



NOTES TO THE
CONSOLIDATED FINANCIAL
STATEMENTS 2007/08
for the AG

NOTES TO THE FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2008

(§ 284 pp German Commercial Code (HGB) and § 160 pp German Corporation Act (AktG))

A. GENERAL NOTES

The financial statements have been drawn up in compliance with the regulations contained in the German Commercial Code (HGB) and the German Corporation Act (AktG). The accounting and valuation methods employed are fundamentally the same as those applied in the previous year.

B. METHODS OF ACCOUNTING AND VALUATION

The structure of the balance sheet relies on the specifications set forth in Article 266, Clauses 2 and 3 HGB. The profit and loss statement is structured in accordance with Article 275, Clauses 1 and 2 HGB. The preparation of the balance sheet takes into consideration the partial utilization of the year's net income.

I. FIXED ASSETS

Intangible assets and property, plant and equipment are valued at acquisition cost, including ancillary costs, and are depreciated based on their expected useful life and under consideration of applicable tax rates.

The following depreciation methods and rates were employed during the reporting period:

| | Depreciation Method | Depreciation Rate |
|-------------------------------|---------------------------------|-------------------|
| Intangible assets | straight-line | 6.7 – 25.0 % |
| Property, plant and equipment | straight-line/declining balance | 7.0 – 33.3 % |

Until December 31, 2007, additions were uniformly depreciated by the declining balance method on a pro-rata basis to the extent permitted. Financial assets are stated at the cost of acquisition adjusted for non-scheduled depreciation.

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2. CURRENT ASSETS AND DEFERRED ITEMS

a) Receivables and Other Assets

Receivables and other assets are stated at their nominal value.

b) Marketable Securities

Marketable securities are stated at the cost of acquisition or the market value at year-end, whichever is lower.

c) Deferred Items

Deferrals are established to the extent permitted by regulations and customs.

3. PROVISIONS

Provisions for pension liabilities are stated at the partial value as prescribed in Article 6a of the Income Tax Code. The calculation is made in accordance with actuarial principles on the basis of an interest rate of 6.0 % p.a. The 2005 mortality tables of Prof. Dr. Klaus Heubeck are employed in this connection. The tax provision reflects the expected tax liability. Other provisions are calculated such that all discernible risks and eventualities are taken into account.

4. LIABILITIES

Liabilities are stated consistently at their repayment value.

C. NOTES TO THE BALANCE SHEET

I. FIXED ASSETS

Acquisition and production costs reflect historical values. Details on the development of fixed assets are shown on page 114 p.

a) Intangible Assets

Intangible assets include the cost of acquired software as well as other intangible assets.

b) Property, Plant and Equipment

Additions to the company's property, plant and equipment base amounted to € 42 thousand during the reporting period.

The following service lives are applied to scheduled depreciation of these assets:

| | |
|----------------------------------|--------------|
| Vehicles | 4 – 6 years |
| Machinery and business equipment | 3 – 14 years |

c) Financial Assets

Shares in affiliated companies are stated in accordance with Article 285, Clause 11 HGB:

| ENTITY | Shareholder | Subscribed Capital | | Shareholders Equity** | Net Income 2007/08** |
|---|-------------------|--------------------|-------|-----------------------|----------------------|
| | | € 0000 | % | € 0000 | € 0000 |
| SEBALDUS Beteiligungs GmbH, Nuremberg | AG ¹⁾ | 5,120 | 100 | 16,620 | (26,113)* |
| sealdus GmbH, Nuremberg | SBG ²⁾ | 1,540 | 100 | 2,429 | (10,456)* |
| u.e. seald druck GmbH, Nuremberg | SG ³⁾ | 6,140 | 100 | 24,763 | (9,647)* |
| sachsendruck GmbH, Plauen | UES ⁴⁾ | 50 | 100 | 3,028 | 1,003 |
| d.v.n. Druckverarbeitung Nürnberg GmbH, Nuremberg | UES | 60 | 100 | 60 | (842)* |
| Hollmann S.A., France | UES | 1,500 | 99.94 | (3,564) | (1,989) |
| wwk druck GmbH, Landau | AG | 9,200 | 100 | 9,200 | 654* |

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| ENTITY | Shareholder | Subscribed Capital | | Shareholders Equity** | Net Income 2007/08** |
|---|-------------------|--------------------|-----|-----------------------|----------------------|
| | | € 000S | % | € 000S | € 000S |
| schlott GmbH, Freudenstadt | AG | 2,000 | 100 | 30,294 | (2,424)* |
| schlott Vertrieb GmbH, Landau | AG | 25 | 100 | 25 | 15* |
| broschek tiefdruck GmbH, Hamburg | AG | 152 | 100 | 9,435 | (4,695)* |
| broschek rollenoffset GmbH, Lübeck | BTD ⁵⁾ | 100 | 100 | 2,366 | (974)* |
| broschek service GmbH, Stelle | BTD | 26 | 100 | 60 | (1,576)* |
| Broschek Grundstücksgesellschaft Stelle mbH, Stelle | AG | 26 | 100 | 35 | 2 |
| Broschek Grundstücksverwaltungs GmbH & Co. KG, Stelle | AG | 11 | 100 | 11 | 464 |
| media2print GmbH, Nuremberg | AG | 25 | 100 | 25 | 101* |
| REUS s.r.o., Czech Republic | AG | 1,055 | 100 | 20,736 | (271) |
| Zamora s.r.o., Czech Republic | SV ⁶⁾ | 4 | 100 | 4 | 0 |
| biegelaar B.V., Maarsse, The Netherlands | AG | 34 | 100 | 3,443 | (3,050) |
| contract media GmbH, Nuremberg | SG | 30 | 100 | 10 | 0 |

1) AG = schlott gruppe AG, Freudenstadt

2) SBG = SEBALDUS Beteiligungs GmbH, Nuremberg

3) SG = sebaldus GmbH, Nuremberg

4) UES = u.e. sebald druck GmbH, Nuremberg

5) BTD = broschek tiefdruck GmbH, Hamburg

6) SV = schlott Vertrieb GmbH, Landau

* Profit and loss absorption agreements exist with these entities.

** Values are based on HGB and laws of respective countries.

2. CURRENT ASSETS

a) Receivables and Other Assets

The composition and related tenors are as follows:

| IN € 000S | Sept. 30, 2008 | Sept. 30, 2007 |
|---|----------------|----------------|
| Accounts receivable | 0 | 12 |
| <i>of which with a remaining tenor of > 1 year</i> | 0 | 0 |
| Due from affiliated companies | 86,865 | 124,375 |
| <i>of which with a remaining tenor of > 1 year</i> | 0 | 0 |
| Other assets | 4,558 | 8,815 |
| <i>of which with a remaining tenor of > 1 year</i> | 2,356 | 5,211 |

Receivables due from affiliated companies are as follows:

| IN € 000S | Sept. 30, 2008 | Sept. 30, 2007 |
|--|----------------|----------------|
| sebaldus GmbH | 5,472 | 0 |
| SEBALDUS Beteiligungs GmbH | 29,673 | 86,138 |
| u.e. seabald druck GmbH | 16,981 | 2,607 |
| d.v.n. Druckverarbeitung Nürnberg GmbH | 428 | 1,560 |
| sachsendruck GmbH | 1,822 | 4,892 |
| Hollmann S.A., France | 4,239 | 3,618 |
| broschek rollenoffset GmbH | 7,765 | 6,674 |
| broschek tiefdruck GmbH | 5,075 | 6,196 |
| broschek service GmbH | 1,966 | 1,359 |
| biegelaar B.V., The Netherlands | 13,444 | 11,331 |
| | 86,865 | 124,375 |

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Details of other assets are as follows:

| IN € 000S | Sept. 30, 2008 | Sept. 30, 2007 |
|------------------------------------|----------------|----------------|
| Claims for tax refunds | 1 | 5,037 |
| Claims against insurance companies | 2,356 | 2,222 |
| Miscellaneous | 2,201 | 1,556 |
| | 4,558 | 8,815 |

In the previous year, claims for tax refunds included the present value of corporate income tax credits as per SEStEG in the amount of € 3,419 thousand. This amount was liquidated during the business year 2007/08.

b) Marketable Securities

OWN SHARES

As of September 30, 2008, the balance shows own shares at a book value of € 1,161,248.74. The Board of Management was authorized at the Annual General Meetings of March 13, 2007, and February 28, 2008, to repurchase up to 10 percent of the capital stock in one or multiple transactions. Beginning with November 2007, the Board of Management repurchased until the end of the fiscal year 111,766 shares at prices between € 18.58 and € 9.85.

The repurchased shares represent € 335,298.00 of the capital stock and equal 1.8 percent of the subscribed capital. The initial acquisition costs totaled € 1,865,540.21.

3. DEFERRED ITEMS

Details of deferrals are as follows:

| IN € 000S | <i>Sept. 30, 2008</i> | <i>Sept. 30, 2007</i> |
|----------------------------------|-----------------------|-----------------------|
| Premium for interest-rate hedges | 0 | 43 |
| External pension fund | 40 | 54 |
| | 40 | 97 |

4. SUBSCRIBED CAPITAL

The capital stock of the Company amounts to € 18,612,600.00 consisting of 6,204,200 shares. The subscribed capital has been fully paid in. All issued shares are common shares and are, with the exception of shares held as treasury stock, fully dividend-eligible for the business year 2007/08.

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the capital stock until February 25, 2013, by up to € 4,000,000.00 cash contributions or contributions in-kind via a one-time or via multiple issuance of new shares (Authorized Capital I). These shares must be offered to existing shareholders via subscription rights. However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude portions of new issues from subscription rights and to exclude from subscription rights shares issued to employees of *schlott gruppe AG* or to affiliated companies of *schlott gruppe AG* as per Article 15 pp AktG. Moreover, capital increases by way of contributions in-kind for the purpose of acquisitions or participations related to the ordinary business of the Corporation may be excluded from subscription rights. In addition, the Board of Management is authorized, with the consent of the Supervisory Board, to determine the particulars of any capital increase as well as its execution.

The Board of Management is authorized, subject to the consent of the Supervisory Board, to increase the capital stock until March 16, 2009 by up to € 5,300,000.00 in form of cash contributions or contributions in-kind via a one-time or via multiple issuance of new shares (Authorized Capital II). These shares are to be offered to existing shareholders via subscription rights. However, the Board of Management is authorized, subject to the consent of the Supervisory Board, to exclude portions of new issuance from subscription rights of shareholders. Moreover, the Board of Management is authorized, with the consent of the Supervisory Board, to exclude subscription rights of shareholders from capital increases in form of cash contributions in the course of one-time or multiple utilizations of Authorized Capital II up to an amount not exceeding 10 percent of the capital stock during the timeframe of the effective date of the authorization and the date of utilization of this authorization. This stipulation is designed to assure that the new shares issued for cash are issued at a price that is not significantly below the market price prevailing on the date the issuance price is fixed. Shares that will be applied to the aforementioned 10 percent limit are those that are acquired on the basis of the authorization of the Annual General Meeting of March 17, 2004, and divested as per Article 71, Clause 1, No 8, Para. 5 AktG, in concert with Article 186, Clause 3, Para. 4 AktG. Furthermore, the 10 percent limit is applied as well to shares, which were issued for the purpose of servicing debentures with conversion and / or options rights and duties as long as debentures were issued on the basis of the authorization of the Annual General Meeting of March 17, 2004, in conformity with Article 186, Clause 3, Para. 4 AktG, and without subscription rights of shareholders. The Board of Management is further authorized, with the consent of the Supervisory Board, to exclude subscription rights of shareholders to the extent necessary to afford holders of convertible debentures and options issued by *schlott gruppe AG* or its subsidiaries, subscription rights for new shares to which they would be entitled following exercise of options and conversion rights or fulfillment of options and conversion duties. The Board of Management is authorized, with the consent of the Supervisory Board, to determine the particulars of capital increases and their implementation, particularly the description of shareholder rights and the terms of share issuance.

The authorized capital is conditionally increased by additional € 3,750,000.00 through the issuance of up to 1,250,000 bearer shares (Conditional Capital I). The conditional capital increase will only be undertaken to the extent that holders of options and conversion rights or holders responsible for exercising options and conversion duties are taking advantage of options and conversion rights or meet their commitments under options and con-

version duties. The options and conversion rights and duties concerned are those that the Corporation, or one of its wholly owned, indirect or direct investment subsidiaries, issued or guaranteed up to March 16, 2009, on the basis of the authorization of the Annual General Meeting of March 17, 2004. The issuance of the new shares will be undertaken in line with the aforementioned authorization at options and conversion prices to be determined. The new shares are eligible for dividends beginning with the start of the fiscal year during which they are created as a result of the exercise of options and conversion rights. The Board of Management is authorized, with the consent of the Supervisory Board, to determine the particulars of the execution of the conditional capital increase.

The Board of Management is authorized to repurchase up to 10 percent of the capital stock. This authorization may be implemented directly by the Corporation or by third parties designated by the Corporation in full or in partial amounts, at one time or at multiple times. The purchase is executed via the stock exchange, or via a public offer to purchase from the Corporation's shareholders, or via a public request to the Corporation's shareholders for offers to sell shares, or via the issuance of put options to shareholders. In the event shares are acquired via the stock exchange, the amount per share paid by the Corporation (excluding transaction fees) may not exceed by more than 10 percent and may not be below by more than 10 percent the mid-value XETRA opening quotations on the Frankfurt Stock Exchange for the last three trading days prior to the commitment to acquire the Corporation's own shares. In the event shares are acquired via a public purchase offer extended to all shareholders of the Corporation or via a public request to all shareholders of the Corporation for submission of sales offers, the indicated purchase or sales prices, or the limit values of the indicated purchase or sales price ranges per share (excluding transaction fees) may not exceed or may not be below by more than 20 percent the XETRA mid-value closing prices quoted on the Frankfurt Stock Exchange on the last three trading days prior to the official publication of any such offer. The number of shares offered for purchase or solicited via sales offers by shareholders may be limited. The Board of Management is authorized, subject to the consent of the Supervisory Board, to utilize shares acquired in the context of this authorization for the purpose of defraying acquisitions in whole or in part or to sell such shares at specified conditions.

5. CAPITAL RESERVES

The reserve of € 50,046 thousand includes the differential between the € 20.20 issue price of 800,000 shares of what was Schlott AG and the par value of € 2.56 per share, as well as premiums arising out of contributions in-kind.

6. RESERVE FOR OWN SHARES / EARNINGS RESERVES

As of September 30, 2008, the company established a reserve for own shares in the amount of € 1,161 thousand. The reduction in other earnings reserves represents withdrawals for the establishment of the reserve for own shares in the amount of € 1,161 thousand and € 25,156 thousand for retained earnings.

7. RETAINED EARNINGS

The retained earnings account developed as follows:

| IN € 000S | Sept. 30, 2008 | Sept. 30, 2007 |
|---|----------------|----------------|
| Balance at the beginning of the fiscal year | 32,197 | 29,831 |
| Dividends | (6,150) | (6,204) |
| Net income / (loss) | (44,931) | 17,070 |
| Withdrawal from other earnings reserves | 25,156 | 0 |
| Additions to other earnings reserves | 0 | (8,500) |
| Balance at the end of the fiscal year | 6,272 | 32,197 |

8. PROVISIONS FOR PENSIONS AND SIMILAR LIABILITIES

In accordance with a Deferred Compensation Model, the Corporation is making legal pension commitments to eligible *group* employees and Members of the Board of Management; these commitments are fully funded by conversions of compensation. Based on these commitments, the Corporation is obligated to establish appropriate provisions. These obligations are calculated and stated as defined in Article 6a of the Income Tax Code (EstG). Calculations are based on actuarial tables prepared by Prof. Dr. Klaus Heubeck, employing 2005 mortality tables and applying an interest rate of 6.0 percent per annum. These commitments are reinsured.

9. PROVISIONS FOR TAXES

The provisions as of September 30, 2007, represent municipal trade taxes for the business year 2006/07.

10. OTHER PROVISIONS

Other provisions are detailed below:

| IN € 000S | <i>Sept. 30, 2008</i> | <i>Sept. 30, 2007</i> |
|----------------------|-----------------------|-----------------------|
| Personnel | 1,296 | 1,220 |
| Audit and consulting | 72 | 90 |
| Supervisory Board | 182 | 164 |
| Contingent losses | 234 | 75 |
| Miscellaneous | 388 | 433 |
| | 2,172 | 1,982 |

The personnel-related provisions include profit-sharing bonuses, Christmas bonuses, part-time work for senior employees and vacation entitlements.

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II. LIABILITIES

Composition and tenors are as follows:

| IN € 000S | Total | of which < 1 year | of which 1 – 5 years | of which > 5 years |
|-----------------------------|---------|----------------------|-------------------------|-----------------------|
| Due to banks | | | | |
| Sept. 30, 2008 | 72,872 | 25,372 | 45,000 | 2,500 |
| Sept. 30, 2007 | 55,893 | 42,093 | 9,300 | 4,500 |
| Accounts payable | | | | |
| Sept. 30, 2008 | 221 | 221 | 0 | 0 |
| Sept. 30, 2007 | 191 | 191 | 0 | 0 |
| Due to affiliated companies | | | | |
| Sept. 30, 2008 | 80,952 | 57,284 | 21,194 | 2,474 |
| Sept. 30, 2007 | 109,462 | 73,484 | 32,190 | 3,788 |
| Other liabilities | | | | |
| Sept. 30, 2008 | 1,174 | 1,174 | 0 | 0 |
| Sept. 30, 2007 | 722 | 722 | 0 | 0 |
| Total Sept. 30, 2008 | 155,219 | 84,051 | 66,194 | 4,974 |
| Total Sept. 30, 2007 | 166,268 | 116,490 | 41,490 | 8,288 |

Liabilities to financial institutions are collateralized as follows:

- *A mortgage in the amount of € 7.7 million on the property of Hollmann S.A., France*
- *Joint and several liability of sebalduS GmbH*
- *Mortgage on land in the amount of € 10.2 million on the property of wwk druck GmbH, Landau*
- *Joint and several liability of wwk druck GmbH*
- *Debt participation of broschek tiefdruck GmbH*
- *Mortgage on land in the amount of € 20.9 million on the property of broschek tiefdruck GmbH, Hamburg*
- *Chattel mortgage on the M8 Intaglio Printing Press of broschek tiefdruck GmbH*
- *Joint and several liability of € 37.0 million each of SEBALDUS Beteiligungs GmbH, sebalduS GmbH, u.e. sebaldu druck GmbH, wwk druck GmbH, schlott GmbH, broschek tiefdruck GmbH und broschek rollenoffset GmbH*

Among the items included in “Other liabilities” are amounts that have yet to be disbursed for payroll and church taxes, turnover taxes, interest and fees due to banks.

Liabilities due to affiliated companies are detailed below:

| IN € 000S | Sept. 30, 2008 | Sept. 30, 2007 |
|---|----------------|----------------|
| CLEARING ACCOUNTS | | |
| sealdus GmbH | 0 | 26,417 |
| schlott Vertrieb GmbH | 380 | 679 |
| schlott GmbH | 11,769 | 6,212 |
| wwk druck GmbH | 2,951 | 306 |
| contract media GmbH | 10 | 11 |
| REUS s.r.o., Czech Republic | 3,286 | 2,555 |
| media2print GmbH | 607 | 586 |
| Broschek Grundstücksverwaltungs GmbH & Co. KG | 3,084 | 2,544 |
| Broschek Grundstücksgesellschaft Stelle mbH | 35 | 33 |
| Friedland Sprava nemovitosti k.s., Czech Republic | 0 | 280 |
| FDS Energie GmbH | 0 | 354 |
| | 22,122 | 39,977 |
| LOANS | | |
| schlott GmbH | 10,014 | 13,594 |
| u.e. seald druck GmbH | 14,856 | 20,211 |
| broschek tiefdruck GmbH | 13,526 | 13,526 |
| broschek rollenoffset GmbH | 9,435 | 9,435 |
| wwk druck GmbH | 956 | 2,231 |
| REUS s.r.o., Czech Republic | 7,081 | 0 |
| sachsendruck GmbH | 2,962 | 3,500 |
| Friedland Sprava nemovitosti k.s., Czech Republic | 0 | 6,988 |
| | 58,830 | 69,485 |
| | 80,952 | 109,462 |

12. CONTINGENT LIABILITIES

As of year-end, the following material contingent liabilities were in effect:

| OBLIGOR | TYPE OF LIABILITY | € 000s |
|---------------------------------|--|--------|
| broschek tiefdruck GmbH | Comprehensive guaranty | 1,250 |
| broschek rollenoffset GmbH | Joint and several liability | 9,171 |
| sachsendruck GmbH | Declaration of liability | 716 |
| sachsendruck GmbH | Joint and several liability | 2,962 |
| schlott GmbH | Comprehensive guaranty | 7,030 |
| schlott GmbH | Comprehensive guaranty | 7,500 |
| schlott GmbH | Joint and several liability | 7,500 |
| schlott GmbH | Joint and several liability | 7,500 |
| u.e. sebald druck GmbH | Comprehensive guaranty | 7,428 |
| u.e. sebald druck GmbH | Joint and several liability | 3,018 |
| u.e. sebald druck GmbH | Joint and several liability | 4,410 |
| u.e. sebald druck GmbH | Joint and several liability | 9,577 |
| u.e. sebald druck GmbH | Joint and several liability | 2,415 |
| u.e. sebald druck GmbH | Joint and several liability | 4,375 |
| wwk druck GmbH | Letter of comfort | 1,758 |
| wwk druck GmbH | Letter of comfort | 956 |
| biegelaar B.V., The Netherlands | Joint liability for loan / credit line | 2,692 |
| | | 80,258 |

In addition, a letter of comfort without limitation as to amount exists in relation to *Hollmann S.A.*, France.

13. OTHER FINANCIAL COMMITMENTS

Composition and tenors are as follows:

| IN € 000S | Sept. 30, 2008 | Sept. 30, 2007 |
|---------------------------------------|----------------|----------------|
| Rent and leasing commitments | 151 | 113 |
| <i>of which due with 1 year</i> | 91 | 70 |
| <i>of which due with 1 to 5 years</i> | 60 | 43 |

Of the rent and leasing commitments, € 45 thousand (€ 45 thousand in the previous year) concern affiliated companies.

14. DERIVATIVE FINANCIAL INSTRUMENTS

a) Interest-Rate Related Transactions

The interest-rate hedge transactions as per year-end are as follows:

| QUANTITY | TYP | Nominal Value € 000S | Positive Market Value € 000S | Negative Market Value € 000S | Book Value € 000S |
|----------|------|-------------------------|---------------------------------|---------------------------------|----------------------|
| 11 | Swap | 48,620 | 6 | 157 | (157) |

For Swaps with a negative market value at year-end, a contingent reserve of € 157 thousand was included under “Other Provisions” in line with Article 249, Clause 1, Para. 1.2 HGB.

Market values are determined in line with generally recognized standards (e.g. Black-Scholes-Model, Mark-to-Market-Method, Marking-to-Market-Method, Mark-to-Mid-Market-Method, etc.) on the basis of available market data at the time of valuation.

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b) Foreign Exchange Related Transactions

As of year-end, a foreign exchange forward transaction existed in the amount of CZK 178,000 thousand. The market value amounting to € 45 thousand to the detriment of the Corporation was determined in line with the present-value-method on the basis of available market data at the time of valuation.

As per Article 249, Clause 1, Para. 1.2 HGB, a provision in the amount of € 77 thousand was established in connection with contingent losses related to pending transactions. The provision was derived by applying the rate of exchange at year-end.

— D. CASH FLOW STATEMENT

The cash flow statement is shown on page III.

The item “Investments in Financial Assets” concerns the cost of acquisition of € 133 thousand for the *reus group*. The acquisition price was paid during the business year 2007/08 out of cash flow from current business activities.

During the reporting year, the Corporation has paid interest in the amount of € 9,222 thousand (€ 9,379 thousand in the previous year) and has received interest of € 7,976 thousand (€ 7,933 thousand in the previous year). Income taxes paid during the reporting year totalled € 168 thousand (€ 14,818 thousand in the previous year); tax refunds totalled € 1,765 thousand (€ 7,243 thousand in the previous year).

— E. NOTES TO THE PROFIT AND LOSS STATEMENT

schlott gruppe AG functions as a pure management holding company. It holds investments in affiliated companies and carries out *group* functions such as treasury operations, controlling, marketing, internal audit, investor relations and corporate development.

I. NET SALES

Net sales of € 3,704 thousand (€ 4,141 thousand in the previous year) represent cost allocations and proceeds for services rendered within the *group*.

Sales are broken down by geographic markets as follows:

| IN € 000s | 2007/08 | 2006/07 |
|--------------|---------|---------|
| Germany | 3,422 | 4,075 |
| EU-Countries | 282 | 66 |
| | 3,704 | 4,141 |

2. OTHER OPERATING INCOME

Details of other operating income are as follows:

| IN € 000s | 2007/08 | 2006/07 |
|---|---------|---------|
| Gains from disposals of financial assets | 505 | 0 |
| Gains from disposals of property, plant and equipment | 8 | 25 |
| Dissolutions of reserves | 117 | 70 |
| Disposals of financial instruments | 164 | 1,583 |
| Intra-group allocations of insurance expenses | 1,576 | 1,815 |
| Increase in value of reinsurance | 133 | 177 |
| Exchange rate differences | 1,193 | 269 |
| Miscellaneous | 3,219 | 2,919 |
| | 6,915 | 6,858 |

The expenses corresponding to the intra-group allocation for insurance costs are included in “Other operating expenses”.

3. PERSONNEL EXPENSES

Personnel expenses for wages and salaries were € 3,301 thousand (€ 3,548 thousand in the previous year). In the amount expended for old-age security and support, € 159 thousand (€ 263 thousand in the previous year) are included for old-age pensions. The average yearly staff count was 16 versus 17 in the previous year.

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4. DEPRECIATION OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Depreciation expenses were as follows:

| IN € 000S | 2007/08 | 2006/07 |
|-------------------------------|---------|---------|
| Intangible assets | 332 | 512 |
| Property, plant and equipment | 57 | 88 |
| | 389 | 600 |

In the previous year, depreciation of intangible assets included € 166 thousand representing amortization of goodwill resulting from the acquisition of the former Schlott Tiefdruck KG.

5. OTHER OPERATING EXPENSES

Other operating expenses were as follows:

| IN € 000S | 2007/08 | 2006/07 |
|----------------------------------|---------|---------|
| Administrative expenses | 1,808 | 2,055 |
| Advertising and public relations | 795 | 992 |
| Legal and consulting fees | 581 | 513 |
| Vehicle expenses | 170 | 171 |
| Banking fees | 43 | 42 |
| Maintenance expenses | 97 | 97 |
| Fringe benefits | 18 | 26 |
| Foreign exchange differences | 1,470 | 98 |
| Miscellaneous | 286 | 34 |
| | 5,268 | 4,028 |

6. RESULTS FROM FINANCIAL ACTIVITIES

The net results from financial activities amount to € (46,255) thousand (€ 11,188 thousand in the previous year). Included in this amount are income from participations of € 464 thousand (*Broschek Grundstücksverwaltungs GmbH & Co. KG*), income from marketable securities and loans in the amount of € 1,344 thousand, income and similar income of € 6,817 thousand (of which from affiliated companies € 6,815 thousand), income arising out of profit absorption agreements of € 770 thousand (€ 654 thousand on account of *wwk druck GmbH*, € 101 thousand on account of *media2print GmbH* and € 15 thousand related to *schlott Vertrieb GmbH*), write-downs of financial assets and marketable securities as part of current assets in the amount of € 13,205 thousand, interest and similar expenses of € 9,212 thousand (of which € 4,465 thousand related to affiliated companies) as well as expenses arising from loss absorptions in the amount of € 33,232 thousand (of which € 26,113 thousand of *SEBALDUS Beteiligungs GmbH*, € 4,695 thousand of *broschek tiefdruck GmbH* and € 2,424 thousand of *schlott GmbH*).

7. TAXES ON INCOME

| IN € 000S | 2007/08 | 2006/07 |
|---|---------|---------|
| Corporate income taxes for prior years | 17 | (3.653) |
| Solidarity supplement on corporate income taxes for prior years | 1 | (21) |
| Municipal trade taxes for prior years | 1 | (129) |
| Municipal trade taxes for current year | 0 | 285 |
| | 19 | (3.518) |

In the previous year, the item „Corporate income taxes for prior years“ included € 3,284 thousand representing the present value of claims for tax refunds as of December 31, 2006, in line with SEStEG. In the present value calculation a discount rate of 5.5 percent was applied for the disbursement period of 2008 to 2017. Corporate tax credits were liquidated during the business year 2007/08.

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8. PROFIT CARRIED-FORWARD

This account developed as follows:

| IN € 000S | 2007/08 | 2006/07 |
|---|---------|---------|
| Balance at the beginning of the fiscal year | 23,627 | 21,900 |
| Net income | 17,070 | 15,431 |
| Dividends | (6,150) | (6,204) |
| Additions to other earnings reserves | (8,500) | (7,500) |
| Balance at the end of the fiscal year | 26,047 | 23,627 |

F. MISCELLANEOUS INFORMATION

I. BOARD OF MANAGEMENT AND SUPERVISORY BOARD

Board of Management:

Bernd Rose, Landau, Chairman (responsible for marketing, strategic development, internal audit and risk management)

Heiko Arnold, Grünwald (responsible for investor relations, controlling, treasury, IT, personnel and accounting) *Member of the Advisory Board of:* Lachenmaier GmbH, Reutlingen

Werner Reiser, Alpirsbach [until May 31, 2008] (responsible for personnel, accounting and general administration) *Member of the Administrative Board of:* Kreissparkasse Freudenstadt, Freudenstadt

Adam Valeri, Tiefenbronn (responsible for production, technology and procurement)

Total compensation for the Board of Management is as follows:

| IN € | <i>Basic Compensation</i> | <i>Results-Related Compensation</i> | <i>Total Compensation</i> |
|---------------|-------------------------------|---|-------------------------------|
| Bernd Rose | 500.810 | 308.000 | 808.810 |
| Heiko Arnold | 309.848 | 255.000 | 564.848 |
| Werner Reiser | 238.364 | 138.000 | 376.364 |
| Adam Valeri | 306.366 | 255.720 | 562.086 |
| | 1.355.388 | 956.720 | 2.312.108 |

The provisions for pension liabilities amount to € 329 thousand (€ 485 thousand in the previous year) for active Members of the Board and € 761 thousand (€ 611 thousand in the previous year) for retired Members of the Board.

Supervisory Board:

Managing Partner of S.K. Management- und Beteiligungs GmbH, Baden-Baden, Chairman of the Supervisory Board,
Member of the Arbitration, Audit and Personnel Committees

Member of the Advisory Boards of: arvato infoscore GmbH, Baden-Baden (Chairman) |

Robert Klingel GmbH & Co. KG, Pforzheim

Member of the Administrative Boards of: MS Mail Services AG, St. Gallen, Switzerland |

DeltaVista AG, Küsnacht, Switzerland

Ivan Bebek, Printer, Chairman of the Workers Council, Deputy Chairman of the Supervisory Board

Member of the Arbitration, Audit and Personnel Committees

Nikolaus Broschek, President of the European Rotogravure Association, Member of the Personnel Committee

Member of the Supervisory Board of: Germany 1 Media AG, Hamburg

Member of the Administrative Board of: Bürgerschaftsgemeinschaft der Hansestadt Hamburg (Chairman)

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Reinhard Burck, Typesetter, Chairman of the Workers Council

Dr. Rainer Hillebrand, Member of the Board of Management of OTTO GmbH & Co. KG, Hamburg
Member of the Supervisory Board of: Schwab Versand GmbH, Hanau (Chairman)

Edmund Hug, Managing Director (ret.), Member of the Arbitration Committee
Member of the Supervisory Boards of: CTS Eventim, Bremen (Chairman) | Lidl & Schwarz Handelsunternehmen,
Neckarsulm | Fa. Scholz, Aalen

Joachim Kohm, Managing Partner of Versandhauses Robert Klingel GmbH & Co. KG, Pforzheim
Member of the Administrative Board of: Weisse Arena AG, Graubünden, Switzerland

Josef Peitz, , Trade Union Secretary

Dr. Herbert Pototzky, Manager, Member of the Audit Committee

Andrea Raab, Unit Head, Chairwoman of the Workers Council, Member of the Personnel Committee

Michael Schlecht, Trade Union Secretary, Member of the Arbitration Committee

Reinhold Schreiner, Member of the Audit Committee

Member of the Supervisory Boards of: Herrenknecht AG, Schwanau | Süd Private Equity Management GmbH &
Co KGaA, Stuttgart (Chairman)

Member of the Administrative Board of: ZVD Mediengesellschaft mbH (Chairman)

Compensation for services rendered by the Members of the Supervisory Board amounted to € 243 thousand (€ 239 thousand in the previous year). Members receive € 15 thousand per year, the Chairman € 30 thousand and the Deputy Chairman € 22.5 thousand. Travel expenses incurred are being reimbursed. For every membership on any of the Committees, with the exception of the Arbitration Committee, Members receive an additional € 5 thousand. The provision for pension liabilities related to Members of the Supervisory Board amounted to € 55 thousand (€ 45 thousand in the previous year); this provision is fully re-insured.

2. DECLARATION OF COMPLIANCE AS PER ARTICLE 161 AKTG

The declaration of compliance in line with Article 161 AktG with respect to the German Corporate Governance Code has been issued by the Board of Management and the Supervisory Board and was made available to shareholders.

3. SHARE HOLDINGS OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

As of year-end, of the Members of the Supervisory Board, Mr. Joachim Kohm owns indirectly 926,535 shares (14.93 %) via JUST-US GmbH, Mr. Nikolaus Broschek owns 463,688 shares (7.47 %) and Mr. Siegmund Kiener owns indirectly 313,400 shares (5.05 %) via S.K. Management- und Beteiligungs GmbH. All other Members of the Board of Management and the Supervisory Board own less than 1 percent of total shares.

4. STATEMENTS AS PER ARTICLE 21 WPHG

The following shareholders have reported that they hold more than 10 percent of voting rights

JUST-US GmbH | Grupo Bestinver, Spain

The following shareholders have reported that they hold more than 5 percent of voting rights:

EKS Beteiligungs GmbH | S.K. Management- und Beteiligungs GmbH |

Mr. Nikolaus Broschek | Mr. Andreas Kohm

The following shareholders have reported that they hold more than 3 percent of voting rights:

Ms. Anja Schneckenburger-Broschek

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5. AUDIT AND CONSULTING FEES – EXTERNAL AUDITOR

The fees for the external auditor are as follows:

| IN € 000S | 2007/08 | 2006/07 |
|---|---------|---------|
| Audit of financial statements | 72 | 73 |
| Tax consulting | 20 | 18 |
| Audit-related consulting and miscellaneous services | 32 | 28 |
| | 124 | 119 |

6. RECOMMENDATION FOR THE ALLOCATION OF RETAINED EARNINGS

The Board of Management proposes to the Annual General Meeting that the retained earnings in the amount of € 6,272,271.45 be allocated as follows:

| | |
|------------------------------|----------------|
| Distribution to shareholders | € 3,032,882.50 |
| Amount carried-forward | € 3,239,388.95 |

Taking into consideration the 138,435 shares repurchased, the proposed distribution to shareholders is as follows:

| | |
|--|----------------|
| 6,065,765 dividend-eligible shares at € 0.50 / share | € 3,032,882.50 |
|--|----------------|

FREUDENSTADT, DECEMBER 17, 2008

THE BOARD OF MANAGEMENT



BERND ROSE



HEIKO ARNOLD



ADAM VALERI

— G. AUDITORS' REPORT

„We have audited the annual financial statements – consisting of the balance sheet, the profit and loss statement as well as the notes to the financial statements – the underlying accounting records and the Management Report of *schlott gruppe AG*, Freudenstadt, for the fiscal year of October 1, 2007 to September 30, 2008. According to German commercial law and the relevant articles of the Company's statutes, the preparation of these documents is the responsibility of the Company's legal representatives. It is our duty, on the basis of the examination conducted, to render an opinion on the annual financial statements, the underlying accounting records and the Management Report.

We have undertaken our examination of the annual financial statements pursuant to Article 317 HGB and in accordance with the German principles of orderly conduct of examinations as issued by the Institute of Certified Public Accountants (IDW). Accordingly, the examination is to be planned and conducted such that misstatements and violations impacting substantively on the presentation of the assets, financial position and earnings situation as contained in the annual financial statements and the Management Report, can be identified with sufficient certainty. When deciding on audit actions to be undertaken, knowledge of the Company's business and of the economic and legal environments in which it operates, is taken into consideration. Such actions are also designed to identify possible errors in accounting records. The examination includes an assessment of the validity and effectiveness of the accounting-related internal control systems as well as, primarily on the basis of random spot checks, an evaluation of the information and data contained in the accounting records, the annual financial statements and the Management Report. The examination also includes an appraisal of accounting and valuation principles applied, of the general assessment provided by the Company's legal representatives as well as of the general presentation of the annual financial statements and the Management Report. We are of the opinion that our examination provides a sufficiently sound basis for rendering our opinion. Our examination led to no objections.

In our opinion, based on the findings of our audit, the annual financial statements, which were prepared in conformity with the legal requirements, the articles of the Company's statutes and in accordance with the principles of proper accounting, give a true and fair view of the assets and financial and earnings positions of *schlott gruppe AG*, Freudenstadt. The Management Report agrees with the annual financial statements, presents an accurate picture of the Company's condition and states realistically the opportunities and risks of future developments.“

AWT AUDIT WIRTSCHAFTS-TREUHAND AG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT

STUTTGART, DECEMBER 18, 2008 *Wagner, Certified Public Accountant — Huber, Certified Public Accountant*