

SinnerSchrader

Q1 04 | 05

Key figures of the SinnerSchrader Group				
in € 000s, in 000s resp. number of employees				
	Q1 2004/2005	Q1 2003/2004	Change in %	
Revenues	3,242	3,362	- 4	
Gross revenues	1,143	927	23	
EBITDA	155	- 264	159	
EBITA	21	- 435	105	
Net income/loss	103	- 326	132	
Net income/loss per share	0.01	- v0.03	131	
Cash flows from operating activities	- 55	462	- 112	
Employees - full time equivalents	134	155	- 14	
	30.11.2004	31.08.2004	Change in %	
Liquid funds and marketable securities (without special distribution)	7,960	6,269	27	
Amount of distribution	-	20,769	-	
Liquid funds and marketable securities total	7,960	27,038	- 71	
Employees - end of period	142	145	- 2	

Letter to Shareholders

Letter to Shareholders

Dear Shareholders,

The first quarter 2004/2005 (1 September 2004 to 30 November 2004) confirmed the optimism from the start of the new financial year. We have once again recognised a greater interest from companies in numerous industries in Internet issues, and have received the impression that budgets for the implementation of these projects are also available. An increase of the order intake by 28 % in the first quarter compared to the previous year indicates that the target of achieving revenue growth of 5 % to 10 % for the whole year is realistic.

It is particularly positive that we have been successful in the acquisition of new clients with respect to an initial order from Süddeutsche Zeitung by Neue Informatik, the acquisition of a support mandate from Volkswagen Group, as well as the order from a telecommunication company through the studios in Hamburg, and the commencement of business for Dow Jones News GmbH through the studios in Frankfurt.

The sound start of the financial year 2004/2005 regarding the sales performance is complemented by the figures for the first quarter which underline that the return to a profitable operating business in the fourth quarter of the previous year has been sustainable. Though revenues of the first quarter were slightly below the previous quarter and also slightly below the same quarter of the previous year, operating profits (EBITA) were again positive. The profit jump of almost € 0.5 million compared to the first quarter of the previous year reveals the success of the capacity adjustments and reorganisation measures which were implemented in the financial year just completed.

On 8 November 2004, SinnerSchrader concluded the repayment of capital through a special distribution to shareholders of € 20.8 million for 11.4 million outstanding shares, corresponding to € 1.82 per share. This measure was proposed by the Management Board and Supervisory Board in December 2003 and decided by the Annual Shareholders' Meeting in January 2004. With liquid funds of roughly € 8 million and an equity ratio of almost 80 % as of 30 November 2004, SinnerSchrader remains financed solidly, even after the special distribution.

Overall we think that SinnerSchrader is on the right course, and we remain confident of achieving our goals for the 2004/2005 financial year.

Hamburg, January 2005

The Management Board

Consolidated balance sheets

Consolidated balance sheets

as of 30 November 2004 and 31 August 2004

Assets in €	30.11.2004	31.08.2004
CURRENT ASSETS:		
Cash and cash equivalents	2,814,664	1,334,258
Short-term investments/marketable securities	5,145,561	25,704,158
Accounts receivable	2,410,938	1,779,577
Unbilled revenues	170,468	353,428
Other current assets and prepaid expenses	723,748	786,397
Total current assets	11,265,379	29,957,818
NON-CURRENT ASSETS:		
Property and equipment, net	1,180,311	1,293,835
Total non current assets	1,180,311	1,293,835
Total assets	12,445,690	31,251,653
Liabilities and shareholders' equity in €	30.11.2004	31.08.2004
CURRENT LIABILITIES:		
Liability to shareholders	-	20,768,780
Trade accounts payable	627,201	428,171
Advance payments received	156,917	70,094
Accrued expenses	1,103,171	1,081,589
Deferred income and other current liabilities	559,687	762,504
Total current liabilities	2,446,976	23,111,138
NON-CURRENT LIABILITIES:	88,528	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 30.11.2004 and 31.08.2004, respectively	- 200,933	- 926,438
Accumulated deficit	- 19,073,796	- 19,176,937
Accumulated other comprehensive income/loss	46,146	19,445
Total shareholders' equity	9,910,186	8,053,674
Total liabilities and shareholders' equity	12,445,690	31,251,653

Consolidated statements of operations

Consolidated statements of operations

from 1 September 2004 to 30 November 2004

in €	01.09.2004 30.11.2004	01.09.2003 30.11.2003
Revenues:		
Project services	2,461,548	2,445,627
Media services	504,172	645,552
Other	276,193	270,541
Total revenues, gross	3,241,913	3,361,720
Media costs	- 349,641	- 487,305
Total revenues, net	2,892,272	2,874,415
Cost of revenues	- 1,749,098	- 1,947,149
Gross profit	1,143,174	927,266
Selling and marketing expenses	- 339,445	- 395,898
General and administrative expenses	- 734,236	- 723,112
Research and development expenses	- 47,086	- 7,056
Restructuring and other related costs	- 10,000	- 236,126
Amortisation of deferred compensation	-	- 16,330
Operating income/loss	12,407	- 451,256
Other income/expense, net	8,635	-
Interest income and expenses, net	56,534	125,217
Income from investments and participations	25,565	-
Income/loss before provision for income tax	103,141	- 326,039
Income tax	-	-
Net income/loss	103,141	- 326,039
Net income/loss per share (basic and diluted)	0.01	- 0.03
Net income/loss per share (diluted)	0.01	- 0.03
Weighted average shares outstanding (basic and diluted)	11,101,382	10,931,415
Weighted average shares outstanding (diluted)	11,146,833	10,931,415

Consolidated statements of shareholders' equity

Consolidated statements of shareholders' equity

from 1 September 2004 to 30 November 2004

in €	Number of shares outstanding	Nominal value	Additional paid-in capital
Balance as of 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	-1,404	-	-
Balance as of 30.11.2003	10,930,937	11,542,764	37,355,960
Balance as of 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	-	-	-
Sales of treasury stock	474,253	-	1,001,165
Balance as of 30.11.2004	11,411,417	11,542,764	17,596,005

Consolidated statements of shareholders' equity

	Treasury stock	Deferred compensation	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity	Comprehensive income
	- 933,145	- 21,773	- 18,645,785	24,246	29,322,267	- 955,513
	-	-	- 326,039	-	- 326,039	- 326,039
	-	-	-	17,017	17,017	17,017
	-	-	-	- 9	- 9	- 9
	-	16,330	-	-	16,330	-
	- 2,819	-	-	-	- 2,819	-
	- 935,964	- 5,443	- 18,971,824	41,254	29,026,747	- 309,031
	- 926,438	-	- 19,176,937	19,445	8,053,674	- 535,953
	-	-	103,141	-	103,141	103,141
	-	-	-	26,597	26,597	26,597
	-	-	-	104	104	104
	-	-	-	-	-	-
	-	-	-	-	-	-
	725,505	-	-	-	1,726,670	-
	- 200,933	-	- 19,073,796	46,146	9,910,186	129,842

Consolidated statements of cash flows

Consolidated statements of cash flows

from 1 September 2004 to 30 November 2004

in €	01.09.2004 30.11.2004	01.09.2003 30.11.2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/loss	103,141	- 326,039
Adjustments for:	-	-
Depreciation and amortisation	134,392	187,529
Increase/decrease in provisions and accruals	21,610	167,833
Gains on the disposal of fixed assets	1,039	-
Other	- 14,643	4,031
Change in net working capital	- 301,017	428,308
Cash flows from operating activities	- 55,478	461,662
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of short term investments	- 2,549,737	- 4,340,657
Proceeds from sale of short term investments	23,149,706	1,521,127
Purchase of property and equipment	- 26,821	- 37,397
Proceeds from sale of equipment	4,913	-
Cash flows from investing activities	20,578,061	- 2,856,927
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment to shareholders	- 20,768,780	- 2,819
Incoming payment for treasury stock	1,726,670	-
Cash flows from financing activities	- 19,042,110	- 2,819
Net effect of currency translation in cash and cash equivalents	- 67	- 8
Net increase/decrease in cash and cash equivalents	1,480,406	- 2,398,092
Cash and cash equivalents at beginning of period	1,334,258	3,325,443
Cash and cash equivalents at end of period	2,814,664	927,351

General

The quarterly report of 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 first quarter of financial year 2004/2005 runs from 1 September 2004 to 30 November 2004.

The consolidation group as of 30 November 2004 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 30 November 2003, 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 in comparison to 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 in € 000s	Q1 2004/2005	Q4 2003/2004	Q1 2003/2004
Project Service	2,462	2,607	2,446
Media Service	504	413	646
Other	276	294	270
Total revenues, gross	3,242	3,314	3,362
Media costs	- 350	- 263	- 488
Total revenues, net	2,892	3,051	2,874

In the first quarter 2004/2005, SinnerSchrader generated gross revenues of € 3.2 million and thus slightly surpassed its own targets. After completion of several major projects in the previous quarter, the fourth quarter 2003/2004, and the correspondingly high revenues in that period, particularly in the project business, revenues in the reporting period declined only slightly by roughly 2 % due to an ongoing pleasing level of maintenance and enhancement projects for major key account customers and seasonally higher media revenues.

Compared to the same period of the previous year, in the first quarter of 2003/2004, the Project Services business and Other Services business increased by almost 1 % and slightly over 2 %, respectively. However, the extraordinary high level of Media Services in the previous quarter, was not achieved in the quarter under review given that price reductions since January 2004 have not been fully compensated by volume increases. Thus, total gross revenues posted a moderate decline of just under 4 %, also compared to the first quarter of 2003/2004. In the period under review, net revenues after deduction of media costs were already almost 1 % above the previous year's level.

Development of gross external revenues by segment in € 000s	Q1 2004/2005	Q4 2003/2004	Q1 2003/2004
Interactive Software	1,462	1,516	na
Interactives Marketing	1,000	1,091	na
Interactive Services	780	707	na
Total revenues, gross	3,242	3,314	na

In the first quarter of 2004/2005, 45 % of gross external revenues were covered by the segment Interactive Software, almost 31 % by Interactive Marketing and the remaining 24 % by Interactive Services. While the share of Interactive Software was almost unchanged compared to the previous quarter, the share of Interactive Services rose by 3 percentage points mainly at the expense of Interactive Marketing.

Comparative figures for the first quarter of the previous year are not available, since the new organisational structure comprising these reporting segments was first implemented on 1 April 2004. In all segments, revenues of the first quarter of 2004/2005 were mainly affected by key account business. Indeed, interesting new business activities occurred in the segments. However, these activities only resulted in moderate revenues in the quarter under review.

Development of Orders and Prices

The development of order intake in the first quarter of 2004/2005 confirmed the cautious optimism concerning a pick-up of demand for the services provided by SinnerSchrader. Covering all three segments, order intake was roughly 28 % higher than in the previous year and almost 18 % above the level of the fourth quarter of 2003/2004.

Significant acquisitions of new accounts in the segments Interactive Software and Interactive Marketing were particularly positive. As an example, Süddeutsche Zeitung placed an initial order in the segment Interactive Software which will be particularly reflected in revenues of the second and third quarter of 2004/2005, and which should also lead to follow-up orders in Interactive Services.

In the segment Interactive Marketing, the Hamburg-based studios managed to beat renowned competitors at Volkswagen and also inspired another company from the telecom sector for collaboration. The Frankfurt-based studios acquired a prominent new client: Dow Jones News GmbH. As expected and in contrast to previous years, no further pricing pressure can be felt at the beginning of the 2004/2005 financial year. Efficiency improvements of project processes led to a gradual increase in realised effective prices.

Development of the Operating Earnings

With an EBITA of € 21,000 in the quarter under review, SinnerSchrader confirmed the return to positive operating results, which was initiated in the fourth quarter of the previous year. Mainly due to the discontinuation of further restructuring needs, EBITA was unchanged compared to the fourth quarter of 2003/2004, despite slightly lower revenues.

Development of earnings in € 000s	Q1 2004/2005	Q4 2003/2004	Q1 2003/2004
Gross profit	1,143	975	927
EBITDA	155	175	- 264
EBITA	21	29	- 435
Net income/loss	103	523	- 326

Compared to the first quarter of 2003/2004, SinnerSchrader achieved substantial advances thanks to the restructuring and reorganisation measures implemented in the previous financial year. Despite slightly lower revenues, EBITA of the quarter under review was almost € 0.5 million above the comparable quarter of the previous year. Especially due to a significant efficiency improvement in terms of allocation of resources stemming from the new organisational structure was implemented in April 2004, the gross profit margin improved from just under 28 % in the first quarter of 2003/2004 to 34 % in the first quarter of 2004/2005. Thus, gross profits of the quarter under review were more than € 0.2 million higher than in the same quarter of the previous year. Given the discontinuation of restructuring costs which were a considerable amount in the same quarter of the previous year due to additional capacity reductions in November 2003, an earnings improvement of a further good € 0.2 million was achieved. Moreover, the break-up of the central sales team resulted in a slight reduction of distribution costs, backing profits despite ongoing strong sales efforts in the first quarter of 2004/2005.

Development of costs in € 000s	Q1 2004/2005	Q4 2003/2004	Q1 2003/2004
Costs of material and services	- 178	- 77	- 191
Personnel costs	- 1,968	- 2,230	- 2,347
Depreciation	- 134	- 145	- 171
Other operating costs	- 600	- 573	- 600
Total	- 2,880	- 3,025	- 3,309

In the first quarter of 2004/2005, operating costs totalled almost € 2.9 million and were € 0.1 million below the previous quarter and € 0.4 million below the same quarter of the previous year. The cost reductions were mainly achieved in the field of personnel costs, where savings from capacity reductions were also noticeable as was the discontinuation of the expensed restructuring costs.

Research and Development Expenditure

In the first quarter of 2004/2005, Research and Development activities were increased again compared to the same quarter of the previous year. After execution of the reorganisation, several R&D tasks entered project phase and were implemented in the segment Interactive Software. In the quarter under review, costs amounted to € 47,000. Thematic emphasises of the activities were focussed on the field of Mobile Computing and in the development of Software components for Internet distribution platforms.

Net Earnings for the Period

Net earnings in the first quarter of 2004/2005 amounted to € 0.1 million. Earnings comprised an EBITA of € 21,000 and a financial income of € 82,000. Charges from the amortisation of deferred compensation, and an amortisation effect from the acquisition of Netmatic Internet/Intranet Solutions GmbH in the year 2001 do not occur anymore. The decline of financial income is mainly attributable to the liquidity outflow of € 20.8 million due to the special distribution to shareholders which was decided at the Annual Shareholders' Meeting in January 2004.

Sales of Treasury Stock

After negotiations with potential acquisition candidates could not be concluded until mid October, particularly due to different price expectations of SinnerSchrader and the affected firms, the Management Board decided with Supervisory Board's approval that the shares of the treasury stock, which were bought back in the market between June 2002 and September 2003 for these acquisitions, will be smoothly sold back to the market. Accordingly, 455,235 shares were sold via the stock exchange in the quarter under review between 12 October 2004 and 4 November 2004. The difference between the average purchase price and the selling price of these shares resulted in an increase in shareholders' equity in the amount of roughly € 1 million which led to an expansion of additional paid-in capital.

Investments

In the first quarter of 2004/2005, capital expenditure amounted to € 34,000. Investments were thus kept at a moderate level and mainly comprised replacement of IT hardware and software as well as office equipment.

Cash Flow

The Cash Flow Statement of the first quarter 2004/2005 is characterised by the execution of the special distribution to shareholders. On 8 November 2004, an amount of € 1.82 was distributed for each of the 11,411,417 outstanding shares. This resulted in a liquidity outflow of roughly € 20.8 million from financing activities which was fed by the sale of marketable securities.

Through the sale of 455,235 own shares as well as the exercise of 19,018 employee stock options which were serviced by shares from treasury stock, SinnerSchrader generated approximately € 1.7 million liquid funds from financing activities in return. In the first quarter of 2004/2005, cash flows from operating activities were mainly influenced by an increase in accounts receivables as of

the reference date 30 November 2004. The correspondingly higher tie-up of net working capital could not be fully compensated by cash-effective operating profits so that the cash flow from operating activities of just under € - 0.1 million was negative in the first quarter of 2004/2005. In the comparable period of the previous year, a positive cash flow of € 0.5 million from operating activities was generated, especially due to the reduction of net working capital.

Balance Sheet

On 30 November 2004, the balance sheet showed a balance sheet contraction compared to the end of the 2003/2004 financial year which was caused by the executed special distribution to shareholders. The effect from the outflow of liquid funds in the amount of € 20.8 million affecting the asset side was counterbalanced by the cancellation of the corresponding liability on the balance sheet's liability side.

Through the sale of parts of the treasury stock, the balance of liquid funds and marketable securities as of 30 November 2004 was maintained at just under € 8 million. This increase in assets by € 1.7 million from the sale was equal to the increase in shareholders' equity from the reduction of the negative amount of € - 0.9 million to € - 0.2 million included in shareholders' equity and an increase in additional paid-in capital by roughly € 1 million.

The change of net working capital positions is impacted by the increase in accounts receivables which, among others, refers to the higher than average settlement volume on 30 November 2004 according to different project agreements.

Given the continuously restrictive investment policy, fixed assets dropped by approximately € 0.1 million from 31 August 2004 to 30 November 2004.

Despite the substantial special distribution to the shareholders, the equity ratio of almost 80 % remained at a very solid level as of 30 November 2004. It was roughly 10 percentage points higher than the level targeted and announced by the Management Board and Supervisory Board in the scope of the resolutions of the repayment of capital.

Employees

On 30 November 2004, SinnerSchrader had 142 employees, which was three less than at the reference date of the previous quarter and 20 less than at the end of the first quarter of the previous year. The decline compared to 2003 is explained by the re-implemented capacity reductions in the 2003/2004 financial year. In the quarter under review, roughly 134 full-time employees were employed on average. Compared to the previous quarter, capacity remained almost unchanged. In comparison to the first quarter of the previous year it was reduced by 21 employees.

From total capacity in the first quarter of 2004/2005, 60 full-time employees were active in the segment Interactive Software (previous quarter 60), 43 full-time employees in Interactive Marketing (previous quarter 40) and 14 full-time employees were assigned to Interactive Services (previous quarter 15). 17 full-time employees worked at the holding level, primarily at SinnerSchrader AG (previous quarter 22).

Outlook

With a further positive quarter, SinnerSchrader underpinned the return to profitability on an operating level. The overall results of the first quarter 2004/2005 are slightly ahead of schedule. This and the pleasingly high order intake in the lapsed quarter confirm the targets of SinnerSchrader to achieve an increase in revenues of between 5 % and 10 % and at least a break-even result for the whole financial year.

Additional Notes

Segment Reporting

In the scope of the reorganisation, as of 1 April 2004, SinnerSchrader abandoned its integrated business model of supplying and marketing interactive services, 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. Thus, SinnerSchrader opted not to prepare segment information as permitted by the exemption specified in SFAS No. 131. Segment information for the first quarter of 2003/2004 is thus not available. The first full quarter with comparable figures is the fourth quarter of 2003/2004.

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

Segment information Q1 2004/2005 in € and number	Interactive Software	Interactive Marketing	Interactive Services	Segments total	Consolidation/ Holding	Group
01.09.2004 – 30.11.2004:						
External Revenue	1,461,697	999,851	780,365	3,241,913	–	3,241,913
Internal Revenue	166,137	97,084	82,931	346,152	- 346,152	–
Total revenues, gross	1,627,835	1,096,935	863,296	3,588,065	- 346,152	3,241,913
Media costs	–	–	- 349,641	-349,641	–	-349,641
Total revenues, net	1,627,835	1,096,935	513,655	3,238,424	- 346,152	2,892,273
Segment profit/loss (EBITA)	178,567	68,140	106,340	353,047	- 332,004	21,042
Depreciation of property and equipment	15,814	5,771	4,421	26,006	108,386	134,392
Purchase of property and equipment	5,921	5,907	3,061	14,890	11,931	26,821
Full-time employees on average	59.7	43.0	14.0	116.7	17.5	134.2
30.11.2004:						
Total assets	2,334,364	1,297,489	360,855	3,992,708	8,452,983	12,445,690
Non-current assets	173,971	83,856	43,644	301,471	878,840	1,180,311
Current assets	2,160,393	1,213,633	317,211	3,691,236	7,574,143	11,265,379
Number of employees – end of period	63	44	16	123	19	142

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Segment information Q4 2003/2004 in € and number	Interactive Software	Interactive Marketing	Interactive Services	Segments total	Consolidation/ Holding	Group
01.06.2004 -31.08.2004:						
External Revenue	1,516,036	1,090,871	707,024	3,313,931	-	3,313,931
Internal Revenue	297,134	134,952	97,400	529,486	- 529,486	-
Total revenues, gross	1,813,170	1,225,823	804,424	3,843,417	- 529,486	3,313,931
Media costs	-	-	- 262,724	- 262,724	-	- 262,724
Total revenues, net	1,813,170	1,225,823	541,700	3,580,693	- 529,486	3,051,207
Segment profit/loss (EBITA)	254,015	64,313	125,023	443,351	- 413,953	29,398
Depreciation of property and equipment	15,224	5,934	3,921	25,079	120,316	145,395
Purchase of property and equipment	11,943	23,514	-	35,457	- 14,782	20,675
Full-time employees on average	59.5	39.9	14.1	113.5	20.2	133.7
31.08.2004:						
Total assets	2,124,800	1,286,600	777,523	4,188,923	27,062,730	31,251,653
Non-current assets	183,864	83,719	45,004	312,587	981,248	1,293,835
Current assets	1,940,936	1,202,881	732,519	3,876,336	26,081,482	29,957,818
Number of employees – end of period	62	46	15	123	22	145

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's result before tax in €	Q1 2004/2005	Q4 2003/2004
Segment profit/loss (EBITA) of all reportable segments	353,047	443,351
Central holding costs not attributable to reportable segments	- 331,845	- 412,935
Earnings before tax of foreign subsidiaries	- 160	- 1,018
EBITA of the Group	21,042	29,398
Group interest income/expense	82,099	445,771
Group earnings before tax	103,141	475,169

Comments|Notes

	Restructuring charges and other related charges in €		Utilised		Balance 30.11.2004
	Balance 01.09.2004	Additional charges	Non-cash	Cash	
Workforce	133,478	10,000	-	29,742	113,736
Facilities	67,376	-	-	32,930	34,446
Other	-	-	-	-	-
Total	200,854	10,000	-	62,672	148,182

No further restructuring measures were conducted during the first quarter of 2004/2005. However, for risks inherent in unfinished restructuring measures of the 2003/2004 financial year, an increase of the corresponding provision by € 10,000 was necessary. The accounted provisions and liabilities as of 31 August 2004 were used according to schedule. On 30 November 2004, the remaining provisions and liabilities for restructuring measures totalled roughly € 148,000.

Treasury Stock

On 30 November 2004, SinnerSchrader AG held 131,347 own shares with a calculated face value of € 131,347, representing 1.1 % of the share capital. They are mainly held to service exercises of employee stock options in the future.

After negotiations on acquisitions could not be successfully concluded in the period under review, 455,235 shares of the remaining 605,600 shares of the treasury stock as of 31 August 2004 were sold via the stock exchange for an average price of just under € 3.68. Moreover, 19,018 shares were issued for an average price of € 2.76 in the scope of option exercises by employees. The proceeds from the sale and the issue of shares amounted to approximately € 1.7 million. No share purchases took place in the reporting period.

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 Article 225 Stock Corporation 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 € 2,532,259.71. 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 from October 1999 and December 2000, SinnerSchrader AG established the SinnerSchrader Stock Options Plan 1999 and the SinnerSchrader Stock Option Plan 2000, each with the statutory capital requirements of € 375,000. Detailed information on these stock option plans can be gathered from the notes of 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

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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 quarter of 2004/2005, as well as the changes in both figures for the first three months 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	- 4,872	2.79
Outstanding on 30 November 2004	316,393	12.70

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 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 SFAS No. 148 in connection with SFAS No. 123, the following table displays the reported net loss and pro-forma net income per share for the first quarter 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:

Pro-forma net income / loss according to SFAS No. 123 in €	Q1 2004/2005
Net income/loss as reported	103,141
add back: Stock-based compensation, included in net income/loss as reported	-
deduct: Stock-based employee compensation expense determined under fair-value-based method for all awards, net of related tax effects	- 32,741
Pro-forma net income/loss	70,400
Reported net income/loss per share, basic and diluted	0.01
Pro-forma net income/loss per share, basic and diluted	0.01

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

Directors' Holdings of Shares and Subscription Rights to Shares

The following table shows the number of shares of 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 30 November 2004.

Shares and options of the Board members	01.09.2004	Additions	Disposals	30.11.2004
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 options of the Management Board	25,000	-	-	25,000
SUPERVISORY BOARD MEMBERS:				
Dr Markus Conrad	-	-	-	-
Reinhard Pöllath	-	-	-	-
Frank Nörenberg	-	-	-	-
Total options of the Supervisory Board	-	-	-	-
Total options of the Board members	25,000	-	-	25,000

Financial Calendar 2004/2005

Annual General Meeting	28 January 2005
2 nd Quarterly Report (December 2004 – February 2005)	13 April 2005
3 rd Quarterly Report (March – May 2005)	13 July 2005
Annual Report 2004/2005	November 2005

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