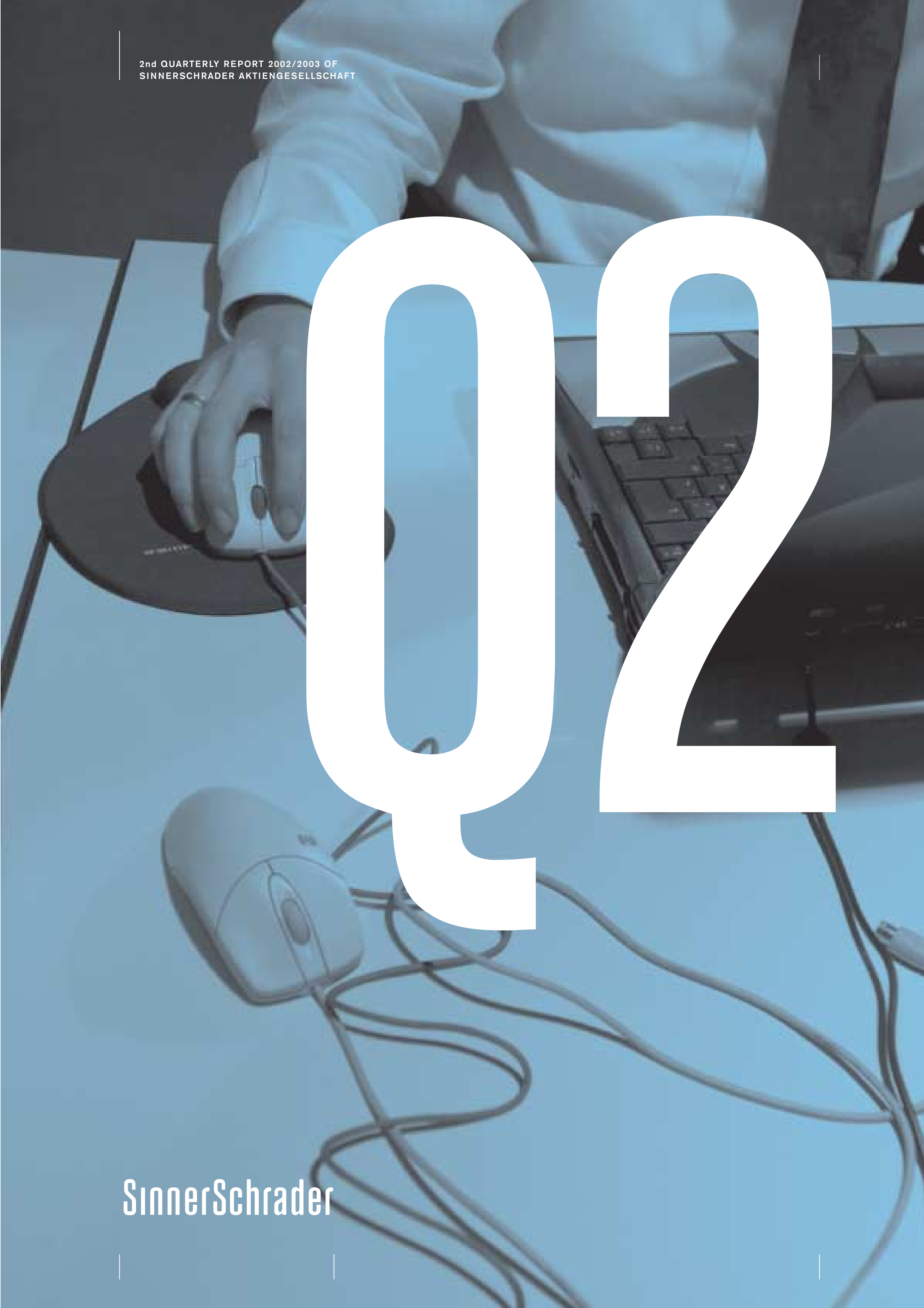
2nd QUARTERLY REPORT 2002/2003 OF
SINNERSCHRADER AKTIENGESELLSCHAFT

# Q2



SinnerSchrader

## KEY FIGURES OF THE SINNERSCHRADER GROUP

| | | 01.09.2002 28.02.2003 | 01.09.2001 28.02.2002 | CHANGE in % |
|---|---|---|---|---|
| **Revenues** | in € 000s | 6,636 | 8,670 | -23.5 |
| **EBITDA** | in € 000s | 6 | -1,478 | 100.4 |
| **EBITA** | in € 000s | -300 | -1,815 | 83.5 |
| **Net loss** | in € 000s | 69 | -16,132 1) | 100.4 |
| **Net loss per share** | in € | 0.01 | -1.40 1) | 100.7 |
| **Cash flows** from operating activities | in € 000s | -740 | 867 | -185.4 |
| **Employees** – Ø full-time equivalents | | 172.5 | 238.5 | -27.9 |

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

| | | 28.02.2003 | 31.08.2002 | CHANGE in % |
|---|---|---|---|---|
| **Liquid funds and marketable securities** | in € 000s | 26,038 | 27,465 | -5.2 |
| **Employees** – end of period | | 175 | 205 | -14.6 |

## DEAR SHAREHOLDER,

in the second quarter of the current business year (December 2002 to February 2003), turnover was approximately € 3.3 million and thus a fraction under that of the first quarter. In contrast to both of the preceding business years, we were able to maintain the level of turnover in the second quarter, despite the lower number of working days; we take this as an indication that the development in turnover is stabilising. Although we further reduced operating costs, we were still unable to achieve a positive earnings result (EBITA) in the second quarter.

For the first half-year 2002/2003, turnover was some € 6.6 million. Although we successfully reduced the year-on-year difference of -32% in the first quarter to just under -15 % in the second quarter, the decline over the half-year period was still some 23 % or around € 2 million. This makes it clear just how much time is needed under current market conditions to recover lost turnover. However, our increased efforts on the sales side are beginning to bear fruit: order intake for the second quarter was up on the first quarter. Orders from our Customers Premiere and Europcar in the quarter just ended prove how important it is in a fiercely competitive market to maintain good relationships with long-standing Customers, even in times of more modest budgets. Following deep budget cuts in 2002, both Customers have again placed significant project orders with us, thereby helping to contribute to the positive order development, specifically in the Travel & Transportation/Media & Entertainment Solution Center.

While the indicators on the order intake side are encouraging, economic uncertainty is currently showing a tendency to increase: this factor means that cost management is a high priority. Thanks to the measures taken over the last year, operating costs for the half-year were around € 2.7 million lower than for the same period of the previous year and in the second quarter were again lower than in the first. Although we thus achieved a positive result for the first half-year, we have still not achieved our stated aim for the 2002/2003 business year: returning to operative profitability. If we are successful in maintaining the trend in order intake, we will also reach profitable territory in terms of EBITA.

Hamburg, April 2003
**THE MANAGEMENT BOARD**

# CONSOLIDATED BALANCE SHEETS

as of 28 February 2003

| | 28.02.2003 in € | 31.08.2002 in € |
|---|---|---|
| > **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | 748,935 | 1,451,285 |
| Short-term investments/marketable securities | 25,288,751 | 26,013,507 |
| Accounts receivable | 2,270,478 | 2,326,310 |
| Unbilled revenues | 363,696 | 983,923 |
| Prepaid expenses and other current assets | 2,432,411 | 2,074,488 |
| **Total current assets** | 31,104,271 | 32,849,513 |
| Non current assets: | | |
| Property and equipment, net | 1,925,074 | 2,176,119 |
| Intangible assets, net | – | – |
| Goodwill, net | – | – |
| Investments | – | – |
| **Total non current assets** | 1,925,074 | 2,176,119 |
| > **Total assets** | 33,029,345 | 35,025,632 |
| | | |
| > **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Trade accounts payable | 447,359 | 1,180,041 |
| Advance payments received | – | 91,002 |
| Accrued expenses | 861,006 | 1,766,616 |
| Income tax payable | 270,676 | 334,523 |
| Deferred tax liabilities | – | – |
| Deferred income and other current liabilities | 846,013 | 668,241 |
| **Total current liabilities** | 2,425,054 | 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 (471,579 and 86,227 as at 28.02.2003 and 31.08.2002, respectively) | -674,034 | -140,820 |
| Retained earnings/accumulated deficit | -17,654,945 | -17,723,812 |
| Accumulated other comprehensive income/loss | 79,192 | 57,786 |
| Deferred compensation | -44,646 | -106,669 |
| **Total shareholders' equity** | 30,604,291 | 30,985,209 |
| > **Total liabilities and shareholders' equity** | 33,029,345 | 35,025,632 |

## CONSOLIDATED STATEMENTS OF OPERATIONS

from 01 September 2002 until 28 February 2003

| | 01.09.2002 28.02.2003 in € | 01.09.2001 28.02.2002 in € 1) |
|---|---|---|
| Revenues: | | |
| Project services | 5,535,551 | 6,801,591 |
| Media services | 770,745 | 1,459,950 |
| Other | 329,955 | 408,546 |
| Total revenues, gross | 6,636,251 | 8,670,087 |
| Media costs | -617,116 | -1,123,630 |
| Total revenues, net | 6,019,135 | 7,546,457 |
| Cost of revenues | -3,969,577 | -5,931,280 |
| Gross profit/loss | 2,049,558 | 1,615,177 |
| Selling and marketing expenses | -733,872 | -616,670 |
| General and administrative expenses | -1,712,350 | -2,321,207 |
| Research and development expenses | -43,187 | -105,842 |
| Restructuring and other related costs | -51,385 | -341,599 |
| Amortisation and impairment of intangible assets | – | – |
| Amortisation of goodwill | – | -553,900 |
| Amortisation of deferred compensation | -62,024 | -286,848 |
| **Operating income/loss** | -553,260 | -2,610,889 |
| Other income/expense | 191,702 | -44,574 |
| Interest income and expenses | 390,170 | 1,104,747 |
| Income from investments and participations | – | – |
| Result before provision for income tax | 28,612 | -1,550,716 |
| Provision for income tax | 40,255 | – |
| Net income/loss before cumulative effect of changes in accounting principles | 68,867 | -1,550,716 |
| Cumulative effect of changes in accounting principles | – | -14,581,575 |
| > **Net income/loss** | 68,867 | -16,132,291 |
| | | |
| Net income/loss per share (basic) | 0.01 | -1.40 |
| Net income/loss per share (diluted) | 0.01 | -1.40 |
| | | |
| Weighted average shares outstanding (basic) | 11,316,398 | 11,542,764 |
| Weighted average shares outstanding (diluted) | 11,316,398 | 11,542,764 |

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

# CONSOLIDATED STATEMENTS OF OPERATIONS

from 01 December 2002 until 28 February 2003

| | 01.12.2002 28.02.2003 in € | 01.12.2001 28.02.2002 in € 1) |
|---|---|---|
| Revenues: | | |
| Project services | 2,611,933 | 2,806,170 |
| Media services | 457,020 | 785,567 |
| Other | 209,869 | 170,091 |
| **Total revenues, gross** | 3,278,822 | 3,761,828 |
| Media costs | -383,912 | -625,450 |
| **Total revenues, net** | 2,894,910 | 3,136,378 |
| Cost of revenues | -1,918,563 | -2,862,871 |
| **Gross profit/loss** | 976,347 | 273,507 |
| Selling and marketing expenses | -334,173 | -357,138 |
| General and administrative expenses | -849,581 | -1,398,192 |
| Research and development expenses | -19,120 | -61,811 |
| Restructuring and other related costs | -48,347 | -89,891 |
| Amortisation and impairment of intangible assets | – | -494,554 |
| Amortisation of goodwill | – | – |
| Amortisation of deferred compensation | -31,012 | -162,622 |
| **Operating income/loss** | -305,886 | -2,290,701 |
| Other income/expense | 83,459 | -70,217 |
| Interest income and expenses | 214,028 | 948,618 |
| Income from investments and participations | – | – |
| Result before provision for income tax | -8,399 | -1,412,300 |
| Provision for income tax | 40,255 | 188,810 |
| Net income/loss before cumulative effect of changes in accounting principles | 31,856 | -1,223,490 |
| Cumulative effect of changes in accounting principles | – | – |
| > **Net income/loss** | 31,856 | -1,223,490 |
| | | |
| Net income/loss per share (basic) | 0.00 | -0.11 |
| Net income/loss per share (diluted) | 0.00 | -0.11 |
| | | |
| Weighted average shares outstanding (basic) | 11,190,676 | 11,542,764 |
| Weighted average shares outstanding (diluted) | 11,190,676 | 11,542,764 |

1) Adjusted in accordance with SFAS 141 and SFAS 142 to take account of the effect of accounting changes, which was to be shown in the first quarter 2001/2002; in addition, the figures were reclassified in order to show restructuring costs separately.

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

from 01 September 2002 until 28 February 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 | – | – | – | – | 62,023 |
| Purchase of treasury stock | -385,352 | – | – | -533,214 | – |
| | | | | | |
| > **Balance as of 28.02.2003** | 11,071,185 | 11,542,764 | 37,355,960 | -674,034 | -44,646 |

| | 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 | 30,985,208 | |
| | | | | |
| Net income/loss | 68,867 | – | 68,867 | 68,867 |
| Unrealised gains on available-for-sale securities, net of tax | – | 45,066 | 45,066 | 45,066 |
| Foreign currency translation, adjustment, net of tax | – | -23,660 | -23,660 | -23,660 |
| Amortisation of deferred compensation | – | – | 62,023 | – |
| Purchase of treasury stock | – | – | -533,214 | – |
| | | | | |
| **Balance as of 28.02.2003** | - 17,654,945 | 79,192 | 30,604,290 | 90,273 |

# CONSOLIDATED STATEMENTS OF CASH FLOWS

from 01 September 2002 until 28 February 2003

| | 01.09.2002 28.02.2003 in € | 01.09.2001 28.02.2002 in € |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit/loss | 68,867 | -16,132,291 |
| Cumulative effect of changes in accounting principles | – | 14,581,575 |
| Net income/loss before cumulative effect of changes in accounting principles | 68,867 | -1,550,716 |
| Adjustments for: | | |
| Minority interest | – | – |
| Depreciation and amortisation | 367,845 | 1,177,515 |
| Increase/decrease in provisions and accruals | -1,004,202 | 512,235 |
| Losses/gains on the disposal of fixed assets | 27,618 | 52,722 |
| Foreign exchange gains/losses | 5,627 | -29,569 |
| Other | 16,440 | -129,776 |
| Change in net working capital | -222,627 | 834,513 |
| > **Net cash used in operating activities** | -740,432 | 866,924 |
| | | |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries, net of cash acquired | – | – |
| Proceeds from disposal of a subsidiary, net cash transferred | – | – |
| Purchase of investments, net of cash transferred | – | – |
| Purchase of short term investments | -32,876,505 | -21,993,481 |
| Proceeds from sale of short term investments | 33,601,638 | 19,161,669 |
| Purchase of property and equipment | -89,465 | -940,553 |
| Proceeds from sale of equipment | 6,893 | 64,434 |
| > **Net cash provided by investing activities** | 642,561 | -3,707,931 |
| | | |
| **Cash flows from financing activities** | | |
| Payment for treasury stock | – | – |
| > **Net cash used in financing activities** | – | – |
| | | |
| Net effect of currency translation in cash and cash equivalents | -1,636 | 11,083 |
| **Net increase/decrease in cash and cash equivalents** | -702,350 | -2,829,924 |
| Cash and cash equivalents at beginning of period | 1,451,285 | 3,996,452 |
| Cash and cash equivalents at end of period | 748,935 | 1,166,528 |
| | | |
| **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 and the rules for Structured Quarterly Reporting of the Deutsche Börse AG for the Neuer Markt. 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 second quarter (01 December 2001 – 28 February 2002) and first half (01 September 2001 – 28 February 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 | Q2 2002/2003 | Q1 2002/2003 | Q2 2001/2002 |
|---|---|---|---|
| Project Services | 2,612 | 2,923 | 2,806 |
| Media Services | 457 | 314 | 786 |
| Other | 210 | 120 | 170 |
| **Total revenues, gross** | 3,279 | 3,357 | 3,762 |
| Media costs | -384 | -233 | -626 |
| **Total revenues, net** | 2,895 | 3,124 | 3,136 |

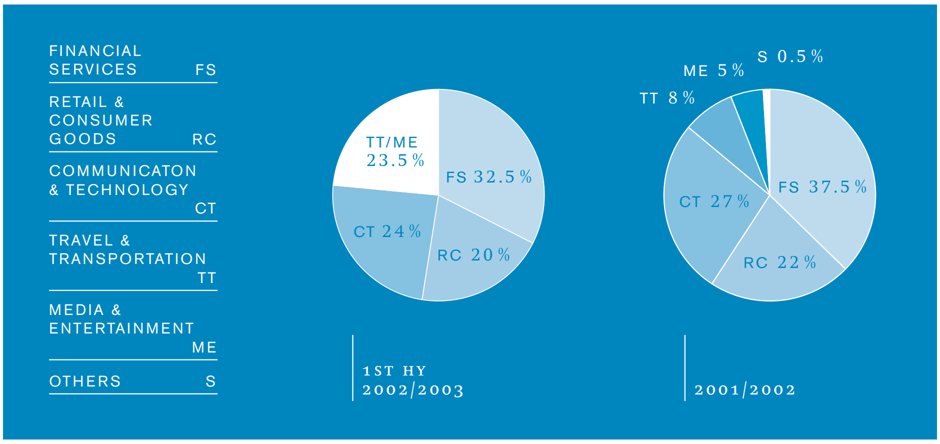
With a turnover of slightly below € 3.3 million in the second quarter of 2002/2003, sales development was relatively stable in comparison with the first three months.

There was therefore no repeat of the last two business years, in which turnover dropped off significantly right at the beginning of the year from the first to the second quarter. The decline in project business, which was weaker due to the holiday season, was compensated by media business, which was higher than in the first quarter due to the Christmas season, and by an increasing volume of business in Web Mining and Operations, which are summarised under Other Services.

| in € 000s | 1ST HALF-YEAR 2002/2003 | 1ST HALF-YEAR 2001/2002 |
|---|---|---|
| Project Services | 5,535 | 6,802 |
| Media Services | 771 | 1,460 |
| Other | 330 | 408 |
| **Total revenues, gross** | 6,636 | 8,670 |
| Media costs | -617 | -1,124 |
| **Total revenues, net** | 6,019 | 7,546 |

The fall in turnover of around 23 % in the half-yearly comparison illustrates the fact that companies continue to show restraint in their allocations to investments in their IT and Internet budgets. This is evident alongside a decline in Project Services of almost 20 % below last year's level, especially in the online marketing business. In the wake of the decline in the online advertising budget, turnover fell by almost 50 % within one year. Even in Other Services we had to accept a fall of almost 20 %.

**DISTRIBUTION OF REVENUE BY SOLUTION CENTERS**




The distribution of turnover among the individual Solution Centers in the second quarter was almost the same as in the first quarter of 2002/2003. As compared with 2001/2002, the first half of 2002/2003 shows the increasingly balanced sales structure of SinnerSchrader.

With around 32 %, Financial Services is still the Solution Center with the highest turnover, followed by Communication & Technology. Both of their shares, however, are declining. On the other hand we witnessed positive developments in the Travel & Transportation/Media Entertainment Solution Center. After the decline in sales triggered by the events of September 11th 2001, the sales share was considerably increased from 13 to 23.5 % in the first half of the year through new customers such as Mercedes-Benz, Hapag-Lloyd Express and Premiere.

At 20 %, business with retailers and mail order houses in the Retail & Consumer Goods Solution Centers now represents the smallest share of SinnerSchrader's total business. Due to a comparatively strong media business, project business is slightly lower, a sign that especially in this area, cost-saving measures – but also a trend toward the insourcing of certain responsibilities to the IT and Internet budget – were weighing on results.

**PROJECT SUCCESSES**

In the second quarter, especially in the Travel & Transportation/Media & Entertainment and Communication & Technology Solution Centers, SinnerSchrader was involved in some interesting projects. In addition to follow-up orders from our still new customers such as Mercedes-Benz, Hapag-Lloyd Express, and T-Online, we also booked orders from long-standing Customers such as Talkline.

> After web specials on safety and the A-Class products, **Mercedes-Benz** is also promoting the dynamic performance of the C-Class with a new web special that SinnerSchrader created for the car manufacturer. This web special picks up on motifs from a distinctive print campaign by Springer & Jacoby that is set to go public at the same time. SinnerSchrader was also responsible for the creation of the corresponding online advertising campaign.

> **Hapag-Lloyd Express** continued to expand on its range of Internet services. The booking platform hlx.com recently developed by SinnerSchrader now offers around 350 hotels for 14 destinations from the TUI portfolio. Around 94% of the 600,000 bookings received so far were completed online.

> SinnerSchrader helped **Premiere** redesign its eCommerce activities and migrated the successful customer service solution premiere.de to a new technological platform. The relaunch is also the technical culmination of two years' work, making the website a comprehensive communications and customer service channel. With this website, more turnover-relevant business processes can be completed via the Internet as opposed to the call center, thereby drastically reducing Premiere's transaction costs. Premiere's Internet presence in Austria was also updated.

> Via a new application we developed, **Talkline** is now providing its business partners with complete eCommerce functionality for their own shops. Various assortments and individual sales prices for each partner are possible, while the user screens can be individually tailored to each firm's requirements. This new eCommerce solution was also presented at CeBIT 2003.

> **Max Bahr** redesigned its online home improvement store. For this project, SinnerSchrader was responsible for the application programming. The Hamburg company ision is a general contractor that engaged us to help them migrate from the eCommerce application Intershop Enfinity 1.4 to 2.2.

> The international corporate website of **Tchibo** Frisch-Röst-Kaffee GmbH was completely revamped. The new website accommodates the increased demand for communication with the press, the public and potential job applicants.

**DEVELOPMENT OF ORDERS AND PRICES**

The indication from our sales development, that budget cutbacks and the resulting drop in sales would not continue in most of the Solution Centers in 2003, has been confirmed by orders booked in the second quarter. In comparison to the previous quarter and to the quarter year-on-year, order intake is at a satisfactory level. Orders booked at the end of the second quarter, however, were still not significantly higher than a quarter's turnover, so it is currently difficult to give any definitive guidance on future business development.

As in the first quarter, there was a positive development in order intake, especially for the Travel & Transportation/Media & Entertainment Solution Center due to orders from customers such as Mercedes-Benz and Hapag-Lloyd Express, as well as from Premiere for the relaunch. The Financial Services Solution Center was able to book follow-up orders from the Deutsche Bank Private and Business Customers division as well as from maxblue, while the Communication & Technology Solution Center booked follow-up orders from customers such as Yello Strom and Toll Collect. Order intake was still unsatisfactory in the retail and mail order industry, a result of persistent consumer restraint.

On the price side, we have not yet seen any relief in restraint in the first three months of the current business year.

## DEVELOPMENT OF COSTS AND EARNINGS

| in € 000s | Q2 2002/2003 | Q1 2002/2003 | Q2 2001/2002 |
|---|---|---|---|
| Gross profit | 977 | 1,073 | 274 |
| EBITDA | -49 | 55 | -1,513 |
| EBITA | -191 | -108 | -1,704 |
| Net income/loss | 32 | 37 | -1,223[1)] |

1) Before effects of accounting change

The operating indicators EBITDA and EBITA are slightly below figures for the first quarter of 2002/2003, at € -0.05 million and € 0.2 million respectively. This is chiefly due to lower net turnover, i.e. gross turnover minus media costs of some € 0.2 million, which could not be fully counterbalanced by the additional cost efficiencies achieved in comparison with the first quarter.

A comparison with the second quarter of the previous year clearly shows the positive effects of the cost-reduction measures undertaken over the last business year. EBITDA is still positive while overall, EBITDA and EBITA have improved by approx. € 1.5 million year-on-year.

| in € 000s | Q2 2002/2003 | Q1 2002/2003 | Q2 2001/2002 |
|---|---|---|---|
| Cost of material and services | -143 | -175 | -75 |
| Personnel costs | -2,193 | -2,289 | -3,309 |
| Amortisations | -143 | -163 | -190 |
| Other operating costs | - 693 | -714 | -1,100 |
| Other income/expenses | 83 | 108 | -70 |

The overall cost situation clearly indicates that we once more successfully reduced all cost positions compared with the first quarter of the current business year. In personnel costs, the reduction in the average full-time equivalent base number of employees from 176 in the first quarter to 169 in the second, as well as the implementation of part-time working schedules in the Retail & Consumer Goods Solution Center in January and February, has shown positive results. Reacting to continuous slightly negative EBITA, we reduced the headcount in Experience Design by five at the end of January. The costs of this measure have weighed on overall second quarter earnings. In total, personnel costs for the second quarter were € 0.1 million lower vis-à-vis the first quarter and just over € 1.1 million lower than in the same period in the previous year.

We also successfully further lowered the other operating costs in comparison with the first quarter, despite second-quarter expenditure on a training initiative for the software developers and the significant costs of the AGM. Compared with the second quarter of the previous year, the other operating costs were reduced by almost € 0.4 million, as the costs of non-occupancy due to the regrouping of our offices were still weighing heavily on earnings during that period.

Other income was mainly generated by the using up of provisions which had been set aside in the previous year for the restructuring measures.

| in € 000s | 1ST HALF-YEAR 2002/2003 | 1ST HALF-YEAR 2001/2002 |
|---|---|---|
| Gross profit | 2,050 | 1,615 |
| EBITDA | -6 | -1,478 |
| EBITA | -300 | -1,815 |
| Net income/loss | 69 | -1,551[1] |

1) Before effects of accounting change

The development of the second-quarter result, in comparison with the same period in the previous year, is also reflected in the half-yearly overview. EBITDA and EBITA have improved by some € 1.5 million year-on-year; owing to positive earnings of € 0.05 million in the first quarter, EBITDA still came in just on the positive side, while overall EBITA was negative at € -0.3 million. We continue to stand by our targets for the whole year, however, which include bringing EBITA into positive territory."

## RESEARCH AND DEVELOPMENT ACTIVITIES

We also once more reduced the level of expenditure on research and development in the second quarter of 2002/2003 by approx. € 0.02 million. In the first half of the current business year, we invested approx. € 0.04 million. Over the first six months this mainly concerned laying the foundations and developing methods for user-centred application development, i.e. the development and implementation of software and systems from the point of view of the end-user. The testing of Flash applications, amongst others, played a major role here.

At a fraction over € 0.1 million, the level of investment in the first half-year continues to be low, running at approx. € 0.05 million in the second quarter of 2002/2003. Roughly two-thirds of this was invested in the procurement of new hard and software, while expenditure on our office building also contributed to a lesser extent. We foresee an investment volume of well under € 0.5 million for the whole business year.

## EARNINGS FOR THE PERIOD

The earnings result for the period at € 0.03 million thus also just reached positive territory in the second quarter, following € 0.04 million in the first quarter. Earnings of € 0.2 million from the investment of liquid reserves and a tax refund of € 0.04 million slightly more than offset negative EBITA and the charges incurred by the employee participation scheme in the Netmatic acquisition.

Period earnings for the half-year were slightly below € 0.07 million, an improvement of just under € 1.5 million (before the cumulated effect of accounting changes) over the period result for the first half-year of 2001/2002.

The first half-year of 2001/2002 was characterised by the effects of the first application of the newly-introduced accounting changes SFAS no. 141 “Business Combinations” and No. 142 “Goodwill and Other Intangible Assets“ inasmuch as the half-year reporting period suffered no negative effects of these types.

**INVESTMENT**

At a fraction under € 0.1 million, the level of investment in the first half-year continues to be low, running at approx. € 0.05 million in the second quarter of 2002/2003. Roughly two-thirds of this was invested in the procurement of new hard and software, while expenditure on our office building also contributed to a lesser extent. We foresee an investment volume of well under € 0.5 million for the whole business year.

**CASH FLOW**

In the first half of the current business year, our operational business returned a figure of € 0.7 million for cash used for investment activities. This is wholly attributable to expenditure on the implementation of restructuring measures agreed in the previous business year, for which the corresponding provisions had been made. The increase in funds tied up in net working capital, mainly due to a carry-over of trade payables on deliveries and services, was more than offset by the earnings figure for the period, net of asset depreciation. Outstanding payments from our customers and the level of invoices still to be issued were below the overall level as of 31 August 2002.

The level of cash used for investment activities, not including the balance from acquisitions and disposals of marketable securities which form part of the liquidity reserve, was, at € 0.1 million, relatively modest in comparison.

There was an outlay in the first half-year 2002/2003 of around € 0.6 million on the repurchase of SinnerSchrader shares (see III), which appears on the balance sheet as cash used for financing activities. During this reporting period, SinnerSchrader acquired 421,579 shares on the open stock markets at an average price per share of € 1.43.

**BALANCE SHEET**

In the first half-year, the liquidity reserve comprising cash, bank account balances, and deposits of marketable securities was reduced by € 1.5 million in comparison with 31 August 2002, reaching a level of € 26 million. This liquidity remains invested, with an average fixed investment period of under one year, in fixed-term deposits, money-market funds, and bonds offered by issuers with good credit ratings.

One liability-side factor in this reduction in the liquidity reserve is the increase in our holding of own share capital; as of 28 February this amounted to 471,579 shares. The number of shares in circulation was thus reduced to 11,071,185 shares on the same day. On the opposite side of the balance sheet, there was a significant decrease in the other provisions made within the framework of the implementation of the restructuring programme.

The overall balance sheet structure therefore sees little change relative to the close of the previous business year, continuing to show the percentage of shareholders’ equity at approximately 90 %.

## EMPLOYEES

As of 28 February 2003, 175 employees were active at SinnerSchrader, the same figure as at the end of the preceding quarter on 30th November 2002. However, this constant figure does not reflect that we reduced staffing in the area of Experience Design in the second quarter, which had previously been unaffected by personnel reduction measures, a reduction which will only become partly apparent in the third quarter. We have taken on staff in the areas of Company Services and Engineering to cover individual vacancies which arose.

In view of the first signs of a stabilisation at the current volume of turnover, we believe the level of 170 to 175 employees should remain constant over the whole 2002/2003 business year. However, if we see a noticeable upturn in project business or if a renewed downturn in order intake development sets in, the level of staffing will be adjusted correspondingly. This is a measure we already took in January and February 2003 in the Retail & Consumer Goods Solution Center: we responded to below-capacity utilisation, caused by our customers' budget cutbacks, with the introduction of temporary part-time working schedules.

| EMPLOYEES BY FUNCTION END OF THE PERIOD | 28.02.2003 | 31.08.2002 | 28.02.2002 |
|---|---|---|---|
| Consulting | 26 | 34 | 38 |
| Experience Design | 23 | 24 | 25 |
| Engineering | 75 | 94 | 113 |
| Business Management Services | 12 | 13 | 12 |
| Sales | 5 | 1 | 1 |
| Company Services | 34 | 39 | 40 |
| **Total** [1] | 175 | 205 | 229 |

1) Includes 9, 10 and 7 trainees for the years shown mostly assigned to Company Services

The average full-time equivalent base number of employees in the second quarter of 2002/2003 was 169, a reduction of just under 4% compared with the first three months and slightly below 27% in comparison with the quarter year-on-year, when an average of 230.5 staff were employed.

## OUTLOOK

Developments over the first six months show hopeful signs that turnover has stabilised, even if at a low level. Besides healthy sales in the Financial Services area, we see the first indications of a recovery in the automotive sector and also partly in the media sector. In contrast to this, retail and mail-order firms continue to suffer, however. The postponement of projects and budget cuts due to the current ongoing consumer reticence is clearly evident.

With the first half-year now behind us, we are slightly below our plan, meaning we are not yet back in profitable territory in terms of EBITA despite the cost reduction targets we have achieved. Against the background of satisfactory order intake in the second quarter, however, we continue to believe that we will be able to achieve this year's objective of reaching the profit zone in EBITA terms. Having said this, there is absolutely no doubt that geopolitical uncertainty due to the conflict in Iraq, and above all the continuously worsening economic outlook in Germany, mean that achieving our goals for the 2002/2003 business year will be a challenge.

## 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 in which the sales were transacted. After the subsidiaries in the Netherlands and the USA ceased their operations, 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 quarter of 2002/2003 was generated 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 30.11.2002 in € |
| Workforce | 558,227 | 33,838 | – | -433,311 | -100,000 | – | 58,754 |
| Facilities | 314,599 | 14,547 | -14,237 | -137,625 | – | -1,273 | 179,011 |
| Other | – | – | – | – | – | – | – |
| **Total** | 872,826 | 51,385 | -14,237 | -570,936 | -100,000 | -1,273 | 237,765 |

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 half-year of 2002/2003, € 0.6 million of these provisions were used, almost equally over the first and second quarters; 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 charges.

### TREASURY STOCK

As at 28 February 2003, SinnerSchrader held 471,579 of its own shares with a total nominal value of € 471,579. They represent a share of 4.1 % of the total subscribed capital. Of these, 241,306 were purchased in the second quarter, 180,273 shares were already purchased in the first quarter 2002/2003. The average price for the shares amounted to 1.4300 €. SinnerSchrader purchased all shares via the stock exchange.

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

### SUBSCRIPTION RIGHTS OF EMPLOYEES

With shareholder resolutions in October 1999 and in December 2000, SinnerSchrader AG established the SinnerSchrader 1999 stock option plan, the SinnerSchrader 2000 stock option plan, and the required conditional capital of € 375,000, respectively. Detailed information on the option plans is given in the notes to the consolidated financial statements of 31 August 2002. The table below gives the number of option rights issued under the two option programmes, the change in the first half year 2001/2002 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 | 65,000 | 1.57 |
| Exercise | – | – |
| Cancelled | -45,663 | 9.72 |
| **Outstanding at 28 February 2003** | 388,987 | 11.37 |

**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 28 February 2003.

| | 31.08.2002 | ADDITIONS | DISPOSALS | 28.02.2003 |
|---|---|---|---|---|
| Management Board members: | | | | |
| Oliver Sinner [1)] | 2,347,000 | – | 2,347,000 | – |
| Matthias Schrader | 2,137,675 | – | – | 2,137,675 |
| 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 | – | 2,347,000 | 2,431,125 |

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 | 28.02.2003 |
|---|---|---|---|---|
| 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 28 February 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

**QUARTERLY REPORT**
March–May 2003
15 July 2003

**ANNUAL REPORT 2002/2003**
November 2003

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