3rd QUARTERLY REPORT 2002/2003 OF
SINNERSCHRADER AKTIENGESELLSCHAFT

Q3

SinnerSchrader

KEY FIGURES OF THE SINNERSCHRADER GROUP

		01.09.2002 31.05.2003	01.09.2001 31.05.2002	CHANGE in %
Revenues	in € 000s	9,713	11,563	-16
EBITDA	in € 000s	-258	-2,579	99
EBITA	in € 000s	-705	-3,085	77
Net loss	in € 000s	-155	-16,639 [1)]	99
Net loss per share	in €	-0.01	-1.44 [1)]	99
Cash flows from operating activities	in € 000s	-638	742	-186
Employees – Ø full-time equivalents		171	228	-25

1) Including cumulative effect of accounting change of € -14.6 million or € -1.26 per share.

		31.05.2003	31.08.2002	CHANGE in %
Liquid funds and marketable securities	in € 000s	25,835	27,465	-6
Employees – end of period		176	205	-14

DEAR SHAREHOLDER,

Business results in the third quarter of the 2002/2003 business year (March 2003 to May 2003) were disappointing. Following stable second-quarter turnover and a nascent recovery in order entry, a highlight of which was the acquisition of comdirect bank AG as a new customer, we assumed that we would be able to continue the positive order development and turn it into increasing quarterly revenues in the third and fourth quarters. This was not achieved. The main reasons are:

> The macroeconomic business environment worsened further in spring 2003 and continues to weigh on corporate sentiment concerning investment and expenditure.

> Due to continued fierce competition, SinnerSchrader failed to win two potential orders representing yearly budget contributions in the upper six-figure range.

> Further price cuts in the business with long-standing and new customers twinned with the same level of service led to reductions in project volume and profit margins.

> The number and scope of project orders from new customers which we were able to generate through intensified sales efforts was well below our expectations.

We thus achieved a turnover figure of only € 3.1 million for the third quarter of 2002/2003, some 6 % lower than for the preceding quarter. Turnover from project services was not able to compensate for the partly seasonal drop in media business. Falling project margins and costs for further personnel reduction measures led to a larger operating loss (EBITA) of € -0.4 million, compared with € -0.2 million in the second quarter.

For the first nine months of 2002/2003, we returned a turnover figure of € 9.7 million and EBITA of some € -0.7 million. Following these interim results and further reduced expectations going forward into the fourth quarter, we will no longer be able to achieve our targets for the full year. We now forecast turnover for the full year at approximately € 12.0 million to € 12.5 million and an EBITA of € -1.5 million to € -2.0 million.

Hamburg, July 2003

THE MANAGEMENT BOARD

CONSOLIDATED BALANCE SHEETS

as of 31 May 2003

	31.05.2003 in €	31.08.2002 in €
> **ASSETS**		
Current assets:		
Cash and cash equivalents	1,523,773	1,451,285
Short-term investments/marketable securities	24,311,343	26,013,507
Accounts receivable	1,755,173	2,326,310
Unbilled revenues	736,249	983,923
Prepaid expenses and other current assets	2,530,184	2,074,488
Total current assets	30,856,722	32,849,513
Non-current assets:		
Property and equipment, net	1,953,688	2,176,119
Intangible assets, net	–	–
Goodwill, net	–	–
Investments	–	–
Total non-current assets	1,953,688	2,176,119
> **Total assets**	32,810,410	35,025,632
> **LIABILITIES AND SHAREHOLDERS' EQUITY**		
Current liabilities:		
Trade accounts payable	603,750	1,180,041
Advance payments received	–	91,002
Accrued expenses	901,009	1,766,616
Income tax payable	1,708	334,523
Deferred tax liabilities	–	–
Deferred income and other current liabilities	1,036,095	668,241
Total current liabilities	2,542,562	4,040,423
Non-current liabilities		
Minority interest		
Shareholders' equity:		
Common stock	11,542,764	11,542,764
Additional paid-in capital	37,355,960	37,355,960
Treasury stock, (539,502 and 86,227 as at 31.05.2003 and 31.08.2002, respectively)	-788,768	-140,820
Retained earnings/accumulated deficit	-17,878,547	-17,723,812
Accumulated other comprehensive income/loss	69,648	57,786
Deferred compensation	-33,209	-106,669
Total shareholders' equity	30,267,848	30,985,209
> **Total liabilities and shareholders' equity**	32,810,410	35,025,632

CONSOLIDATED STATEMENTS OF OPERATIONS I

from 01 September 2002 until 31 May 2003

	01.09.2002 31.05.2003 in €	01.09.2001 31.05.2002 in € 1)
Revenues:		
Project services	8,136,267	9,158,623
Media services	1,048,527	1,886,855
Other	528,179	517,837
Total revenues, gross	9,712,973	11,563,315
Media costs	-822,161	-1,450,845
Total revenues, net	8,890,812	10,112,470
Cost of revenues	-6,051,291	-8,304,657
Gross profit/loss	2,839,521	1,807,813
Selling and marketing expenses	-1,103,998	-1,067,432
General and administrative expenses	-2,454,886	-3,315,070
Research and development expenses	-50,021	-149,776
Restructuring and other related costs	-119,749	-341,599
Amortisation and impairment of intangible assets	–	-553,900
Amortisation of goodwill	–	–
Amortisation of deferred compensation	-73,460	-392,664
Operating income/loss	-962,593	-4,012,628
Other income/expenses	183,764	-18,534
Interest income and expenses	583,839	1,186,809
Income from investments and participations	–	–
Result before provision for income tax	-194,990	-2,844,353
Provision for income tax	40,255	808,848
Net income/loss before cumulative effect of changes in accounting principles	-154,735	-2,035,505
Cumulative effect of changes in accounting principles	–	-14,603,658
> **Net income/loss**	-154,735	-16,639,163
Net income/loss per share (basic)	-0.01	-1.44
Net income/loss per share (diluted)	-0.01	-1.44
Weighted average shares outstanding (basic)	11,234,414	11,542,764
Weighted average shares outstanding (diluted)	11,234,414	11,542,764

1) According to SFAS 141 and SFAS 142 adjusted by the effect of accounting change which was calculated in the second quarter; in addition, the figures were reclassified in order to show restructuring costs separately.

CONSOLIDATED STATEMENTS OF OPERATIONS II

from 01 March until 31 May 2003

	01.03.2003 31.05.2003 in €	01.03.2002 31.05.2002 in € 1)
Revenues:		
Project services	2,600,716	2,357,032
Media services	277,782	426,905
Other	198,224	109,290
Total revenues, gross	3,076,722	2,893,227
Media costs	-205,045	-327,214
Total revenues, net	2,871,677	2,566,013
Cost of revenues	-2,080,997	-2,373,377
Gross profit/loss	790,680	192,636
Selling and marketing expenses	-370,843	-450,762
General and administrative expenses	-742,536	-993,863
Research and development expenses	-6,834	-43,934
Restructuring and other related costs	-68,364	–
Amortisation and impairment of intangible assets	–	–
Amortisation of goodwill	–	–
Amortisation of deferred compensation	-11,436	-105,817
Operating income/loss	-409,333	-1,401,739
Other income/expenses	-7,938	26,040
Interest income and expenses	193,670	82,061
Income from investments and participations	–	–
Result before provision for income tax	-223,601	-1,293,638
Provision for income tax	–	–
Net income/loss before cumulative effect of changes in accounting principles	-223,601	-1,293,638
Cumulative effect of changes in accounting principles	–	–
> **Net income/loss**	-223,601	-1,293,638
Net income/loss per share (basic)	-0.02	-0.11
Net income/loss per share (diluted)	-0.02	-0.11
Weighted average shares outstanding (basic)	11,070,447	11,542,764
Weighted average shares outstanding (diluted)	11,070,447	11,542,764

1) The figures were reclassified in order to show restructuring costs separately.

CONSOLIDATED STATEMENTS OF OPERATIONS III

for the first three quarters 2002/2003

	01.03.2003 31.05.2003 in €	01.12.2002 28.02.2003 in €	01.09.2002 30.11.2002 in €
Revenues:			
Project services	2,600,716	2,612,088	2,923,618
Media services	277,782	457,020	313,725
Other	198,224	209,869	120,086
Total revenues, gross	3,076,722	3,278,977	3,357,429
Media costs	-205,045	-383,912	-233,204
Total revenues, net	2,871,677	2,895,065	3,124,225
Cost of revenues	-2,080,997	-1,918,563	-2,051,014
Gross profit/loss	790,680	976,502	1,073,211
Selling and marketing expenses	-370,843	-334,173	-399,699
General and administrative expenses	-742,536	-849,581	-851,297
Research and development expenses	-6,834	-19,120	-24,067
Restructuring and other related costs	-68,364	-48,347	-14,510
Amortisation and impairment of intangible assets	–	–	–
Amortisation of goodwill	–	–	–
Amortisation of deferred compensation	-11,463	-31,012	-31,012
Operating income/loss	-409,333	-305,731	-247,374
Other income/expenses	-7,938	83,459	108,243
Interest income and expenses	193,670	214,028	176,141
Income from investments and participations	–	–	–
Result before provision for income tax	-223,601	-8,244	37,010
Provision for income tax	–	40,255	–
Net income/loss before cumulative effect of changes in accounting principles	-223,601	32,011	37,010
Cumulative effect of changes in accounting principles	–	–	–
> **Net income/loss**	-223,601	32,011	37,010
Net income/loss per share (basic)	-0.02	+0.00	+0.00
Net income/loss per share (diluted)	-0.02	+0.00	+0.00
Weighted average shares outstanding (basic)	11,070,447	11,190,676	11,442,120
Weighted average shares outstanding (diluted)	11,070,447	11,190,676	11,442,120

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

from 01 September 2002 until 31 May 2003

	NUMBER OF SHARES OUTSTANDING	NOMINAL VALUE in €	ADDITIONAL PAID-IN CAPITAL in €	TREASURY STOCK in €	DEFERRED COMPEN-SATION in €
> **Balance as of 31.08.2002**	11,456,537	11,542,764	37,355,960	-140,820	-106,669
Net income/loss	–	–	–	–	–
Unrealised gains on available-for-sale securities, net of tax	–	–	–	–	–
Foreign currency translation, adjustment, net of tax	–	–	–	–	–
Amortisation of deferred compensation	–	–	–	–	73,460
Purchase of treasury stock	- 453,275	–	–	-647,948	–
> **Balance as of 31.05.2003**	11,003,262	11,542,764	37,355,960	-788,768	-33,209

	RETAINED EARNINGS in €	ACCUMULATED OTHER COMPREHENSIVE INCOME in €	TOTAL SHAREHOLDERS' EQUITY in €	COMPREHENSIVE INCOME in €
Balance as of 31.08.2002	-17,723,812	57,786	30,985,209	
Net income/loss	-154,735	–	-154,735	-154,735
Unrealised gains on available-for-sale securities, net of tax	–	42,141	42,141	42,141
Foreign currency translation, adjustment, net of tax	–	-30,279	-30,279	-30,279
Amortisation of deferred compensation	–	–	73,460	–
Purchase of treasury stock	–	–	-647,948	–
Balance as of 31.05.2003	-17,878,547	69,648	30,267,848	-142,873

CONSOLIDATED STATEMENTS OF CASH FLOWS

from 01 September 2002 until 31 May 2003

	01.09.2002 31.05.2003 in €	01.09.2001 31.05.2002 in €
Cash flows from operating activities:		
Net profit/loss	-154,735	-16,639,164
Cumulative effect of changes in accounting principles	–	14,603,658
Net income/loss before cumulative effect of changes in accounting principles	-154,735	-2,035,506
Adjustments for:		
Minority interest	–	–
Depreciation and amortisation	520,863	1,445,723
Increase/decrease in provisions and accruals	-1,231,005	203,755
Losses/gains on the disposal of fixed assets	40,402	52,722
Foreign exchange gains/losses	–	24,015
Other	18,616	21,423
Change in net working capital	167,721	1,029,735
> **Net cash used in operating activities**	-638,138	741,867
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash acquired	–	-22,084
Proceeds from disposal of a subsidiary, net cash transferred	–	–
Purchase of investments, net of cash transferred	–	–
Purchase of short-term investments	-43,384,739	-27,363,681
Proceeds from sale of short-term investments	45,081,782	24,841,486
Purchase of property and equipment	-274,072	-1,111,453
Proceeds from sale of equipment	8,205	64,422
> **Net cash provided by investing activities**	1,431,176	-3,591,310
Cash flows from financing activities:		
Payment for treasury stock	-717,577	–
> **Net cash used in financing activities**	-717,577	–
Net effect of currency translation in cash and cash equivalents	-2,974	35,169
Net increase/decrease in cash and cash equivalents	72,487	-2,814,274
Cash and cash equivalents at beginning of period	1,451,285	3,996,452
Cash and cash equivalents at end of period	1,523,773	1,182,179
Supplemental disclosures of non-cash financing activities		
Common stock issued for acquisition of Netmatic	69,628	5,087,331

MANAGEMENT DISCUSSION AND NOTES TO THE STRUCTURED 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. It also conforms to Deutsche Börse AG's requirements for acceptance and approval of companies listed as Prime Standard on the exchange. It should be read in conjunction with the consolidated financial statements of SinnerSchrader Aktiengesellschaft as at 31 August 2002.

In addition to SinnerSchrader Aktiengesellschaft ("SinnerSchrader AG"), the consolidated accounts for the second quarter and first half include SinnerSchrader Deutschland GmbH, SinnerSchrader UK Limited as well as SinnerSchrader Benelux BV. SinnerSchrader UK Limited and SinnerSchrader Benelux are no longer operational, but they continue to exist, and are therefore still included in the consolidated accounts.

Netmatic Inc., which belonged to the consolidated group in the 2001/2002 business year and therefore in the comparable third quarter (01 March 2002–31 May 2002) and first nine months (01 September 2001–31 May 2002) of the previous year, 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

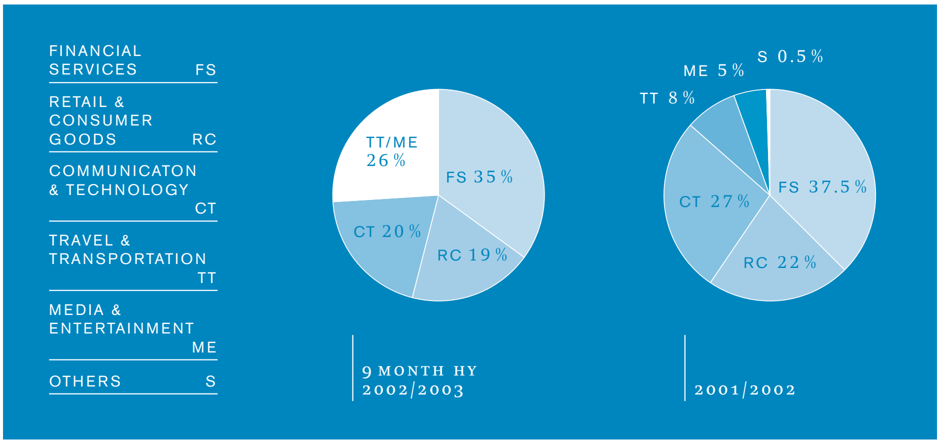
in € 000s	Q3 2002/2003	Q2 2002/2003	Q3 2001/2002
Project Services	2,601	2,612	2,357
Media Services	278	457	427
Other	198	210	109
Total revenues, gross	3,077	3,279	2,893
Media costs	-205	-384	-327
Total revenues, net	2,872	2,895	2,566

Gross turnover was almost € 3.1 million in the third quarter of the current business year. In comparison to the previous quarter it declined by 6 % after already sinking by 2 % from the first quarter to the second. In the third quarter we thus fell significantly short of our plan, in which we had assumed that there would be a noticeable upturn in turnover in the project services business in spring 2003. This is due to a further drop in the prices attainable on the market, which led to a considerably lower level of effectively realised daily rates in the project services business. With the persisting weakness of the market, continued pricing pressure negatively affected business from both new as well as long-standing customers. The decline in prices was almost compensated by a higher level of activity, which led to a capacity utilisation that was at times 10 percentage points higher than that of the first and second quarters. As a result the project services turnover, at € 2.6 million, was almost constant compared with the previous quarter. This, however, could not compensate for the seasonal decline in media business of almost € 0.2 million.

in € 000s	01.09.2002 31.05.2003	01.09.2001 31.05.2002
Project Services	8,136	9,158
Media Services	1,049	1,887
Other	528	518
Total revenues, gross	9,713	11,563
Media costs	-822	-1,451
Total revenues, net	8,891	10,112

Although turnover in the third quarter of 2002/2003 was 6 % higher than in the third quarter of last year, the comparison of the first nine months of the current business year with those of the previous year illustrates that the investment climate for IT and Internet projects has continued to deteriorate. The turnover level of project services and media services is significantly lower than in the previous year. Media business declined by almost 50 %, and in project services we had to accept losses of around 10 %. In both areas, we were not successful enough in compensating budget cuts in business with long-standing customers with the acquisition of new customers. As a result, turnover was 16 % less than the previous year. With gross turnover in the first nine months of € 9.7 million, our original target of € 14.5 million for the entire 2002/2003 business year is no longer attainable.

DISTRIBUTION OF REVENUE BY SOLUTION CENTERS



The distribution of turnover over the sector-orientated solution centers was more evenly balanced in the first nine months of 2002/2003 than over the whole of 2001/2002. This can be attributed to this year's highly satisfactory development of the Travel & Transportation and Media & Entertainment solution centers, which now share a common organisational backbone, and which manage key client accounts such as DaimlerChrysler, HapagLloyd-Express, Europcar and Premiere. Compared with a combined turnover share of 13 % in the previous year, turnover share has doubled to 26 % in the first 9 months of this business year.

The areas of Communication & Technology and Retail & Consumer Goods have weakened in relative terms. We have not managed to maintain the previous year's volume of business with long-term customers in either area; neither has there been a significant upturn in new business.

The Financial Services Solution Center is responsible for over one-third of turnover, as it was last year, and thus continues to be the largest solution centre at SinnerSchrader. The implementation of Deutsche Bank's cost-reduction measures again meant a lower volume of business with them in this business year. Financial Services, however, was able to acquire this year's most important new customer, comdirect bank AG, thereby partly compensating for the lower turnover figure.

PROJECT SUCCESSES

Projects for several new customers in the Financial Services and Travel & Transportation/ Media & Entertainment Solution Centers determined the operative business of Sinner-Schrader in the past quarter. Highlights in the Financial Services Solution Center were the relaunch of the comdirect bank Internet platform and the introduction of a new content management technology at a private bank. For the revived brand interRent, the Travel & Transportation Solution Center developed the first rental car service in Germany with a dynamic pricing system.

> With more than 600.000 customers, **comdirect bank AG** is one of Germany's biggest providers of online financial services. SinnerSchrader developed the next generation of comdirect's investment platform with the help of a new technological infrastructure including 1,200 HTML templates and a user-centred interface. Soon, many new functions will make it even easier for comdirect customers to complete their financial transactions online. The website will be launched at the end of July.

> SinnerSchrader also migrated the website of a Northern German private bank to a new technological platform. This venerable institution now maintains its online content with the CoreMedia Content Application Platform (CAP), a technology which makes complex editorial processes easy to follow and enables even less technologically-minded employees and editors to use the system without extensive instruction and to publish content on the Internet.

> Under the recently revived brand name of **interRent**, Europcar Deutschland GmbH for the first time offers rental cars via the Internet at the day's current market price. Sinner-Schrader developed an entirely Internet-based reservation application for this purpose. The service, which was launched with two stations in Berlin, was received so well that SinnerSchrader is now adapting the application for the cities of Cologne, Hamburg, Frankfurt and Paris.

> With 1 million customers, **Yello Strom** is the most successful private provider on the liberalised German electricity market. In order to utilise the Internet even more effectively for customer acquisition, SinnerSchrader updated Yello Strom's website with the latest technological functions. A simplified user navigation system helps customers set up their account and monitor their account data.

> Schneider affiliate **Prämie Direkt** hired us to relaunch their online incentive shop. This application will manage the ordering and distribution of incentives for newspaper and magazine publishing companies as well as for partners in the industry and commerce sectors.

DEVELOPMENT OF ORDERS AND PRICES

Orders booked in our third financial quarter were disappointing. After a promising second quarter, the figure was significantly and unexpectedly below previous quarters, falling below one quarterly turnover. The main reason for our failure to achieve third quarter forecasts was that in the areas of Travel & Transportation and Retail & Consumer Goods we failed to win two orders in the upper six-figure price range, which we believed would be awarded to SinnerSchrader, due to fierce competition. The effects of this will chiefly be felt in the fourth quarter of the current business year.

In addition to low order volumes, pricing pressure continues to exert a considerable negative influence. Price concessions are still necessary for the continued stable running of the business, in individual projects as well as for the more continuous maintenance of existing applications for both long-term and new customers. Our forecast of a relative relaxation in this respect over the third quarter has in view of the continued unsupportive macroeconomic environment, proven more than premature.

DEVELOPMENT OF COSTS AND EARNINGS

in € 000s	Q3 2002/2003	Q2 2002/2003	Q3 2001/2002
Gross profit	791	977	193
EBITDA	-264	-49	-1,101
EBITA	-406	-191	-1,270
Net income/loss	-224	32	-1,294[1)]

1) Before effects of accounting change.

Third quarter development in earnings was thus characterised by a further reduction in project business margins. Gross earnings for the reporting period were just over € 0.2 million below the second quarter of 2002/2003, although net turnover very nearly lay on the same level as in the previous quarter. This is a consequence of the fact that although we achieved higher capacity utilisation in the third quarter, the net effective daily rate was significantly lower. Intensified efforts in the area of sales, including our first display at CeBIT, costs for further staff reductions but also the lack of other income all contributed to the worsening in operating earnings (EBITA). The € 0.1 million reduction in administrative costs (mainly due to a seasonal reduction in expenditure on Investor Relations) only slightly compensated pressure on earnings compared with the preceding quarter.

in € 000s	Q3 2002/2003	Q2 2002/2003	Q3 2001/2002
Cost of material and services	-164	-143	-77
Personnel costs	-2,336	-2,193	-2,623
Amortisations	-142	-143	-169
Other operating costs	- 629	-696	-993
Other income/expenses	-8	83	26

The fact that under continued pressure on feasible pricing a higher capacity utilisation is necessary to achieve the same level of net turnover is the driving force behind the increase in expenditure on third-party services and above all on personnel costs. The average number of employees has not changed from the second to the third quarter of 2002/2003. The rise in personnel costs can be largely attributed to a repeated delay in staff holidays due to high capacity utilisation, as well as to provisions for overtime payment.

in € 000s	01.09.2002 31.05.2003	01.09.2001 31.05.2002
Gross profit	2,840	1,808
EBITDA	-258	-2,579
EBITA	-705	-3,085
Net income/loss	-155	-2,036[1]

1) Before effects of accounting change.

A year-on-year comparison of costs and earnings volume in the third quarter and over the first nine months of the 2002/2003 business year clearly shows that significant improvements were achieved through the implementation of far-reaching cost reduction measures. The negative EBITA over the first 9 months of € -0.7 million, however, indicates that there is some way to go before we reach our goal of breaking even in our operative business. Operating costs and overheads, though, came in slightly better than planned. Again, it is the shortfall in turnover which prevents us from reaching our earning target.

RESEARCH AND DEVELOPMENT ACTIVITIES

With regard to the negative development in earnings, in the third quarter we further reduced expenditure on Research & Development compared with the preceding quarter. In the third quarter of 2002/2003, expenditure there was a mere € 0.01 million. Over the first nine months € 0.05 million were expensed in laying the foundations and developing methods for user-centred application development.

EARNINGS FOR THE PERIOD

In the first and second quarters of the current business year, financial earnings more than compensated for the negative operating result, thus turning in modestly positive net earnings figures for each of those two quarters. However, in the third quarter, with financial earnings almost unchanged over the preceding quarter at € 0.2 million, the operating loss could not be covered. The resulting net loss for the reporting period of € 0.2 million cancelled out positive earnings figures for the two first quarters of the business year. The first nine months of the business year thus returned a net loss of € 0.15 million.

When considering earnings for the first nine months of the previous business year, the negative effect of the first-time application of the new accounting rules, SFAS No. 141 "Business Combinations" and No. 142 "Goodwill and Other Intangible Assets" has to be borne in mind. Similar effects will not reoccur in the current business year.

INVESTMENT

The volume of investments in tangible assets after nine months was significantly under the previous year's investments and at € 0.3 million at an overall low level. In the third quarter, however, we significantly raised expenditure over the previous two quarters by € 0.1 million to € 0.2 million. Firstly, replacements of hardware were due. Secondly, in replacing some of our company cars we decided against the leasing options in light of the current interest rate environment.

CASH FLOW

In the first nine months of 2002/2003, € 0.6 million were used or bound for operating activities. These funds were applied mainly to the restructuring measures agreed to in the previous business year for which corresponding provisions were also made at the end of that year. The funds required for the implementation could only partly be drawn from the positive net result before depreciation as well as from liquidity released from net working capital. The development of funds committed to net working capital is driven by a reduction in accounts, receivables, and unbilled services.

For investment activities in a narrower sense, i.e. not including the balance of purchases and sales of securities in the liquidity reserve, we spent just over € 0.3 in the first nine months of 2002/2003.

At some € 0.7 million, cash requirements for financing activities are solely related to the repurchase of our own shares (see III). In the first nine months of the current business year, SinnerSchrader purchased 489.502 shares on the Deutsche Börse at an average price of € 1.4659.

BALANCE SHEET

In view of the above-mentioned cash requirements for operating activities, investments, and the repurchase of our own shares, the level of our liquid reserves has fallen from € 27.5 million to € 25.8 million over the first nine months of the current business year. We continue to invest these funds in fixed-term deposits, money market funds, and high-grade fixed-interest securities with an average duration of less than a year.

Moreover, the reduction in trade payables of just over € 0.6 million and unbilled services by some € 0.2 million, as well as the reduction in total tangible assets in view of restrictive replacement investment expenditure all contributed to the reduction in total assets. In contrast to this, other fixed assets and prepaid expenses rose by nearly € 0.6 million owing to the rise in refundable income tax payments.

On the liabilities side in particular, other provisions were lower by € -0.9 million, due to the implementation of the cost-reduction measures, as well as all short-term liabilities by € 0.2 million. Besides this, the level of own capital was reduced, mainly owing to the rise in levels of treasury stock to 539,502 shares.

The equity ratio as of 31 May was just over 92 % and thus slightly increased over the 2001/2002 business year-end level as of 31 August 2002.

EMPLOYEES

As of 31 May 2003, SinnerSchrader employed 176 members of staff: employment levels at the end of the third quarter were thus above the second-quarter level by one and 29 below the end of the previous year. The development in staffing levels at the end of the quarter was influenced by the temporary hire of trainees and students working over the holiday period. Core staff numbers were slightly decreasing over the reporting period against the background of a negative development in turnover. The additional personnel reduction measures will further reduce the number of core staff by the end of the 2002/2003 business year.

EMPLOYEES BY FUNCTION, END OF THE PERIOD	31.05.2003	31.08.2002	31.05.2002
Consulting	26	34	34
Experience Design	21	24	23
Engineering	75	94	98
Business Management Services	12	13	14
Sales	6	1	1
Company Services	36	39	37
Total [1)]	176	205	207

1) Includes 9, 10, and 9 trainees, respectively, mostly assigned to Company Services.

At 169, the average number of employees on a full-time equivalent basis over the third quarter has remained almost constant. When compared with the third quarter of the previous year with 206 average full-time equivalent employees, staffing levels fell by 37. In the first nine months of the current business year, some 171 average full-time equivalents were on SinnerSchrader's payroll, in comparison with 228 staff in the same period of the preceding year.

OUTLOOK

Business results in the third quarter of 2002/2003 have considerably dampened prospects for the whole year. Negative plan deviation increased in the third quarter. As a result of lower order entry volume in this reporting period and, as we are best able to discern, a persistent absence of an upturn in business in the remaining three months, we expect a worse fourth quarter.

Against this background, in our ad hoc release of 03 June 2003 we already stated that we would no longer be able to reach our original objectives for the 2002/2003 business year, i.e. turnover of € 14.5 million and break-even in EBITA terms. For the whole 2002/2003 business year we now forecast turnover of between € 12 million and € 12.5 million. The operating result (EBITA) will therefore be between € -1.5 million and € -2.0 million.

Our efforts are currently strongly focused on reinforcing and expanding business with our core customers and also on the adjustment and increased flexibility of personnel costs. Measures for a reduction in personnel of some 10 % have already been taken at the end of May.

III. ADDITIONAL NOTES

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. The subsidiaries in the Netherlands and the USA having ceased their operational business activities, although sales were yet to be apportioned to them in the first quarter of 2001/2002, all of the turnover of SinnerSchrader in the first nine months of 2002/2003 was achieved in Germany.

RESTRUCTURING CHARGES AND OTHER RELATED CHARGES

			UTILISED				
2002/2003	BALANCE 31.08.2002 in €	ADDITIONAL CHARGES in €	NON-CASH in €	CASH in €	DISSOLVED in €	CURRENCY ADJUSTMENT in €	BALANCE 31.05.2002 in €
Workforce	558,227	102,202	–	-467,393	-100,000	–	93,036
Facilities	314,599	17,547	-14,237	-164,724	–	-1,273	151,912
Other	–	–	–	–	–	–	–
Total	872,826	119,749	-14,237	-632,117	-100,000	-1,273	244,948

In response to the considerable fall in demand experienced in the past business year, SinnerSchrader initiated measures to adapt the cost structure to the changed economic conditions. These measures included a reduction in personnel capacity, a consolidation of office space and the stopping of operating activities in the foreign subsidiaries. The costs incurred as a result of these measures were separately reported as restructuring costs for the first time in the 2001/2002 business year. Provisions of € 0.9 million were set up for the implementation of the approved measures.

In the first nine months of 2002/2003, € 0.6 million of these provisions were used; we were thus able to return € 0.1 million from these provisions to our liquidity reserves. The renegotiation of rental contracts for office space in Hamburg and London, including depreciation of the property and equipment, meant expenditure was slightly higher than the current level of provisions made against these measures. Moreover, the personnel measures taken at the end of January in the area of Experience Design also led to additional restructuring costs.

TREASURY STOCK

As at 31 May 2003, SinnerSchrader held 539,502 of its own shares with a total nominal value of € 539,502. They represent a share of 4.7% of the total subscribed capital. Of these, 67,923 shares were purchased in the third quarter, 241,306 in the second quarter and 180,273 shares were already purchased in the first quarter of 2002/2003. The average price for the shares amounts to € 1.4659. All shares were purchased via the stock exchange.

From the stock of own shares of 86,227 shares as at 31 August 2002, we transferred 36,227 shares to the sellers of Netmatic in settlement of a subsequent purchase price claim in September 2002.

SUBSCRIPTION RIGHTS OF EMPLOYEES

With shareholder resolutions in October 1999 and in December 2000, SinnerSchrader AG established the SinnerSchrader 1999 stock option plan and the SinnerSchrader 2000 stock option 2000 plan as well as the required conditional capital of € 375,000, respectively. Detailed information on the option plans is given in the notes to the consolidated financial statements for 31 August 2002. The table below gives the number of option rights issued under the two option programmes, the change in the first nine months 2002/2003 and the weighted average exercise price of the granted option rights.

	NUMBER OF OPTIONS GRANTED	WEIGHTED AVERAGE EXERCISE PRICE in €
Outstanding at 31 August 2002	369,650	12.89
Granted	72,300	1.62
Exercise	–	–
Cancelled	-64,071	9.98
Outstanding at 31 May 2003	377,879	11.23

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 01 September 2002 to 31 May 2003.

	31.08.2002	ADDITIONS	DISPOSALS	31.05.2003
Management Board members:				
Oliver Sinner [1)]	2,347,000	–	2,347,000	–
Matthias Schrader	2,137,675	205,000	–	2,342,675
Detlef Wichmann	115,000	–	–	115,000
Thomas Dyckhoff	49,950	–	–	49,950
Supervisory Board members:				
Dr Markus Conrad	127,500	–	–	127,500
Reinhard Pöllath	–	–	–	–
Frank Nörenberg	1,000	–	–	1,000
Total	4,778,125	205,000	2,347,000	2,636,125

1) Oliver Sinner had not extended his contract with SinnerSchrader and consequently retired from his position as Co-CEO on 31 August 2002. He continues to be the largest single shareholder of SinnerSchrader Aktiengesellschaft.

	31.08.2002	ADDITIONS	DISPOSALS	31.05.2003
Management Board members:				
Matthias Schrader	–	–	–	–
Detlef Wichmann	–	25,000	–	25,000
Thomas Dyckhoff	–	25,000	–	25,000
Total [2)]	–	50,000	–	50,000

2) First-time grant of options to members of the Management Board in the context of contract renewals on 01 September 2002.

On 31 May 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 2002/2003

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