



schlott gruppe

AKTIENGESELLSCHAFT

INTERIM REPORT III 2003/4

REPORT ON THE FIRST NINE MONTHS AND THE THIRD QUARTER ENDED 30 JUNE 2004

Q III

INTERIM REPORT III 2003/4

OF SCHLOTT GRUPPE AG

REPORT ON THE FIRST NINE MONTHS AND THE THIRD QUARTER ENDED 30 JUNE 2004

- Tonnage and value-added sales in high performance printing rise significantly
- Optimisation measures in direct marketing are in full swing
- Group expands earnings power strongly

KEY FINACIALS OF THE GROUP AS AT 30 JUNE 2004

IN K€; IAS/IFRS, unaudited	Q III 2003/4	% share	Q III 2002/3	% share	9-Months 2003/4	% share	9-Months 2002/3	% share
Sales	132,370	163.6	136,116	170.6	425,930	169.5	449,649	183.0
Total output	134,275	165.9	140,520	176.1	433,209	172.4	461,864	187.9
Value-added sales	80,917	100.0	79,807	100.0	251,318	100.0	245,770	100.0
EBITDA	15,501	19.2	11,784	14.8	47,310	18.8	42,634	17.3
EBITA	7,123	8.8	3,383	4.2	21,045	8.4	15,985	6.5
Goodwill depreciation	—	—	(1,103)	-1.4	(2,556)	-1.0	(3,236)	-1.3
Write-back of goodwill depreciation of H 1 2003/4	—	—	—	—	2,556	1.0	—	—
EBIT	7,123	8.8	2,280	2.9	21,045	8.4	12,749	5.2
EBT	4,757	5.9	542	0.7	13,722	5.5	4,914	2.0
Consolidated net profit	3,045	3.8	(583)	-0.7	8,118	3.2	195	0.1
Earnings per share <i>in</i> €	0.49	—	(0.10)	—	1.32	—	0.03	—
Free Cash Flow (after dividend)	3,981	—	(7,394)	—	8,702	—	(15,401)	—
Headcount (<i>reporting date</i>)	4,276	—	4,375	—	4,276	—	4,375	—
IN K€; IAS/IFRS, unaudited			30.06.04	% share	30.06.03	% share	30.09.03	% share
<i>Fixed assets</i>			422,472	80.9	410,403	76.9	430,634	78.2
Goodwill*			87,922	16.4	74,614	14.0	88,445	16.1
<i>Current assets</i>			95,403	18.3	117,056	21.9	116,017	21.1
Trade receivables			54,632	10.5	65,335	12.2	64,470	11.7
Cash and cash equivalents			2,719	0.5	3,110	0.6	2,865	0.5
<i>Deferred tax assets</i>			75	0.0	1,196	0.2	1,771	0.3
<i>Prepaid expenses</i>			4,157	0.8	4,899	0.9	2,031	0.4
<i>Equity</i>			128,699	24.6	120,767	22.6	125,473	22.8
<i>Liabilities*</i>			360,486	69.0	385,643	72.3	388,734	70.6
Provisions			73,300	14.0	73,606	13.8	77,007	14.0
Liabilities to banks			221,372	42.4	230,931	43.3	221,736	40.3
Trade payables			27,801	5.3	41,243	7.7	50,370	9.2
<i>Deferred tax liabilities</i>			29,541	5.7	21,953	4.1	31,508	5.7
<i>Deferred income</i>			3,381	0.6	5,191	1.0	4,738	0.9
<i>Balance sheet total</i>			522,107	100.0	533,554	100.0	550,453	100.0

* Includes K€2,556 write-back of goodwill-amortisation of the first half 2003/4.

LETTER TO SHAREHOLDERS

— DEAR SHAREHOLDER,

Our far-reaching programme of internal streamlining and optimisation has already borne fruit. Indeed, our financial results for the latest reporting period from April to June 2004 bear testimony to our success, even more so than those for the first six months of the financial year. There can be little doubt that *schlott gruppe AG* has emerged as one of Europe's premier players when it comes to flexibility, state-of-the-art facilities, and efficient processes. Thanks to our corporate versatility, we are in the enviable position of being able to target projects with short lead times — without incurring additional costs. This, in turn, allows us to enhance our capacity utilisation in a market environment which continues to be challenging.

In the first nine months of the current financial year, we succeeded in extending our pre-tax profit by 68 per cent, despite the fact that we had to compensate for non-recurring other operating income recorded in the previous year. Our success within this area was also acknowledged by the stock market. In the first nine months of the current financial year, *schlott gruppe's* share price rose by more than 50 per cent, thus clearly outperforming all benchmark indices and our exchange-listed competitors in Europe.

Where do we go from here, what are our goals? In pursuit of our target of establishing *schlott gruppe* as the leading European supplier of integrated print and *direct marketing* solutions, we are currently realigning the market focus of our *direct marketing* division. As part of this incisive game plan, we are implementing organisational improvements and spearheading a campaign aimed at location-specific optimisation — in line with our successful strategy in the area of *high performance printing*. The fact that this programme has gained the support of our entire team is particularly encouraging. Working in unison with employee representatives and the trade union, we have developed innovative employment models aimed at avoiding redundancies wherever possible.

And thus we look to the future with renewed optimism. Our ambitious earnings forecast announced at the beginning of the financial year has been underpinned by a solid performance in the first nine months of the current financial year. It is for this reason that we have recently not only reconfirmed our original EBT forecast of “around € 20 million” for the 2003/4 financial year but actually have stated that this target shall be certainly met. Indeed, we shall succeed in propelling EBT upwards by 55 per cent in this financial year, from operational sources.

12 AUGUST 2004

THE MANAGEMENT BOARD

FINANCIAL AND BUSINESS REVIEW

— BUSINESS ENVIRONMENT

- *Buoyant exports prompt slight economic recovery in Germany*
- *Advertising sector gradually emerges from crisis*

According to the *Kieler Institut für Weltwirtschaft* (IfW), Germany's economic recovery "progressed moderately" in the first six months of 2004. This view is echoed by the latest economic indicators of the *Deutsche Institut für Wirtschaftsforschung* (DIW). These suggest that real GDP rose by 0.6 per cent quarter on quarter between April and June, after an increase of 0.4 per cent in the first three months of 2004.

Compared with the official report published towards the beginning of the year, Germany's leading economic research institutes have revised their forecasts upwards slightly for the year 2004. Currently, GDP is expected to rise by 1.5 to 1.8 per cent. This more favourable assessment is based entirely on the dynamic progress made by Germany's export business. In contrast, private consumption remains firmly in the quagmire.

Both the IfW and the Ifo-Institut have forecast economic growth of 1.8 per cent for the eurozone in 2004. Thus, Germany and the eurozone as a whole are likely to be outpaced substantially by the US and Japan. The latter are expected to augment their GDPs by more than 4 per cent.

According to the *Zentralverband der Deutschen Werbewirtschaft* (ZAW), an association of advertising professionals, the German advertising sector will emerge only tentatively from the economic crisis it has been suffering over the past years. Accordingly, the forecast of 1.5 per cent remains relatively uninspiring. Figures published by Nielsen Media Research in connection with gross advertising expenditure in the first six months of 2004 would appear to be more heartening. Based on this data, companies spent 6.5 per cent more on advertising in the first half of 2004, thus reaching a total of € 8.8 billion. Newspapers were the main beneficiaries of this trend, achieving a growth rate of 12.4 per cent. Magazines succeeded in generating growth of 5.1 per cent, while specialist journals declined by 0.7 per cent.

Online advertising continues to be relatively insignificant within this area and has not succeeded in dethroning the more established forms of media. In fact, gross advertising expenditure within the online segment declined by 2.2 per cent to € 138 million in the first six months of the year. Thus, online advertising merely accounted for 1.6 per cent of total advertising expenditure.

On a global scale, the advertising sector is expected to grow substantially in 2004. Indeed, Aegis Group plc, a major media communications and market research group, predicts that global adspend should rise by 5.3 per cent.

The *Bundesverband Druck und Medien* (BvDM), a German printing and media association, has forecast sluggish growth of one to two per cent for the printing industry in 2004. The BvDM points out that although the trough has been overcome, the path towards full recovery remains arduous. According to the BvDM, continued increases in advertising expenditure and concomitant growth in the printing industry are not expected to materialise until 2005.

— EMPLOYEES AND HR MANAGEMENT

- *Headcount scaled back as planned*
- *Realignment of meiller gruppe*

In line with our targets, staffing levels were scaled back further in the third quarter of the current financial year. After a headcount of 4,318 at the end of the second quarter, the number of employees as at 30 June 2004 was 4,276 in total. Thus, our overall headcount has declined from 4,380 at the end of last year by 104 in the current financial year. Our *high performance printing* division bore the brunt of HR downsizing, particularly gravure printing and finishing.

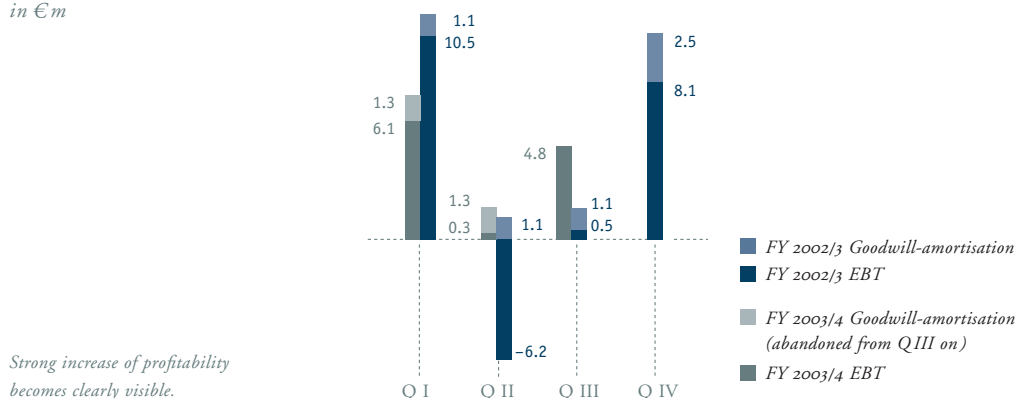
Owing to the continued malaise of the *direct marketing* sector, we stepped up our efforts to achieve a process-oriented realignment and consolidation within the companies of *meiller gruppe*. By introducing three separate limited-liability entities (GmbH) to cover its range of activities in this area, the enterprise intends to create a service and product offering that is more flexible and customer-oriented.

When it comes to raising efficiency levels and securing our competitive position, adjustments within the area of human resources will also be unavoidable, however. We are currently working on a redundancy scheme in close cooperation with the works council and representatives of the trade union, with the express purpose of providing the best-possible financial safety net for those affected by staff lay-offs. The main impact of downsizing will be seen at the finishing unit of our Schwandorf plant. Downsizing within this area will be achieved by taking advantage of normal staff fluctuation, non-renewal of temporary employment contracts and the introduction of a new employment model. So-called “Jahresarbeitszeitkonten” (flexible form of managing annual working hours) will be introduced with a scope of up to 150 hours. As a result *schlott gruppe* has been able to limit the number of redundancies to a figure that is well below 100.

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DEVELOPMENT OF CONSOLIDATED QUARTERLY EBT (BEFORE AND AFTER GOODWILL DEPRECIATION)

in €m



Strong increase of profitability becomes clearly visible.

— FINANCIAL PERFORMANCE

- Tonnage outstrips previous year's figure by 3.6 per cent in third quarter and by 5.6 per cent in first nine months; paper-provision ratio rises from 64 per cent to 73 per cent in first nine months
- Value-added sales increase by 2.2 per cent
- Comparable EBIT margin, calculated on basis of value-added sales, increases from 6.5 per cent to 8.4 per cent in first nine months, and from 4.2 per cent to 8.8 per cent in third quarter
- Comparable EBT margin, calculated on basis of value-added sales, increases from 3.3 per cent to 5.5 per cent in first nine months

On the back of a solid first half, *schlott gruppe* once again succeeded in increasing tonnage and capacity utilisation in the third quarter. Compared with the same period a year ago, aggregate tonnage processed rose by 3.7 per cent to 136.2K metric tons of paper; in the first nine months, the Company processed 422.1K metric tons, a year-on-year increase of 5.6per cent. Operating in an environment that continues to be affected by economic malaise, we thus managed yet again to propel volumes upward.

In order to enhance the transparency of our reporting activities and document the actual profitability of our business, we introduced the concept of "value-added sales" in the second quarter of the financial year, which is applied both to the Group and the respective business units. This financial indicator presents revenue adjusted for transitory items such as paper. Value-added sales are calculated on the basis of reported revenue, including changes in inventories and work performed by the enterprise and capitalised, less raw materials and bought-in services (cf. table on page 27).

To a large extent, value-added sales as a financial indicator corresponds to our internal controlling instrument based on gross operating profit, as this ratio reflects best the operating performance. In the third quarter, value-added sales rose by 1.3 per cent year on year to €80.9 million, after €79.8 million in the same period a year ago; after nine months, value-added sales had edged up by 2.2 per cent year on year, reaching a total of €251.3 million, compared with €245.8 million in the same period a year ago. The higher level of capacity utilisation due to increased tonnage is clearly reflected in these figures.

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In the period under review, the paper-provision ratio, i.e. the proportion of paper procured directly by our customers, rose from 71.8 per cent to 75.8 per cent. Accordingly, the share of paper purchased by the Company, thus contributing to revenue, declined. As a direct consequence of these developments, the tangible improvement seen within the area of capacity utilisation had no impact on revenue reported in the third quarter. In the third quarter, revenue amounted to € 132.4 million (QIII 2002/3: € 136.1 million), while revenue generated for the first nine months as a whole stood at € 425.9 million (9M 2002/3: € 449.6 million). This has no impact on earnings.

In the current year *schlott gruppe's* financial results are no longer influenced by exceptional factors, thus constituting a fair reflection of our operating performance. However, when comparing this year's key financials with those of the previous year, one must take into account several non-recurring items, particularly within the area of other operating income. As the result of machine fires, the effects of applying IAS/IFRS, and a far-reaching corporate optimisation programme, which has now been concluded, this item was particularly substantial in previous years. However, it is expected to return to a more sustainable level over the course of the current financial year, i.e. significantly lower than the figure of € 29.7 million reported in the previous financial year. In the first nine months of the 2003/4 financial year, other operating income totalled € 10.2 million, in contrast to € 15.0 million in the same period a year ago.

In addition, it should be taken into consideration that, effective from the third quarter, the profit indicators EBIT and EBT, as well as net profit, no longer contain systematic goodwill amortisation. As part of preparations for year-end reporting, an impairment test for goodwill attributable to the subsidiaries of the *schlott group* was conducted as early as the third quarter. Based on the results of this impairment test, the carrying amounts are deemed to have been calculated conservatively. Thus, systematic amortisation of goodwill performed to date (€ 5 million p.a.) is no longer deemed necessary. The reversal of systematic amortisation performed in the first half has been presented in this report, in the figures disclosed for the first nine months. For the purpose of presenting the operational trends, the comments on financials in this report are only based on comparable figures, i.e. all year-on-year changes have been expressed in terms of amounts adjusted for the reversal of goodwill amortisation.

Considering the decline in other operating income, which had to be counterbalanced accordingly in the current financial year, the increase in our profit margin is all the more impressive: it was achieved solely on the basis of improved cost structures, notwithstanding the increase in volumes witnessed over this period. Increased tonnage generally leads to a substantial improvement in profitability, as higher capacity utilisation triggers considerable economies of scale within the area of fixed costs, while the additional variable costs are relatively insignificant. In addition to benefiting from this classic effect of declining costs, we are also beginning to reap the rewards of a sweeping optimisation programme implemented over the past years. Without these all-embracing measures, the earnings swing achieved by *schlott gruppe* would have been far less pronounced.

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Staff costs, which represent a significant component of fixed costs, were scaled back in absolute terms, both in the reporting period and the first nine months; this was achieved despite an increase in tonnage. Staff costs in relation to value-added sales decreased year-on-year from 63.7 per cent to 60.3 per cent in the third quarter. In the first nine months, other operating expenses were reigned back by 1.8 per cent compared with the same period a year ago, which was attributable, among other things, to a reduction in administrative expenses (-20.8 per cent). As a result, other operating expenses currently account for just 24.7 per cent of value-added sales (9M 2002/3: 25.7 per cent). In the third quarter of the 2003/4 financial year, write-downs performed on a systematic basis amounted to € 8.4 million, while systematic depreciation and amortisation expense attributable to the first nine months of the financial year totalled € 26.3 million. Both amounts were slightly lower than in the equivalent periods a year ago.

The 6.5 per cent decline in finance costs in the first nine months, taking the total to € 7.3 million, translated into a palpable improvement in our earnings situation. The main contributor within this area was interest expense, which declined by 12 per cent, while foreign currency gains returned to a more normal level following the high recorded in the first quarter. Foreign currency transactions are entered into solely for the purpose of safeguarding our operational business activities: incoming orders are hedged as soon as they are accounted for in our order books. If the exchange rate moves against us, we lose the earnings contributions associated with the order but generate the same volume of income from the hedge. Thus, exchange rate changes have no impact on our net profit or loss.

The tax rate for the first nine months of the current financial year stood at 40.9 per cent, in contrast to 58.0 per cent for the same period a year ago (income taxes in per cent of EBT before goodwill amortisation for the current year as well as for the previous year). Thus, the marked reduction announced at the beginning of the year came to fruition. As a result, the third quarter contributed generously to *schlott gruppe's* exponential growth in net profit for the current financial year: it will significantly exceed the anticipated EBT increase of 55 per cent. At the end of the first nine months of the 2003/4 financial year, net profit stood at € 8.1 million, after a comparable € 3.4 million for the same period a year ago. The consolidated net loss for the third quarter of the current financial year stood at € 3.0 million, after a comparable € 0.6 million posted for the third quarter of 2002/3.

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— SEGMENT REPORTING

- *high performance printing remains driving force behind positive performance*
- *Business in direct marketing ebbs away slightly in third quarter; optimisation measures in full swing*

Segment reporting comprises the business units *high performance printing*, *direct marketing*, and *digital services*, as well as *corporate services*. The latter covers the full range of activities associated with the service enterprises, including the holding company. Revenues and earnings generated by *corporate services* are derived solely from the internal charging of services as well as cost allocation. Accordingly, this area will not be covered in detail as part of segment reporting. It should be noted that the segment results do not contain goodwill amortisation. To date, goodwill amortisation was accounted for as part of reconciliation to consolidated results for the Group. Therefore, the results presented for previous periods are fully comparable with the latest figures.

Segment reporting for the third quarter from 1 April to 30 June (IAS/IFRS, unaudited)

IN K €	high performance printing		direct marketing		digital services		corporate services/ Holding		All Sectors		Transition*		Group	
	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3
Sales	109,025	108,819	23,225	26,922	1,433	1,043	3,130	3,214	136,813	139,998	(4,443)	(3,882)	132,370	136,116
Value-added sales	65,604	63,328	14,309	16,169	1,062	944	3,128	3,217	84,103	83,658	(3,186)	(3,851)	80,917	79,807
EBIT	9,015	5,031	(1,487)	(571)	(170)	(410)	(323)	(746)	7,035	3,304	88	(1,024)	7,123	2,280
St. interest result	(193)	(246)	(247)	(294)	(35)	(34)	(373)	(313)	(848)	(887)	(28)	1	(876)	(886)
Divisional earnings	8,822	4,785	(1,734)	(865)	(205)	(444)	(696)	(1,059)	6,187	2,417	60	(1,023)	6,247	1,394
Lt. interest result	(928)	(1,202)	(30)	(73)	0	(4)	(755)	(962)	(1,713)	(2,241)	0	(22)	(1,713)	(2,263)
Currency gains/losses	(211)	1,126	429	273	3	0	0	0	221	1,399	2	12	223	1,411
EBT	7,683	4,709	(1,335)	(665)	(202)	(448)	(1,451)	(2,021)	4,695	1,575	62	(1,033)	4,757	542

**In the previous year K€ 1,103 amortisation of goodwill was included in the reconciliation to group results. In the current year scheduled amortisation of goodwill was abandoned.*

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Segment reporting for the first nine months from 1 October 2003 to 30 June 2004 (IAS/IFRS, unaudited)

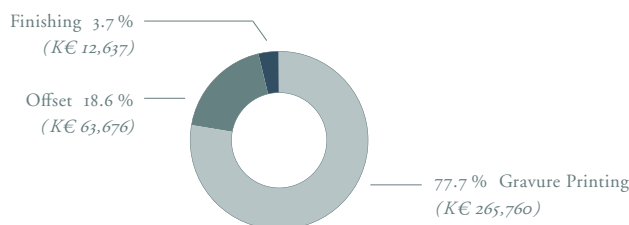
IN K €	high performance printing		direct marketing		digital services		corporate services/ Holding		All Sectors		Transition*		Group	
	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3	2003/4	2002/3
Sales	342,073	360,301	84,063	88,538	4,166	3,520	9,353	9,852	439,655	462,211	(13,725)	(12,562)	425,930	449,649
Value-added sales	197,021	187,391	51,193	55,058	3,244	2,667	9,329	9,799	260,787	254,915	(9,469)	(9,145)	251,318	245,770
Write-back of goodwill depreciation of H 1 2003/4	—	—	—	—	—	—	—	—	—	—	2,556	—	2,556	—
EBIT	20,964	16,257	1,465	4,116	(521)	(1,088)	(1,133)	(1,959)	20,775	17,326	270	(4,577)	21,045	12,749
St. interest result	(685)	(1,247)	(765)	(879)	(100)	(58)	(1,088)	(254)	(2,638)	(2,438)	28	(309)	(2,610)	(2,747)
Divisional earnings	20,279	15,010	700	3,237	(621)	(1,146)	(2,221)	(2,213)	18,137	14,888	298	(4,886)	18,435	10,002
Lt. interest result	(2,829)	(3,229)	(100)	(191)	(2)	(17)	(2,390)	(3,241)	(5,321)	(6,678)	0	0	(5,321)	(6,678)
Currency gains/losses	671	1,277	(68)	301	3	0	0	0	606	1,578	2	12	608	1,590
EBT	18,121	13,058	532	3,347	(620)	(1,163)	(4,611)	(5,454)	13,422	9,788	300	(4,874)	13,722	4,914
Headcount (reporting date)	2,697	2,836	1,411	1,355	58	67	110	117	4,276	4,375	—	—	4,276	4,375

*In the previous year K€ 3,236 amortisation of goodwill was included in the reconciliation to group results. Scheduled amortisation of goodwill was abandoned in the current year in the third quarter for the first time.

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REVENUE BREAKDOWN OF HIGH PERFORMANCE PRINTING FOR THE FIRST NINE MONTHS 2003/4

100 per cent = K€ 342,073



In the *high performance printing* segment output in metric tons and capacity utilisation increased year on year, both for the quarter and the first nine months under review. Accordingly, value-added sales rose in the first nine months, up from € 187.4 million to € 197.0 million. This corresponds to a 5.1 per cent increase. In the third quarter, value-added sales edged up by 3.6 per cent, from € 63.3 million to € 65.6 million.

Sales reported in the third quarter, however, totalled € 109.0 million, thus slightly surpassing the total of € 108.8 million posted in the same period a year ago; the first nine months produced sales of € 342.1 million, after € 360.3 million in the same period a year ago. As outlined above, the higher paper-provision ratio must be taken into account.

Gravure printing activities were the main source of profit within the *high performance printing* unit and the Group as a whole. Since the beginning of the financial year, the positive effects of our optimisation programme have also become noticeable within the area of offset printing, which is now operating well above break-even.

Earnings before interest and taxes (EBIT) in the *high performance printing* segment grew by 80 per cent in the third quarter, up from € 5.0 million to € 9.0 million. At the end of the first nine months of the current financial year, EBIT growth stood at 28.8 per cent (€ 21.0 million, compared with € 16.3 million). Our EBIT margin, calculated on the basis of value-added sales of the business segment, increased significantly from 8.7 per cent to 10.6 per cent in the first nine months. Within this context, it should also be noted that the anticipated reduction in other operating income within the Group (€ 4.8 million after nine months) is of particular relevance to this business segment. Adjusted for this effect, nine-month earnings before interest and taxes for this segment rose by approx. 83 per cent, while the corresponding EBIT margin increased from 6.1 per cent to 10.6 per cent.

Whereas net interest income improved significantly, foreign currency gains were slightly lower than in the comparable period a year ago. Thus, EBT grew by 63.2 per cent to € 7.7 million in the third quarter and by 38.8 per cent to € 18.1 million in the first nine months.

The marked improvement in earnings is mainly attributable to the success of our optimisation programme, in addition to the economies of scale associated with the year-on-year increase in capacity utilisation. Progress made with regard to cost structures within this segment is highlighted by employee productivity levels. As opposed to 2,836 staff members employed within this area at the end of Q III 2002/3, the current headcount at the end of Q III 2003/4 stands at 2,697. Overall, value-added sales per employee amounted to € 73,000 in the first nine months of the 2003/4 financial year, compared with approx. € 66,000 in the same period a year ago — an increase in productivity of 11 per cent.

Although the *direct marketing* segment has managed to regain its footing over the course of the 2003/4 financial year, it had to contend with a decline in segment sales and results in the third quarter and first nine months of the current financial year. This trend is the direct result of sluggish consumer demand in Germany. Advertisers are once again focusing on more inexpensive supplements, thus circumventing the targeted — but also more labour-intensive — approach of direct mailing.

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On the one hand, sales volumes in our *high performance printing* segment benefited from this trend. On the other hand, however, the shift towards supplements had an adverse effect on the *direct marketing* segment. The positive bottom-line effect of relocating more labour-intensive processes to our facilities in the Czech Republic was not sufficient to offset the decline in full. At the end of the third quarter, 1,411 staff members (+1 compared with QII) were employed in this segment, in contrast to 1,409 at the end of the full 2002/3 financial year and 1,355 at the end of QIII 2002/3. New employees were recruited in the Czech Republic only.

The segment loss before interest and taxes, and prior to accounting for foreign currency effects, moved upwards from €0.6 million to €1.5 million. A slight improvement within the area of foreign currencies cushioned the fall in EBT. The loss before taxes was €1.3 million in the third quarter, compared with a loss of €1.5 million in the same period a year ago. After nine months, segment EBIT amounted to €0.7 million, following €4.1 million in the previous year, while EBT stood at €0.5 million, in contrast to €3.3 million.

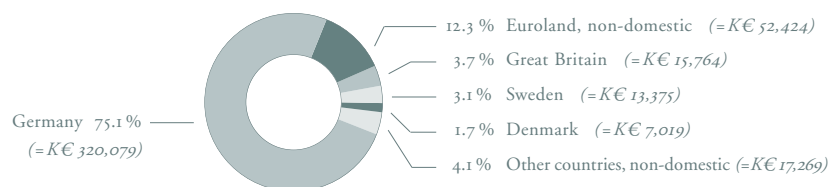
Thus, growth and earnings within the *direct marketing* segment fell short of expectations. Operating against this backdrop, *schlott gruppe* has therefore stepped up its efforts to implement a focused restructuring programme within the area of mail finishing, lettershop, and post-production. The Company has also accelerated its process-specific realignment. By introducing three separate limited-liability entities (GmbH) to cover its range of activities in this area, the Company intends to enhance its customer-oriented service portfolio, while at the same time improving process and cost transparency. This will unlock new opportunities when it comes to increasing efficiency. Together with the post-production activities of the *high performance printing* unit, the finishing department of our *direct marketing* unit will operate within a centralised structure, thus becoming more flexible. Thus, our highly successful model of centralised capacity planning within the area of gravure printing will also be applied to finishing-related activities throughout the Group.

Owing to the current market situation, the Company will also be forced to scale back its staffing levels at the Schwandorf facility, however. Downsizing will be carried out in a manner that is as non-invasive as possible. In addition to implementing a number of individual measures centred around the non-renewal of temporary employment contracts and normal staff fluctuation, we are currently drawing up a redundancy scheme in close cooperation with the works council and representatives of the trade union.

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REGIONAL SALES BREAKDOWN FOR THE FIRST NINE MONTHS 2003/4

100 per cent = K€425,930



Lay-offs will be limited to a total that is well below 100, thanks in particular to the constructive negotiations conducted with employee representatives, together with whom we have developed an innovative employment model aimed at organising working hours. As part of this model, we have created highly flexible structures — so-called “Arbeitszeitkonten”, a form of “personal account for staff working hours”. These “accounts” offer sufficient flexibility to implement fluctuations of up to 150 hours per year. Thus, seasonal variances can be addressed in a more efficient manner.

The *digital services* segment developed satisfactorily in the first nine months of 2003/4. In line with targets, revenue increased from € 3.5 million to € 4.2 million. In terms of earnings, this segment continues to operate within the break-even range. The loss before interest and taxes amounted to € 0.5 million in the first nine months, a marked improvement on our performance in the previous year (9 M 2002/3: loss of € 1.1 million). Staffing levels were cut back from 67 at the end of the 2002/3 financial year to 58 at the end of the period under review.

As part of our strategy of focus, which spans the entire Group, the *digital services* unit is to be integrated into *schlott gruppe's* other two divisions by the end of the financial year. Accordingly, from the next financial year onwards *digital services* will no longer be presented as an individual segment. However, these measures will not entail high-cost restructuring of operational processes in the respective subsidiaries.

REGIONAL SALES BREAKDOWN

for the period 1 October 2003 to 30 June 2004 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	Q III 2003/4	% share	Q III 2002/3	% share	9 Months 2003/4	% share	9 Months 2002/3	% share
Germany	100,277	75.76	99,910	73.40	320,079	75.15	317,084	70.52
Euroland, non-domestic	17,676	13.35	17,861	13.12	52,424	12.31	61,086	13.59
Great Britain	3,899	2.95	4,910	3.61	15,764	3.70	25,975	5.78
Sweden	3,805	2.87	3,365	2.47	13,375	3.14	12,528	2.79
Denmark	1,603	1.21	3,337	2.45	7,019	1.65	13,990	3.11
Other countries, non-domestic	5,110	3.86	6,733	4.95	17,269	4.05	18,986	4.22
Total	132,370	100.0	136,116	100.0	425,930	100.0	449,649	100.0

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— BALANCE SHEET, CASH FLOW AND CAPITAL EXPENDITURE

- *Substantial free cash flow (after dividend) of €4.0 million in third quarter, as budgeted*
- *Bank liabilities reined back by €2.9 million in third quarter*

Third-quarter cash flow benefited significantly from the increase in earnings of *schlott gruppe*. Before changes in working capital, cash flow stood at €18.8 million, 39 per cent or €5.3 million higher than in the third quarter of the 2002/3 financial year. For the first nine months of the current financial year, growth within this area was 7.1 per cent, or €2.9 million, due to higher reversals of provisions and slightly lower write-downs, taking the overall amount to €43.5 million.

The amount of capital tied up in current assets was scaled back considerably compared with the third quarter of 2002/3. Despite the increase in throughput, as calculated on the basis of value-added sales, in some cases the carrying amounts of key balance sheet items declined considerably. Inventories, for instance, were roughly 12 per cent lower (mainly due to the reduced paper-provision ratio), and trade receivables also declined by 16 per cent. In addition, tax assets and receivables booked in other assets were realised.

The increase in receivables compared with the previous quarter (QII) is attributable to the seasonality of business within the printing industry: catalogue-related business activities, which are particularly buoyant towards the end of the year, are the source of substantial receivables at the end of December. These accounts outstanding are subsequently settled by our customers in the first quarter of the calendar year, i.e. the second quarter of *schlott gruppe's* financial year. Therefore, the quarter-on-quarter increase actually constitutes a return to normal levels.

The first quarter of the current financial year was characterised by a marked reduction in trade payables by €20.1 million, which had accumulated at the end of the previous financial year. These payables were covered by Company-generated cash resources. In the subsequent period, the increase associated with this balance-sheet item was below average. Overall, the swing seen within the area of payables resulted in cash flow from operating activities of €10.5 million in the third quarter, after €14.8 million in the same period a year ago. After income taxes, cash flow from operating activities amounted to €9.0 million, in contrast to €6.7 million in previous year. At the end of the first nine months, it stood at €31.4 million, as opposed to €32.6 million. Here, too, the considerable reduction in trade payables by means of Company-generated cash resources must be taken into consideration.

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In the third quarter, an amount of € 5.2 million (QIII 2002/3: € 12.7 million) was invested in property, plant, and equipment, while the total for the first nine months stood at € 19.0 million (9M 2002/3: 30.8 million). Thus, as planned, we have continued to relieve pressure on cash flow in the quarter under review by adjusting capital expenditure.

Overall, net cash used in investing activities amounted to € 5.0 million in the third quarter, which represents a reduction to almost one third year on year. In the first nine months of the current financial year, net cash used in investing activities was reined back by € 27.1 million to € 17.7 million, compared with a total of € 44.8 million (influenced to a certain extent by acquisitions) in the same period a year ago.

Cash flow from financing activities reflects the use of Company-generated cash resources for debt repayment. Net cash flow used in financing activities increased by € 26.8 million compared with the first nine months of the previous financial year. It should be noted that this was due in principal to the reduction in non-current liabilities and the fact that the substantial amount attributable to short-term refinancing in the previous financial year was scaled back to more normal levels in the period under review.

Overall, total assets decreased by € 28.3 million compared with the amount presented at the balance-sheet date of 30 September 2003. Compared with the end of the third quarter of 2002/3, the reduction amounted to € 11.4 million.

At € 422.5 million, after a total of € 430.6 million at the end of the previous financial year, non-current assets changed more or less in line with amortisation and depreciation. Compared with the total amount presented at 30 September 2003, current assets were scaled back by 18 per cent, i.e. € 20.6 million, to € 95.4 million. The level of funds committed within the area of current assets was lower year on year: at the end of June 2004 this ratio stood at 18.3 per cent of total assets, after 21.1 per cent at the end of the 2002/3 financial year and 21.9 per cent as at 30 June 2003.

The reduction in total assets in conjunction with the net profit posted for the first nine months resulted in an increase in the Company's equity ratio from 22.8 per cent to 24.6 per cent. Equity totalled € 128.7 million at the end of June 2004, compared with € 125.5 million at the end of the 2002/3 financial year. Long-term borrowings were reduced from € 217.1 million to € 214.7 million. Short-term borrowings declined from € 171.6 million to € 145.8 million.

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— **OUTLOOK**

- *Earnings swing fully established after third quarter*
- *55 per cent EBT growth confirmed for full financial year; EBT of €20 million, from operating activities, established as certain target*
- *Additional €5 million in EBT contribution due to absence of goodwill amortisation.
EBT target for 2003/4 stands at €25 million*

The third quarter, similarly to the first six months that preceded it, developed within our target range. Thus, we have more than fulfilled our objective of reinvigorating earnings in the third quarter in order to attain a level that is considered appropriate and to achieve substantial year-on-year growth in earnings.

Our order backlog for the current fourth quarter is considered to be very satisfactory. It is for this reason that we have decided not only to reconfirm our original EBT forecast of “around € 20 million” for the 2003/4 financial year but actually state categorically that this target shall be met. Indeed, we shall succeed in propelling EBT upwards by 55 per cent in this financial year, from operational sources. Benefiting from a sustained reduction in our tax rate, as forecast earnings per share will more than double. In addition, EBT and earnings per share will be further buoyed by the absence of systematic goodwill amortisation in the amount of € 5 million, or approx. € 0.80 per share.

In parallel, we shall meet our target with regard to the reduction of our indebtedness. There can be little doubt that this performance underlines the inherent potential of *schlott gruppe's* share price.

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SHARE PERFORMANCE

SCHLOTT GRUPPE AG

- *Share price consolidates in Q3, after increase of around 85 per cent*
- *Best performance in peer-group comparison over period of nine months*

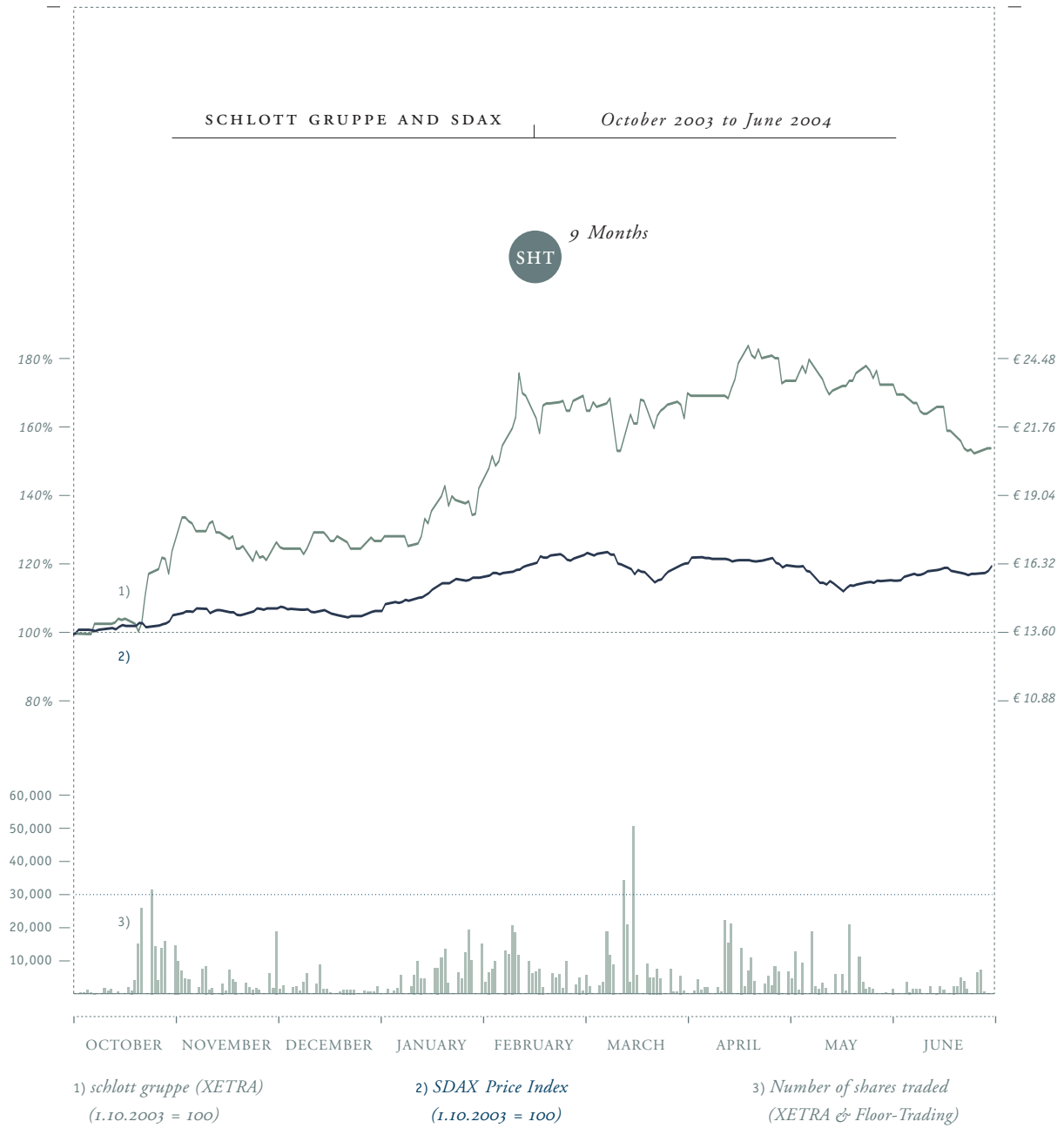
schlott gruppe's share price increased by 54 per cent in the first nine months of the 2003/4 financial year, i.e. in the period from the beginning of October to the end of June. Thus, our shares outperformed the benchmark SDAX Price Index, which managed to grow by approx. 20 per cent over the same period. Having reached a peak in the latest phase of recovery, which saw *schlott gruppe's* share price propelled upwards by 85 per cent since the beginning of the financial year, our shares underwent a period of consolidation; this resulted in a technically classic 50 per cent reaction. The SDAX Index also underwent a period of consolidation. Overall, however, it was more or less able to maintain its level.

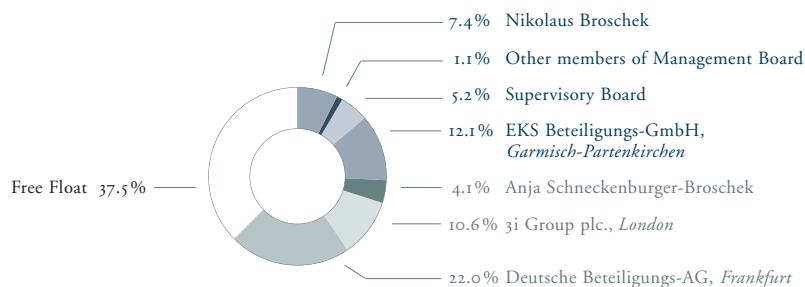
Our shares also performed admirably vis-à-vis European peer-group companies. With one exception, shares of other major printing companies only managed to improve slightly over the nine-month period. In some cases, prices actually declined over this period.

The significant increase in daily trading volumes associated with the upward movement of our share price, as evidenced by an approximate volume of 6,500 shares traded in this period (FY 2002/3: average of approx. 2,400 shares in total) and more than 8,000 in the second quarter, eased to a level of 4,700 shares traded in the three months of the third quarter, i.e. the period of consolidation. Overall, this trend is very encouraging, as the market correction was attributable to profit-taking rather than a general reassessment of our shares.

Number of shares as of 31 December 2003	6,190,020
Number of shares, entitled to dividend	6,190,020
Own shares	0
Last dividend	€ 0.80 per share as of 18 March 2004

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SHAREHOLDER STRUCTURE AS OF AUGUST 12, 2004*based on 6,190,020 shares*

Greater investor awareness is the result of a campaign — as implemented in 2003 — aimed at enhancing company performance; this incisive action plan proved particularly successful in terms of improving business prospects. In addition, our efforts to step up corporate communication with the capital markets also had a tangible effect. Indeed, the importance accorded to these aspects is underlined by the number of analyst and investor meetings held recently, in Germany and other European countries. The feedback received, in particular with regard to initial meetings, was very encouraging indeed. One of the main objectives in the medium-term is to join a benchmark index.

In the third quarter no transactions according to § 15a WpHG (Directors' Dealings) took place. 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 1 October 2004 and 2005, respectively.

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CONSOLIDATED PROFIT AND LOSS STATEMENT (QUARTER)

for the period 1 April 2004 to 30 June 2004 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	Q II 2003/4	Q III 2003/4	Q III 2002/3	Change in % Q III yoy.
Sales	133,109	132,370	136,116	-2.8
Increase (or decrease) in finished goods and work in progress	350	(1,322)	3,059	—
Own expenses capitalized	6	17	0	—
Other operating income	4,613	3,210	1,345	138.7
<i>Total output</i>	138,078	134,275	140,520	-4.4
Cost of raw materials and supplies goods purchased	(42,726)	(39,346)	(46,443)	-15.3
Cost of services purchased	(11,684)	(10,802)	(12,925)	-16.4
Staff costs	(49,365)	(48,815)	(50,856)	-4.0
Other operating expenses	(20,721)	(19,811)	(18,512)	-7.0
<i>EBITDA</i>	13,582	15,501	11,784	31.5
Scheduled depreciation / amortization expense	(8,886)	(8,378)	(8,401)	-0.3
<i>EBITA</i>	4,696	7,123	3,383	110.6
Goodwill depreciation*	(1,278)	0	(1,103)	—
<i>EBIT</i>	3,418	7,123	2,280	212.4
Income from investments	0	0	0	—
Income from / expenditure on financial assets carried at equity	56	(28)	(20)	40.0
Expense from absorption of loss	0	0	0	—
Exchange-rate gains / losses	(489)	223	1,411	-84.2
Other interest and similar income	65	51	24	112.5
Write-downs on financial assets and securities				
held as current assets	0	0	0	—
Interest and similar expenses	(2,749)	(2,612)	(3,153)	-17.2
<i>Net financial results</i>	(3,117)	(2,366)	(1,738)	36.1
<i>EBT</i>	301	4,757	542	777.7
Income tax expense	(897)	(1,712)	(1,128)	51.8
Extraordinary income / expenses	0	0	0	—
<i>Net profit</i>	(596)	3,045	(586)	—
Minority interests	2	0	3	—
<i>Consolidated net profit</i>	(594)	3,045	(583)	—

*Scheduled amortisation of goodwill was abandoned in the third quarter of the current year for the first time.

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CONSOLIDATED PROFIT AND LOSS STATEMENT (9-MONTHS)

for the period 1 October 2003 to 30 June 2004 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	9-Months 2003/4	9-Months 2002/3	Change in % 9-Months yoy.
Sales	425,930	449,649	-5.3
Increase (or decrease) in finished goods and work in progress	(2,971)	(2,817)	5.5
Own expenses capitalized	23	0	—
Other operating income	10,227	15,032	-32.0
<i>Total output</i>	433,209	461,864	-6.2
Cost of raw materials and supplies			
goods purchased	(132,995)	(161,073)	-17.4
Cost of services purchased	(38,669)	(39,989)	-3.3
Staff costs	(152,095)	(154,885)	-1.8
Other operating expenses	(62,140)	(63,283)	-1.8
<i>EBITDA</i>	47,310	42,634	11.0
Scheduled depreciation / amortization expense	(26,265)	(26,649)	-1.4
<i>EBITA</i>	21,045	15,985	31.7
Goodwill depreciation*	(2,556)	(3,236)	-21.0
Write-back of goodwill depreciation of H1 2003/4	2,556	—	—
<i>EBIT</i>	21,045	12,749	65.1
Income from investments	0	0	—
Income from / expenditure on financial assets carried at equity	28	(245)	—
Expense from absorption of loss	0	0	—
Exchange-rate gains /losses	608	1,590	-61.8
Other interest and similar income	169	133	27.1
Write-downs on financial assets and securities held as current assets	0	(64)	—
Interest and similar expenses	(8,128)	(9,249)	-12.1
<i>Net financial results</i>	(7,323)	(7,835)	-6.5
<i>EBT</i>	13,722	4,914	179.2
Income tax expense	(5,607)	(4,727)	18.6
Extraordinary income / expenses	0	0	—
<i>Net profit</i>	8,115	187	4,239.6
Minority interests	3	8	-62.5
<i>Consolidated net profit</i>	8,118	195	4,063.1

*Scheduled amortisation of goodwill was abandoned in the current year for the first time in the third quarter.

CONSOLIDATED BALANCE SHEET

as of 30 June 2004 (previous year for comparison)

ASSETS IN K€; IAS/IFRS, unaudited	30 June 2004	% share	30 June 2003	% share	30 Sept. 2003	% share
<i>Fixed assets</i>	422,472	80.9	410,403	76.9	430,634	78.2
Goodwill*	87,922	16.4	74,614	14.0	88,445	16.1
Other intangible assets	1,486	0.3	1,678	0.3	1,967	0.4
Property, plant and equipment	319,535	61.2	317,130	59.4	323,470	58.8
Financial assets reported at equity	28	0.0	0	0.0	0	0.0
Other financial assets (shares in affiliated companies and shares in other companies)	243	0.0	332	0.1	267	0.0
Loans	1,050	0.2	1,050	0.2	1,050	0.2
Deferred taxes	0	0.0	0	0.0	0	0.0
Property held as financial investments	12,208	2.3	15,599	2.9	15,435	2.8
<i>Current assets</i>	95,403	18.3	117,056	21.9	116,017	21.1
Inventories	24,498	4.7	27,968	5.2	27,296	5.0
Trade receivables	54,632	10.5	65,335	12.2	64,470	11.7
Receivables due from related parties	0	0.0	160	0.0	0	0.0
Tax reimbursement claims	5,413	1.0	7,581	1.4	6,101	1.1
Other assets	8,141	1.6	12,902	2.4	15,285	2.8
Other securities	0	0.0	0	0.0	0	0.0
Cash and cash equivalents	2,719	0.5	3,110	0.6	2,865	0.5
<i>Deferred assets</i>	75	0.0	1,196	0.2	1,771	0.3
<i>Prepaid expenses</i>	4,157	0.8	4,899	0.9	2,031	0.4
	522,107	100.0	533,554	100.0	550,453	100.0

*Includes K€2,556 write-back of goodwill-amortisation of the first half 2003/4. The reduction of goodwill versus 30 september 2003 results from depreciation on intangible assets purchased from Schlott KG from 1992.

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CONSOLIDATED BALANCE SHEET

as of 30 June 2004 (previous year for comparison)

EQUITY AND LIABILITIES

IN K€; IAS/IFRS, unaudited	30 June 2004	% share	30 June 2003	% share	30 Sept. 2003	% share
<i>Equity*</i>	128,699	24.6	120,767	22.6	125,473	22.8
Issued capital	18,570	3.6	18,476	3.5	18,476	3.4
Share premium	58,353	11.2	57,921	10.9	58,133	10.6
Retained earnings	12,426	2.4	11,878	2.2	12,339	2.2
Treasury stock	0	0.0	0	0.0	0	0.0
Revaluation reserve	(522)	-0.1	297	0.1	(162)	0.0
Unappropriated surplus	37,337	7.2	32,222	6.0	36,704	6.7
Write-back of goodwill depreciation of H1 2003/4	2,556	0.5	—	—	—	—
Minority interests	(21)	0.0	(27)	0.0	(17)	0.0
<i>Long-term liabilities</i>	214,720	41.1	216,781	40.6	217,112	39.4
Interest-bearing debt / liabilities to banks	174,462	33.4	176,502	33.1	176,756	32.1
Leasing liability	1,595	0.3	2,200	0.4	2,247	0.4
Deferred taxes	0	0.0	0	0.0	0	0.0
Pension provisions	22,622	4.3	22,362	4.2	22,327	4.1
Other provisions	4,215	0.8	3,224	0.6	3,399	0.6
Other liabilities	11,826	2.3	12,493	2.3	12,383	2.2
<i>Short-term liabilities</i>	145,766	28.1	168,862	31.6	171,622	31.2
Interest-bearing debt / liabilities to banks	46,910	9.0	54,429	10.2	44,980	8.2
Current component of leasing liabilities	0	0.0	0	0.0	0	0.0
Advance payments received on orders	4,124	0.8	2,960	0.6	978	0.2
Trade payables	27,801	5.3	41,243	7.7	50,370	9.2
Liabilities to affiliated companies	30	0.0	101	0.0	32	0.0
Liabilities due to related parties	20	0.0	425	0.1	300	0.1
Other liabilities	20,418	3.9	21,684	4.1	23,681	4.3
Current provisions	46,463	8.9	48,020	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 tax liabilities</i>	29,541	5.7	21,953	4.1	31,508	5.7
<i>Deferred income</i>	3,381	0.6	5,191	1.0	4,738	0.9
	522,107	100.0	533,554	100.0	550,453	100.0

* Includes K€2,556 write-back of goodwill-amortisation of the first half 2003/4.

CONSOLIDATED CASH FLOW STATEMENT

for the period 1 October 2003 to 30 June 2004 (previous year for comparison)

IN K€; IAS/IFRS, unaudited	Q II 2003/4	Q III 2003/4	Q III 2002/3	9-Months 2003/4	9-Months 2002/3
CASHFLOWS AUS BETRIEBLICHER TÄTIGKEIT					
OPERATING EARNINGS/LOSS INCL. CURRENCY RESULT	2,929	7,346	3,690	21,653	14,339
Writedowns on fixed assets	10,164	8,379	9,504	28,822	29,885
Write-back of goodwill depreciation of H I 2003/4	—	—	—	(2,556)	—
Writeups on fixed assets	(56)	28	0	(28)	0
Increase/(decrease) in provisions	(1,213)	2,411	134	(3,707)	(2,276)
Increase/(decrease) in deferred taxes	(687)	444	120	(271)	576
(Profit)/loss from the disposal of fixed assets	(623)	191	3	(395)	(1,963)
OPERATING EARNINGS/LOSS PRIOR TO CHANGES TO NET CURRENT ASSETS	10,514	18,799	13,451	43,518	40,561
(Increase)/decrease in inventories	50	988	(5,329)	2,798	2,075
(Increase)/decrease in trade receivables	21,698	(13,300)	(13,368)	9,838	6,506
Increase/(decrease) in trade payables	(3,349)	807	14,059	(22,569)	2,445
(Increase)/decrease in other net current assets	(3,627)	3,183	6,035	2,841	(8,954)
CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES	25,286	10,477	14,848	36,426	42,633
Interest earned	17	11	1	37	74
(Payment)/receipt of income tax	(1,484)	(1,498)	(8,143)	(5,093)	(10,051)
NET CASH FLOW FROM OPERATING ACTIVITIES	23,819	8,990	6,706	31,370	32,656
CASH FLOW FROM INVESTING ACTIVITIES					
Payments made for investments in property, plant and equipment	(5,811)	(5,210)	(12,704)	(18,950)	(30,828)
Payments received from the disposal of property, plant and equipment	1,000	304	77	1,490	4,483
Payments made for investments in intangible assets	(77)	(104)	(1,039)	(278)	(1,938)
Payments received from the disposal of intangible assets	21	1	7	22	12
Payments made for investments in financial assets	0	0	0	0	(1,050)
Payments received from the disposal of financial assets	0	0	0	0	82
Payments made for the acquisition of subsidiaries	0	0	(441)	0	(16,519)
Payments received from the sale of subsidiaries	0	0	0	0	962
Dividends earned	0	0	0	0	0
NET CASH AND CASH EQUIVALENTS USED FOR INVESTING ACTIVITIES	(4,867)	(5,009)	(14,100)	(17,716)	(44,796)
CASH FLOW FROM FINANCING ACTIVITIES					
Payments received from additions to equity	0	0	0	313	135
Payments made to company owners and minority shareholders	(4,952)	0	0	(4,952)	(3,261)
Payments received from the raising of loans	10,000	7,886	0	17,886	17,200
Payments made for the discharge of bonds and loans	(10,504)	(4,254)	(3,047)	(20,180)	(17,381)
Increase/(decrease) in current bank liabilities	(11,758)	(6,485)	14,393	1,929	25,420
Payments received from the raising of other long-term liabilities	0	6	0	12	0
Payments made from the discharge of other long-term liabilities	(179)	(260)	(322)	(1,221)	(596)
Interest paid	(2,052)	(2,201)	(3,654)	(7,587)	(8,566)
NET CASH AND CASH EQUIVALENTS USED FOR FINANCING ACTIVITIES	(19,445)	(5,308)	7,370	(13,800)	12,951
CASH CHANGES TO CASH AND CASH EQUIVALENTS	(493)	(1,327)	(24)	(146)	811
EXCHANGE-RATE, CONSOLIDATION AND VALUATION-RELATED					
CHANGES TO CASH AND CASH EQUIVALENTS	0	0	0	0	0
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4,539	4,046	3,134	2,865	2,299
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,046	2,719	3,110	2,719	3,110

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the period 1 October 2003 to 30 June 2004

IN K€; IAS/IFRS, unaudited	Issued capital	Share premium	Other retained earnings	Translation provisions	Valuation reserve	Consolidated profit	Minority interests	Total
Balance on 30 September 2003	18,476	58,133	12,615	(277)	(162)	36,704	(17)	125,472
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
Purchase of minorities	0	0	0	0	0	0	0	0
Capital issued	94	220	0	0	0	0	0	314
Balance on 31 December 2003	18,570	58,353	12,615	(621)	(35)	39,812	(18)	128,676
Balance on 31 December 2003	18,570	58,353	12,615	(621)	(35)	39,812	(18)	128,676
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	(1,645)	0	0	(1,645)
Differences from currency translation	0	0	0	454	0	23	0	477
Profit and loss not shown in the income statement	0	0	0	454	(1,645)	23	0	(1,168)
Net profit/loss for the period	0	0	0	0	0	(596)	(2)	(598)
Dividends	0	0	0	0	0	(4,952)	0	(4,952)
Purchase of minorities	0	0	0	0	0	0	0	0
Capital issued	0	0	0	0	0	0	0	0
Balance on March 31, 2004	18,570	58,353	12,615	(167)	(1,680)	34,287	(20)	121,958
Balance on 31 March 2004	18,570	58,353	12,615	(167)	(1,680)	34,287	(20)	121,958
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	1,158	0	0	1,158
Differences from currency translation	0	0	0	(22)	0	5	(1)	(18)
Profit and loss not shown in the income statement	0	0	0	(22)	1,158	5	(1)	1,140
Net profit/loss for the period	0	0	0	0	0	3,045	0	3,045
Dividends	0	0	0	0	0	0	0	0
Purchase of minorities	0	0	0	0	0	0	0	0
Capital issued	0	0	0	0	0	0	0	0
Write-back of goodwill depreciation of H1 2003/4	0	0	0	0	0	2,556	0	2,556
Balance on 30 June 2004	18,570	58,353	12,615	(189)	(522)	39,893	(21)	128,699

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

for the period 1 October 2002 to 30 June 2003

IN K €; IAS/IFRS, unaudited	Subscribed capital	Capital reserve	Other revenue reserve	Translation-reserve	Valuation reserve	Consolid. profit	Minority interest	Total
Balance on 30 September 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
Purchase of minorities	0	0	0	0	0	0	0	0
Capital issued	39	96	0	0	0	0	0	135
Balance on 31 December 2002	16,351	60,046	12,615	(382)	0	39,631	(28)	128,233
Balance on 31 December 2002	16,351	60,046	12,615	(382)	0	39,631	(28)	128,233
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	1,879	0	0	1,879
Differences from currency translation	0	0	0	(169)	0	1	1	(167)
Profit and loss not shown in the income statement	0	0	0	(169)	1,879	1	1	1,712
Net profit/loss for the period	0	0	0	0	0	(3,591)	(2)	(3,593)
Dividends	0	0	0	0	0	(3,261)	0	(3,261)
First-time consolidation effects	0	0	0	0	0	0	0	0
Purchase of minorities	0	0	0	0	0	0	0	0
Capital issued	0	0	0	0	0	0	0	0
Balance on 31 March 2003	16,351	60,046	12,615	(551)	1,879	32,780	(29)	123,091
Balance on 31 March 2003	16,351	60,046	12,615	(551)	1,879	32,780	(29)	123,091
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	(1,582)	0	0	(1,582)
Differences from currency translation	0	0	0	(186)	0	20	5	(161)
Profit and loss not shown in the income statement	0	0	0	(186)	(1,582)	20	5	(1,743)
Net profit/loss for the period	0	0	0	0	0	(578)	(3)	(581)
Dividends	0	0	0	0	0	0	0	0
First-time consolidation effects	0	(2,125)	0	0	0	0	0	(2,125)
Purchase of minorities	0	0	0	0	0	0	0	0
Capital issued	2,125	0	0	0	0	0	0	2,125
Balance on June 30, 2003	18,476	57,921	12,615	(737)	297	32,222	(27)	120,767

OTHER OPERATING EXPENSES

for the period 1 October 2003 to 30 June 2004 (previous year for comparison)

IN K €; IAS/IFRS, unaudited	Q III 2003/4	Q III 2002/3	9-Months 2003/4	9-Months 2002/3
Overheads	1,797	1,679	5,493	4,928
Rental and leasing expenses	1,371	1,385	4,428	4,382
Ancillary staff costs	1,559	1,668	5,229	5,453
Maintenance	4,931	5,336	16,450	15,837
Levies and insurance	922	1,136	3,023	3,212
Sales and advertising costs	5,927	7,624	17,783	22,286
Administrative costs	2,193	2,639	6,626	8,361
Impairment charges on fixed assets	0	0	0	0
Other expenses	856	269	2,428	1,594
Earnings per share entitled to dividend <i>in</i> €	255	220	680	674
	19,811	21,956	62,140	66,727

TOTAL TONNAGE PROCESSED IN THE HIGH PERFORMANCE PRINTING DIVISION

for the period 1 October 2003 to 30 June 2004 (previous year for comparison)

IN TONNES	Q III 2003/4	Q III 2002/3	9-Months 2003/4	9-Months 2002/3
Paper supplied by customers	103,225	94,302	308,469	256,240
Paper purchased	32,938	37,091	113,639	143,376
Total tonnage	136,163	131,393	422,108	399,616

In the direct marketing division the indicators "paper supplied by customers" and "paper purchased" are not relevant.

CONSOLIDATED VALUE-ADDED SALES

for the period 1 October 2003 to 30 June 2004 (previous year for comparison)

IN K €; IAS/IFRS, unaudited	Q III 2003/4	Q III 2002/3	9-Months 2003/4	9-Months 2002/3
Sales	132,370	136,116	425,930	449,649
Change in inventories	(1,322)	3,059	(2,971)	(2,817)
Own expenses capitalized	17	0	23	0
Cost of raw materials, supplies and goods purchased	(39,346)	(46,443)	(132,995)	(161,073)
Cost of services purchased	(10,802)	(12,925)	(38,669)	(39,989)
Value-added sales	80,917	79,807	251,318	245,770

— EXECUTIVE AND SUPERVISORY BOARD

In the third 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

Kapitalmarktkonferenz, Frankfurt	4 October 2004
Eigenkapitalforum, Frankfurt	23/24 November 2004
Balance-Sheet Press Conference, Stuttgart	26 January 2005
DVFA-Analyst Meeting, Frankfurt	26 January 2005
Interim Report 1 st quarter 2004/05	9 February 2005
Annual General Shareholders' Meeting, Freudenstadt	22 March 2005
Interim Report 2 nd quarter 2004/05	11 May 2005
Interim Report 3 rd quarter 2004/05	10 August 2005

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This interim report has been prepared in accordance with IAS 34. Its is based on the same accounting and valuation methods as the annual statement of accounts for fiscal year 2002/3 with the exemption that scheduled goodwill amortisation has been abandoned since the third quarter and for the first nine months 2003/4. The related changes are reported transparently. Should there be discrepancies in the interpretation of the German and English versions of this interim report, the German version shall prevail.