Q2

2nd Quarterly Report 2003/2004 of the SinnerSchrader Aktiengesellschaft

SinnerSchrader

THE BUSINESS YEAR 2003/2004 OF THE SINNERSCHRADER AKTIENGESELLSCHAFT

Key figures of the SinnerSchrader Group

		01.09.2003 29.02.2004	01.09.2002 28.02.2003	Change in %
Revenues	in € 000s	5,833	6,636	-12.1
EBITDA	in € 000s	-984	6	< -1,000.0
EBITA	in € 000s	-1,314	-300	-338.0
Net loss	in € 000s	-1,040	69	< -1,000.0
Net loss per share	in €	-0.10	0.01	< -1,000.0
Cash flows from operating activities	in € 000s	1,368	-740	284.9
Full-time equivalent employees – average		138	172	-19.8
		29.02.2004	31.08.2003	Change in %
Liquid funds and marketable securities	in € 000s	25,929	24,603	5.4
Employees – end of period		136	166	-18.1

Dear Shareholders,

As we had announced, the second quarter of our 2003/2004 business year (December 2003 to February 2004), generally a weak period for project operations due to the Christmas and New Year season, was worse than the first quarter. Sales stood at almost € 2.5 million, some € 0.9 million below the level attained in the first three months. While the cost position continued to improve, the second quarter saw operating income (EBITA) reach € -0.9 million, some € 0.4 million less than the first quarter's EBITA.

In the first half year of 2003/2004, we generated total revenues of € 5.8 million and an operating loss of € -1.3 million. Despite the loss, the liquidity reserve grew by € 1.3 million, from € 24.6 million at the close of the previous year to € 25.9 million as of 29 February 2004, mainly as a result of tax refunds paid in February.

As such, revenues, earnings and cash flow levels remained on target for the first half year. The order intake development in the first three months of 2004, however, reveals that the market is still beset with difficulties. As things currently stand, we do not anticipate the negative sales trend to turn around in the second half of our 2003/2004 business year as we had initially assumed. Instead, despite having reduced operating costs, we are expecting the second half year to see an operating loss on the same scale as in the first half year. However, the liquidity reserve is projected to show an improvement over its level at the end of the previous year.

In response to the changes in the market and in demand, especially among large corporations, we reorganised SinnerSchrader in the first half year of 2003/2004 in order to make the Company an even more dynamic and powerful force in the market. The main idea behind the reorganisation is to position the service portfolio on the market in a more multifaceted and transparent manner. This entails that IT, Agency, Operational, Analysis and Media Services will in the future be offered directly to the market by independent business units under the umbrella of SinnerSchrader. The divisions will be given full operational responsibility for how their business performs. We are convinced that this new structure will bring SinnerSchrader back on the growth track in the medium term. The new divisionalisation was implemented internally in early April. The external presentation is scheduled for early May.

Hamburg, April 2004
The Management Board

Consolidated balance sheets

as of 29 February 2004

Assets	*29.02.2004 in €*	*31.08.2003 in €*
Current assets:		
Cash and cash equivalents	1,237,560	3,325,443
Short-term investments/marketable securities	24,691,479	21,277,312
Accounts receivable	1,424,128	2,374,101
Unbilled revenues	272,155	268,252
Prepaid expenses and other current assets	1,119,063	2,429,292
Total current assets	28,744,385	29,674,400
Non-current assets:		
Property and equipment, net	1,532,604	1,798,320
Total non-current assets	1,532,604	1,798,320
Total assets	30,276,989	31,472,720

Liabilities and shareholders' equity		
Current liabilities:		
Trade accounts payable	461,113	395,731
Advance payments received	414,634	24,649
Accrued expenses	899,549	1,008,837
Income tax payable	61,559	52,559
Deferred income and other current liabilities	20,514	588,269
Total current liabilities	1,857,369	2,070,045
Non-current liabilities	83,562	80,408
Shareholders' equity:		
Common stock	11,542,764	11,542,764
Additional paid-in capital	37,360,649	37,355,960
Treasury stock, 608,016 and 610,423 as at 29.02.2004 and 31.08.2003, respectively	-930,134	-933,145
Retained earnings/accumulated deficit	-19,685,857	-18,645,785
Accumulated other comprehensive income/loss	48,636	24,246
Deferred compensation	–	-21,773
Total shareholders' equity	28,336,058	29,322,267
Total liabilities and shareholders' equity	30,276,989	31,472,720

Consolidated statements of operations

from 1 September 2003 until 29 February 2004

	01.09.2003 29.02.2004 in €	01.09.2002 28.02.2003 in €
Revenues:		
Project Services	4,208,898	5,535,551
Media Services	1,115,837	770,745
Other	508,376	329,955
Total revenues, gross	5,833,111	6,636,251
Media costs	-810,011	-617,116
Total revenues, net	5,023,100	6,019,135
Cost of revenues	-3,519,945	-3,969,577
Gross profit/loss	1,503,155	2,049,558
Selling and marketing expenses	-735,348	-733,872
General and administrative expenses	-1,678,874	-1,712,350
Research and development expenses	-51,450	-43,187
Restructuring and other related costs	-349,137	-51,385
Amortisation and impairment of intangible assets	–	–
Amortisation of goodwill	–	–
Amortisation of deferred compensation	-21,773	-62,024
Operating income/loss	-1,333,427	-553,260
Other income/expense	-2,274	191,702
Interest income and expenses	306,188	390,170
Income from investments and participations	–	–
Result before provision for income tax	-1,029,513	28,612
Provision for income tax	-10,559	40,255
Net income/loss before cumulative effect of changes in accounting principles	-1,040,072	68,867
Cumulative effect of changes in accounting principles	–	–
Net income/loss	-1,040,072	68,867
Net income/loss per share (basic)	-0.10	0.01
Net income/loss per share (diluted)	-0.10	0.01
Weighted average shares outstanding (basic)	10,931,665	11,316,398
Weighted average shares outstanding (diluted)	10,931,665	11,316,398

Consolidated statements of operations

from 1 December 2003 until 29 February 2004

	01.12.2003 29.02.2004 in €	01.12.2002 28.02.2003 in €
Revenues:		
Project Services	1,763,271	2,611,933
Media Services	470,285	457,020
Other	237,835	209,869
Total revenues, gross	2,471,391	3,278,822
Media costs	-322,706	-383,912
Total revenues, net	2,148,685	2,894,910
Cost of revenues	-1,572,795	-1,918,563
Gross profit/loss	575,890	976,347
Selling and marketing expenses	-339,450	-334,173
General and administrative expenses	-955,762	-849,581
Research and development expenses	-44,394	-19,120
Restructuring and other related costs	-113,011	-48,347
Amortisation and impairment of intangible assets	–	–
Amortisation of goodwill	–	–
Amortisation of deferred compensation	-5,443	-31,012
Operating income/loss	-882,170	-305,886
Other income/expense	-2,274	83,459
Interest income and expenses	180,970	214,028
Income from investments and participations	–	–
Result before provision for income tax	-703,474	-8,399
Provision for income tax	-10,559	40,255
Net income/loss before cumulative effect of changes in accounting principles	-714,033	31,856
Cumulative effect of changes in accounting principles	–	–
Net income/loss	-714,033	31,856
Net income/loss per share (basic)	-0.07	0.00
Net income/loss per share (diluted)	-0.07	0.00
Weighted average shares outstanding (basic)	10,931,914	11,190,676
Weighted average shares outstanding (diluted)	10,931,914	11,190,676

Consolidated statements of shareholders' equity

from 1 September 2003 until 29 February 2004

	Number of shares outstanding	Nominal value in €	Additional paid-in capital in €	Treasury stock in €	Deferred compensation in €	Retained earnings/ losses in €	Accumulated other comprehensive income in €	Total shareholders' equity in €	Comprehensive income in €
Balance as of 31.08.2003	10,932,341	11,542,764	37,355,960	-933,145	-21,773	-18,645,785	24,246	29,322,267	-955,513
Net income/loss	–	–	–	–	–	-1,040,072	–	-1,040,072	-1,040,072
Unrealised gains on available-for-sale securities, net of tax	–	–	–	–	–	–	24,322	24,322	24,322
Foreign currency translation adjustment net of tax	–	–	–	–	–	–	68	68	68
Amortisation of deferred compensation	–	–	–	–	21,773	–	–	21,773	–
Purchase of treasury stock	-1,404	–	–	-2,819	–	–	–	-2,819	–
Sale of treasury stock	3,811	–	4,689	5,830	–	–	–	10,519	–
Balance as of 29.02.2004	10,934,748	11,542,764	37,360,649	-930,134	–	-19,685,857	48,636	28,336,058	-1,015,682

Consolidated statements of cash flows

from 1 September 2003 until 29 February 2004

	01.09.2003 29.02.2004 in €	01.09.2002 28.02.2003 in €
Cash flows from operating activities:		
Net profit/loss	-1,040,072	68,867
Cumulative effect of changes in accounting principles	–	–
Net income/loss before cumulative effect of changes in accounting principles	-1,040,072	68,867
Adjustments for:		
Depreciation and amortisation	351,261	367,845
Increase/decrease in provisions and accruals	-109,288	-1,004,202
Losses on the disposal of fixed assets	3,463	27,618
Foreign exchange gains	–	5,627
Other	16,052	16,440
Change in net working capital	2,147,062	-222,627
Cash flows from operating activities	1,368,478	-740,432
Cash flows from investing activities:		
Purchase of short term investments	-21,273,293	-32,876,505
Proceeds from sale of short term investments	17,876,397	33,601,638
Purchase of property and equipment	-74,486	-89,465
Proceeds from sale of equipment	7,249	6,893
Cash flows from investing activities	-3,464,133	642,561
Cash flows from financing activities:		
Purchase of treasury stock	-2,819	-602,843
Proceeds from sale of treasury stock	10,518	–
Cash flows from financing activities	7,700	-602,843
Net effect of currency translation in cash and cash equivalents	-150	-1,636
Net increase/decrease in cash and cash equivalents	-2,088,105	-702,350
Cash and cash equivalents at beginning of period	3,325,665	1,451,285
Cash and cash equivalents at end of period	1,237,560	748,935
Supplemental disclosures of non-cash financing activities:		
Common stock issued for acquisition of Netmatic	–	69,628

Management discussion and notes to the quarterly report

I. General

The quarterly report of the SinnerSchrader Group ("SinnerSchrader", "Group") is prepared in accordance with US accounting principles ("US-GAAP") and takes account of the instructions of Accounting Principle Board Opinion ("APB") No. 28 and the rules for the Prime Standard of the Deutsche Börse AG. It should be read in conjunction with the consolidated financial statements of SinnerSchrader Aktiengesellschaft as of 31 August 2003.

The SinnerSchrader Group is made up mainly of SinnerSchrader Aktiengesellschaft ("SinnerSchrader AG" or "AG") and its wholly owned subsidiary SinnerSchrader Deutschland GmbH ("SinnerSchrader DTL"), both located in Hamburg with an office in Frankfurt am Main.

SinnerSchrader UK Limited, London, and SinnerSchrader Benelux BV, Rotterdam, 100 % subsidiaries of SinnerSchrader AG, also belong to the Group. Neither company was operational during the reporting year; however, they are both included in the consolidated statement of accounts.

Netmatic Inc., which formerly belonged to the consolidated group, was closed in September 2002. The company was taken out of the consolidated accounts as of 30 November 2002 and is therefore no longer part of the consolidated group in 2002/2003.

II. Management discussion

SALES DEVELOPMENT

	Q2 2003/2004 in € 000s	*Q1 2003/2004 in € 000s*	*Q2 2002/2003 in € 000s*
Project Services	1,763	2,446	2,612
Media Services	470	646	457
Other	238	270	210
Total revenues, gross	2,471	3,362	3,279
Media costs	-323	-488	-384
Total revenues, net	2,148	2,874	2,895

With gross revenues totalling just under € 2.5 million, the second quarter of the 2003/2004 business year was, as expected, significantly weaker than the first three months of the current business year and the same period of the previous year.

Seasonal decline in project business

The drop in revenues is largely attributable to the many days of leave and bank holidays during the season. This impaired project business, which as a rule is charged on the basis of man-days. In addition, after completing several projects for long-standing customers in December, the new customer business took off to a slow start in 2004, which dragged down the project business, too.

Media business also took a seasonal downturn in the second quarter. Following a highly successful Christmas period from October to December, our activities for the retailer Tchibo and the independent online price comparison portal guenstiger.de dropped back to a normal level. This resulted in a drop in revenues of just under € 0.2 million compared to the first quarter of 2003/2004. Revenues were nevertheless above previous-year levels.

Media & Other Services show solid performance

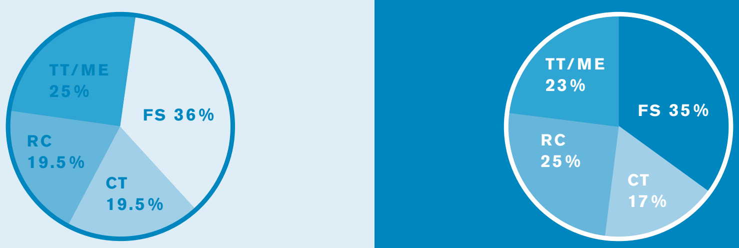
In the "Others" segment, which includes sales from the Operations and Web Mining Services, we recorded revenues slightly below those of the previous quarter. The reason for this change can be found in commissioning services for a significant new customer in the operations segment in September. This resulted in comparatively high revenues that would not recur during the course of our business relationship with this customer. Both businesses, however, continue to grow steadily, as shown by a comparison with the same quarter in the previous year.

	1st half year 2003/2004 in € 000s	*1st half year 2002/2003 in € 000s*
Project Services	4,209	5,535
Media Services	1,116	771
Other	508	330
Total revenues, gross	5,833	6,636
Media costs	-810	-617
Total revenues, net	5,023	6,019

The drop in revenues in the second quarter of the current business year is directly reflected in the year-to-half-year comparison. In the first half year of the previous year, the drop in gross revenues stood at 0.8 million €. The year-to-half-year comparison shows that Sinner-Schrader succeeded in significantly expanding business with Media and Other Services, while Project Services dropped absolutely and, as a proportion of overall revenues, relatively by around 10 %.

DEVELOPMENT OF REVENUES BY SOLUTION CENTRE

Travel & Transportation/ Media & Entertainment	TT/ME
Retail & Consumer Goods	RC
Communication & Technology	CT
Financial Services	FS



BY 2002/2003

1ST HALF YEAR 2003/2004

In the Retail & Consumer Goods segment, sales have increased 5.5 percentage points mainly due to the expansion of the media business for our customers Tchibo and guenstiger.de. The Financial Services segment with customers such as Deutsche Bank and comdirect bank continues to be the Solution Centre that generates the most revenue. With its projects for Hapag-Lloyd Express and Thomsonfly, the Travel & Transportation segment accounts for 23 % of sales, which constitutes a slight drop over the previous year. Revenues generated by the Solution Centre Communication & Technology were tepid, accounting for 17 % of total revenues, or 2 percentage points less than the previous year.

PROJECT SUCCESSES

Awards for Hapag-Lloyd Express and comdirect

In the past quarter, two awards underscored the quality of our project work. Two websites developed by SinnerSchrader for our customers Hapag-Lloyd Express and comdirect bank were awarded prizes. Our services for Hapag-Lloyd Express were in turn rewarded with a further customer from the TUI group. Parallel to the ongoing orders from Hapag-Lloyd Express, we won a new project – the booking website for the British company Thomsonfly, the second low-cost carrier of TUI AG. We also landed an account with the international law firm Taylor Wessing.

> A comparison conducted for the magazine “Capital” in November 2003 came to a positive conclusion: the booking website of Hapag-Lloyd Express (HLX) is the most user-friendly website of all low-cost airlines that can be booked in Germany, outperforming even Deutsche Bahn and Lufthansa. By the end of 2003, HLX had sold a total of 2.16 million tickets. HLX now displays the cheapest available flights on an easy-to-use “low-price page” on the Internet. Using the new promotional tool, HLX is able to control ticket sales precisely and at the same time reinforce its position as a budget provider. We developed the design, technology and back-office tools for managing the offer page.

> The new airline Thomsonfly is taking the British market by storm also using a website developed by SinnerSchrader. A TUI subsidiary, Thomson is the UK’s leading tour operator. The website thomsonfly.com has been taking bookings since 16 December 2003. The first aircraft lifted off at the end of March, departing from Coventry for any of the airline’s initial eleven destinations.

> We are currently developing an integrated website for Taylor Wessing. The new corporate website presents the leading commercial law firm on one single platform, instead of splitting its activities up by country. The portal will be based on CoreMedia Rapid Website Production as a standard content management system. The website is scheduled to be launched in the summer.

> SinnerSchrader and comdirect have both been awarded the “Corporate Media Award for High Standards” in recognition of the quality and customer-friendliness of the website. We implemented the website graphically and technically and published it in July 2003. This is the fourth time that SinnerSchrader has won the Corporate Media Award.

DEVELOPMENT OF ORDERS AND PRICES

Order intake remains sluggish

In the second quarter of 2003/2004, order intake levels were not yet satisfactory. The start of 2004 witnessed much lower order intake levels than planned, falling below both the figures from the first quarter of the current business year as well as the same period the previous year. Towards the end of the second quarter, we were still awaiting customer decisions for several significant projects. Decision-making processes in the market continue to be rather slow-going, while ordering policies remain tight. Over the first half year, the order intake was therefore significantly below the previous year’s level.

Nor has the market situation improved regarding attainable prices, denying the sales and profit development of significant support in the second quarter.

DEVELOPMENT OF COSTS AND EARNINGS

	Q2 2003/2004 in € 000s	Q1 2003/2004 in € 000s	Q2 2002/2003 in € 000s
Gross profit	576	927	976
EBITDA	-721	-264	-49
EBITA	-879	-435	-191
Net income/loss [1]	-714	-326	32

[1] *Before effects of accounting change.*

Costs of reorganisation and personnel measures cut into earnings

The drop in revenues in the second quarter of the current business year was partially compensated for by a further reduction in the costs of revenues as a result of the cost-cutting measures implemented during the previous quarter. As a result, gross earnings only fell by approximately € 0.4 million compared to the previous quarter and the same quarter the previous year. The preparations in the run-up to the new organisational structure introduced at SinnerSchrader on 1 April 2004, however, led to a € 0.1 million increase in general expenses during the quarter under review, which – together with the upturn in investor relations costs for the annual report and the Annual General Meeting – led to a temporary increase in general and administrative expenses. Furthermore, earnings in the second quarter were once again weighed down by the costs of personnel measures amounting to € 0.1 million, as opposed to € 0.2 million in the first quarter of 2003/2004 and € 0.05 million in the second quarter of the previous year.

	Q2 2003/2004 in € 000s	Q1 2003/2004 in € 000s	Q2 2002/2003 in € 000s
Cost of material and services	-196	-191	-143
Personnel costs	-1,882	-2,347	-2,193
Depreciation	-158	-171	-143
Other operating costs	-789	-600	-693
Total	-3,025	-3,309	-3,172

Once arranged by cost type, it is clear that cost-cutting had the largest impact in personnel costs compared to the previous quarter and year. Personnel costs fell as a result of the adjustment of staff resources to an average of 138 full-time employees in the quarter under review compared to 162 employees in the previous quarter and 169 employees in the second quarter of the previous year. This decline was primarily offset by a rise in other operating costs in the quarter under review, as costs associated with the introduction of the new organisational structure and the seasonal costs of investor relations activities were incurred.

	1st half year 2003/2004 in € 000s	1st half year 2002/2003 in € 000s
Gross profit	1,503	2,050
EBITDA	-984	6
EBITA	-1,314	-300
Net income/loss [1]	-1,040	69

[1] *Before effects of accounting change.*

As assumed in our business plan, the sluggish level of sales from the last quarter of the previous year continued well into the first half year. In line with our budget, this resulted in a EBITA loss for this period of € -1.3 million. This represents a drop of virtually € 1 million over the previous year, some € 0.5 million of which is attributable to the sales-related low gross earnings, some € 0.3 million to the costs of the staff cuts and just under € 0.2 million from there not being other income as was the case the previous year.

RESEARCH AND DEVELOPMENT EXPENDITURE

In the second quarter of the current business year we intensified research and development activities following three quarters of minimal R&D expenditure. Our R&D activities focused on maintaining our components library and developing a rule-based authorisation and personalisation component. All told, expenditure during the period under review stood at approximately € 44,000. In the first half year 2003/2004, research and development expenditure therefore ran at almost € 50,000.

Research & development intensified

EARNINGS FOR THE PERIOD

At € -0.7 million, earnings for the period shrank by € 0.4 million quarter-to-quarter. This reduction in the operating result was only slightly offset by increases in financial earnings and decreases in expenses to amortise deferred compensation.

We therefore generated a net loss of € -1.0 million during the first half year 2003/2004, compared to a slight surplus of just under € 0.1 million the previous year.

Period earnings € -0.7 million

INVESTMENT

At just under € 0.04 million, the investment volume for the second quarter showed no change over the first quarter of the current business year. Throughout the half year, we therefore invested just under € 0.1 million, three quarters of which in hardware and software, and one quarter in office equipment.

CASH FLOW

Despite the negative earnings for the period, the first half year 2003/2004 generated a positive operating cash flow of some € 1.4 million. Behind this cash flow were a further reduction in funds tied up in accounts receivable and a payment of € 1.7 million in tax refunds made to SinnerSchrader in February. Both effects reduced by some € 2.1 million the amount of funds tied up in net working capital during the course of the first half for the business year.

Operating cash flow positive at € 1.4 million

The cash used for investment activities excluding the purchase and sale of securities was low at almost € 0.1 million .

In financing activities, almost € 3,000 went towards a repurchase of SinnerSchrader shares, concluded in the first quarter, in September 2003. This was offset by proceeds of some € 10,000 from the sale of SinnerSchrader shares in connection with the exercise of employee share options in the second quarter.

BALANCE SHEET

On 29 February 2004, € 25.9 million in cash and cash equivalents, short-term investments and marketable securities were recognised in the balance sheet, € 1.3 million more than at the end of the previous business year. These funds continue to be invested in fixed-term deposits, money-market funds, commercial papers and top-rated fixed-income securities with an average duration of three months or less.

The increase in liquidity on the asset side matches a further decrease in accounts receivable and in tax refunds reported under other assets.

On the liabilities side, the current liabilities and provisions were € 0.2 million lower than at the close of the previous year. The relatively low level of other liabilities and the drop in provisions was partially offset by the advance payments received.

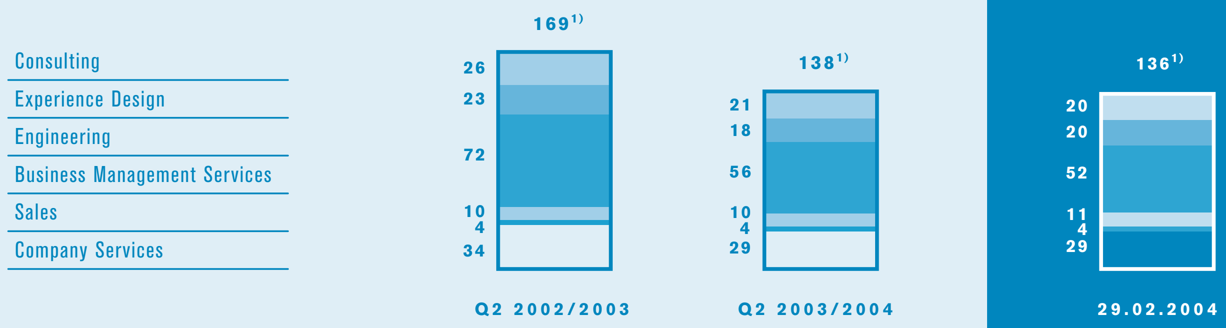
Liquidity reserve swells to € 25.9 million

EMPLOYEES

EMPLOYEES BY FUNCTION

AVERAGE FULL-TIME EQUIVALENTS

EMPLOYEES END OF PERIOD



1) Includes 6, 5 and 4 trainees, respectively, mostly assigned to Company Services.

On 29 February 2004, SinnerSchrader had 136 people on its payrolls, 26 fewer than at the end of the previous quarter and 30 fewer than on 31 August 2003. In compliance with our planning for the business year, we had brought our staff resources in line with turnover trends. Thus, in the second quarter an average of 138 people were employed full-time at SinnerSchrader. This is equivalent to a drop of 17 employees over the first quarter of 2003/2004, and 31 employees, or 18 %, over the same period the previous year. All areas were affected by the staffing adjustments.

SPECIAL DIVIDEND

With 99.6 % of the share capital present, the Annual General Meeting of SinnerSchrader AG resolved on 28 January 2004 to reduce additional paid-in capital from € 23.8 million by some € 20.8 million and to distribute the funds thus released to the shareholders of SinnerSchrader AG as a special dividend on all outstanding shares. With 10,934,748 shares currently outstanding, that equals a distribution payout of € 1.89 per share.

Annual General Meeting approves special dividend

The resolutions of the Annual General Meeting were submitted to the Hamburg Local Court. Since the resolutions have, however, not been filed, the balance sheet of SinnerSchrader AG as of 29 February 2004 does not yet reflect the impact of the resolutions. We assume that the resolutions will be filed soon and will then be officially published in the Federal Gazette. The publication in the Federal Gazette marks the beginning of a creditor-protection waiting period of six months, after which the capital is free to be paid out to our shareholders. As it currently stands, the dividend will be paid out in the fourth quarter of the 2004 calendar year.

OUTLOOK

In terms of sales and earnings, the first half year of the current business year went according to plan on the whole. However, there was no surge in orders as expected for the first months of 2004. We thus have to assume that net revenues for the second half year will not exceed the first half year's figure by some € 0.5 million as we forecast in our planning for the business year. Instead, net revenues might fall short of the figure for the first half year by some € 0.5 million. This would mean that we would no longer be able to attain our objective of improving the operating result for the 2003/2004 business year.

1st half-year on budget, outlook below plans

As indicated in the 2002/2003 annual report, we have addressed shortcomings in our ability to penetrate and dominate the market and have devised a new structure for SinnerSchrader. The SinnerSchrader service portfolio now consists of five independent segments: IT Systems and Software Development, Agency Services, Online Media Services, Web System Operation and Web Data Analysis. These segments will be directly vying for business in the market. We anticipate that this new structure will provide a better, more targeted approach to addressing the market and meeting prospective customers' needs. Internally, the new structure will enhance the efficiency and flexibility with which we can provide our services. We expect this to boost sales and profits, especially in our core segments of Systems and Software Development and Agency Services.

SinnerSchrader with new structure

III. Additional Notes

1 | SEGMENTAL REPORTING

SinnerSchrader with its business model operates in only one segment. In the regional breakdown of turnover, sales are apportioned to those countries from which the sales were transacted. All of the revenue of SinnerSchrader in the first half year of 2003/2004 was generated in Germany.

2 | RESTRUCTURING CHARGES AND OTHER RELATED CHARGES

2003/2004	*Balance 01.09.2003 in €*	*Additional charges in €*	Utilised *Non-cash in €*	Utilised *Cash in €*	*Balance 29.02.2004 in €*
Workforce	10,500	349,137	–	285,716	73,921
Facilities	132,960	–	–	38,023	94,937
Other	–	–	–	–	–
Total	143,460	349,137	–	323,739	168,858

During the first half of 2003/2004, we forged ahead with the restructuring measures commenced in 2001 in order to bring resources in line with the declining sales trend. The staff cuts implemented during the first six months of the year resulted in additional restructuring costs amounting to some € 0.3 million, approximately € 0.1 million of which went into provisions for the future costs of these measures. Restructuring provisions created for vacancies were used up on a pro-rata basis over the first half year as the vacancies occurred.

This resulted in restructuring provisions as of 29 February 2004 amounting to just under € 0.2 million, which is slightly more than the volume of provisions at the end of the previous year.

3 | TREASURY STOCK

As at 29 February 2004, SinnerSchrader held 608,016 of its own shares with a total nominal value of € 608,016. They represent a share of 5.3 % of the total subscribed capital. Of these, 1,404 shares were purchased in the first quarter of 2003/2004 at an average price of € 2.01. In the second quarter of 2003/2004, 3,811 shares were sold to service the exercise of options under the employee stock-options programmes. SinnerSchrader purchased all shares via the stock exchange.

4 | SUBSCRIPTION RIGHTS OF EMPLOYEES

Through resolutions of the Annual General Meetings in October 1999 and December 2000, SinnerSchrader AG established the SinnerSchrader Stock Option Plan 1999 and the SinnerSchrader Stock Option Plan 2000, each with the statutory capital requirement of € 375,000. Detailed information on these stock option plans is laid out in the consolidated balance sheets dated 31 August 2003. Within the framework of these stock option plans, options have been granted over recent years to employees and Board members of SinnerSchrader AG and its sub-

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sidiaries. The following table shows the number of option rights allocated 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 of 2003/2004, as well as the change in both figures over the first six months of 2003/2004. For the first time ever, SinnerSchrader employees made use of their right to exercise stock options in the second quarter of the current business year.

	Number of options granted	*Weighted average exercise price in €*
Outstanding at 31 August 2003	362,687	11.51
Granted	–	–
Exercised	-3,811	2.76
Cancelled	-7,586	6.16
Outstanding at 29 February 2004	361,290	11.74

For balance sheet purposes, SinnerSchrader has chosen to account for the stock option rights granted as a stock-based following the US-GAAP rules APB No. 25.

Under APB No. 25 granting of stock option rights gives rise to personnel costs amounting to the difference, if any, between the market value of SinnerSchrader's capital stock and the exercise price of the option on the day of grant. Following this rule, no personnel costs arose from the granting of stock option rights needed to be taken into account over recent years or in the first half year of 2003/2004.

In accordance with the Statement of Financial Standards ("SFAS") No. 148 in connection with SFAS No. 123, the following table presents pro forma net income (loss) and net income (loss) per share information for the first half year 2003/2004 that would have resulted if Sinner-Schrader had chosen to account for its stock option plans based on the fair value of the options at grant date as prescribed by SFAS No. 123:

	1st half year 2003/2004 in €
Net loss as reported	-1,040,072
Add back: Stock-based compensation, included in net loss as reported	–
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	-88,597
Pro forma	-1,128,669
Basic and diluted net loss per share: As reported	-0.10
Pro forma	-0.10

Because additional option grants are possible, the pro-forma impact on the first half year 2003/2004 is not necessarily representative of the pro-forma effects which may be expected in future periods.

5 | DIRECTORS' HOLDINGS OF SHARES AND SUBSCRIPTION RIGHTS TO SHARES

The following table shows the number of shares in SinnerSchrader AG held by Board members of SinnerSchrader AG and the changes during the reported period from 1 September to 29 February 2004.

Shares	*01.09.2003*	*Additions*	*Disposals*	*29.02.2004*
Management Board members:				
Matthias Schrader	2,342,675	–	–	2,342,675
Detlef Wichmann	115,000	–	–	115,000
Thomas Dyckhoff	49,950	–	–	49,950
Total shares of the Management Board	2,507,625	–	–	2,507,625
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	2,636,125	–	–	2,636,125

Options	*01.09.2003*	*Additions*	*Disposals*	*29.02.2004*
Management Board members:				
Matthias Schrader	–	–	–	–
Detlef Wichmann	25,000	–	–	25,000
Thomas Dyckhoff	25,000	–	–	25,000
Total options of the Management Board	50,000	–	–	50,000

On 29 February 2004 the members of the Supervisory Board did not hold any options on shares in SinnerSchrader AG. In the period under review no additions or disposals of such options occurred.

Financial Calendar 2003/2004

Quarterly Report
March–May 2004
8 July 2004

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November 2004

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