Q1

1st 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 30.11.2003	01.09.2002 30.11.2002	Change in %
Revenues	in € 000s	3,362	3,357	0.1
EBITDA	in € 000s	-264	55	-580.0
EBITA	in € 000s	-435	-108	-302.8
Net loss	in € 000s	-326	37	-981.1
Net loss per share	in €	-0.03	+0.00	< -1,000.0
Cash flows from operating activities	in € 000s	462	-561	182.4
Full-time equivalent employees – average		155	176	-11.9
		30.11.2003	31.08.2003	Change in %
Liquid funds and marketable securities	in € 000s	25,044	24,603	1.8
Employees – end of period		162	166	-2.4

Dear Shareholders,

Following the very weak fourth quarter of the last business year, we have moved into the new 2003/2004 business year with a respectable first quarter. In the months September to November 2003, revenues amounted to just under € 3.4 million. This meant we returned to the revenue level of the first quarter of the previous year and exceeded the immediately preceding quarter by 27%.

This is a satisfactory development which comes in at slightly above our planned figure for the first quarter. Media business in particular doubled in respect to the preceding quarter and previous year. We also achieved growth in the field of other services, however. We worked for numerous new customers, the Bundespresseamt (German Federal Government Press and Information Office), Karstadt Fitness, the British TUI subsidiary Thomsonfly and others.

This notwithstanding, we have noticed in the past business years that the first quarter has consistently been the strongest in terms of revenues, and that a good performance in this quarter does not provide a reliable indicator for the full year.

In view of this, we went ahead as planned with a further reduction in personnel aimed at improving and flexibilising our cost position, and reached agreement with 25 staff members during the first quarter on the termination of their contracts. The costs associated with this measure meant that operating income (EBITA) in the reporting period was reduced by some € 0.2 million, reaching a total of around € -0.4 million. EBITA thus improved over the previous quarter by € 0.5 million despite the restructuring costs. Due to the one-time charges, however, EBITA worsened by € -0.3 million in comparison with the first quarter of the previous year. For the first time in eight quarters we were able again to achieve an increase in the liquidity reserve; it grew over the quarter by € 0.4 million to € 25.0 million.

We expect that the coming quarter – in part due to the Christmas and New Year holiday season – will see a fall on the revenue side. We believe nonetheless that we are on the right track to achieving our goals for the 2003/2004 business year and in particular to generating a positive cash flow. In light of this, the Supervisory Board and Management Board have resolved to propose at the Annual General Meeting to be held on 28 January 2004 that a substantial part of the liquidity reserve should be returned to the shareholders in the form of a special distribution, likely to be € 1.90 per share of common stock outstanding.

Hamburg, January 2004
The Management Board

Consolidated balance sheets

as of 30 November 2003

Assets	*30.11.2003 in €*	*31.08.2003 in €*
Current assets:		
Cash and cash equivalents	927,351	3,325,443
Short-term investments/marketable securities	24,116,942	21,277,312
Accounts receivable	2,461,050	2,374,101
Unbilled revenues	10,854	268,252
Prepaid expenses and other current assets	2,447,576	2,429,292
Total current assets	29,963,773	29,674,400
Non-current assets:		
Property and equipment, net	1,664,519	1,798,320
Total non-current assets	1,664,519	1,798,320
Total assets	31,628,292	31,472,720

Liabilities and shareholders' equity		
Current liabilities:		
Trade accounts payable	784,908	395,731
Advance payments received	–	24,649
Accrued expenses	1,176,670	1,008,837
Income tax payable	59,673	52,559
Deferred income and other current liabilities	498,324	588,269
Total current liabilities	2,519,575	2,070,045
Non-current liabilities	81,970	80,408
Shareholders' equity:		
Common stock	11,542,764	11,542,764
Additional paid-in capital	37,355,960	37,355,960
Treasury stock, 611,827 and 610,423 as at 30.11.2003 and 31.08.2003, respectively	-935,964	-933,145
Retained earnings/accumulated deficit	-18,971,824	-18,645,785
Accumulated other comprehensive income/loss	41,254	24,246
Deferred compensation	-5,443	-21,773
Total shareholders' equity	29,026,747	29,322,267
Total liabilities and shareholders' equity	31,628,292	31,472,720

Consolidated statements of operations

from 1 September until 30 November 2003

	01.09.2003 30.11.2003 in €	01.09.2002 30.11.2002 in €
Revenues:		
Project Services	2,445,627	2,923,618
Media Services	645,552	313,725
Other	270,541	120,086
Total revenues, gross	3,361,720	3,357,429
Media costs	-487,305	-233,204
Total revenues, net	2,874,415	3,124,225
Cost of revenues	-1,947,149	-2,051,014
Gross profit/loss	927,266	1,073,211
Selling and marketing expenses	-395,898	-399,699
General and administrative expenses	-723,112	-851,297
Research and development expenses	-7,056	-24,067
Restructuring and other related costs	-236,126	-14,510
Amortisation and impairment of intangible assets	–	–
Amortisation of goodwill	–	–
Amortisation of deferred compensation	-16,330	-31,012
Operating income/loss	-451,256	-247,374
Other income/expense	–	108,243
Interest income and expenses	125,217	176,141
Income from investments and participations	–	–
Result before provision for income tax	-326,039	37,010
Provision for income tax	–	–
Net income/loss before cumulative effect of changes in accounting principles	-326,039	37,010
Cumulative effect of changes in accounting principles	–	–
Net income/loss	-326,039	37,010
Net income/loss per share (basic)	-0.03	+0.00
Net income/loss per share (diluted)	-0.03	+0.00
Weighted average shares outstanding (basic)	10,931,415	11,442,120
Weighted average shares outstanding (diluted)	10,931,415	11,442,120

Consolidated statements of shareholders' equity

from 1 September until 30 November 2003

	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	–	–	–	–	–	-326,039	–	-326,039	-326,039
Unrealised gains on available-for-sale securities, net of tax	–	–	–	–	–	–	17,017	17,017	17,017
Foreign currency translation adjustment	–	–	–	–	–	–	-9	-9	-9
Amortisation of deferred compensation	–	–	–	–	16,330	–	–	16,330	–
Purchase of treasury stock	-1,404	–	–	-2,819	–	–	–	-2,819	–
Balance as of 30.11.2003	10,930,937	11,542,764	37,355,960	-935,964	-5,443	-18,971,824	41,254	29,026,747	-1,264,544

Consolidated statements of cash flows

from 1 September until 30 November 2003

	01.09.2003 30.11.2003 in €	01.09.2002 30.11.2002 in €
Cash flows from operating activities:		
Net profit/loss	-326,039	37,011
Cumulative effect of changes in accounting principles	–	–
Net income/loss before cumulative effect of changes in accounting principles	-326,039	37,011
Adjustments for:		
Depreciation and amortisation	187,529	194,237
Increase/decrease in provisions and accruals	167,833	-700,434
Losses on the disposal of fixed assets	–	23,986
Foreign exchange gains	–	5,306
Other	4,031	10,180
Change in net working capital	428,308	-131,653
Cash flows from operating activities	461,662	-561,367
Cash flows from investing activities:		
Purchase of short term investments	-4,340,657	-19,133,065
Proceeds from sale of short term investments	1,521,127	19,593,768
Purchase of property and equipment	-37,397	-36,329
Proceeds from sale of equipment	–	3,500
Cash flows from investing activities	-2,856,927	427,875
Cash flows from financing activities:		
Payment for treasury stock	-2,819	-231,795
Cash flows from financing activities	-2,819	-231,795
Net effect of currency translation in cash and cash equivalents	-8	-240
Net increase/decrease in cash and cash equivalents	-2,398,092	-365,527
Cash and cash equivalents at beginning of period	-3,325,443	1,451,801
Cash and cash equivalents at end of period	927,351	1,086,274
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 at 31 August 2003.

The SinnerSchrader Group is made up mainly of SinnerSchrader Aktiengesellschaft (“Sinner-Schrader 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

	Q1 2003/2004 in € 000s	Q4 2002/2003 in € 000s	Q1 2002/2003 in € 000s
Project Services	2,446	2,009	2,923
Media Services	646	370	314
Other	270	268	120
Total revenues, gross	3,362	2,646	3,357
Media costs	-488	-247	-233
Total revenues, net	2,874	2,399	3,124

In the first quarter of the 2003/2004 business year, SinnerSchrader generated gross revenues of just under € 3.4 million, which were € 0.7 million or 27 % above the previous quarter and on the level of the first quarter of the previous year.

In September, October and November 2003, the Project Services business picked up again in comparison with the preceding months. While this is certainly on the one hand due to Sinner-Schrader’s first quarter following on directly from the summer holiday period, we were on

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Customer-base growth in project business

the other hand able to win an above-average number of contracts from new customers with smaller-budget projects. In Project Services we were not, however, successful in reaching the comparative level achieved in the previous year, mainly due to 2003's lower pricing level of some 10 to 15 % in comparison to 2002.

Media business doubles

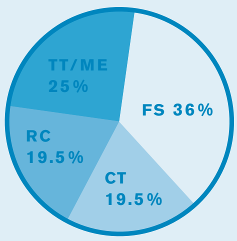
We roughly doubled revenues from Media Services compared with both the previous quarter and the same quarter of the previous year. A clear upturn in the online media market segment, our expertise in the area of cost-per-order co-operations and the Christmas period with our retail and wholesale customers' spending on advertising at high levels all led to this increase in sales. Besides the expansion of our successful working partnership with Tchibo, new customer business with Plus and guenstiger.de also contributed to this positive development.

Other services confirm attained position

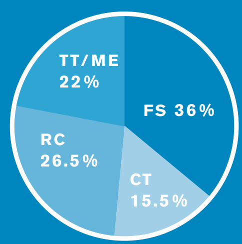
Revenues from Operations and Web Mining Services – reported under "Other" – were slightly higher than in the previous quarter. On the basis of generally constant monthly fees, we provide our customers with full-time Internet applications services in both the areas of Operations and statistical analysis and control (Web Mining). In the first quarter of 2003/2004, both areas were able to confirm the positive development they had achieved in the preceding business year. This was evidenced by the fact that sales in the reporting quarter were twice the level of the comparative quarter year-on-year. Two-thirds of revenues are generated by the area of Operations, which, besides our new customer comdirect bank, successfully services Deutsche Bank and Hapag-Lloyd Express amongst others.

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



Q1 2003/2004

When compared with 2002/2003, the distribution of revenues by Solution Centre shows a distinct trend in favour of the Retail & Consumer Goods areas. The rise in the revenues share by almost 7 percentage points is largely due to the development of the media business segment, which represents over half of Retail & Consumer Good's total revenue. In the Project Services segment, we were able to win the newly-established Karstadt Fitness brand as a new customer.

Highest revenues from retailers, mail-order companies & financial services firms

As in the previous business year, the Financial Services Solution Centre contributed over a third of total revenues, thanks to solid business with long-standing customers. In the Travel & Transportation/Media Entertainment Solution Centre, SinnerSchrader won orders from new customers Thomsonfly, the TUI Group's British budget airline, and the Bundespresseamt (German Federal Government Press and Information Office). Nevertheless, this Solution Centre's share of total revenues fell, just as did that of the Communication & Technology Solution Centre.

PROJECT SUCCESSES

Resting squarely on the solid foundations of business with long-standing customers, SinnerSchrader worked for a range of highly interesting new customers in the first quarter of the 2003/2004 business year. Particularly satisfying was our successful acquisition of the Bundespresseamt as our first customer from the public sector and, through this, our gaining a foothold in the eGovernment business segment. We have expanded what was previously our project office in Frankfurt and have already carried out our first new customer project there.

Foothold in eGovernment segment

> The **Presse- und Informationsamt der Bundesregierung** (German Federal Government Press and Information Office) signed a contract with us for the development of an intranet solution. The application will be based on CoreMedia CAP 4.1 and will include, amongst other functions, a fresh design for the publication of internal Government guidelines with up-to-date news bulletins. SinnerSchrader beat off 36 competitors in the EU-wide closed bidding process following a public call for tenders, in which 6 bidders were shortlisted and asked to present a detailed offer. The project will run until the end of 2004 and turnover is likely to be in the six-figure euro range.

Expansion of Frankfurt office

> SinnerSchrader's Frankfurt office received a staffing boost and successfully acquired **W.L. Gore & Associates** as new customers. With a multifunctional campaign website, Gore began an online PR and publicity campaign for GORE-TEX® XCR®, a new laminate, which will be applied in sports, business and leisure footwear. With this campaign solution, Gore supports the shoe manufacturers' marketing drives and at the same time addresses end customers.

> The newly-established brand **Karstadt Fitness** is co-operating with SinnerSchrader on its Internet activities. For this subsidiary of Karstadt Warenhaus AG we have developed a brand-specific corporate website and introduced a content management system (RedDot Content Management Server). Karstadt Fitness's next step will be to exploit the Internet as a high-coverage channel for customer acquisition and customer loyalty.

> We have produced a glossary application for **Mercedes-Benz's** global Internet site, which reinforces the brand's aim of market leadership in innovative technologies. This technical glossary supports current technology topics highlighted in Mercedes-Benz's integrated PR and communication drive and relates these to the relevant production series. It is to be produced in a range of languages and rolled out for Mercedes-Benz worldwide.

> For **Deutsche Bank**, SinnerSchrader has migrated a range of intranet applications to a new content management system, enabling our customer to eliminate several intranet platforms by using the RedDot system. The bank has also entrusted us with carrying out a usability study for the further development of their intranet platform.

Business in the media segment too has picked up noticeably, following our successful customer acquisition efforts.

> The **Plus** supermarket chain celebrated its online shop's second birthday with an online campaign realised by SinnerSchrader, which was placed in high-coverage advertising carriers including T-Online, GMX and MSN. Creation and media planning were entrusted to SinnerSchrader.

> A campaign for **guenstiger.de**, Germany's highest-coverage online price comparison site, went live in time for the Christmas shopping season. Since mid-October, our media planners have also been managing the **jaxx.de** account, Germany's leading Internet casino platform.

DEVELOPMENT OF ORDERS AND PRICES

Incoming orders still unsatisfactory

Incoming orders in the first quarter of 2003/2004 were at the same level as in the first quarter of 2002/2003 and somewhat below that of the previous quarter. More than half these orders were booked by the Financial Services Solution Centre from its larger long-standing customers. All other Solution Centres were also able to report new orders, however. Nevertheless, the positive impression given by the development in revenues was put in perspective by the level of incoming orders: these were still too low in the first quarter to be able to identify a stable upward trend in revenues.

Persistent pricing pressure

On the pricing side, there was no let-up in pressure during the first three months of the current business year; quite the opposite. Bigger, very long-standing customers in particular continue to exploit their strong market position to push through price concessions when it comes to awarding IT and Internet project business.

DEVELOPMENT OF COSTS AND EARNINGS

	Q1 2003/2004 in € 000s	*Q4 2002/2003 in € 000s*	*Q1 2002/2003 in € 000s*
Gross profit	927	160	1,123
EBITDA	-264	-671	55
EBITA	-435	-915	-108
Net income/loss [1)]	-326	-754	37

1) Before effects of accounting change.

The positive development in revenues in the first quarter of 2003/2004 over the previous quarter was also reflected in considerably improved quarterly earnings, even though Sinner-Schrader still reported negative operating as well as period earnings. In comparison to the fourth quarter of 2002/2003, we were able to clearly improve both EBITDA and EBITA by some € 0.4 million and € 0.5 million, respectively.

Restructuring charges weigh on operating earnings

Although gross revenues in the first quarter of 2003/2004 were at the same level as those of the comparable quarter in the previous year, the EBITDA and EBITA operating indicators each show a decline of some € 0.3 million. This divergence in the sales and earnings trends compared with the previous year is on the one hand attributable to a drop in profit margins, which was in turn caused by falls in Project Services prices and the higher share taken by lower-margin Media Services revenues. On the other hand we decided to further streamline personnel capacity by 25 staff, given the continued absence of sufficient positive signs on the incoming orders side, which led to additional restructuring charges of some € 0.2 million in the first quarter of 2003/2004. Furthermore, in the first quarter of 2002/2003 other income of € 0.1 million was generated, most notably from the deconsolidation of Netmatic Inc.; the reporting period did not show any comparable source of income.

	Q1 2003/2004 in € 000s	*Q4 2002/2003 in € 000s*	*Q1 2002/2003 in € 000s*
Cost of material and services	-191	-229	-175
Personnel costs	-2,347	-2,068	-2,289
Depreciation	-171	-245	-163
Other operating costs	-600	-781	-714
Total	-3,309	-3,323	-3,341

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In view of the overall cost situation, it is evident that the figure for total operating costs is only slightly lower than that reported for the first and fourth quarter of the previous year. The reduction in other operating costs, along with depreciation and costs of materials and services, was offset by the rise in personnel costs due to the staffing measures taken in November 2003.

RESEARCH AND DEVELOPMENT ACTIVITIES

Expenditure on research and development was further pared back in the first quarter of 2003/2004 to an amount of € 7,500 (after approx. € 24,000 in the previous year). We currently assume expenditure of under € 0.1 million for the 2003/2004 business year.

EARNINGS FOR THE PERIOD

The operating loss is partially compensated by € 0.1 million in income from investment of the liquidity reserve. Due to the lower level of the liquidity reserve and the lower interest rate environment, financial earnings fell somewhat compared with the previous year.

Period earnings for the first quarter of 2003/2004 were thus reported at around € -0.3 million. In the first quarter of the previous year we had achieved marginally positive earnings, while a loss of € -0.8 million was reported for the fourth quarter

Period earnings € - 0.3 million

INVESTMENT

Investment volume in the first quarter of 2003/2004 remained almost constant, compared with the previous year. In the reporting period we invested just under € 0.04 million only in hardware and software, as well as in office equipment, thereby continuing to pursue the restrictive investment policy of recent quarters.

Investment still restrictive

CASH FLOW

We achieved a positive cash flow from operating activities in this reporting period of almost € 0.5 million. The majority of this was generated by the reduction in funds committed to net working capital through reducing the amount of unbilled services and through an increase in trade accounts payable. The negative earnings for the period did not affect the cash and cash equivalents position, as the costs of personnel measures led initially to a rise in provisions and the corresponding payments will not be made until the second quarter.

Positive operating cash flow

The cash requirement for investment activities, without taking into account the purchase and sale of short-term marketable securities, was low at € 0.04 million.

Within the context of financing activities, just under € 3,000 were employed for the repurchase of our own stock.

BALANCE SHEET

The main changes in the balance sheet structure stem from the increase in the liquidity reserve. Given the positive cash flow from operating activities, this rose from by some € 0.4 million € 24.6 million to around € 25 million as of the balance sheet date of 30 November 2003. We continue to invest these funds in fixed-term deposits, money-market funds, commercial paper and high-grade fixed-interest securities with an average duration not exceeding three months. The level of accounts receivable rose by just under € 0.1 million in comparison with the figure as of 31 August 2003; by contrast, the level of unbilled revenues fell by almost € 0.3 million. In view of our restrictive investment policy, property and equipment was reported at some € 0.1 million lower. Total assets rose by just under € 0.2 million to reach € 31.6 million.

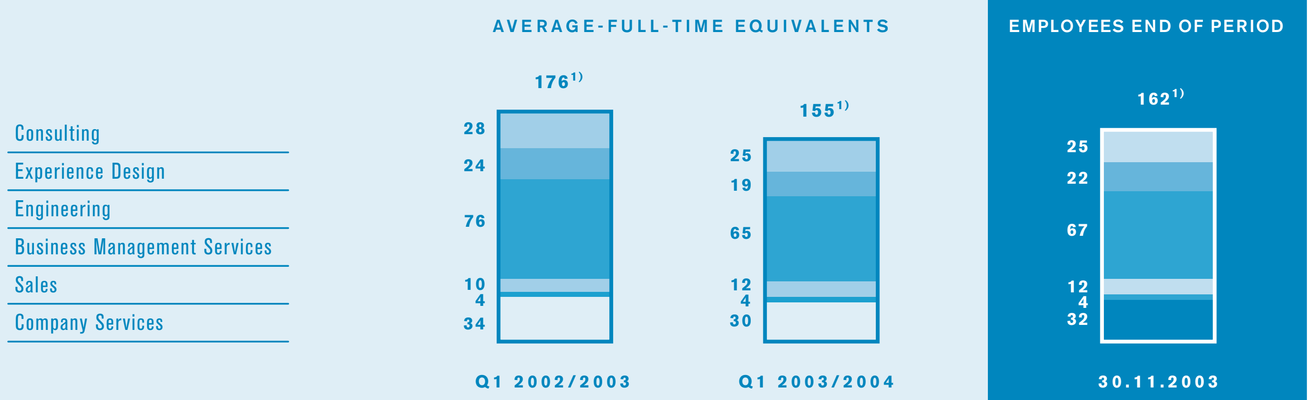
Liquid funds climb to € 25 million

The main change on the liabilities side was the rise in current liabilities by € 0.4 million, due chiefly to a rise in trade accounts payable. The increased accumulated deficit negatively affected shareholders' equity by around € 0.3 million. The equity ratio was only slightly lower when compared with the end of the 2002/2003 business year, at a reported 91.8 % as of 30 November 2003.

Equity ratio 91.8 %

EMPLOYEES

EMPLOYEES BY FUNCTION



1) Includes 11, 6 and 6 trainees, respectively, mostly assigned to Company Services.

As of the end of the first quarter of 2003/2004, SinnerSchrader employed 162 staff; this figure is 13 lower than as of 30 November 2002 and 4 less than at the end of the 2002/2003 business year.

Based on average full-time equivalent employees, workforce capacity in the first quarter of the 2003/2004 business year was 21 staff lower, when compared with the level of the first quarter of the previous year. The areas of Consulting, Experience Design and Engineering bore the brunt of this capacity downsizing; the area of Company Services too, however, saw a workforce reduction of 4.

25 redundancies agreed

Under consideration of the continuing difficult market environment, we reached agreement with 25 staff at the end of the first quarter on the termination of their contracts. The number of staff employed is thus set to fall to below 140 by the beginning of the third quarter.

DEVELOPMENTS SINCE THE BALANCE SHEET DATE

As a further improvement in earnings and a positive development of liquid funds is expected for the 2003/2004 business year and as a mainly organic growth path was set for the coming years, the Management Board and Supervisory Board decided on 9 December 2003 to propose to the Annual General Meeting to be held on 28 January 2004, reducing the € 23.8 million in additional paid-in capital by some € 20.8 million. The funds thus released are to be distributed to the shareholders of SinnerSchrader AG proportionally to all outstanding shares in the form of a special distribution. On the basis of 10,930,937 shares of common stock currently outstanding, the amount of the special distribution will be € 1.90 per share.

Management & Supervisory Boards propose special distribution

OUTLOOK

Sales and earnings for the first quarter of 2003/2004 were reported above plan; we recovered significant ground in business both with long-standing and new customers. However, the incoming orders situation in the first three months of the business year does not show a lasting improvement in business prospects going forward, while pricing pressure remains high.

2nd quarter revenues declining

We therefore assume a lower level of revenues for the second quarter, remaining nevertheless on track to achieve our planned targets for the year. As stated in the Annual Report, these are:

- revenues slightly below the level of the 2002/2003 business year;
- a distinct improvement in EBITA, which will nevertheless remain negative;
- positive cash flow and a consequent increase in liquidity funds.

Full-year targets confirmed

Given that orders continue to be placed at short notice, reaching these targets depends on constant and continuous sales success.

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 quarter of 2003/2004 was generated in Germany.

2 | RESTRUCTURING CHARGES AND OTHER RELATED CHARGES

			Utilised		
2003/2004	*Balance 01.09.2003 in €*	*Additional charges in €*	*Non-cash in €*	*Cash in €*	*Balance 30.11.2003 in €*
Workforce	10,500	236,126	–	–	246,626
Facilities	132,960	–	–	18,891	114,069
Other	–	–	–	–	–
Total	143,460	236,126	–	18,891	360,695

The restructuring measures initiated in 2001 and aimed at bringing workforce capacity in line with the declining level of revenues were continued in November 2003, in the form of personnel streamlining agreements reached with a further 25 staff; these measures will mainly be implemented in the course of the second quarter of 2003/2004. They gave rise to additional restructuring accruals of € 0.2 million as of 30 November 2003. Restructuring provisions made against surplus rented office space were partly used up over the course of the quarter, in proportion to the existing rental agreement.

Restructuring costs thus amounted to € 0.2 million in the first quarter of 2003/2004 and accruals for restructuring expenditure stood at just under € 0.4 million as of the end of the same quarter.

3 | TREASURY STOCK

As at 30 November 2003, SinnerSchrader held 611,827 of its own shares with a total nominal value of € 611,827. 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. 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 subsidiaries. The following table shows the number of option rights allocated under both stock

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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 2003/2004, as well as the change in both figures over the first three months of 2003/2004.

	Number of options granted	Weighted average exercise price in €
Outstanding at 31 August 2003	362,687	11.51
Granted	–	–
Exercised	–	–
Cancelled	–	–
Outstanding 30 November 2003	362,687	11.51

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 quarter of 2003/2004.

In accordance with the Statement of Financial Accounting 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 quarter 2003/2004 that would have resulted if SinnerSchrader 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.

	Q1 2003/2004 in €
Net loss as reported	-326,039
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	-60,141
Pro forma	-386,180
Basic and diluted net loss per share: As reported	-0.03
Pro forma	-0.04

Because additional option grants are possible, the pro-forma impact on the first quarter 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 30 November 2003.

Shares	*01.09.2003*	*Additions*	*Disposals*	*30.11.2003*
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*	*30.11.2003*
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 30 November 2003 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
December 2003–February 2004
8 April 2004

Quarterly Report
March–May 2004
8 July 2004

Annual Report 2003/2004
November 2004

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