

# IDS Scheer Stock

## Expansion of international investor base

During the fiscal year, IDS Scheer was able to significantly expand its shareholder base and open the way to new groups of investors. Of particular note, international investment funds based in Germany and other western countries, with a focus in London, became new shareholders in the company. Growing interest in IDS Scheer stock and the wide diversification of investors led to an increase in the number of shares in circulation, which continuously increased the stock's liquidity.

The number of subscribed no-par-value (NPV) shares of IDS Scheer AG increased in 2004 from 31,767,170 to 31,925,460 due to the conversion of options as part of the employee profit-sharing model.

### Shareholder structure

Dr. August-Wilhelm Scheer	42.56%
Dr. Alexander Pocsay	7.65%
Free float	49.79%

## Intensive communication

The continuous, timely, and complete distribution of information to participants in the capital market is the central work of Investor Relations at IDS Scheer AG. In addition to the quarterly and annual reports, the IR page on the IDS Scheer website ([www.ids-scheer.com](http://www.ids-scheer.com)) is an increasingly important source of information. More and more, small investors are also using the press releases, conference documents and background information about the stock and the company posted on the IR page.

Investor Relations focuses primarily on mid- and long-term-oriented investors: During fiscal year 2004, the Executive Board presented the company not only at financial and analysts conferences, but also at numerous technology conferences sponsored by large banks. Direct contact with investment houses was intensified in road shows at the most important financial cities in Germany, Great Britain, France, Benelux, Austria, Switzerland and the USA. For practical insight, customer events are ever more popular because of their hands-on focus. Analysts and investors are increasingly interested in the CeBIT computer trade show and IDS Scheer's client event ProcessWorld, which provide excellent opportunities for them to interact directly with the company's products and services.

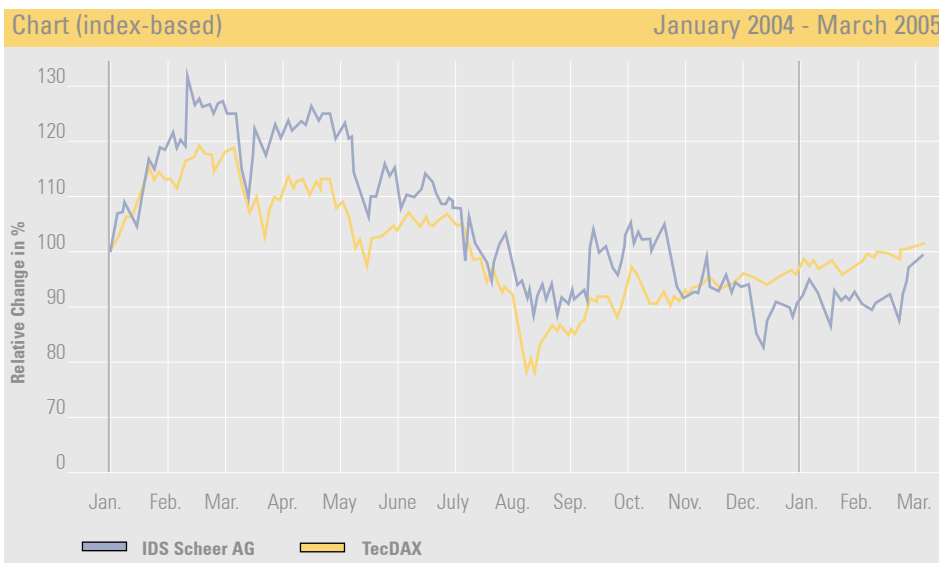
The high point of the financial year was the annual shareholders' meeting. Once again, nearly 1,000 participants gathered in the Saarländhalle in Saarbrücken on May 11, 2004, for the annual shareholders' meeting.

## Share price shaped by nervous stock markets

On the other hand, 2004 was a disappointing year for the development of technology and growth stocks. The TecDAX was one of the large German reference indices to post a slight loss of 3.8%. Political uncertainties and worries about the world economic situation in 2004 brought with them severe downturns for the exchanges. In March, terrorist attacks in Madrid led to a decline of approximately 10% in the DAX in just a few days. In the summer and fall, worries about the weakening economic situation in China and high oil prices dampened the mood. IDS Scheer stock could not escape this general trend of uncertainty.

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The sharp increase in IDS Scheer's stock price resulting from the highly assessed potential of the SAP NetWeaver partnership concluded at the end of 2003 was followed by a declining trend beginning in February. Strong business results and the positive evaluation of many analysts notwithstanding, the stock price at year's end was 13% lower than at the beginning of the year. Only since the end of 2004 has an upward trend been seen.



In the long run, share price also developed more slowly than revenue. Over the course of the last five years, share price has not developed apace with the positive company development: Since the IPO on May 11, 1999, IDS Scheer has increased revenue, operating profit, net profit and dividends more or less by the factor 3. The price of IDS Scheer stock, on the other hand, has increased by only 9%.

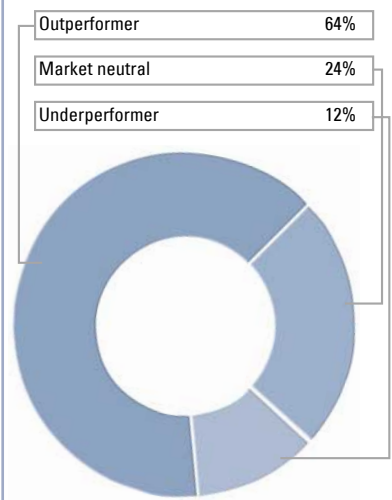
## Positive ratings from analysts

The financial analysts who rate IDS Scheer stock positively, see clear potential for the stock. IDS Scheer is currently rated by 18 financial analysts: Arete Research, Bayerische Landesbank, Berenberg Bank, BW-Bank, CA Cheuvreux, Citibank, Commerzbank, DZ Bank, equinet, fairesearch, HSBC Trinkaus & Burkhardt, HypoVereinsbank, Independent Research, Landesbank Baden-Wuerttemberg, Metzler Equity, Sal. Oppenheim, SES Research and WestLB.

During the course of 2004 and again at the beginning of 2005, IDS Scheer for the second time received the grade of A from Hamburg SES Rating in their EquiRisk Ratings. A-rated companies are distinguished by particularly low company-specific risk.

«The majority of analysts rated IDS Scheer stock as buy or outperformer.»

### Analysts' Recommendations



# IDS Scheer Stock

## Reliable dividend policy

IDS Scheer pays its shareholders a dividend – and not only since the current new consciousness regarding dividend titles. IDS Scheer had already developed a consistent dividend policy when it was listed on the Neuer Markt, at the time when purely growth-oriented companies were preferred over companies that paid dividends. Since the IPO the payout quota has been between 24% and 35%.

In fiscal year 2004 earnings per share (EPS) increased from the 2003 level of 0.604 EUR to 0.661 EUR. In order to include shareholders in the company's success in fiscal year 2004, the Executive and Supervisory Boards will propose increasing the dividend payout to 0.16 EUR per share (previous year: 0.14 EUR) to the annual shareholders' meeting.

## New index for entrepreneurial companies

On January 3, 2005, the German stock exchange introduced a new index for small and medium-sized companies to expand the development of entrepreneurial companies in Germany. The new GEX (German Entrepreneurial Index) consists of German companies from the Frankfurt Stock Exchange's Prime Standard that have been publicly traded for less than ten years and are run by their owners, who must hold between 25% and 75% of the company's voting power. Over 120 companies are currently qualified for the index. The GEX will serve both publicly traded and unlisted small and medium-sized companies as the benchmark for their own success.

Studies have shown that companies whose owners hold the majority of votes show positive development compared to the SDAX, DAX and TecDAX, and that their development is above the average. The GEX will provide publicly traded small and mid-sized companies more visibility in the capital market. IDS Scheer fulfills all the requirements and has been a member of the GEX since the index was founded at the beginning of the year.

IDS Scheer Stock	
WKN (security ID number)	625700
Stock exchange segment	Member of the Prime Standard of the Frankfurt Stock Exchange since January 2003, the TecDAX select index since March 2003, and GEX since January 2005.
Highest/lowest price 2004	20.20 EUR / 12.50 EUR
Price on Jan. 2, 2004	15.55 EUR
Price on Dec. 30, 2004	13.58 EUR
Price on March 1, 2005 (editorial deadline)	14.60 EUR
Market capitalization on Dec. 30, 2004	433.55 million EUR
Issue volume	31,925,460 shares (theoretical par value of 1 EUR)
Profit (DVFA/SG earnings per share) 2004	0.661 EUR
Proposed dividend 2004	0.16 EUR
Dividend yield (at year-end price)	1.2%

# Corporate Governance – Transparency and Responsibility

IDS Scheer AG welcomes the German Corporate Governance Code put forth by the German government commission and set forth its positive stance last year. The Corporate Governance statement and compliance statement have been made available to shareholders on the company web page at [www.ids-scheer.com](http://www.ids-scheer.com). Doing business responsibly has always been fundamental to IDS Scheer's value-oriented management. The company's essential success factors are the close and efficient cooperation between the Executive and Supervisory Boards, open corporate communication, proper accounting procedures and audits, responsible handling of risk, and above all attention to and protection of the interests of shareholders.

## Proposals of the German Corporate Governance Code

At IDS Scheer, we understand Corporate Governance to be an ongoing process. The proposals and recommendations of the Code are continuously being scrutinized.

«Doing business responsibly has always been fundamental to IDS Scheer's value-oriented management.»

In concrete terms, Corporate Governance at IDS Scheer is distinguished by our embracing the following proposals of the Code and by further comprehensive measures:

To make the annual shareholders' meeting more investor-friendly, IDS Scheer has taken a number of precautions, for instance in naming accountable proxies, webcasting the annual shareholders' meeting up to the general discussion, and publishing all documents on the company web page at the time of the annual shareholders' meeting.

To increase transparency for all shareholders, the company uses the internet as an essential platform for communication and publishes all relevant information in German and English in a timely manner on its homepage. All important dates during the fiscal year are available on the financial calendar at the beginning of the year. Furthermore, IDS Scheer takes pains to publish its quarterly reports earlier than required by law and the Code, namely within 30 days of the end of the reporting period.

In accordance with a resolution of the 2003 annual shareholders' meeting, meetings of the Supervisory Board may take place via video- or teleconference. The corresponding changes to the by-laws were approved and executed. The chairman of the Supervisory Board is not the chair of the auditing committee. Members of the Executive Board do not hold positions on the Supervisory Board or comparable governing bodies of other companies so that they may concentrate exclusively on their duties as members of the Executive Board of IDS Scheer AG.

The risk-management system is constantly analyzed and expanded in order to recognize and contain any potential risks to the company's continuity.

«At IDS Scheer, we understand Corporate Governance to be an ongoing process.»

With regard to coming legal regulations and changes, IDS Scheer is already acting in its business and planning to protect the rights of its shareholders in the future.

# Corporate Governance – Transparency and Responsibility

## Compliance Statement

IDS Scheer's Corporate Governance principles and its behavior are in conformance with the applicable German Corporate Governance Code, most recently that of May 21, 2003, with the exception of the recommendations stated below:

The German Corporate Governance Code recommends setting age limitations for advisory board members. IDS Scheer perceives this practice as an inappropriate restriction of the rights of the shareholders to select the members of the Supervisory Board. IDS Scheer's Corporate Governance principles therefore contain no such age limitation. Similarly, the IDS Scheer principles deviate from the respective recommendation of the Corporate Governance Code in not setting an age limitation for Executive Board members, as this would place a general restriction on the Supervisory Board in its selection of appropriate members of the Executive Board.

The German Corporate Governance Code recommends that an appropriate deductible be designated for Directors and Officers (D&O) Liability Insurance. IDS Scheer is fundamentally opposed to this practice, believing that the motivation and responsibility with which the members of the Executive and Supervisory Boards approach their duties cannot be improved by such disincentives. IDS Scheer's Corporate Governance principles therefore mandate no deductible.

IDS Scheer follows the recommendations of the Corporate Governance Code with regard to the reporting of Executive Board compensation, profit-related components, and components with long-term incentive effect. The recommendation to state these figures separately for each individual has not been followed. The Executive Board of IDS Scheer AG works together as a group to achieve the company's objectives. The Executive Board and Supervisory Board believe therefore, that the performance of the Executive Board can be appropriately evaluated only based upon the overall success of the Executive Board and the success achieved by the company as a whole. In the opinion of the Executive Board and Supervisory Board, dividing the figures for the overall compensation of the Executive Board into variable and fixed components provides transparency on the compensation structure and amounts that is sufficient to evaluate the appropriateness of the Executive Board members' earnings.

The German Corporate Governance Code recommends that no more than two former members of the Executive Board belong to the advisory board. Currently only one former member of the Executive Board of IDS Scheer is serving on the Supervisory Board; however, IDS Scheer perceives a corresponding regulation as an inappropriate restriction of the rights of the shareholders to select the members of the Supervisory Board.

Complete information regarding the work of the Supervisory Board and its committees as well as regarding the cooperation between the Executive Board and the Supervisory Board is set forth in the Report of the Supervisory Board in the present financial report.

Saarbruecken, March 2005  
IDS Scheer AG

«More about Corporate Governance:  
[www.ids-scheer.com](http://www.ids-scheer.com)»

The Supervisory Board

The Executive Board