

SinnerSchrader

Q2 04 | 05

Key figures of the SinnerSchrader Group
in € 000s resp. number of employees

Q2 2004/2005 Q2 2003/2004 H1 2004/2005 H1 2003/2004

	28.02.2005	30.11.2004	28.02.2005	31.08.2004
Revenues	3,605	2,471	6,847	5,833
Gross revenues	1,103	576	2,247	1,503
EBITDA	157	- 721	313	- 984
EBITA	25	- 879	46	- 1,314
Net income/loss	101	- 714	204	- 1,040
Net income/loss per share	0.01	- 0.07	0.02	- 0.10
Cash flows from operating activities	1,357	906	1,302	1,368
Employees - full time equivalents	130	138	132	138
	28.02.2005	30.11.2004	28.02.2005	31.08.2004
Liquid funds and marketable securities, total	9,172	7,960	9,172	27,038
Amount of special distribution	-	-	-	20,769
Liquid funds and marketable securities, without amount of special distribution	9,172	7,960	9,172	6,269
Employees - end of period	135	142	135	145

Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

In the second quarter of 2004/2005 (1 December 2004 to 28 February 2005) SinnerSchrader continued the positive business development. For the third time in succession we concluded the quarter with an operating profit and thus proved that we have permanently returned to positive figures. Two trends have proved to be stable: the demand for internet services is reviving and the restructuring and reorganisational measures implemented by SinnerSchrader in the past financial years are taking effect.

On the basis of the good order intake in the first quarter of 2004/2005 SinnerSchrader did not experience a marked fall in sales in the second quarter, as in the previous year. On the contrary: in spite of the lower number of working days in the second quarter, due to public holidays and leave, turnover was € 3.6 million, 11 % above the value of the first quarter. The level of the very weak comparative quarter in the previous year was actually exceeded by 46 %. Interactive Services with the Media business accounted for the biggest share of the good performance – to which all of the business segments contributed. Thanks to the increased turnover, the operating profit of € 25,000 was kept at the level of the first quarter – in spite of the usual high administrative costs of the second quarter caused by the Annual Report and the Annual General Meeting. The EBITA of the same quarter of the previous year was exceeded by € 0.9 million.

One of the driving forces is the renaissance of e-commerce, which has been one of the strengths of SinnerSchrader since it was founded. The brand SinnerSchrader still stands for economically successful e-commerce projects. Where it was previously retailers and mail-order companies, it is now reputable brands and brand owners who are advancing developments by recognising the potential of direct sales over the internet. The most recent example of this is the SZ-Mediathek (SZ Media Library), which SinnerSchrader designed and realised for the Süddeutsche Zeitung (SZ) within a few months and launched by the end of the second quarter. The great, quality journalistic brand is thus using its editorial expertise for a unique mail order concept appropriate to the brand, thus generating additional sales.

After the first half of the 2004/2005 financial year, SinnerSchrader is 17 % above the turnover of the previous year. This revival of business, together with the improvements in the cost items of the previous years, has brought about the turnaround in profitability. At € 46,000 and € 204,000 respectively, the operative EBITA and the net profit for the period were clearly positive. Overall, our expectations of the development in this financial year are thus being met. From today's perspective, we therefore expect overall annual figures towards the upper end of our plans, which foresee growth in sales of 5 % to 10 % and an EBITA that is at least balanced.

Hamburg, April 2005

The Management Board

Content

1	SinnerSchrader 1st half year
05	Consolidated balance sheet
06	Consolidated statements of operations 1 st half year
07	Consolidated statements of operations 2 nd quarter
08	Consolidated statements of shareholders' equity
10	Consolidated statements of cash flows

2	11 General
----------	-------------------

3	Comments on the business development and outlook
11	Development of revenues
13	Development of orders and prices
13	Development of earnings
15	Research and development expenditure
15	Investments
15	Cashflow
16	Balance Sheet
16	Employees
17	Outlook

4	Additional Notes
18	Segment reporting
19	Restructuring charges
19	Treasury stock
19	Adjustments of contingent liabilities
20	Subscription rights of employees
22	Shares and subscription rights of Board members

Consolidated balance sheets

Consolidated balance sheets

as of 28 February 2005 and 31 August 2004

Assets in €	28.02.2005	31.08.2004
CURRENT ASSETS:		
Cash and cash equivalents	5,371,407	1,334,258
Short-term investments/marketable securities	3,800,449	25,704,158
Accounts receivable	1,848,713	1,779,577
Unbilled revenues	449,745	353,428
Other current assets and prepaid expenses	285,851	786,397
Total current assets	11,756,165	29,957,818
NON-CURRENT ASSETS:		
Property and equipment, net	1,167,253	1,293,835
Total non current assets	1,167,253	1,293,835
Total assets	12,923,418	31,251,653
Liabilities and shareholders' equity in €	28.02.2005	31.08.2004
CURRENT LIABILITIES:		
Liability to shareholders	-	20,768,780
Trade accounts payable	618,396	428,171
Advance payments received	606,468	70,094
Accrued expenses	1,162,241	1,081,589
Deferred income and other current liabilities	459,368	762,504
Total current liabilities	2,846,473	23,111,138
NON-CURRENT LIABILITIES:	90,247	86,841
SHAREHOLDERS' EQUITY:		
Common stock	11,542,764	11,542,764
Additional paid-in capital	17,596,005	16,594,840
Treasury stock, 131.347 and 605.600 at 28.02.2005 and 31.08.2004, respectively	- 200,933	- 926,438
Accumulated deficit	- 18,972,911	- 19,176,937
Accumulated other comprehensive income/loss	21,773	19,445
Total shareholders' equity	9,986,698	8,053,674
Total liabilities and shareholders' equity	12,923,418	31,251,653

Consolidated statements of operations

Consolidated statements of operations

from 1 September 2004 to 28 February 2005

in €	01.09.2004 28.02.2005	01.09.2003 29.02.2004
Revenues:		
Project services	4,923,637	4,208,898
Media services	1,362,422	1,115,837
Other	561,029	508,376
Total revenues, gross	6,847,088	5,833,111
Media costs	-899,218	-810,011
Total revenues, net	5,947,870	5,023,100
Cost of revenues	-3,701,367	-3,519,945
Gross profit	2,246,503	1,503,155
Selling and marketing expenses	-587,598	-735,348
General and administrative expenses	-1,554,455	-1,678,874
Research and development expenses	-59,112	-51,450
Restructuring and other related costs	-10,000	-349,137
Amortisation of deferred compensation	-	-21,773
Operating income/loss	35,338	-1,333,427
Other income/expense, net	10,903	- 2,274
Interest income and expenses, net	132,220	306,188
Income from investments and participations	25,565	-
Income/loss before provision for income tax (and minority interest)	204,026	-1,029,513
Income tax	-	- 10,559
Net income/loss	204,026	-1,040,072
Net income/loss per share (basic)	0.02	-0.10
Net income/loss per share (diluted)	0.02	-0.10
Weighted average shares outstanding (basic)	11,256,399	10,931,665
Weighted average shares outstanding (diluted)	11,288,802	10,931,665

Consolidated statements of operations

Consolidated statements of operations

from 1 December 2004 to 28 February 2005

in €	01.12.2004 28.02.2005	01.12.2003 29.02.2004
Revenues:		
Project services	2,462,088	1,763,271
Media services	858,250	470,285
Other	284,836	237,835
Total revenues, gross	3,605,174	2,471,391
Media costs	-549,577	-322,706
Total revenues, net	3,055,597	2,148,685
Cost of revenues	-1,952,269	-1,572,795
Gross profit	1,103,328	575,890
Selling and marketing expenses	-248,152	-339,450
General and administrative expenses	-820,219	-955,762
Research and development expenses	-12,026	-44,394
Restructuring and other related costs	-	-113,011
Amortisation of deferred compensation	-	-5,443
Operating income/loss	22,931	-882,170
Other income/expense, net	2,268	- 2,274
Interest income and expenses, net	75,686	180,970
Income from investments and participations	-	-
Income/loss before provision for income tax (and minority interest)	100,885	-703,474
Income tax	-	- 10,559
Net income/loss	100,885	-714,033
Net income/loss per share (basic)	0.01	-0.07
Net income/loss per share (diluted)	0.01	-0.07
Weighted average shares outstanding (basic)	11,411,417	10,931,914
Weighted average shares outstanding (diluted)	11,430,772	10,931,914

Consolidated statements of shareholders' equity

Consolidated statements of shareholders' equity

from 1 September 2004 to 28 February 2005

in €	Number of shares outstanding	Nominal value	Additional paid-in capital
Balance at 31.08.2003	10,932,341	11,542,764	37,355,960
Net income/loss	-	-	-
Unrealised gains and losses on available-for-sale securities	-	-	-
Foreign currency translation adjustment	-	-	-
Amortisation of deferred compensation	-	-	-
Purchase of treasury stock	-	-	-
Re-issuance of treasury stock	-1,404	-	-
	3,811	-	4,689
Balance at 29.02.2004	10,934,748	11,542,764	37,360,649

Balance at 31.08.2004	10,937,164	11,542,764	16,594,840
Net income/loss	-	-	-
Unrealised gains and losses on available-for-sale securities	-	-	-
Foreign currency translation adjustment	-	-	-
Amortisation of deferred compensation	-	-	-
Purchase of treasury stock	-	-	-
Re-issuance of treasury stock	-	-	-
	474,253	-	1,001,165
Balance at 28.02.2005	11,411,417	11,542,764	17,596,005

Consolidated statements of shareholders' equity

	Treasury Stock	Deferred compensation	Retained earnings/ losses	Accumulated other comprehensive income	Total shareholders' equity	Comprehensive income
	- 933,145	- 21,773	- 18,645,785	24,246	29,322,267	-
	-	-	- 1,040,072	-	- 1,040,072	- 1,040,072
	-	-	-	24,322	24,322	24,322
	-	-	-	68	68	68
	-	21,773	-	-	21,773	-
	- 2,819	-	-	-	- 2,819	-
	5,830	-	-	-	10,519	-
	- 930,134	-	- 19,685,857	48,636	28,336,058	- 1,015,682

	- 926,438	-	- 19,176,937	19,445	8,053,674	-
	-	-	204,026	-	204,026	204,026
	-	-	-	2,348	2,348	2,348
	-	-	-	- 20	- 20	- 20
	-	-	-	-	-	-
	725,505	-	-	-	1,726,670	-
	- 200,933	-	- 18,972,911	21,773	9,986,698	206,354

Consolidated statements of cash flows

Consolidated statements of cash flows

from 1 September 2004 to 28 February 2005

in €	01.09.2004 28.02.2005	01.09.2003 29.02.2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/loss	204,026	- 1,040,072
Adjustments for:		
Depreciation and amortisation	266,545	351,261
Increase/decrease in provisions and accruals	80,670	- 109,288
Gains on the disposal of fixed assets	3,081	3,463
Other	- 14,602	16,052
Change in net working capital	761,970	2,147,062
Cash flows from operating activities	1,301,690	1,368,478
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short term investments	- 7,452,917	- 21,273,293
Proceeds from sale of short term investments	29,373,748	17,876,397
Purchase of property and equipment	- 147,383	- 74,486
Proceeds from sale of equipment	4,339	7,249
Cash flows from investing activities	21,777,787	- 3,464,133
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment to shareholders	- 20,768,780	-
Incoming payment for treasury stock	1,726,670	10,519
Payment for treasury stock	-	- 2,819
Cash flows from financing activities	- 19,042,110	7,700
Net effect of currency translation in cash and cash equivalents	- 217	- 150
Net increase/decrease in cash and cash equivalents	4,037,150	- 2,088,105
Cash and Cash equivalents at beginning of period	1,334,257	3,325,665
Cash and Cash equivalents at end of period	5,371,407	1,237,560

General

The Quarterly Report of the SinnerSchrader Group ("SinnerSchrader", "Group") is prepared in accordance with US accounting principles ("US-GAAP") and takes account of Accounting Principle Board Opinion ("APB") No. 28 as well as the rules for quarterly reporting of the Prime Standard of Deutsche Börse AG. It should be read in conjunction with the Consolidated Financial Statements of SinnerSchrader Aktiengesellschaft as of 31 August 2004.

The reporting period of the second quarter of the financial year 2004/2005 runs from 1 December 2004 to 28 February 2005.

The consolidation group as of 28 February 2005 is unchanged compared to 31 August 2004. It consists of SinnerSchrader Aktiengesellschaft, its wholly owned domestic subsidiary SinnerSchrader Deutschland GmbH, including its wholly owned subsidiaries SinnerSchrader Neue Informatik GmbH, SinnerSchrader Studios GmbH and SinnerSchrader Studios Frankfurt GmbH, as well as the two currently non-operational foreign subsidiaries SinnerSchrader UK Limited and SinnerSchrader Benelux BV which are also wholly owned.

On 28 February 2004, the reference date of the comparable period of the previous year, the businesses of the subsidiaries of SinnerSchrader Deutschland GmbH were not yet excluded and were directly accounted for by it.

The accounting, valuation and consolidation principles of the Quarterly Report at hand are unchanged from the Group's Consolidated Financial Statements as of 31 August 2004. They are disclosed and explained in the Group's Consolidated Financial Statements as of 31 August 2004, which are published in the Annual Report 2003/2004.

Comments on the Business Development and Outlook

Development of Revenues

Revenues according to type of service in € 000s	Q2 2004/2005	Q1 2004/2005	Q2 2003/2004
Project Service	2,462	2,462	1,763
Media Service	858	504	470
Other	285	276	238
Total revenues, gross	3,605	3,242	2,471
Media Costs	- 549	- 350	- 323
Total revenues, net	3,056	2,892	2,148

In the second quarter of 2004/2005, SinnerSchrader generated gross revenues of € 3.6 million and thus surpassed the revenues of the previous quarter by just under € 0.4 million or 11 % and the revenue of the comparable quarter of the previous year by as much as € 1.1 million or 46 %. Contrary to expectations from planning and experience from previous years, there was no fall in revenue in the second business quarter, which includes the Christmas holidays, the New Year and the short month of February.

SinnerSchrader achieved its greatest growth dynamism in the media segment, where a clear improvement in the market environment, our expertise in CPO business and seasonal effects from

the Christmas/post-Christmas business led to revenue almost doubling, both in comparison to the previous quarter and to the same quarter of the previous year.

In the project segment, productive capacities were also well utilised in the second quarter as a consequence of high numbers of incoming orders in the first quarter, with the result that project revenue reached the level of the first quarter. This means that at just under 40 %, it was well above the level of the same quarter in the previous year.

The other revenue from operations and analysis services continued their steady positive development and rose again by 10 % in comparison to the previous quarter and were 20 % above the previous year.

Revenues according to segments (external) in € 000s	Q2 2004/2005	Q1 2004/2005	Q2 2003/2004
Interactive Software	1,539	1,462	na
Interactives Marketing	919	1,000	na
Interactive Services	1,147	780	na
Total revenues, gross	3,605	3,242	na

With regard to the quarterly trend of the business segments defined since the new organisational structure at SinnerSchrader of 1 April 2004, this means that the continuation of the growth trend is initially mainly visible in Interactive Services. In addition to the acquisition of new customers, the volume of business with existing customers grew in particular. In media services in particular this is also a direct consequence of the continuously rising Internet use in Germany and the success of SinnerSchrader customers in e-business.

Whereas new customer acquisitions, above all Süddeutsche Zeitung, were responsible for revenue growth of around 5 % from the first to the second quarter in the Interactive Software segment, the new customers of the Studios in Hamburg and Frankfurt, including VW Mobile Services, did not cause revenue to rise until the end of the second quarter, meaning that the seasonally falling revenue among existing customers in the winter quarter could not be completely balanced out.

Revenues according to type of service in € 000s	H1 2004/2005	H1 2003/2004
Project Service	4,924	4,209
Media Service	1,362	1,116
Other	561	508
Total revenues, gross	6,847	5,833
Media Costs	- 899	- 810
Total revenues, net	5,948	5,023

With the unexpectedly good business development in the second business quarter, the gross revenue of SinnerSchrader after the first half of 2004/2005 is 17 % above that of the first half of 2003/2004. With growth of 17 %, 22 % and 10 % the revenue in all services has increased by double digits in comparison to the previous year.

Development of Orders and Prices

The development of order intake in the second quarter of 2004/2005 confirmed the impression of the first quarter that demand for the services provided by SinnerSchrader had greatly picked up in comparison to the previous year. Although the order intake in the second quarter did not reach the level of the first quarter, it was almost twice as high as a year earlier.

Against the backdrop of a continuous rise in the number of Internet users and a greater usage frequency and diversity, the subject of the Internet is back on the agenda for many companies. This has resulted in renewed vigour in the classic e-commerce themes, in particular direct marketing via the Internet.

In the second quarter, most orders developed from newly acquired accounts from the first quarter and from existing accounts:

At SinnerSchrader Neue Informatik conceptual work done for Süddeutsche Zeitung in the first quarter resulted in an implementation project, the first phase of which was completed in early March with the launch of the SZ-Mediathek (SZ Media Library). Furthermore, the TUI Group placed an order for the realisation of another booking platform in the interactive IT segment.

In the Interactive Marketing segment, SinnerSchrader Studios in Hamburg received the first order for the new generation of the Mobile Service Portal for Volkswagen resulting from the work initiated in the first quarter. Furthermore, the Studios won the order to design and implement a new car rental platform for the holiday car rental company CarDelMar.

With regard to the prices that can be achieved, the phase of relative stability is continuing. Currently the predominate signs are that slightly improved prices can be achieved if demand continues to develop well.

Development of Earnings

Key earnings figures in € 000s	Q2 2004/2005	Q1 2004/2005	Q2 2003/2004
Gross profit	1,103	1,143	576
EBITDA	157	155	- 721
EBITA	25	21	- 879
Net income/loss	101	103	- 714

With an EBITA of € 25,000, the second quarter of 2004/2005 is the third quarter in succession that SinnerSchrader has completed with an operating profit. The addition of the financial results and – on the basis of the accumulated losses brought forward – without the tax burden resulted in net income of € 0.1 million or € 0.02 per share.

The EBITA rose slightly in comparison to the first quarter. But the rise in turnover from the first to the second quarter did not lead to a proportionate increase in the EBITA. This is largely due to the different turnover structure in the two quarters. In addition to the increased proportion of the media business, a disproportionately high number of new and first projects led to a fall in the gross margin in the second quarter. The evening out of peak loads by freelancers that was necessary due to the lower number of working days in the second quarter was also a slight burden

on the margin development. Furthermore, the costs for the Annual General Meeting of Sinner-Schrader AG, which was held in January 2005, fell in the second quarter, which led to increased administrative costs, as in the second quarter of last year.

Costs according to cost type in € 000s	Q2 2004/2005	Q1 2004/2005	Q2 2003/2004
Costs of material and services	- 240	- 178	- 196
Personnel costs	- 1,932	- 1,968	- 1,882
Depreciation	- 132	- 134	- 158
Other operating costs	- 729	- 600	- 789
Total	- 3,033	- 2,880	- 3,025

The above-mentioned effects can clearly be seen in the presentation of costs according to cost type, with the costs of the Annual General Meeting coming under other operating costs.

The net income has also changed little in comparison to the previous quarter as the financial result in the second quarter reached the level of the first quarter. The fact that the fall in the liquidity reserve due to the special dividend payment in November 2004 cannot be seen in the comparison of quarters is particularly due to some result realisations implemented in the second quarter that are essential for consideration in the profit and loss account.

Key earnings figures in € 000s	H1 2004/2005	H1 2003/2004
Gross profit	2,247	1,503
EBITDA	313	- 984
EBITA	46	- 1,314
Net income/loss	204	- 1,040

Both on a quarterly and on a six-monthly basis, the comparison with the corresponding periods of the previous year documents the extent of the success achieved with the restructuring and reorganisational measures of 2003/2004. Looking at the first half of the year, the gross margin was increased from just under 26 % to almost 33 %. Together with cost savings in the sales and administrative costs in the amount of around € 0.25 million in the first half of the year and the lapse of restructuring costs in the amount of around € 0.34 million, this resulted in a jump in profits in the EBITA by just under € 1.4 million or by a good € 1.2 million in the net profit.

Research and Development Expenditure

The work on the R&D activities planned at the beginning of the financial year in the Interactive Software division was continued in the second quarter of 2004/2005, especially on the development of software components for Internet sales platforms. In view of temporary capacity bottlenecks in customer projects, however, fewer man days were available for this in the second quarter, with the result that the expenditure fell to € 12,000 in comparison to € 47,000 in the first quarter. This means that there were total costs in the amount of around € 59,000 for the first half of 2004/2005,

around € 8,000 more than in the first half of 2003/2004.

Investments

In the second quarter of 2004/2005 € 122,000 were invested, mainly in IT hardware and software. The main focus of the investments was on procuring standard software licences. Furthermore, hardware was procured for hosting and operating a customer presence on dedicated systems. Overall, the investment volume in the first half of the year was € 147,000, roughly twice as much as in the previous year.

Cash Flow

Components of cash flow in € 000s	H1 2004/2005	H1 2003/2004
from operating activities	1.302	1.368
from investment activities (without purchase and proceeds from sale of marketable securities)	- 143	- 67
from the purchase and proceeds from sale of marketable securities	21.635	- 3.397
from financing activities	- 19.042	8

The Cash Flow Statement of the first half of 2004/2005 is characterised by the capital repayment to the shareholders and the previous sale of own shares in November 2004, i.e. in the first business quarter. Whereas the capital repayment led to a liquidity outflow of around € 20.8 million from the financing activity, the sale of 455,235 own shares resulted in a liquidity inflow of around € 1.7 million, representing a total liquidity outflow from financing activities of just under € 19.1 million, which did not change in the second quarter of 2004/2005.

In November 2004 an appropriate number of marketable securities were sold to provide the funding for the capital repayment, which was reflected in the cash flow from investment activities for the first half year of 2004/2005. In the previous year around € 3.4 million were invested in marketable securities in the balance.

Around € 0.14 million were invested in property and equipment in the first half of the year, in comparison to € 0.07 million in the previous financial year.

After the cash flow from operating activities was negative in the first quarter of 2004/2005 due to a temporary increase in customer demands, funds from operating activities returned to Sinner-Schrader in the second quarter. Added together for the first half of the year, there was a positive cash flow from operating activities of € 1.3 million. Of these, around € 0.5 million came from the results of the first half year, corrected by depreciation. A further almost € 0.8 million were released by reducing the net working capital including the rights to reimbursement of corporation tax, especially due to the receipt of deposit payments in the amount of around € 0.5 million and the tax rebate of around € 0.4 million for the tax year 2002/2003. In the first half of 2003/2004 there was a positive cash flow from operating activities of € 1.4 million in the first half of 2003/2004, primarily because of the tax rebate for the year 2001/2002 in the amount of around € 1.7 million.

Balance Sheet

On 28 February 2005 – as on 30 November 2004 – the balance sheet data were characterised by the capital repayment to the shareholders in the amount of € 20.8 million of November 2004 in comparison to the level at the end of the previous financial year. The reduction in the liquid funds and securities on the current assets side by this amount was contrasted with the expiry of liabilities vis-à-vis shareholders on the liabilities side, which were formed on 31 August 2004 in this amount at the expense of capital reserves.

Starting with a level of liquid funds and securities in the amount of € 6.3 million, corrected by capital repayments, on 31 August 2004, the liquidity reserve in the first half year of 2004/2005 rose once again by a total of € 2.9 million to € 9.2 million on 28 February 2005 because of the sale of own shares in the first quarter of 2004/2005 and the positive operating cash flow in the second quarter of 2004/2005 (including the tax rebate).

The development in net working capital items from 31 August 2004 to the end of the reporting period on 28 February 2005 was characterised by a moderate rise in customer queries and the services not yet invoiced totalling € 0.2 million, which was countered by a considerable increase of deposits received from customers of around € 0.5 million. The other assets reduced due to the tax rebate of € 0.4 million received.

On the liabilities side, the other short-term liabilities, in particular those resulting from processing agreements to annul an obligatory relation with employees, were reduced by € 0.3 million, while the supplier liabilities rose by just under € 0.2 million in connection with the dynamics in the media business and the increase in the rate of bought-in services.

In the same period the equity rose by around € 1.9 million from € 8.1 million on 31 August 2004 to € 10.0 million on 28 February 2005. This rise in the amount of € 1.7 million was brought about by the sale of own shares in the first quarter of 2004/2005. The remaining € 0.2 million correspond to the period result of the first half year, which was earned equally in the first and second business quarter. The equity ratio on 28 February 2005 was 77 %.

Employees

On 28 February 2005 SinnerSchrader had 135 employees, which was seven fewer than at the end of the previous quarter and ten below the level of 31 August 2004. This further fall corresponds to the business strategy of making employee capacities more flexible. This means that an average of 130 employees was employed on a full-time basis in the second quarter. This corresponds to a fall in capacity by four employees in comparison to the first quarter of the financial year 2004/2005. In comparison to the same quarter in the previous year, the number of full-time employees fell by eight.

There were 58 full-time employees (previous quarter 60) in the Interactive Software segment, 41 in the Interactive Marketing segment (previous quarter 43) and 15 full-time employees in the Interactive Services (previous quarter 14). 18 full-time employees were employed for the central functions performed by SinnerSchrader AG (previous quarter 17).

Outlook

After the end of the first half of the 2004/2005 financial year, SinnerSchrader is well on the way to achieving its overall goal for the year – growth in sales of 5 % to 10 % and an operating result that is at least positive. Now that the second quarter, too, has gone better than planned, SinnerSchrader is expecting overall annual figures that are in the upper reaches of the planning margins. However, according to current knowledge, the growth rates in comparison to the previous year will not be as high for the second half of the financial year as for the first half year because the improvement in the sales and profitability situation started in the third quarter of the last financial year; the future comparisons will therefore be against a base that had already improved.

Additional Notes

Segment Reporting

In the scope of the reorganisation, SinnerSchrader abandoned its integrated business model of supplying and marketing interactive services, as of 1 April 2004, and formed new segments that are individually responsible for supplying and marketing a specific part of the former service portfolio. This means that SinnerSchrader is no longer active in just one segment, and that it has to provide segment information according to the Statement of Financial Accounting Standards ("SFAS") No. 131 as prescribed by US-GAAP.

Since the reorganisation entailed fundamental organisational changes and extensive adjustments of the accounting system, it would be prohibitively time-consuming and costly to prepare segment reporting data for the periods prior to reorganisation. SinnerSchrader therefore opted not to prepare segment information as permitted by the exemption specified in SFAS No. 131. Segment information for the second quarter 2003/2004 is thus not available.

SinnerSchrader Neue Informatik is assigned to the Interactive Software segment. The Interactive Marketing segment comprises the Studios Hamburg and Studios Frankfurt business units, whereas the Media, Operations and Analysis of SinnerSchrader Deutschland GmbH are included in the Interactive Services segment.

Segment information H1 2004/2005 in € and number	Interactive Software	Interactive Marketing	Interactive Services	Segments total	Consolidation/ Holding	Group
External Revenues	3,000,388	1,919,046	1,927,653	6,847,087	-	6,847,087
Internal Revenues	304,922	243,756	157,887	706,564	- 706,564	-
Total revenues, gross	3,305,310	2,162,802	2,085,539	7,553,651	- 706,564	6,847,087
Media costs	-	-	- 899,218	- 899,218	-	- 899,218
Total revenues, net	3,305,310	2,162,802	1,186,322	6,654,434	- 706,564	5,947,870
Segment profit/loss (EBITA)	314,859	183,088	325,169	823,116	- 776,875	46,241
Depreciation of property and equipment	30,143	11,534	10,799	52,476	214,068	266,545
Purchase of property and equipment	7,855	10,799	37,863	56,517	90,865	147,383
Full-time employees on average	58,7	41,2	14,6	114,5	17,8	132,3
28.02.2005						
Total assets	2,539,710	1,426,952	498,061	4,464,723	8,458,694	12,923,418
Non-current assets	163,044	82,985	72,068	318,097	849,156	1,167,253
Current assets	2,376,665	1,343,968	425,993	4,146,627	7,609,539	11,756,165
Number of employees - end of period	60	42	15	117	18	135

The reconciliation of the sum of segmental profits comprising all reported segments to the Group's result before provision of income tax, is displayed in the following table:

Reconciliation of total segment earnings to Group before tax in €

H1 2004/2005

Segment profit/loss (EBITA) of all reportable segments	823,116
Central holding costs not attributable to reportable segments	- 776,566
Earnings before tax of foreign subsidiaries	- 309
EBITA of the Group	46,241
Group interest income/expense	157,785
Group earnings before tax	204,026

Restructuring Charges**Restructuring Charges and other related charges in €**

Utilised

	Balance 01.09.2004	Additional charges	Utilised		Balance 28.02.2005
			Non-cash	Cash	
Workforce	133,478	10,000	-	92,978	50,500
Facilities	67,376	-	-	48,783	18,593
Others	-	-	-	-	-
Total	200,854	10,000	-	141,761	69,093

No further restructuring measures were conducted in the second quarter 2004/2005. The increase in provision of € 10,000 that took place in the first quarter was compared to the scheduled use of the reserves or liabilities posted by 31 August 2004 in the second quarter, meaning that as of 28 February 2005 € 69,000 in reserves or liabilities from restructuring measures were included on the balance sheet.

Treasury Stock

On 28 February 2005, SinnerSchrader AG held 131,347 own shares with a calculated face value of € 131,347, representing 1.1 % of the share capital. In the period under review there were no share purchases or sales, and no own shares were issued within the scope of option exercises by employees. In the first quarter, and thus in the first half of 2004/2005, SinnerSchrader sold 474,253 of treasury stock or issued them to employees in the form of option exercises, and earned around € 1.7 million in the process.

Adjustments of contingent liabilities

Upon execution of the special distribution to shareholders, concluded by the Annual Shareholders' Meeting from January 2004, SinnerSchrader AG was asked by the lessor of the Hamburg-based office space according to § 225 Companies Act (Aktiengesetz), to provide collaterals for liabilities from the tenancy. The collateral was provided in the form of a bank guarantee in the amount of € 2,532,259.71 which is monthly reduced by the amount of the monthly payment of the rent. On 30 November 2004, the bank guarantee amounted to € 2,216,991.33. For this amount, SinnerSchrader can only dispose of its liquid funds and securities with express approval of the guaranteeing bank.

Subscription Rights of Employees

With resolutions of the Annual Shareholders' Meetings of October 1999 and December 2000, SinnerSchrader AG established the SinnerSchrader Stock Options Plan 1999 and the SinnerSchrader Stock Options Plan 2000, each with the statutory capital requirements of € 375,000. Detailed information on these stock option plans can be found in the notes to the Consolidated Financial Statements as of 31 August 2004. Within the framework of these stock option plans, options have been allocated to employees and members of the Management Board of SinnerSchrader AG and its subsidiaries over recent years. The following table shows the number of option rights granted under both stock option plans and their weighted average exercise price as of the end of the last business year and the end of the first half year 2004/2005, as well as the changes in both figures for the first six months of 2004/2005.

Outstanding Options in number and in €	Number of options granted	Weighted average exercise price
Outstanding on 31 August 2004	340,283	12,00
Granted	–	–
Exercised	- 19,018	2,76
Cancelled	- 24,387	1,96
Outstanding 28 February 2005	296,878	13,41

For accounting purposes, SinnerSchrader opted for the option rights granted from the stock option plans as a share-based compensation component following US-GAAP rules according to Accounting Principles Board Opinion ("APB") No. 25.

According to APB No. 25, the grant of stock option rights gives rise to personnel costs amounting to the difference, if any, between the market value of the SinnerSchrader share and the option's exercise price on the day of its allocation. Following this accounting rule, no personnel costs from the granting of stock options have to be accounted for in recent years and in the first quarter of 2004/2005.

In accordance with the rules of SFAS No. 148 in connection with SFAS No. 123, the following table shows the reported net loss and pro-forma net income per share for the first quarter of 2004/2005 that would have resulted if SinnerSchrader had opted for its stock option plans on accounting based on the market value at allocation date as prescribed by SFAS No. 123:

Comments|Notes

Pro-forma net income according to SFAS Nr. 123 in €

H1 2004/2005

Net income as reported	204,026
add back: Stock-based compensation, included in net income as reported	-
deduct: Stock-based employee compensation expense determined under fair-value-based method for all awards, net of related tax effects	- 20,681
Pro-forma net income	183,345
Reported net income per share, basic and diluted	0,02
Pro-forma net income per share, basic and diluted	0,02

Since additional option allocations are possible, the pro-forma effect for the first half of 2004/2005 is not necessarily representative of pro-forma effects in future reporting periods.

Comments|Notes

Directors' Holdings of Shares and Subscription Rights to Shares

The following table shows the number of shares in SinnerSchrader AG held by members of the Management Board and Supervisory Board of SinnerSchrader AG and their changes in the reporting period from 1 September 2004 to 28 February 2005.

Shares and options of the Board members	01.09.2004	Zugänge	Abgänge	28.02.2005
Shares				
MANAGEMENT BOARD MEMBERS:				
Matthias Schrader	2,342,675	-	-	2,342,675
Thomas Dyckhoff	49,950	-	-	49,950
Total shares of the Management Board	2,392,625	-	-	2,392,625
SUPERVISORY BOARD MEMBERS:				
Dr. Markus Conrad	127,500	-	-	127,500
Reinhard Pöllath	-	-	-	-
Frank Nörenberg	1,000	-	-	1,000
Total shares of the Supervisory Board	128,500	-	-	128,500
Total shares of the Board members	2,521,125	-	-	2,521,125
Options				
MANAGEMENT BOARD MEMBERS:				
Matthias Schrader	-	-	-	-
Thomas Dyckhoff	25,000	-	-	25,000
Total shares of the Management Board	25,000	-	-	25,000
SUPERVISORY BOARD MEMBERS:				
Dr. Markus Conrad	-	-	-	-
Reinhard Pöllath	-	-	-	-
Frank Nörenberg	-	-	-	-
Total shares of the Supervisory Board	-	-	-	-
Total shares of the Board members	25,000	-	-	25,000

Financial Calendar 2004/2005

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