlott gruppe* share was able to consolidate its newly reached level. In the first few weeks of the second quarter of the fiscal year, the stock resumed its upward move.

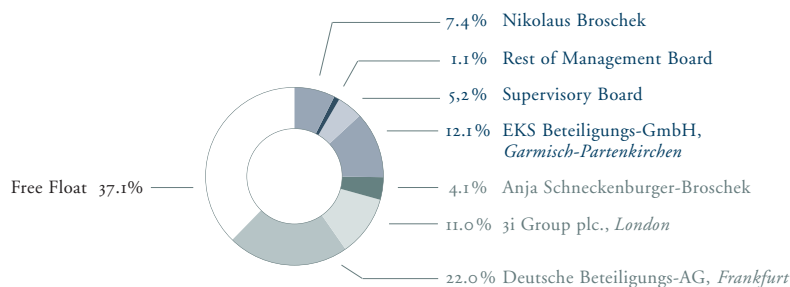
Number of shares as of Dec 31, 2003	6,190,020
Number of shares, entitled to dividend	6,190,020
Own shares	0
Last dividend <i>(for the short fiscal year)</i>	0.60 € per share as of March 12, 2003
Next dividend <i>(proposal to the AGM)</i>	0.80 € per share as of March 18, 2004

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SHAREHOLDER STRUCTURE AS OF FEBRUARY 13, 2004

based on 6,190,020 shares



The minimum holding period for one third of the shares held by Nikolaus Broschek and Anja Schneckenburger-Broschek has expired. Two thirds are still locked-up until October 1, 2004 and 2005, respectively.

No stock options programme has been launched for members of the Executive Board and management. Notifications in accordance with section 25 of the German Securities Trading Act, WpHG, (change of voting stock) have not been received by the company in the first quarter.

In the first quarter the following transactions according to section 15a of the German Securities Trading Act, WpHG, (Directors' Dealings) took place:

Name	Function	Date of Transaction	Type	Number of shares	Price (€)
S. Kiener	Member of Supervisory Board	Dec 10, 2003	Kauf	270	4,549.50

For the complete notification please refer to www.schlottgruppe.de.

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the period October 1 to December 31, 2003 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	Q I 2003/04	% share	Q I 2002/03	% share	% yoy change Q I
Sales	160,451	99.7	171,469	96.2	-6.4
Increase (or decrease) in finished goods and work in progress	(1,999)	-1.2	(2,418)	-1.4	-17.3
Own expenses capitalized	0	0.0	0	0.0	0.0
Other operating income	2,404	1.5	9,238	5.2	-74.0
<i>Total revenues</i>	160,856	100.0	178,289	100.0	-9.8
Cost of raw materials and supplies as well as goods purchased	(50,923)	-31.7	(61,573)	-34.5	-17.3
Cost of services purchased	(16,183)	-10.1	(16,210)	-9.1	-0.2
Staff costs	(53,915)	-33.5	(54,661)	-30.7	-1.4
Other operating expenses	(21,608)	-13.4	(21,837)	-12.2	-1.0
<i>EBITDA</i>	18,227	11.3	24,008	13.5	-24.1
Scheduled depreciation / amortization expense	(9,001)	-5.6	(9,358)	-5.2	-3.8
<i>EBITA</i>	9,226	5.7	14,650	8.2	-37.0
Goodwill	(1,278)	-0.8	(1,058)	-0.6	20.8
<i>EBIT</i>	7,948	4.9	13,592	7.6	-41.5
Income from investments	0	0.0	0	0.0	0.0
Income from / expenditure on financial assets carried at equity	0	0.0	(98)	-0.1	-100.0
Expense from absorption of loss	0	0.0	0	0.0	0.0
Exchange-rate gains / losses	874	0.5	139	0.1	528.6
Other interest and similar income	53	0.0	65	0.0	-18.4
Write-downs on financial assets and securities held as current assets	0	0.0	(64)	0.0	-100.0
Interest and similar expenses	(2,767)	-1.7	(3,087)	-1.7	-10.4
<i>Net borrowing costs</i>	(1,840)	-1.1	(3,045)	-1.7	-39.6
<i>EBT</i>	6,108	3.8	10,547	5.9	-42.1
Income tax expense	(2,998)	-1.9	(6,183)	-3.5	-51.5
Extraordinary income / expenses	0	0.0	0	0.0	0.0
<i>Post-tax earnings</i>	3,110	1.9	4,364	2.4	-28.8
Minority interests	1	0.0	4	0.0	-58.7
<i>Consolidated net profit</i>	3,111	1.9	4,368	2.4	-28.8

CONSOLIDATED BALANCE SHEET

as of December 31, 2003 (previous year for comparison)

ASSETS IN K€; IAS/IFRS, unaudited	Dec. 31, 2003	% share	Dec. 31, 2002	% share	Sept. 30, 2003	% share
<i>Non-current assets</i>	427,904	78.9	408,057	77.0	430,634	78.2
Goodwill	86,993	16.0	75,420	14.2	88,445	16.1
Other intangible assets	1,802	0.3	1,121	0.2	1,967	0.4
Property, plant and equipment	322,493	59.5	315,137	59.5	323,470	58.7
Financial assets reported at equity	0	0.0	146	0.0	0	0.0
Other financial assets (shares in affiliated companies and shares in other companies)	267	0.0	334	0.1	267	0.0
Loans	1,050	0.2	0	0.0	1,050	0.2
Deferred taxes	0	0.0	0	0.0	0	0.0
Real property held as financial investments	15,299	2.8	15,899	3.0	15,435	2.8
<i>Current assets</i>	109,255	20.2	119,529	22.6	116,017	21.1
Inventories	25,535	4.7	29,034	5.5	27,296	5.0
Trade receivables	63,031	11.6	70,203	13.2	64,470	11.7
Receivables from other investees and investors	0	0.0	155	0.0	0	0.0
Tax reimbursement claims	6,997	1.3	4,455	0.8	6,101	1.1
Other assets	9,153	1.7	11,310	2.1	15,285	2.8
Other securities	0	0.0	0	0.0	0	0.0
Cash and cash equivalents	4,539	0.8	4,372	0.8	2,865	0.5
<i>Deferred taxes</i>	1,763	0.3	1,173	0.2	1,771	0.3
<i>Prepaid expenses</i>	3,175	0.6	1,096	0.2	2,031	0.4
	542,097	100.0	529,855	100.0	550,453	100.0

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CONSOLIDATED BALANCE SHEET

as of December 31, 2003 (previous year for comparison)

EQUITY AND LIABILITIES

IN K€; IAS/IFRS, unaudited	Dez. 31, 2003	% share	Dez. 31, 2002	% share	Sept. 30, 2003	% share
<i>Equity</i>	128,676	23.7	128,233	24.2	125,473	22.8
Issued capital	18,570	3.4	16,351	3.1	18,476	3.4
Share premium	58,353	10.8	60,046	11.3	58,134	10.6
Retained earnings	11,994	2.2	12,233	2.3	12,338	2.2
Treasury stock	0	0.0	0	0.0	0	0.0
Revaluation reserve	(35)	0.0	0	0.0	(162)	0.0
Unappropriated surplus	39,812	7.3	39,631	7.5	36,704	6.7
Retained earnings	0	0.0	0	0.0	0	0.0
Minority interests	(18)	0.0	(28)	0.0	(17)	0.0
<i>Long-term liabilities</i>	211,308	39.0	213,095	40.2	217,111	39.4
Interest-bearing debt /						
liabilities to banks	171,333	31.6	173,304	32.6	176,756	32.1
Leasing liabilities	1,938	0.4	1,954	0.4	2,247	0.4
Deferred sales	0	0.0	0	0.0	0	0.0
Deferred taxes	0	0.0	0	0.0	0	0.0
Pension provisions	22,421	4.1	22,076	4.2	22,326	4.1
Provisions	3,701	0.7	3,117	0.6	3,399	0.6
Liabilities	11,915	2.2	12,644	2.4	12,383	2.2
<i>Short-term liabilities</i>	166,279	30.7	161,790	30.5	171,623	31.2
Interest-bearing debt /						
liabilities to banks	65,153	12.0	55,732	10.6	44,980	8.2
Current component of leasing liabilities	0	0.0	0	0.0	0	0.0
Advance payments received on orders	1,944	0.4	506	0.1	979	0.2
Trade payables	30,344	5.6	30,936	5.8	50,370	9.2
Liabilities to affiliated companies	0	0.0	108	0.0	32	0.0
Liabilities to other investees and investors	20	0.0	220	0.0	300	0.1
Other liabilities	22,838	4.2	26,718	5.0	23,681	4.3
Current provisions	45,980	8.5	47,570	9.0	51,281	9.3
Deferred sales	0	0.0	0	0.0	0	0.0
Tax liabilities	0	0.0	0	0.0	0	0.0
<i>Deferred taxes</i>	31,473	5.8	20,612	3.9	31,508	5.7
<i>Deferred income</i>	4,361	0.8	6,125	1.2	4,738	0.9
	542,097	100.0	529,855	100.0	550,453	100.0

CONSOLIDATED CASH FLOW STATEMENT

for the period October 1 to December 31, 2003 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	Q I 2003/04	Q I 2002/03
CASH FLOW FROM OPERATING ACTIVITIES		
OPERATING EARNINGS / LOSS	8,822	13,731
Writedowns on non-current assets	10,279	10,416
Writeups on non-current assets	0	0
Increase / (decrease) in provisions	(4,905)	(3,119)
Increase / (decrease) in deferred taxes	(28)	(743)
(Profit) / loss from the disposal of non-current assets	37	(785)
OPERATING EARNINGS/LOSS PRIOR TO CHANGES TO NET CURRENT ASSETS	14,205	19,500
Increase / (decrease) in inventories	1,760	1,009
(Increase) / decrease in trade receivables	1,440	1,638
Increase / (decrease) in trade payables	(20,027)	(8,746)
(Increase) / decrease in other net current assets	3,285	(7,711)
CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES	663	5,690
Interest earned	9	27
(Payment) / receipt of income tax	(2,111)	(1,459)
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,439)	4,258
CASH FLOW FROM INVESTING ACTIVITIES		
Payments made for investments in property, plant and equipment	(7,929)	(8,264)
Payments received from the disposal of property, plant and equipment	186	924
Payments made for investments in intangible assets	(97)	(101)
Payments received from the disposal of intangible assets	0	0
Payments made for investments in financial assets	0	0
Payments received from the disposal of financial assets	0	0
Payments made for the acquisition of subsidiaries	0	(15,964)
Payments received from the sale of subsidiaries	0	963
Dividends earned	0	0
NET CASH AND CASH EQUIVALENTS USED FOR INVESTING ACTIVITIES	(7,840)	(22,442)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments received from additions to equity	313	135
Payments made to company owners and minority shareholders	0	0
Payments received from the raising of loans	0	0
Payments made for the discharge of bonds and loans	(5,422)	(3,392)
Increase / (decrease) in current bank liabilities	20,172	26,642
Payments received from the raising of other non-current liabilities	6	0
Payments made from the discharge of other non-current liabilities	(783)	(267)
Interest paid	(3,333)	(2,861)
NET CASH AND CASH EQUIVALENTS USED FOR FINANCING ACTIVITIES	10,953	20,257
CASH CHANGES TO CASH AND CASH EQUIVALENTS	1,674	2,073
EXCHANGE-RATE, CONSOLIDATION AND VALUATION-RELATED		
CHANGES TO CASH AND CASH EQUIVALENTS		
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,865	2,299
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,539	4,372

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

IN K€; IAS/IFRS, unaudited	Issued capital	Share premium	Other retained earnings	Translation provisions	Valuation reserve	Con- solidated profit	Minority interests	Total
Balance on September 30, 2002	16,312	49,181	12,615	(192)	0	35,159	103	113,178
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	0	0	0	0
Differences from currency translation	0	0	0	(190)	0	108	(128)	(210)
Profit and loss not shown in the income statement	0	0	0	(190)	0	108	(128)	(210)
Net profit/loss for the period	0	0	0	0	0	4,364	(3)	4,361
Dividends	0	0	0	0	0	0	0	0
First-time consolidation effects	0	10,769	0	0	0	0	0	10,769
Capital issue	39	96	0	0	0	0	0	135
Balance on December 31, 2002	16,351	60,046	12,615	(382)	0	39,631	(28)	128,233
Balance on September 30, 2003	18,476	58,133	12,615	(277)	(162)	36,704	(17)	125,473
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	127	0	0	127
Differences from currency translation	0	0	0	(344)	0	(2)	0	(346)
Profit and loss not shown in the income statement	0	0	0	(344)	127	(2)	0	(219)
Net profit/loss for the period	0	0	0	0	0	3,110	(1)	3,109
Dividends	0	0	0	0	0	0	0	0
Acquisition of minority interests	0	0	0	0	0	0	0	0
Capital issue	94	219	0	0	0	0	0	313
Balance on December 31, 2003	18,570	58,353	12,615	(621)	(35)	39,812	(18)	128,676

OTHER OPERATING EXPENSES

for the period October 1 to December 31, 2003 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	Q I 2003/04	Q I 2002/03
Overheads	1,812	1,587
Rental and leasing expenses	1,525	1,742
Ancillary staff costs	1,902	1,886
Maintenance	5,650	5,008
Levies and insurance	1,067	940
Sales and advertising costs	6,287	6,900
Administrative costs	2,218	3,039
Impairment charges on non-current assets	0	0
Other expenses	917	516
Other taxes / sales tax	230	219
	21,608	21,837

TOTAL TONNAGE PROCESSED

for the period October 1 to December 31, 2003 (previous year for comparison)

IN TONNES	Q I 2003/04	Q I 2002/03
Paper supplied by customers	117,945	102,843
Paper purchased	41,817	53,476
Total tonnage	159,762	156,319

— EXECUTIVE AND SUPERVISORY BOARD

In the first quarter 2003/04 the members of the Executive Board and of the Supervisory Board did not change.

Executive Board: Bernd Rose (Chairman), Nikolaus Broschek, Dr. Uwe Hack, Werner Reiser, Adam Valeri

Supervisory Board: Erwin J. Kiefer (Chairman), Karl-Heinz Gramß (Deputy chairman), Ivan Bebek, Edmund Hug, Sigmund Kiener, Joachim Kohm, Reinhard Löffler, Dr. Herbert Pototzky, Irene Salberg, Michael Schlecht, Reinhold Schreiner, Rudolf Steiner

— FINANCIAL CALENDAR

Annual General Shareholders' Meeting, Freudenstadt	March 17, 2004
Interim Report 2 nd quarter 2003/04	May 13, 2004
Interim Report 3 rd quarter 2003/04	August 12, 2004

— YOUR CONTACT

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This interim report has been prepared in accordance with IAS 34. It is based on the same accounting and valuation methods as the annual statement of accounts for fiscal year 2002/03. Should there be discrepancies in the interpretation of the German and English versions of this interim report, the German version shall prevail.