sinnerschrader

ANNUAL REPORT
2007 | 2008

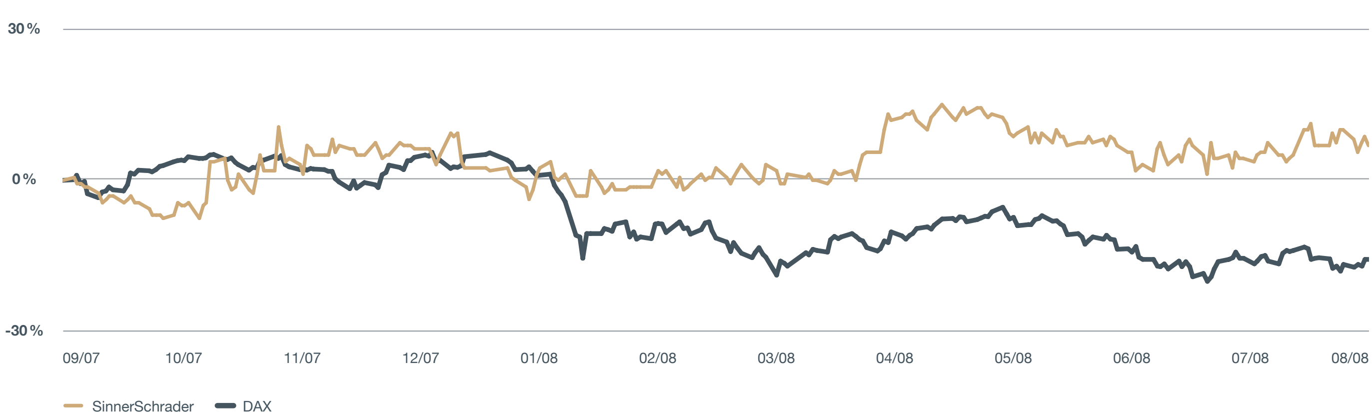
Key Figures and Share Performance

Key figures of the SinnerSchrader Group in € 000s, € and number	01.09.2007 31.08.2008	01.09.2006 31.08.2007	Change
Revenues	24,170	18,588	30 %
Gross income	6,193	5,056	22 %
EBITDA	2,639	1,455	81 %
EBITA	2,305	1,043	121 %
Net income	1,608	1,018	58 %
Net income per share[1)]	0.14	0.09	56 %
Shares outstanding[1)]	11,471	11,417	0,5 %
Cash flows from operating activities	2,744	893	207 %
Employees, full-time equivalents	179	145	23 %
	31.08.2008	**31.08.2007**	**Change**
Cash and cash equivalents	9,075	10,450	-13 %
Shareholders' equity	12,971	12,548	3 %
Balance sheet total	19,934	16,770	18 %
Employees, end of period	241	152	59 %

[1)] Weighted average shares outstanding

SinnerSchrader Share Price Performance 2007/2008

in % +/– compared to Xetra closing prices on 31.08.2007



SinnerSchrader 2007 | 2008

17 Letter to the Shareholders
20 The 514190 Share
25 Corporate Governance at SinnerSchrader
28 Report of the Supervisory Board

Joint Status Report

32 • General
32 • Group Business and Structure
33 • Market and Competitive Environment
35 • Business Development and Group Situation
42 • Development and Situation of SinnerSchrader AG
44 • Compensation System for the Company Boards
46 • Supplementary Information Required according to Article 289 Para. 4 and Article 315 Para. 4 of the German Commercial Code
47 • Risks and Opportunities for Future Business Development
50 • Major Events after the Balance Sheet Date
51 • Forecast

52 Graphs Illustrating the Consolidated Status Report

Consolidated Financial Statements of SinnerSchrader AG

56 Consolidated Balance Sheets
57 Consolidated Statements of Operations
58 Consolidated Statements of Shareholders' Equity
60 Consolidated Statements of Cash Flows
61 Notes
81 Auditors' Opinion

Annual Financial Statements of SinnerSchrader AG

84 Balance Sheets of SinnerSchrader AG
86 Statement of Operations of SinnerSchrader AG
87 Notes of the SinnerSchrader AG
97 Auditors' Opinion

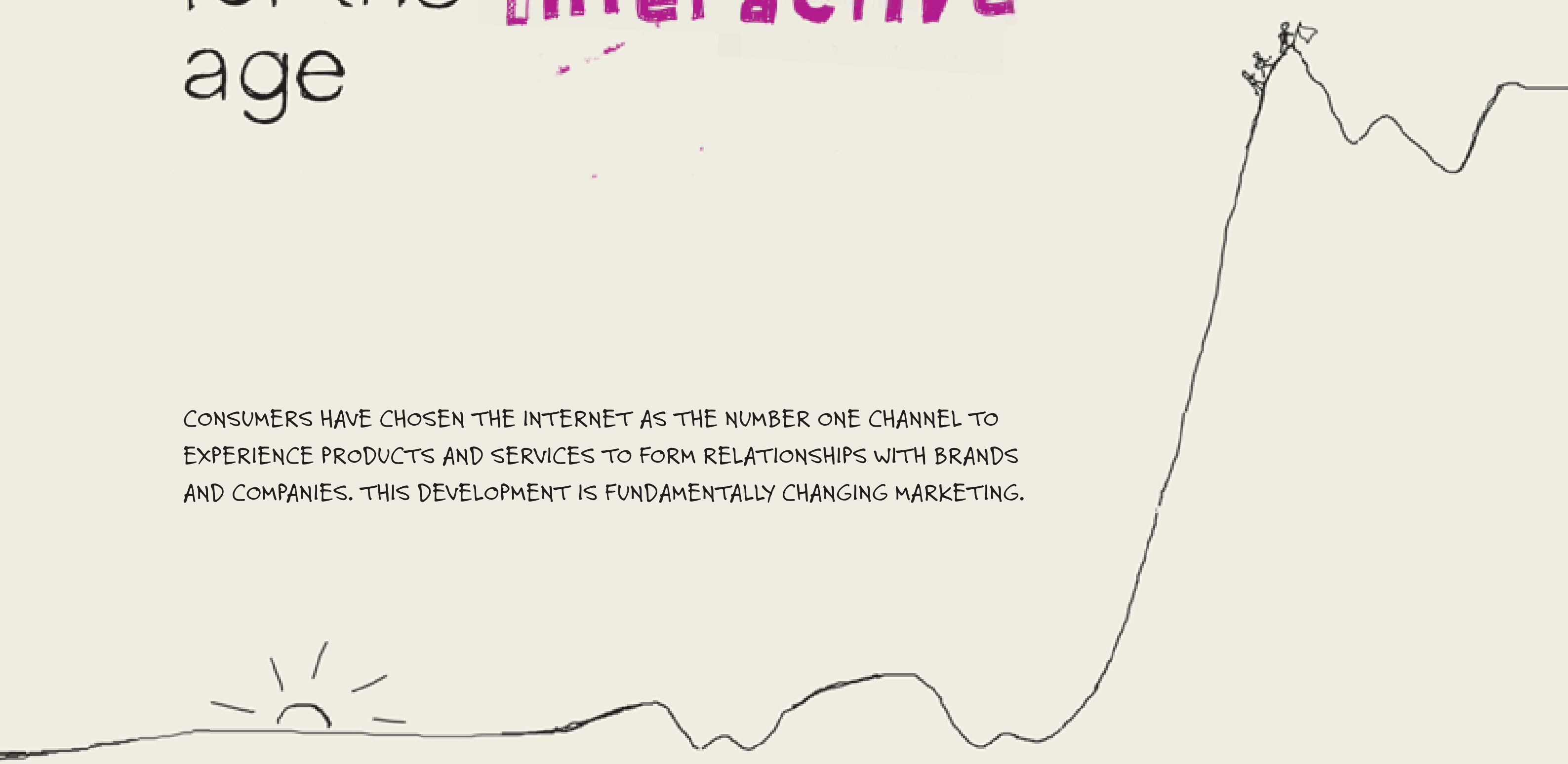
98 Responsibility Statement
98 Events & Contact

SINNERSCHRADER
2007 | 2008

our vision

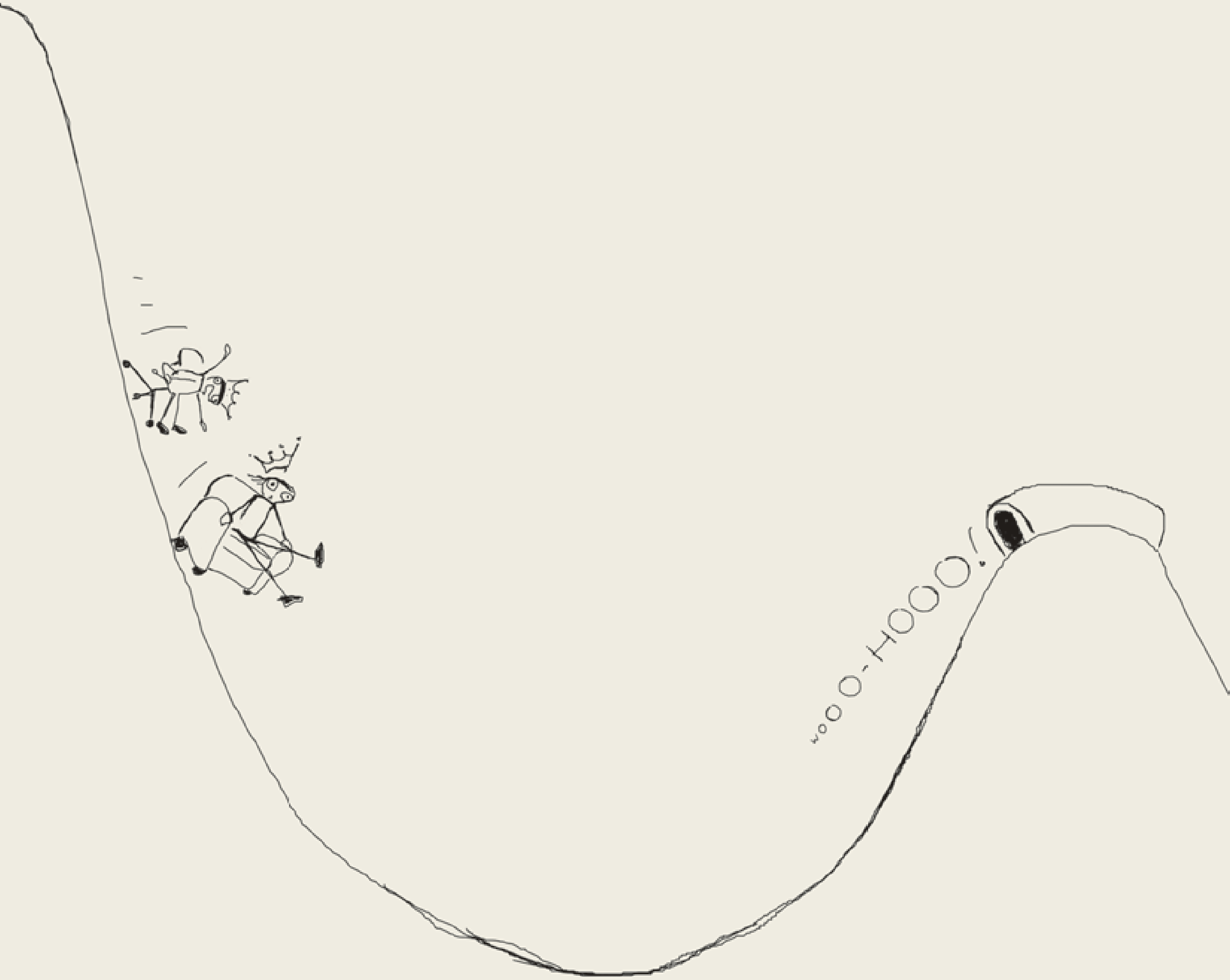
We are the agency for the interactive age

CONSUMERS HAVE CHOSEN THE INTERNET AS THE NUMBER ONE CHANNEL TO EXPERIENCE PRODUCTS AND SERVICES TO FORM RELATIONSHIPS WITH BRANDS AND COMPANIES. THIS DEVELOPMENT IS FUNDAMENTALLY CHANGING MARKETING.

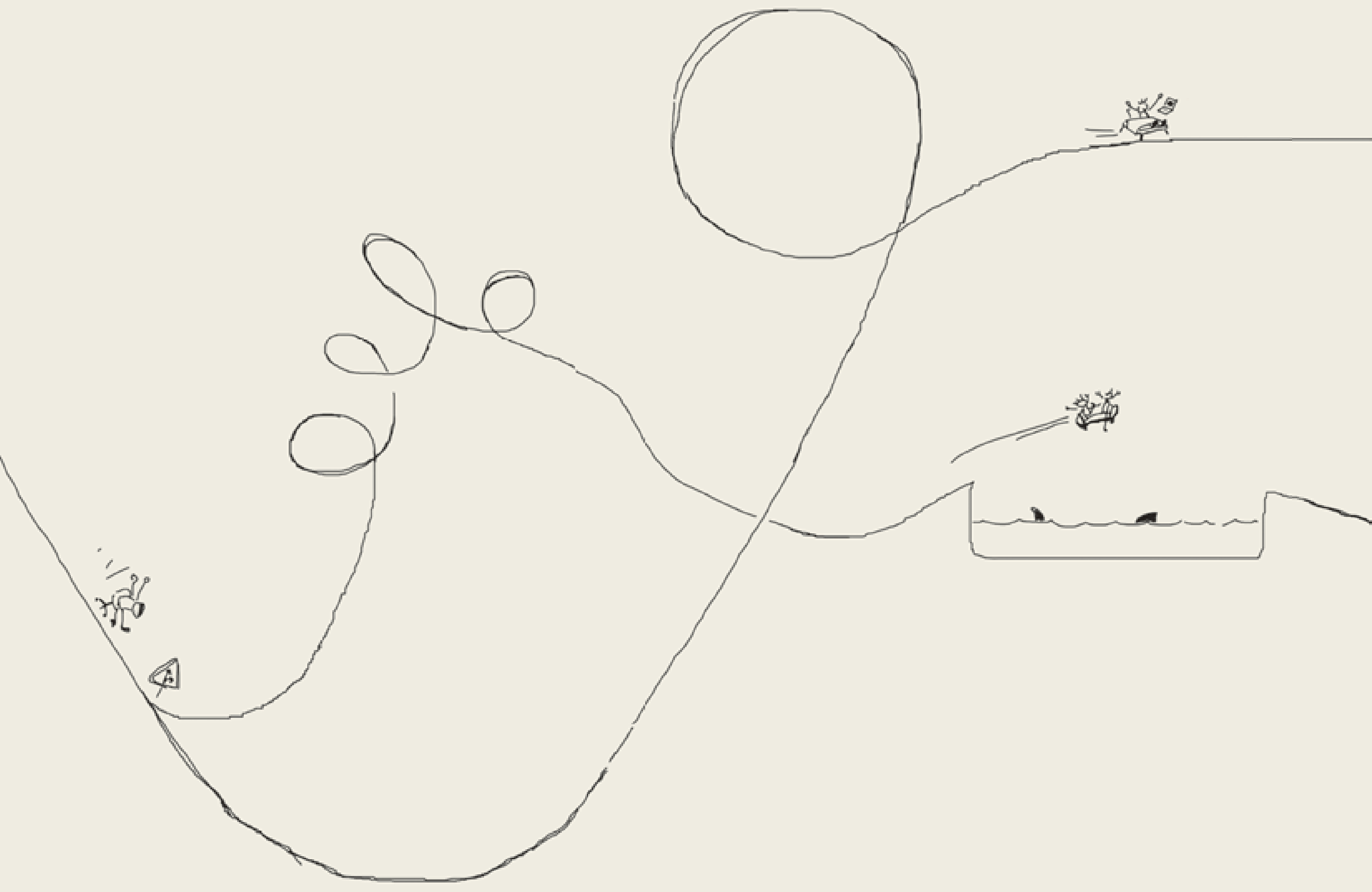


our promise

Creating Radical Relationships



WE CREATE INTERACTIVE CUSTOMER **experiences** WHICH RADICALLY INTENSIFY THE RELATIONSHIP BETWEEN BRANDS AND CONSUMERS.



our principles

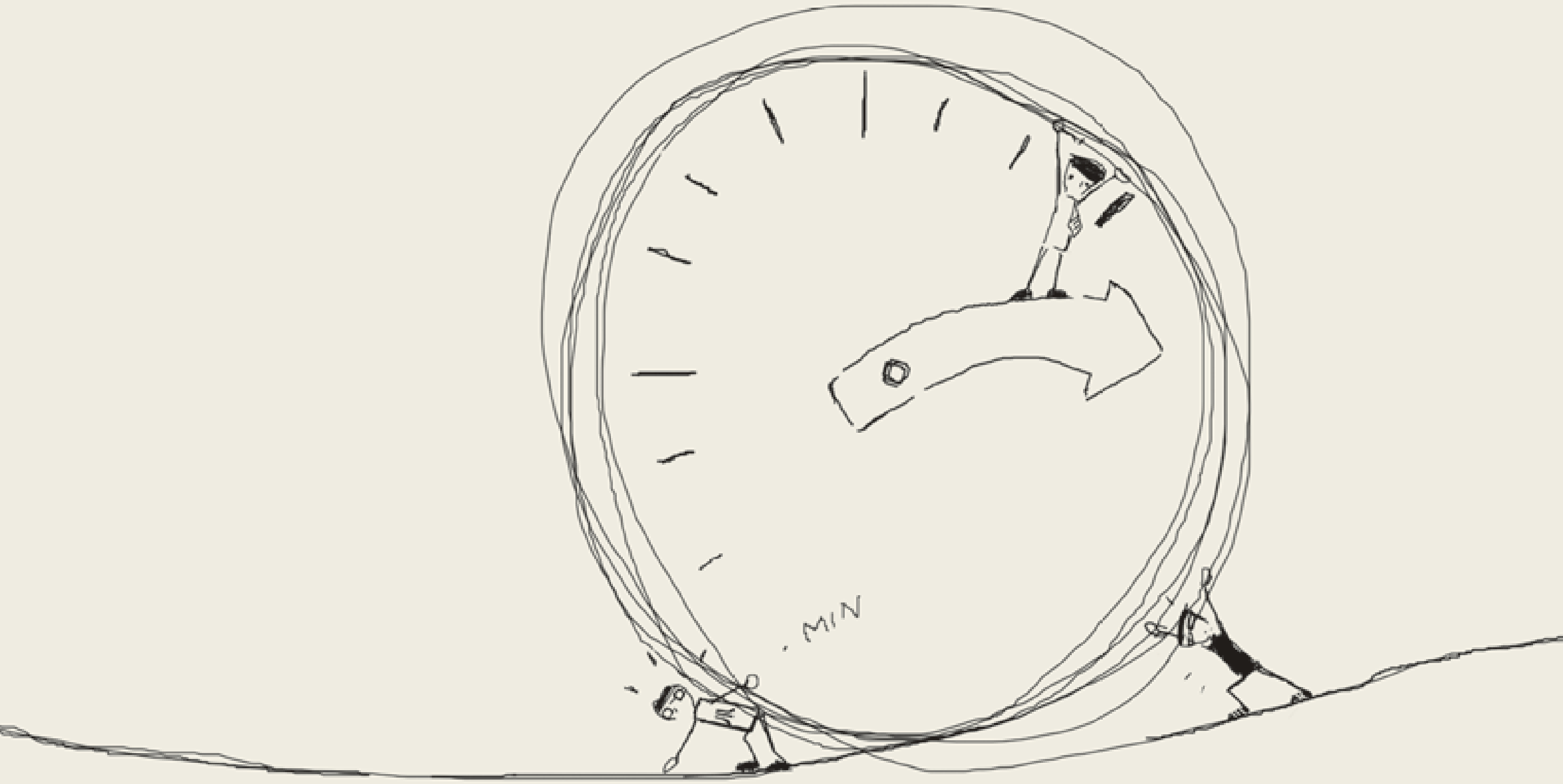
We are driven by the passion for the needs of the interactive consumer

WE CREATE INTERACTIVE CUSTOMER EXPERIENCES THAT DISTINGUISH BRANDS ON THE MARKET.

WE DEVELOP INNOVATION IN INTERDISCIPLINARY TEAMS OF CONSULTANTS, CREATIVES, AND TECHNOLOGY SPECIALISTS.

WE MEASURE AND OPTIMISE EVERYTHING – ACROSS ALL AVAILABLE DIGITAL CHANNELS.

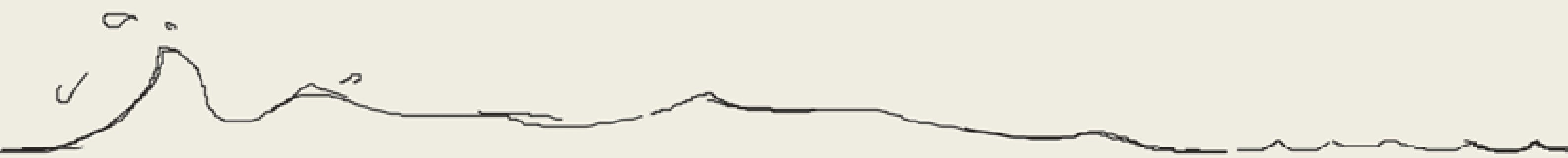
WE GUARANTEE PERFORMANCE BY DEVELOPING OUR CUSTOMERS' MARKETING OPERATING SYSTEM.

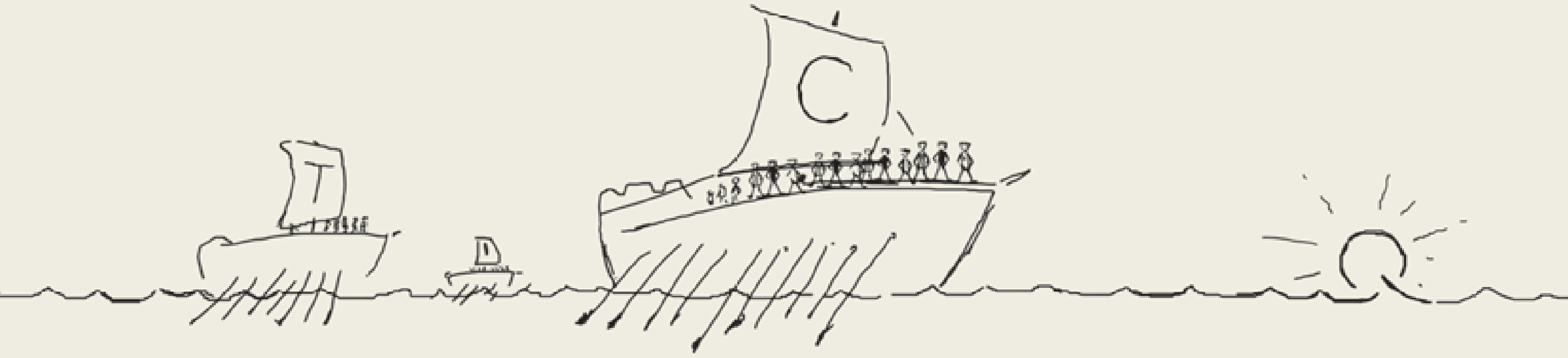

MIN

our four “i”s

interest, involve,

integrate & innovate





our culture

t*i*c = quality

WE WORK TOGETHER AS A TEAM.

WE WORK IN AN INTERDISCIPLINARY AND INTERACTIVE WAY.

WE WORK WITH CONSISTENCY.

Matthias Schrader, CEO,
and Thomas Dyckhoff, CFO

Dear Shareholders,

The reporting on the 2007/2008 financial year comes in a time of great turbulence on the financial markets, which has caused considerable uncertainty about economic development in the months and years ahead. Many companies have published rather dismal figures and issued reticent to pessimistic forecasts. Share prices on the stock markets worldwide have fallen, in some cases considerably. However, that is not the case for the price of the SinnerSchrader share, which rose by 7 % to € 1.68 in the period of the financial year until 31 August 2008 and has come through the turbulences of the last few weeks with a comparatively small fall.

This is an expression of two things: Firstly, the fact that the development of the Internet is far from complete and that it, in turn, is setting change processes in motion. This creates business opportunities for those companies that have set out to help shape these changes and to support other companies to make optimum use of them. And secondly, the fact that SinnerSchrader had a very good financial year in 2007/2008 following a stable four-year upward trend proves that the Company knows how to make use of the opportunities presented by this development and is able to translate them into growing business results.

As an interactive agency, SinnerSchrader has set itself the task of accompanying other companies in the field of marketing and sales in and through the digital future. The development of the Internet into the lead medium for customer acquisition, care and retention therefore remains the driving impetus for our business. What can be achieved by interactive media has most recently been shown by Barack Obama's successful presidential campaign in the US, which relied on the Internet and individual citizens like no campaign before it. Obama's victory is a textbook example for marketing in the digital future.

And in Germany, too, the Internet continues to gain in importance. Among 14- to 19-year-olds it is already the No. 1 medium – used more frequently than television, audio or radio. For young people, the Internet is an all-round medium that satisfies practically all media needs – communication, entertainment, information.

For most users, the Internet has moved from the desk to the living room in recent years. Between 2005 and 2008 the heaviest usage time has moved into the evening – the classic prime time that has been dominated by television for more than a generation. Here, too, a radical change in media use is developing.

The fundamental factors that drive our business are effective. The importance of interactive consumers will continue to increase and the adaptation pressure on marketing to use this change to its own ends will rise. It is certainly conceivable that this process will be accelerated by the negative economic development. The Internet is an efficient and performance-oriented marketing and sales channel, and these properties are becoming more and more and more relevant for investment decisions, especially in difficult economic times.

In the 2007/2008 financial year, SinnerSchrader was able to make use of the impetus from the gain in importance of the Internet and expanded revenues and profit with high growth rates. The Consolidated Financial Statements presented in this Annual Report show a growth in revenue of 30 % in comparison to the previous year, and the operating result (EBITA) has more than doubled.

At € 24.2 million, gross revenues reached a new record level in the Company's history. The operating result rose to € 2.3 million, the operating margin improved to a value of 9.5 %. With these results we have clearly exceeded the forecasts we made here one year ago for the 2007/2008 financial year on all levels.

We achieved around two thirds of the growth in revenue and EBITA organically, in particular in business with our major existing customers. The new organisational structure introduced last year has released existing brakes on growth. The clear formulation of our vision and our corporate culture greatly contributed to mobilising the existing potentials of the Organisation and winning talented new employees for SinnerSchrader on the human resources market.

Strengthened in this way, we once again took the first steps to realise growths opportunities through takeovers of other companies during the 2007/2008 financial year. In February 2008 we took over the Hamburg-based interactive agency spot-media AG. As a result, we have acquired a second agency brand and expanded our expertise in the field of maintaining large shop and portal websites and in processing Internet projects for small and medium-sized companies on the basis of PHP technology. From the time of the take-over, spot-media AG has contributed positively to SinnerSchrader's financial figures, and was thus responsible for the remaining third of the Group's growth.

The consolidated income for the 2007/2008 financial year was € 1.6 million or 14 cents per share.

With the momentum from the successful 2007/2008 financial year and the conviction that the fundamental factors will continue to develop positively for SinnerSchrader in the years ahead, we are looking to the future with confidence, although, in view of the financial crisis and the uncertainty it has caused with regard to overall economic development, it is difficult to make precise predictions for the 2008/2009 financial year.

We see growth opportunities for revenue and profits, even in a weaker economic environment. The incoming orders in the first weeks of the new financial year are significantly higher than in the previous years. In addition, there are other possible ways of developing further potential for growth and profit, such as taking over companies or making investments in new business fields.

The success of the last financial year and the conviction that the company will still be able to grow in 2008/2009 is expressed in the fact that the Management Board and the Supervisory Board will once again propose a dividend payment of 12 cents per share to the Annual General Meeting on 18 December 2008.

Hamburg, 4 November 2008

The Management Board

The 514190 Share

Stock Market

In the period of the SinnerSchrader 2007/2008 financial year from 1 September 2007 to 31 August 2008, the German stock market, after almost five years of rises, lost considerable value in the wake of the housing and financial crisis that severely affected the American market. Whereas the DAX Performance Index, the lead index for the German stock market, was still at a good level in the last months of 2007, with values in the band between 7,500 to over 8,000 index points and the DAX continually coming close to the maximum level of 8,105.69 points it held in July 2007, the index dropped heavily after the New Year, quickly fell to approx. 6,500 points and, with a few fluctuations in a band of around 1,200 index points, remained at this level. On 29 August 2008, the last trading day of the reporting period, the DAX was at 6,422.30 points and was thus 15.9 % below the value on 31 August 2007.

The developments of the broader market indices in which the SinnerSchrader share is represented largely followed the DAX. CDAX, Technology All Share and the German Entrepreneurial Index (GEX) had lost around 16 %, 13 % and 21 % respectively of their value from 31 August 2007 during the reporting period.

The development in the IT-related sector indices where the SinnerSchrader share is represented was significantly better – albeit also with losses. The DAXsector Index Software (formerly Prime Software) lost only 5.1 %, the DAXsubsector Index IT Services (formerly Prime IG IT Services) only 1.7 % of its value.

The escalation of the international financial crisis, which started after the SinnerSchrader balance sheet date of 31 August 2008, also affected the whole of the German market, and the IT-related sector indices, too, were not able to escape from the trend. By the end of October 2008 all of the above indices had reached levels that were at least 30 %, sometimes close to 50 % below the level of 31 August 2007.

Key figures of the share	
German Securities Code no.	514190
ISIN	DE00005141907
Symbol	SZZ
Reuters symbol	SZZG.DE
Bloomberg symbol	SZZ GY
Segment	Regulated market/Prime Standard
Stock exchanges	Xetra, Frankfurt am Main, Hamburg, Stuttgart, Munich, Düsseldorf, Berlin
Indices	DAXsector Software, DAXsubsector IT-Services, GEX CDAX, Prime All Share, Technology All Share
Designated sponsor	Concord Effekten AG
Analysts	Tim Kruse, SES Research
Issued shares (on 31.08.2008)	11,542,764
Outstanding shares (on 31.08.2008)	11,497,597

The SinnerSchrader Share

In the reporting period, but also in the weeks following it, the SinnerSchrader share defied the market turbulences described above.

On 29 August 2008 the closing price of the SinnerSchrader share in the Xetra trading system was € 1.68 and thus € 0.11 above the closing price of 31 August 2007. A shareholder who had bought SinnerSchrader shares at the closing price on 31 August 2007 would have experienced a price rise of 7.0 % with these shares by 29 August 2008. Moreover, he would have benefited from the first dividend payment in the history of SinnerSchrader AG of € 0.12, which was paid on 20 December 2007. In the year of the report, the overall performance of the SinnerSchrader share comprising price rises and dividend payments was € 0.23 per share, which corresponds to an annual return of 14.6 % with respect to a notional initial price of € 1.57 on 31 August 2007.

This means that the SinnerSchrader share was not only in a good position vis-à-vis the general market development. The SinnerSchrader share has also clearly distinguished itself from the development of the prices of other interactive agencies quoted on the stock market. As in the previous year, it had the best price performance in the period covered by the report.

In the weeks after 29 August 2008, the price of the SinnerSchrader share also remained relatively stable. On 28 October 2008 the Xetra closing price was € 1.50, which represented a loss of only 4.5 % in comparison to the price on 31 August 2007 and only 10.7 % in comparison to the price on 29 August 2008.

Shareholder Structure

To the best of the Company's knowledge, the shareholder structure only changed slightly in the 2007/2008 financial year. The two Management Board members, Mr Schrader and Mr Dyckhoff, increased their shareholdings in SinnerSchrader AG over the year. Mr Schrader acquired 72,500 shares from the market in several single transactions, in which the company reported within the context of Directors' Dealings reports. Mr Dyckhoff acquired a further 12,500 SinnerSchrader shares by exercising options allocated in September 2002. On 31 August 2008 Mr Schrader and Mr Dyckhoff therefore directly held 20.9 % and 0.6 % respectively of all shares issued in SinnerSchrader AG.

SinnerSchrader AG did not receive any mandatory notifications according to Article 21 of the Securities Trading Act in the course of the 2007/2008 financial year. The proportion of treasury stock has fallen from 1.2 % to 0.4 % due to the use of some of the bought-back shares to pay the purchase price for the spot-media acquisition.

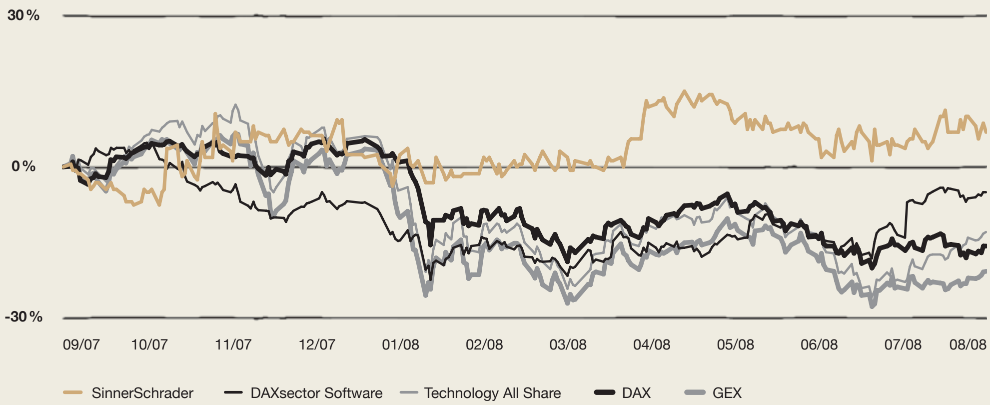
Investor Relations

SinnerSchrader AG continued its investor relations work in the 2007/2008 financial year as usual. The focus was on an extensive and transparent explanation of the business development in the financial reports. Furthermore, SinnerSchrader presented itself to interested investors at investor conferences, such as Deutsches Eigenkapitalforum, and conducted discussions, either in individual face-to-face meetings or on the telephone, with shareholders, analysts and representatives of the business press that continuously observe SinnerSchrader AG and comparable companies.

Since the 2005/2006 financial year, SES Research GmbH, Hamburg, has regularly published updated assessments of the SinnerSchrader figures and information on the development of the SinnerSchrader share.

Confidence, transparency and consistency are the guidelines of investor relations work at SinnerSchrader, and investor relations represent a major element of good and transparent company management within the meaning of the standards laid down in the Corporate Governance Code. All relevant information on the SinnerSchrader share can be found at any time by all shareholders and interested parties on the share website www.wkn514190.de or in the “Company” section on the SinnerSchrader website www.sinnerschrader.de.

SinnerSchrader Share Price Performance 2007/2008
in % +/– compared to Xetra closing prices on 31.08.2007

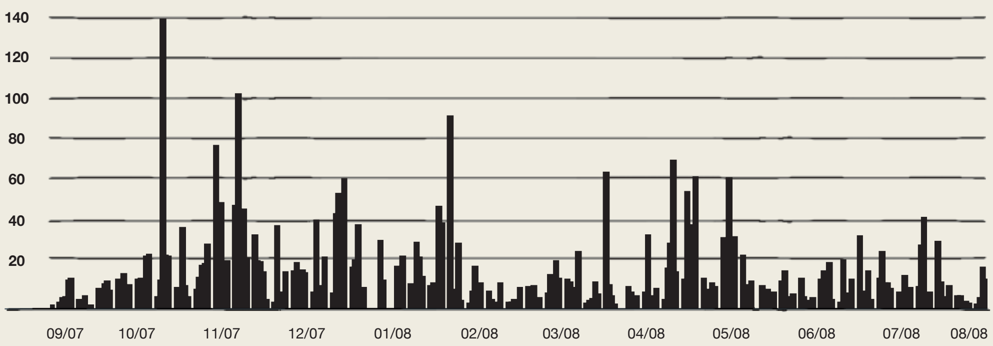


Share Price Performance Data 2007/2008[1)]

Price on 31.08.2007	€ 1.57
Price on 29.08.2008	€ 1.68
Price performance in 2007/2008	€ 0.11
In % of price on 31.08.2007	+7.0 %
Dividend paid in 2007/2008	€ 0.12
Total performance in 2007/2008	€ 0.23
In % of price on 31.08.2007	+14.6 %
Peak price	€ 1.85
Lowest price	€ 1.45
Shares outstanding as at 29.08.2008	11,497,597
Market capitalisation as at 29.08.2008	€ 19.3 million

[1)] In relation to Xetra prices

SinnerSchrader Share Sales Volume 2007/2008
in 000s in all relevant stock exchanges

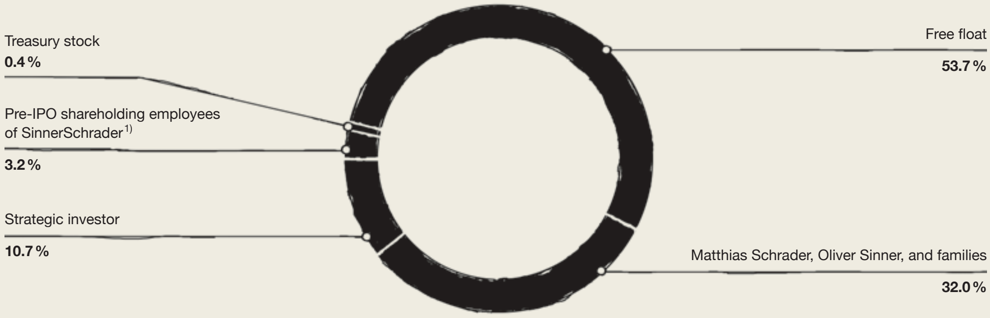


Volume Data for 2007/2008[1)]

Average volume per day in numbers	15,276
Average volume per day in €	€ 25,050
Peak daily volume in numbers	137,739
Peak daily volume in €	€ 220,479

[1)] In all relevant stock exchanges

Shareholder Structure
in % on 31.08.2008



Matthias Schrader, Oliver Sinner, and families	32.0 %
Strategic investor	10.7 %
Pre-IPO shareholding employees of SinnerSchrader[1)]	3.2 %
Treasury stock	0.4 %
Free float	53.7 %

[1)] If Board or consortium member

Corporate Governance at SinnerSchrader

Corporate Governance comprises all the values, principles, and rules governing corporate management and control. Since 2002, the Government Commission on the German Corporate Governance Code has published principles and standards which characterise good, responsible Corporate Governance, and all German companies listed on the stock exchange must declare their compliance with these principles each year. Since its creation, the Code has been continually modified on the basis of current knowledge and requirements. The present version is from 6 July 2008.

The Management Board and Supervisory Board of SinnerSchrader AG have always been committed to the principles in the German Corporate Governance Code which aim at good, transparent, value-oriented corporate management, and they welcome the development of Corporate Governance in Germany.

Company Boards

The management board of a stock corporation is appointed by the supervisory board and is independently responsible for managing the enterprise. It carries out business following the law, the statutes of the company and the rules of procedure decreed by the supervisory board for the management board. Under these rules, the management board is required to seek approval from the supervisory board prior to undertaking certain business transactions. The Management Board of SinnerSchrader AG currently consists of two members. The Chief Executive Officer, Matthias Schrader, has been appointed to the Board until 31 December 2010. On 19 December 2007, the Supervisory Board decided to extend the current appointment of the Chief Financial Officer, Thomas Dyckhoff, until 31 December 2012. Conflicts of interest according to Section 4.3 of the German Corporate Governance Code did not arise in the 2007/2008 financial year.

The Supervisory Board monitors the Management Board and advises it on the management of the Company. The key tasks of the Supervisory Board include acting as the representative of SinnerSchrader AG to the Management Board, appointing members of the Management Board, establishing the compensation for these members, commissioning the financial auditors, approving the Annual Financial Statements and Consolidated Financial Statements, and making decisions regarding the business transactions of the Management Board which require approval under the law, the Statutes of the Company, or the rules of procedure.

The Supervisory Board of SinnerSchrader AG consists of three members which were elected by the Annual General Meeting. Its three current members are Chairman Prof. Dr Reinhard Pöllath, Deputy Chairman Dieter Heyde and Prof. Cyrus Khazaeli. All members have been elected to the Supervisory Board until the end of the Annual General Meeting which will vote on discharging the Supervisory Board of its duties for the 2007/2008 financial year. Conflicts of interest according to Section 5.5 of the German Corporate Governance Code did not arise in the 2007/2008 financial year.

Compensation Report for the Management Board and Supervisory Board

In accordance with the Management Board Compensation Disclosure Act, detailed information on the compensation of the Board members can be found in the “Compensation System for the Company Boards” section of the Joint Status Report on page 31 and in the “Other Information” section of the Notes to the Annual Financial Statements of SinnerSchrader AG on page 91 of this financial report.

In the latest version of the German Corporate Governance Code, the rules for payments to members of the Management Board upon their early release from their management contract without cause were upgraded from the status of guidelines to that of recommendations. The Supervisory Board therefore concluded additional agreements on these questions with the Management Board in the course of the 2007/2008 financial year.

Shares Held by Board Members

An overview on page 96 of this report provides information on the shares and share derivatives held by the members of the Management Board and Supervisory Board as of 31 August 2008, as well as any changes reported in the 2007/2008 financial year. The shares held by the Management Board comprise around 21.6 % of the shares issued by SinnerSchrader. This proportion rose by 0.8 % over the course of the 2007/2008 financial year due to purchases on the stock exchange and the exercising of share options. The shares held by the Supervisory Board make up less than 1 % of the total shares issued.

Directors' Dealings

According to Article 15a of the German Securities Trading Act, the Board members, other individuals in management positions, and persons closely connected to the Board members or individuals in management positions are obliged to disclose the purchase or sale of SinnerSchrader shares or derivatives related to these shares to SinnerSchrader AG if their equivalent value during the year exceeds a total of € 5,000. In the 2007/2008 financial year, the Company received such notifications from Mr Schrader about the purchase of SinnerSchrader shares, which SinnerSchrader in turn disclosed in accordance with the regulations set out in the German Securities Trading Act.

Accounting Principles

Following EU Regulation 1606/2002, the accounting of the SinnerSchrader Group has been carried out according to International Financial Reporting Standards since the 2005/2006 financial year. Prior to this, United States Generally Accepted Accounting Principles ("US-GAAP") were used. The Annual Financial Statements of SinnerSchrader AG continue to be prepared in accordance with the accounting regulations of the German Commercial Code.

The Annual and Consolidated Financial Statements were audited by an auditing firm which declared its independence to the Supervisory Board and which was chosen by the Annual General Meeting on 19 December 2008 for this task.

Declaration of Compliance

On 19 December 2008, the Supervisory Board and Management Board of SinnerSchrader AG submitted a declaration of compliance based on the version of the German Corporate Governance Code from 14 June 2007 in accordance with Article 161 of the German Stock Corporation Act. This declaration is reprinted in the following, and it is also permanently available to all shareholders and other interested parties on the www.wkn514190.de website or in the "Investors" section under the heading of "Corporate Governance" on the www.sinnerschrader.de company website together with the current version of the Code. In December 2008, the Management Board and Supervisory Board will renew this declaration on the basis of the current version of the Code from 6 June 2008.

Declaration of the Management Board and Supervisory Board on the Recommendations of the Government Commission on the German Corporate Governance Code According to Article 161 of the German Stock Corporation Act

The Management Board and Supervisory Board of SinnerSchrader declare that the recommendations of the Government Commission on the German Corporate Governance Code in the version of 14 June 2007 were met, with the following restrictions, in the 2007/2008 financial year (01.09.2007–31.08.2008) and will be met in the current 2008/2009 financial year (01.09.2008–31.08.2009) and in future:

Management Board
Section 4.2.3:
Variable compensation components and share options have been waived in the compensation package of Mr Matthias Schrader, CEO of SinnerSchrader AG, due to Mr Schrader's high proportion of shares in the Company.

Section 4.2.3:
The share options awarded so far to other Management Board members originate from the 1999 and 2000 Stock Option Plans adopted by the Annual General Meeting. In accordance with the conditions adopted by the Annual General Meeting, the exercise criteria for the options involve reaching a share price increase of 20 % above the average price of the SinnerSchrader share on the ten trading days prior to allocation, waiting periods of two, three, and four years, and a term of six years. The option conditions make no provision for a cap in the event of extraordinary, unforeseen developments.

No cap was set on the share-based bonus component awarded to a Management Board member in early 2005 either, because a cap would run counter to the intended incentive effect, especially where there are waiting periods of several years.

Supervisory Board
Section 3.8:
D&O insurance with no excess has been taken out for the members of the Supervisory Board because an excess would be disproportionate in view of the relatively low compensation.

Section 5.3.1 ff.:
The Supervisory Board has not formed any committees because it only comprises three members.

Hamburg, 19 December 2007
SinnerSchrader Aktiengesellschaft

For the Supervisory Board	For the Management Board
Reinhard Pöllath	Matthias Schrader

Reinhard Pöllath, Chairman of the Supervisory Board

Report of the Supervisory Board

The Supervisory Board closely followed the business development of SinnerSchrader Aktiengesellschaft and its subsidiaries in the 2007/2008 financial year. At Supervisory Board meetings and in monthly reports, the Management Board kept the Supervisory Board informed of strategy, planning, business development and the current situation as well as important business transactions. Furthermore, there were written, telephone and personal exchanges between the Management Board and the Supervisory Board with regard to current issues. On this basis, the Supervisory Board discharged its duties as required by law and the Statutes and supervised the business conduct of the Management Board.

Supervisory Board Meetings
The Supervisory Board met for six ordinary meetings on 10 October 2007, 2 November 2007, 19 December 2007, 31 March 2008, 30 June 2008 and 29 August 2008. Furthermore, the Supervisory Board also made decisions by way of circulation on 6 November 2007, 12 December 2007, 10 January 2008, 30 January 2008 and 16 April 2008. All of the members were present at all of these meetings. The meetings took place in the presence of the Management Board.

Main Focuses of Consultation
In its meetings, the Supervisory Board dealt with the course of business of the SinnerSchrader Group in the 2007/2008 financial year, in particular with the effects of the reorganisation implemented in the previous year. Another focus of the Supervisory Board's work was the Management Board's proposals concerning investments in the take-over of companies or about setting up new business segments. Business planning for the 2008/2009 financial year and the use of the authorisation to buy back SinnerSchrader shares were important issues for the work of the Supervisory Board.

At its meeting on 2 November 2007, the Supervisory Board concerned itself thoroughly with the Consolidated Accounts and the Annual Report of SinnerSchrader Aktiengesellschaft for the 2006/2007 financial year and approved both sets of accounts on 6 November 2007 by way of circulation. At the same time, the Supervisory Board agreed to the suggestion of the Management Board to propose to the Annual General Meeting the payment of a dividend in the amount of € 0.12 per share.

Constitution of the Boards
After being a member of the SinnerSchrader AG Supervisory Board for five years, Mr Frank Nörenberg, Hamburg, resigned his office as of 12 November 2007. Mr Nörenberg is owed great thanks for his work, with which he helped to guide SinnerSchrader through the difficult years of 2002 to 2004 and to bring it back to a profitable growth path. On 13 November 2007 Prof. Cyrus Khazaeli, Berlin, was appointed ex officio to the Supervisory Board upon the application of the Management Board pursuant to Article 104 of the German Stock Corporation Act. The Annual General Meeting of SinnerSchrader AG on 19 December 2007 confirmed the mandate for Mr Khazaeli.

By virtue of a resolution of 19 December 2007 the Supervisory Board appointed Mr Thomas Dyckhoff, whose appointment as Finance Director expired as of 31 December 2007, to the Company's Management Board for another five years.

Corporate Governance
On 19 December 2007, the Supervisory Board together with the Management Board issued the Declaration of Conformity to the Corporate Governance Code required according to Article 161 of the German Stock Corporation Act in its version of 14 June 2007; this documents the general compliance with the courses of action recommended by the Code.

Consolidated and Annual Financial Statements
The accounts and the Annual Financial Statements of SinnerSchrader AG as well as the Consolidated Financial Statements including the Joint Status Report of the Group and SinnerSchrader AG, which were drawn up in accordance with International Financial Reporting Standards as required under Article 315a para. 1 of the German Commercial Code for the 2007/2008 financial year as of 31 August 2008 were audited by BDO Deutsche Warentreuhand Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Hamburg, at the request of the Supervisory Board and received an unqualified auditors' opinion. At its meeting on 3 November 2008, the Supervisory Board discussed the Annual and Consolidated Financial Statements and the Joint Status Report in depth in the presences of the auditors and the Management Board. The Annual and Consolidated Financial Statements and the Joint Status Report as well as the auditors' reports had been made available to the members of the Supervisory Board before the meeting. After a thorough examination and discussion of the financial statements, the status report and the auditors' reports, the Supervisory Board did not have any objections and endorsed the auditors' results. The Board approved both the Consolidated and Annual Financial Statements on 3 November 2008. The Annual Financial Statements are thereby adopted. At the same time, the Supervisory Board approved the Management Board's suggestion to propose to the Annual General Meeting that a dividend in the amount of € 0.12 per individual share be paid from the accumulated income as of 31 August 2008 and that any accumulated income remaining after the payout be carried forward to the new accounts.

Business Development
In the 2007/2008 financial year, SinnerSchrader grew organically through the reorganisation implemented in the past financial year, and dynamically by means of the take-over of spot-media AG while at the same time clearly improving its profitability. This means that SinnerSchrader is well on the way to becoming one of the leading marketing service providers of the Internet age in Germany. Further steps for growth are necessary. The Supervisory Board will support the Management Board in taking these steps without losing sight of the risks. Against the background of the considerable deterioration of the economic environment and the threat of a recession during the 2008/2009 financial year that could be seen in September and October 2008, perceptiveness and caution are especially important. However, the continuing growth in the importance of the Internet, secures the fundamental drivers for business development, meaning that growth is possible for SinnerSchrader, even in difficult conditions.

In the 2007/2008 financial year, the Management Board and staff continued their outstanding work of the previous year and advanced the Group's performance for its customers a considerable way forwards. The newly joined employees from spot-media AG have contributed positively to development from the first day. The Supervisory Board would like to thank all employees for their successful work in the 2007/2008 financial year.

Hamburg, 3 November 2008

Prof. Dr Reinhard Pöllath
Chairman of the Supervisory Board

JOINT STATUS REPORT
2007 | 2008

Joint Status Report of SinnerSchrader AG

32 General
32 Group Business and Structure
33 Market and Competitive Environment
35 Business Development and Group Situation
42 Development and Situation of SinnerSchrader AG
44 Compensation System for the Company Boards
46 Supplementary Information Required according to Article 289 Para. 4 and Article 315 Para. 4 of the German Commercial Code
47 Risks and Opportunities for Future Business Development
50 Major Events after the Balance Sheet Date
51 Forecast

Joint Status Report

1 General

The following Status Report is the joint Consolidated Status Report and Group Status Report of Sinner-Schrader Aktiengesellschaft (“SinnerSchrader AG” or “AG”) for the 2007/2008 financial year from 1 September 2007 to 31 August 2008. It represents the development of the income, financial, and assets status of the SinnerSchrader Group (“SinnerSchrader” or “Group”) and the AG in the 2007/2008 financial year and addresses the key risks and opportunities and the probable future development of business. Unless explicit reference is made to the AG, the statements refer to the Group.

The Consolidated Financial Statements for 2007/2008 were drawn up according to International Financial Reporting Standards (“IFRS”). The 2007/2008 Annual Report of the AG still follows German accounting regulations.

The Status Report and the Group Status Report contain statements and information aimed at the future, especially Section 10. These can be recognised by the use of words such as “expect”, “anticipate”, “forecast”, “intend”, “plan”, “strive”, “estimate”, and “become”. Such forward-looking statements are based on current knowledge, estimates, and assumptions and therefore entail a number of risks and uncertainties. A variety of factors, many of which are outside SinnerSchrader’s sphere of influence, have an impact on business development and results. These factors mean that the actual future business development of SinnerSchrader and the actual results achieved may differ significantly from the explicit or implicit information in the forward-looking statements.

2 Group Business and Structure

2.1 Business Activities

SinnerSchrader offers its customers a comprehensive range of services for the use of interactive technologies – especially the Internet – to optimise and further develop their business. The emphasis is on the customised conception, development, maintenance and optimisation, marketing, operation, and assessment of the success of websites for the establishment and communication of brands, for the sale of goods and services, and for the acquisition and retention of customers.

SinnerSchrader is one of the biggest independent interactive agencies in Germany and provides its services from offices in Hamburg and Frankfurt am Main, mainly for companies based in Germany.

2.2 Structure of the Group

In the 2007/2008 financial year, the structure of the Group developed in two phases. First of all, the process of reorganising the operative organisation which started in May 2007 was concluded in December 2007 under company law by merging the previously independent operating units Sinner-Schrader Neue Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH into SinnerSchrader Deutschland GmbH. This brought the Group’s operating business under the umbrella of SinnerSchrader Deutschland GmbH once again.

Thanks to the acquisition and consolidation of subsidiaries, the business portfolio managed by SinnerSchrader AG was then expanded in early February 2008 and April 2008 through a 100 % share in spot-media AG and a 20 % share in activeGATE GmbH. spot-media AG is an established interactive agency in Hamburg which focuses on content management and on updating and maintaining large

Graphs representing key data from the Joint Status Report can be found in the chapter “Graphs Illustrating the Consolidated Status Report” from page 52. They are not part of the audited Status Report.

portal and shop sites on the one hand, and on designing and implementing website projects for SME clients on the other. activeGATE GmbH is a company for the marketing and further development of the activeGATE online communication solution which was founded in April 2008 with the participation of SinnerSchrader AG.

The Group still also includes the foreign subsidiaries SinnerSchrader UK Ltd, London, UK and SinnerSchrader Benelux BV, Rotterdam, the Netherlands, which were once again not operatively active in the 2007/2008 financial year.

SinnerSchrader AG acts as the managing holding company of the Group and is responsible for the central provision of infrastructure and administrative services, financing the operating business, administering the liquidity reserves, and controlling the Group.

3 Market and Competitive Environment

The 2007/2008 financial year of the SinnerSchrader Group took place in a friendly overall economic environment. The growth rates of the gross domestic product ("GDP") in Germany were at a good level, even though the dynamic economic growth of the previous year began to wane. In the second half of 2007 and the first half of 2008, the GDP rose by 2.0 and 2.4 %, respectively, according to Germany's Federal Statistical Office. In the second half of 2006 and the first half of 2007, the growth rate was still 3.3 % and 3.0 %, respectively.

The available statistics for the sectors of advertising/marketing and IT services relevant to SinnerSchrader in relation to the 2007/2008 financial year show a similar picture of comparatively good but slowing growth, with the development of the advertising market being much weaker than that of the market for IT services.

In October 2008, Nielsen Media Research reported that gross advertising investments had increased by 1.2 % in the first nine months of 2008. Nielsen Media Research had identified growth of 3.7 % in 2007. The figures from the Zentralverband der deutschen Werbewirtschaft e.V. (Central Association of the German Advertising Industry) point in the same direction, according to which total advertising investments are expected to grow by 1 % or less in 2008, compared with growth of 1.8 % in the previous year.

As far as the market for IT services is concerned, in March 2008 the industry association BITKOM assumed a growth rate for IT services in the amount of 6.6 % for the current year in the ITK market figures it published; a rate of 7.9 % was achieved in 2007.

However, in the 2007/2008 financial year, the main impetus for the business development of interactive agencies like SinnerSchrader was still the number of Internet users as well as the frequency and intensity with which they use the Internet.

In this connection, the annual ARD/ZDF online study, which is based on a survey conducted in March and April of the reporting year, reports that the number of Internet users over the age of 14 in Germany rose by 1.9 million to 42.7 million people between spring 2007 and spring 2008. That is a rise of 5 %, which was only slightly below the growth recorded in 2007. This means that at the time of the survey, 65.8 % of all people over the age of 14 in Germany used the Internet at least occasionally, which represents an increase in the range of 3.1 percentage points in comparison to the results of the study in 2007.

41.7 million or 98 % of all Internet users in the ARD/ZDF study said that they had used the Internet in the last four weeks. The ACTA 2008 study published by the Institut für Demoskopie (Institute for Public Opinion Research) in Allensbach in October 2008 reported that the proportion of Internet users who are online once or several times a day is 59 %. Applied to the total number of 14- to 64-year-olds in Germany who were surveyed in the study, this means that 45 % now use the Internet every day. The rise by 6 percentage points in comparison to 2007 is especially striking. According to ACTA 2008, there has not been such a marked increase in usage frequency in the last five years. This means that between 2007 and 2008, the Internet acquired an even stronger foothold in the everyday lives of large sections of the population.

The 2008 ARD/ZDF study identified a daily usage period of an average of 58 minutes for all Internet users, which is a rise of 4 minutes over the previous year. In spite of this rise, television still dominates media behaviour across all age groups with an average of 223 minutes of use every day. However, a look at those aged between 14 and 19 shows the change in average usage behaviour that is likely in the years ahead. For the 14- to 19-year-olds, of whom over 97 % are now online, the Internet is already the primary medium. Every day, they spend an average of 120 minutes on the Web, significantly more time than in front of the television (100 minutes) or listening to the radio (97 minutes).

Consequently, e-commerce revenues reveal that the Internet is still the “distribution channel with the most dynamic growth”. This was noted by the market research company GfK AG in the spring of 2008 when it published the e-commerce revenue figures for 2007. According to GfK, the volume of goods and services that German consumers ordered over the Internet rose by around 12 % to € 17.2 billion in 2007. In view of the overall decline in private consumption in 2007 because of the increase in VAT as of 1 January, the Internet has clearly strengthened its relative position compared to other sales channels. In the forecasts of GfK and the Central Association made by German Retailers (“HDE”), this trend towards disproportionate growth rates for the Internet as a distribution channel will be maintained in the years ahead. The HDE is expecting growth in e-commerce revenues of over 9 % in 2008.

These developments are exemplary in underlining SinnerSchrader’s expectation that in future, interactive consumers will determine how successful marketing will have to be conceived and designed. Adjusting to interactive consumers is therefore one of the key challenges for marketing in the years ahead.

The figures from the Online Marketing Group (“OVK”) of the Bundesverband Digitale Wirtschaft (German Federal Association of the Digital Economy) show that growing shares of total advertising expenditure are already being invested in the quest for interactive consumers. For years, expenditure on online advertising, including search engine and affiliate marketing, has been growing well above the average, and in 2007 it reached € 2.7 billion. According to the OVK in its “Online-Report 2008/01”, this already corresponds to a share of around 12 % of total gross advertising expenditure. In its 2008/02 Report , the OVK predicted further growth of 25 % to reach € 3.6 billion in 2008, which will mean that the relative importance of online advertising will continue to increase.

The fundamental growth parameters for interactive agencies have thus not weakened during the reporting year, but have actually strengthened to a certain extent. This could also be seen in the New Media Service Ranking published by the Bundesverband Digitale Wirtschaft in April 2008, according to which interactive agencies and/or multimedia services in Germany grew by an average of 19 % in 2007 in comparison to the previous year and expected revenue rises of a good 21 % on average for 2008.

As the New Media Service Ranking of April 2008 shows, the competitive landscape is still heavily fragmented. Since the end of 2006, there have been repeated company mergers, usually where one of the top 10 agencies from the ranking acquired a smaller agency. For example, in December 2006, Syzygy AG acquired the majority of the media agency GFEH Gesellschaft für elektronischen Handel mbH; in 2007, Pixelpark AG merged with Elephant Seven AG and bought Xplain GmbH, and I-D Media AG acquired a majority in MEDIAL Gesellschaft für digitale Medien mbH. By taking over spot-media AG, SinnerSchrader continued the trend in the reporting year towards initial consolidation steps in the industry. This trend shows that theinteractive agency industry agencies has become firmly established and the leading representatives are arming themselves for the growing importance of the industry among advertising and marketing service providers.

4 Business Development and Group Situation

SinnerSchrader has been able to use the positive environment in the 2007/2008 financial year for the dynamic development of its own business. The ambitious goals for revenues, profit, and margin development were achieved organically; furthermore, additional growth opportunities were realised through initial investments in the purchase and establishment of new subsidiaries.

In the end, a total of € 24.2 million in gross revenues, an operating result (EBITA) of € 2.3 million, and a gross revenue margin of 9.5 % were posted for the Group's 2007/2008 financial year. Over € 21 million in revenues, an EBITA of between € 1.8 and € 1.9 million, and a margin of between 8.5 % and 9.0 % were planned for the year.

This means that SinnerSchrader has improved the gross revenues by 30 %, the EBITA by 121 %, and the gross revenue margin by 3.9 percentage points in comparison to the previous financial year.

The consolidated income rose by 58 % to approximately € 1.6 million, or € 0.14 per share. Due to the depreciation effects on the investments made in the new subsidiaries, the growth was somewhat more subdued than in the operating results figures.

In spite of the liquidity outflows for investments in the amount of € 2.1 million, the liquidity reserve of the balance sheet date of 31 August 2008 was just under € 9.1 million and therefore only around € 1.4 million below the level of one year ago. Due to the balance sheet expansion following the initial consolidation of spot-media AG, the shareholders' equity fell from 75 % in the previous year to a still solid 65 %.

In 2007/2008 SinnerSchrader had the best year so far in its corporate history and has now surpassed the brief boom phase of 1999 and 2000 with respect to results.

The development of the key indices for business development and the Group's asset and financial situation as of the balance sheet date will be described in the following sections.

4.1 Revenues

In the 2007/2008 financial year, SinnerSchrader increased the gross revenues from € 18.6 million in the previous year to € 24.2 million. The increase of € 5.6 million corresponds to a growth rate of 30 %. This means that SinnerSchrader's business development became more dynamic in the year covered by the report; in the previous year, the gross revenues rose by € 2.8 million or 17.5 %.

The pleasing growth in revenues is the result of the organic expansion of the previous business under the "SinnerSchrader" brand in SinnerSchrader Deutschland GmbH on the one hand, and the acquisition of the interactive agency spot-media AG in early February 2008 on the other. In principle, spot-media AG is active in the same business sector as SinnerSchrader Deutschland GmbH. However, its services are complementary to those of SinnerSchrader Deutschland GmbH: On the one hand, it has a different technological basis, and on the other, it is primarily concerned with the updating and maintenance needs of large web portals and shops as well as SME clients with small to medium-sized project budgets.

In the 2007/2008 financial year, the business of SinnerSchrader Deutschland GmbH grew by € 3.6 million or a good 19 % to reach just under € 22.2 million in comparison to the partial Group's business in the previous year. spot-media AG, which was fully consolidated in the Group from February 2008, contributed € 2.0 million to the Group revenues. If spot-media AG had belonged to SinnerSchrader from the start of the financial year, the Group's gross revenues would have been € 25.6 million, with a spot-media AG contribution of € 3.4 million.

€ 17.5 million or 72.5 % of the Group's gross revenues was earned in project and operational services, which also includes the entire spot-media business. The remaining € 6.7 million or 27.5 % of the Group's gross revenues was accounted for by the media services, including the invoiced media budgets of SinnerSchrader Deutschland GmbH. SinnerSchrader grew by 30 % in comparison to the previous year in both service segments.

The Group's net revenues, which are calculated on the basis of the gross revenues by deducting the invoiced media budgets, were € 18.3 million in the 2007/2008 financial year. SinnerSchrader's business also grew by just under 30 % in comparison to the previous year with respect to net revenues. Around half of this growth is due to the purchase of spot-media AG. 95.5 % of the net revenue was earned from project and operating services, 4.5 % from media services without invoiced media budgets.

Major customer relations, some of which have been in place for many years, were a key source of the organic revenue growth achieved in the financial year, both in project and operating services and in media services. In the 2007/2008 financial year, SinnerSchrader earned around € 2.8 million more here than in the previous year in terms of gross revenues. The development of the Internet as the key medium for the establishment and maintenance of customer relations, for placing advertising and marketing messages, and for handling critical steps in the sales process has put the subject back onto the management agenda of most clients and has resulted in a growing willingness to invest in the relevant Internet and online activities.

SinnerSchrader Deutschland GmbH earned revenues of around € 0.8 million from customers acquired in the 2007/2008 financial year. Even though the new customer rate was comparatively low at 3.5 % of gross revenues, the first orders from the Scout24 Group and Deutsche Post represented the beginning of customer relations with a great deal of potential.

Because of the growth with major existing customers in particular, the share of the Group's gross revenues accounted for by the ten biggest customers rose from 84 % in the previous year to 89 % in the 2007/2008 financial year. This was also a result of the fact that SinnerSchrader Deutschland GmbH has been responsible for managing the media services of the biggest client of spot-media AG for many years. In terms of net revenues, the share of the top 10 customers in the year covered by the report was 86 %. SinnerSchrader earned revenues of over € 2 million each with three customers; with three other customers, the revenues of the year covered by the report were over € 1 million each. The share accounted for by each of the biggest customers was around 35 % of the gross revenues and 16 % of the net revenues.

In total, the number of customers rose by 9 to 70 customers, mainly as a result of the purchase of spot-media AG. Clustered according to segments, customers from the Retail & Consumer Goods sector represented the customer group with the highest gross revenues, as in the previous year. Particularly since spot-media AG focuses on this sector, the share of customers from this sector rose from 37 % of the Group's gross revenues in the previous year to 45 %. The second most important sector for the SinnerSchrader Group is still the Financial Services sector with a 22 % share of gross revenues; however, the share fell by around 3 percentage points in comparison to the previous year. The Transport & Tourism and the Telecommunications & Technology sectors each accounted for around 15 % of total gross revenues, with above-average growth especially among customers in the Telecommunications sector in the 2007/2008 financial year resulting in a rise of around 3 percentage points in this sector's share. In contrast to this, the proportion of customers in the Media & Entertainment sector fell heavily; the revenue share of these customers fell from 12 % to 2 %. After changing its business model in the summer of 2007, the customer Arena greatly reduced its Internet budget, which could not be compensated for by increases in other customer relations in this sector. The remaining revenue percentage point is due to other, non-assigned customer relations.

In terms of net revenues, the revenue distribution situation according to sectors has changed markedly because of the concentration of media services business on customers from the Retail & Consumer Goods sector. As regards net revenues, the share of the Financial Services sector is just ahead of the Retail & Consumer Goods sector, with around 28 % of the net revenues being accounted for by each of the sectors. The other sectors are also relatively more significant as regards net revenues: in the 2007/2008 financial year, Transport & Tourism, Telecommunications & Technology, and Media & Entertainment accounted for 20 %, 19 %, and 3 % respectively of the Group's net revenues.

Business activity in the course of the year continuously grew dynamically in the project and operational services sector, to which the initial consolidation effects from the acquisition of spot-media AG also contributed. Following a somewhat restrained start in the first quarter, with revenues only around 1 % above the previous quarter, revenues in the remainder of the 2007/2008 financial year rose from quarter to quarter at rates of between 9 % and 10 %. The importance of Christmas business and the performance-related revenue components paid at the end of each calendar year can be seen in the media services business. As in the previous years, this resulted in the fact that the first and second quarter were the two strongest quarters of the financial year.

In each quarter, the comparative value of the previous year was greatly exceeded. In the third quarter, the difference to the previous year was the highest, at a good 44 %. This is partly due to the fact that revenues in the third quarter of 2006/2007 were impaired by the then ongoing process of reorganisation. The development in the 2007/2008 financial year has shown that the course set by the reorganisation was right and has released the internal brakes on growth.

4.2 Operating Result

In the 2007/2008 financial year, the good revenue development brought about an even better development in the operating result. The EBITA, the earnings before interest, taxes, and depreciation effects from acquisitions, more than doubled, rising by just under € 1.3 million to € 2.3 million in the year of the report.

A good € 1.1 million of this was accounted for by the increase in gross profit remaining after deduction of media and revenue costs from the gross revenues. Another € 0.1 million, approximately, came from lower general and administrative costs as well as research and development costs.

In the 2007/2008 financial year, the general and administrative costs were lower than those of the previous year, especially because the previous year was encumbered by the costs of the reorganisation process in the amount of approximately € 0.6 million. Reorganisation costs of just € 0.1 million were incurred in the year of the report. The low research and development costs were a result of the high utilisation of technical resources which did not permit work on a large scale. In terms of content, the research and development work had to largely limit itself to the updating and maintenance of the component library for the realisation of shop applications.

Small rises in marketing expenses and a fall in the positive balance from other income and expenses have compensated for the positive effects on profit from the other items in the Statements of Operations to only a minor extent.

Thanks to the greatly disproportionate rise in the EBITA, the operating profitability of SinnerSchrader has improved significantly: at 9.5 %, the ratio between EBITA and gross revenues was only slightly below the medium-term target corridor of 10 % to 12 %. In the previous year, the comparable value was 5.6 %. In terms of net revenues, the EBITA margin in the 2007/2008 financial year achieved a value of 12.6 % in comparison to 7.4 % one year earlier.

The positive margin development was due to the fact that the strong growth in revenues was achieved without a rise in the operating costs not directly attributable to revenues. The sales, general, and administrative costs as well as the R&D costs actually fell by a good € 0.1 million in comparison to the previous year, as explained earlier; this was due in particular to the disappearance of the reorganisation costs. As a result, the proportion of these costs in relation to the gross revenues fell by just under 6 percentage points in comparison to the previous year.

This rise in the margin was tempered slightly by the reduction in the gross margin, the ratio of gross profit and gross revenues by 1.6 percentage points. In the 2007/2008 financial year, the gross margin reached a value of just under 25.6 % in comparison to 27.2 % in 2006/2007. In addition to another slight fall in the gross margin in media business, the disproportionately large rise in the use of freelancers and subcontractors above all has negatively affected the gross margin in the SinnerSchrader Group.

Because of a tight personnel market in the interactive sector, SinnerSchrader was only able to expand its personnel capacity in the 2007/2008 financial year disproportionately by around 23 %, from an average of 145 full-time employees in 2006/2007 to an average of 179 full-time employees in the year of the report. This, and the fact that primarily junior employees were hired, resulted in a considerable increase in the demand for freelancers and subcontractors to carry out the projects. The expenditure for bought-in goods and services therefore grew in the 2007/2008 financial year by 57 % in comparison to the previous year, reaching € 2.7 million. In contrast, the personnel costs rose moderately in relation to revenue growth by 15 % to € 10.3 million. The increases in depreciations and other operating costs by 26 % and 23 %, respectively, to € 0.5 million and just under € 2.6 million remained lower than the growth rate of revenues. In this connection, just under half of the increase in other operating costs was due to the fact that cuts in rent made after the move into the new office premises at the Hamburg location in the previous year were no longer offered in the year of the report.

Between a quarter and a third of the EBITA increase was earned by spot-media AG after its initial consolidation as of 1 February 2008. Including the positive contributions from spot-media AG, the Group operating result improved continuously over the quarters of the financial year, from € 0.3 million in the first quarter to over € 0.9 million in the fourth quarter.

The operating margin (EBITA to gross revenues) in the fourth quarter was 14.4 %. The medium-term target corridor for the development of operative profitability of 10 % to 12 % was thus achieved for the first time and even surpassed in the fourth quarter. This also applies even if the larger cost blocks for the Annual Report, the Annual Financial Statements, and the next conference organised by SinnerSchrader are not posted in the quarter in which they were incurred, but are spread evenly over the year due to adjustments to the quarterly accounts. SinnerSchrader's operating development continued to follow an upward trend in the 2007/2008 financial year.

4.3 Annual Result

Supported by the operating development, the consolidated income also improved considerably in the year of the report, rising from around € 1 million in the previous year to € 1.6 million. However, at around 58 %, the rate of increase fell in comparison to the dynamic growth of the EBITA, to which all non-operating profit components contributed.

A negative effect on income of around € 0.1 million resulted from the depreciation of an intangible asset which had to be activated in the Group balance sheet within the context of the purchase price allocation implemented in the initial consolidation of spot-media AG according to the rules of IFRS 3. Unlike the goodwill arising as a residual factor from the purchase price allocation, scheduled depreciation must be carried over the expected usage period for identifiable intangible assets that can be valued.

Another € 0.25 million of depreciations were necessary on participations and loans to participations. In the course of the 2007/2008 financial year, SinnerSchrader acquired a 20 % share in the start-up activeGATE GmbH for this amount with an option of acquiring the majority. The aim of activeGATE GmbH is to market and further develop an ASP solution for online communications to support marketing campaigns and processes. Due to the disappointing development of the company's business, its continuation is currently in question. The participation was therefore valued at € 0 within the context of an impairment test, and the book value to date has been written off.

There were no comparable depreciation components to be posted in the previous year because SinnerSchrader only started its investment activities in company take-overs and participations in December 2007 after completion of the reorganisation.

In the 2007/2008 financial year, SinnerSchrader earned just under € 0.4 million from investments in liquid funds; this result was at the same level as the previous year, meaning that there was no contribution to the Group's growth from this. Due to the liquidity outflows for the first payment of a dividend in December 2007, the purchase of spot-media AG in February and May 2008 as well as the investment in activeGATE GmbH, an average of € 0.9 million fewer funds were available for investment throughout the 2007/2008 financial year than in the previous year. With an unchanged investment strategy, which was based on short-term investments in the money market, another rise in interest rates at the short end compensated for the negative effect from the lower amounts invested. The 1-month Euribor and the 3-month Euribor listed over the entire reporting period were over 4 % and reached average values of 4.4 % and 4.7 %, respectively.

The development of taxes on income also hampered the growth of the net income. After the disappearance of the one-off effect from the posting of the claims for reimbursement of the corporation tax credits of € 0.1 million in the previous year, the tax rate rose from 28.2 % to 31.1 %. Positive effects on the tax rate from a tax-optimised investment of liquid funds were consumed by the non-deductibility of the depreciations from the activeGATE participation. To conclude, taxes on income of a good € 0.7 million were posted in the Group Statements of Operations for the 2007/2008 financial year in comparison to € 0.4 million in the previous year.

With a largely unchanged number of outstanding shares of just under 11.5 million, this represents earnings per share of € 0.14 for the 2007/2008 financial year. In 2006/2007 SinnerSchrader achieved € 0.09 per share.

4.4 Cash Flows

Starting from the amount of liquid funds and cash equivalents on 31 August 2007 of € 10.5 million, funds in the amount of € 1.4 million flowed out of the company in the 2007/2008 financial year, with the result that SinnerSchrader still had liquid funds and cash equivalents of around € 9.1 million on 31 August 2008.

Major outflows of funds in the reporting period resulted from
- the payment of the dividend to the SinnerSchrader AG shareholders in the amount of € 1.36 million,
- direct payments to the sellers of spot-media AG, which were around € 1.8 million after deduction of the liquid funds taken over with spot-media AG,
- payments for the repurchasing of treasury stock in the amount of around € 0.3 million, some of which was used to pay the purchase price for spot-media AG,
- the capital payment and the loan extended in this context in the amount of € 0.25 million into activeGATE GmbH for the purchase of a 20 % share, and
- payments for the renewal and extension of the operating fixed assets in the amount of just under € 0.5 million.

The fund outflows totalling € 4.2 million, which are posted in the Statements of Cash Flows partly in the cash flows from investment activities and partly in the cash flows from financing activities, were countered by fund additions from the cash flows from operating activities of € 2.75 million. This means that the dividend payment, the operating investments, and some of the investments in company purchases and participations could be financed from the current operating cash flows.

The operating cash flows came almost completely from the net income corrected for non-cash components. Changes to the tying up of funds in the working capital including the reserves made only a minor contribution to the pleasingly high operating cash flows. In the previous year, funds in the amount of only € 0.9 million were generated from operating activities.

4.5 Asset and Financial Situation

In the 2007/2008 financial year, the Group's balance sheet total rose markedly by around € 3 million and was a good € 19.9 million as of 31 August 2008.

This rise is largely due to the acquisition of spot-media AG. The allocation of the total purchase price, including expected payments from a four-year earn-out component of € 3.4 million, resulted in goodwill in the amount of € 2.6 million and intangible assets for a contractual relationship with a customer of € 0.4 million as of the initial consolidation key date of 1 February 2008. Whereas the goodwill is not subject to scheduled depreciation according to IFRS 3 and the prescribed value reduction test as of 31 August 2008 did not result in a need for depreciation, the value of the contractual relationship with a customer to be activated had to be depreciated on a scheduled basis over a usage period of 29 months, with the result that its value was still € 0.3 million on 31 August 2008. Together with the growth of just under € 0.4 million in operating tangible assets also due to the addition of spot-media AG, the total assets including the Group's intangible assets rose overall by € 3.0 million.

The current assets without liquid funds and cash equivalents underwent a marked increase of around € 1.3 million. Above and beyond the acquisition of spot-media AG, the organic business growth also had an impact, with higher accounts receivable and works in progress.

The growth in fixed and current assets was partially balanced on the assets side by a reduction in liquid funds and cash equivalents of € 1.4 million on balance, which was also primarily associated with the spot-media purchase.

On the liabilities side, in addition to the rise in operating liabilities and tax reserves, there was primarily an increase in the other current and non-current liabilities, in which the expected payment obligations of just under € 1.0 million from the earn-out agreement with the sellers of spot-media AG, which were discounted to the balance sheet date, were posted. The balance sheet as of 31 August 2008 still did not contain any bank debts.

Because of the dividend payment agreed upon and implemented at the Annual General Meeting in December 2007, the shareholders' equity rose by only a good € 0.4 million and was thus highly disproportionate to the rise in the balance sheet total. The shareholders' equity rate therefore fell by around 10 percentage points to 65 %.

4.6 Employees

In the 2007/2008 financial year, an average of 179 people were employed full-time by the SinnerSchrader Group. This was 34 full-time employees or a good 23 % more than in the previous financial year. The organic expansion of employee capacity accounted for 5 of these full-time employees; the addition of the spot-media AG staff from 1 February 2008 increased the average number of full-time employees in the reporting year by 29 employees.

The organic growth rate of only 3 % documents the shortages of the experts in consultancy, technology, and creation on the labour market that SinnerSchrader needs. On the one hand, these shortages mean that not enough new employees could be found within the desired time frame and, on the other, it results in a comparatively high fluctuation rate. SinnerSchrader did not react to this situation in the reporting year with means that would have an effect in the short term, but instead turned to young employees and their in-house training as regards its personnel marketing, hiring policy, and personnel work. The capacity bottlenecks that this resulted in were balanced out by the greater use of outside service providers.

In spite of the inefficiencies resulting from this fluctuation in particular, productivity per full-time employee improved slightly measured in terms of net output per employee from around € 86,000 in the previous year to around € 87,000. The net output is calculated from the gross revenues minus media and outside costs.

At the end of the financial year, the SinnerSchrader Group had 241 employees, 13 of which were trainees, 26 students, and 2 interns. 61 employees work in consultancy, 35 in creation, 111 in technology, and 34 in administrative functions.

5 Development and Situation of SinnerSchrader AG

SinnerSchrader AG is the managing holding company of the SinnerSchrader Group. As in the previous year, its business activities mainly comprised guiding and controlling the operating Group companies and financing them, administering and controlling Group liquidity, managing the German tax integration, providing and administering the infrastructures jointly used by the Group companies, in particular the office space, centrally providing administrative services, and performing central Group tasks, such as investor relations work.

There is a profit and loss transfer agreement between SinnerSchrader AG and the German subsidiary SinnerSchrader Deutschland GmbH. This means that the profits and losses from operating business trading under the “SinnerSchrader” brand are also reflected in the individual result of the AG for the relevant year of the report, in each case as income from transfers of profits or as expenditure from transfers of losses. As of yet, there is no profit and loss transfer agreement with the subsidiary spot-media AG newly acquired in the 2007/2008 financial year. With respect to the provision of infrastructure and the central provision of administrative services, SinnerSchrader AG is in a direct business relationship with SinnerSchrader Deutschland GmbH; it charges it for the services rendered and earns its own revenues from this.

In the 2007/2008 financial year, the revenues were € 3.1 million in comparison to nearly € 2.5 million in the previous year. The main contributing factors to this rise were that some administrative functions, including the personnel department, have been once again organised in the AG in the wake of the reorganisation of the operating business of SinnerSchrader Deutschland GmbH and the merger of the subsidiaries SinnerSchrader Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH into SinnerSchrader Deutschland GmbH in 2007.

As a result, the various operating cost items increased in comparison to the previous year. The number of full-time employees working for the AG rose from 19 in the previous year to 21. This and salary rises resulted in personnel costs that were just under € 0.2 million higher at € 1.5 million. The other operating costs rose by almost € 0.2 million to € 1.8 million. Both depreciations and material costs rose by € 0.05 million to € 0.3 million and € 0.1 million, respectively. This means that there was no major effect on profit for the AG in the 2007/2008 financial year from the services sphere.

Income from the profit and loss transfer agreement was well above that of the previous year. In the 2007/2008 financial year, SinnerSchrader Deutschland GmbH had to transfer just under € 2.6 million to the AG. The comparable income for the previous year was € 1.4 million. The operating success of the 2007/2008 financial year is reflected in the rise. The Group EBITA according to IFRS rose by roughly the same amount. The fact that there was no effective profit and loss transfer agreement with spot-media AG for the reporting period was mainly compensated for by the differences between the two accounting systems with respect to revenue realisation.

As in the previous year, income of just under € 0.4 million was earned in the 2007/2008 financial year from investing the liquid funds that the AG administers and invests centrally for the SinnerSchrader Group. Unlike in the previous year, the majority of the income was earned from the sale of marketable securities and was thus attributed to other operating income, whereas the income last year mainly came from interest earned. A higher proportion of the interest earned than in the previous year had to be passed on to SinnerSchrader Deutschland GmbH because a higher proportion of liquid funds had to be assigned to it on average over the year.

In spite of higher shares in the income from investing the liquidity, the other operating income fell by around € 1.7 million in comparison to the previous year. This is due to the fact that in the previous year, income in the amount of € 2.0 million was earned from the value recovery in the participation approach of SinnerSchrader Deutschland GmbH. After SinnerSchrader Deutschland GmbH achieved the previous year's goals in the 2007/2008 financial year, the value determination as of 31 August 2008 confirmed the value of € 16.0 million. However, no further need for value recovery was identified in light of the continued low stock market evaluation for the SinnerSchrader Group and increased uncertainty about the development in the short term because of current developments in the world economy at the time of the evaluation.

A loss of € 0.25 million was incurred in the AG from the investment in activeGATE GmbH. The procurement costs for the 20 % share in the start-up as well as for an option to purchase a further 40 % were completely written off on 31 August 2008 because the business performance to date of activeGATE GmbH was well below expectations.

Mainly because of the disappearance of the income from the value recovery, the AG earnings before tax were € 2.0 million, around € 1.0 million below the previous year's value. Since this result exceeded the remaining loss carry-forwards of the tax integration managed by the AG, there was a tax burden in the AG for the 2007/2008 financial year for the first time for many years.

On balance, there was an annual net income of € 1.65 million, around half of the annual net income of the previous year and slightly above the Group's annual result. The Management Board and Supervisory Board made no allocations to other revenue reserves from this amount with the result that the full amount was posted as accumulated income in the Statements of Operations.

Although the purchase of spot-media AG by SinnerSchrader AG in January 2008 has not yet had a major impact on the Statements of Operations of the AG, the acquisition is the major source of change to the AG's asset and financial situation in comparison to the level at the end of the reporting year on 31 August 2008 and the level on 31 August 2007.

On the assets side, the shares in associated companies rose by the acquisition costs of spot-media AG, which were around € 3.5 million according to the regulations of the German Commercial Code ("HGB"). The purchase price was paid over the course of the 2007/2008 financial year in the amount of € 2.1 million in cash and € 0.4 million by the transfer of 256,917 shares of treasury stock, of which 116,031 had been bought back in the course of the 2007/2008 financial year. The remaining portion of the reported acquisition costs of just under € 1.1 million is formed by expected earn-out payments, which, according to the purchase contract, will be paid out in the years 2009 to 2012 when certain conditions are met. Provisions at the same level have been posted for these payments.

The increase in shares in associated companies was countered by decreases in all other items on the balance sheet. In particular, the volume of the liquidity reserve fell from just under € 10.3 million to just under € 9.0 million because of the investments in spot-media AG and activeGATE GmbH.

Overall, the total of all assets rose by € 1.9 million to € 30.4 million.

This increase was financed on the liabilities side in the amount of a good € 1.4 million by the formation of provisions for the earn-out obligations from the spot-media sale and for income tax payments. The current operating liabilities rose by € 0.2 million.

The SinnerSchrader AG shareholders' equity rose in the amount of the remaining balance of € 0.3 million. The rise from the annual net income of € 1.65 million was largely consumed by the dividend payment in the amount of € 1.35 million made in December 2007. This means that the shareholders' equity grew more slowly than the balance sheet total, with the result that the shareholders' equity rate of just under 98 % on 31 August 2007 fell to 93 % on 31 August 2008.

As of the key dates, the treasury stock had fallen from 140,886 to 45,185. Over the course of the financial year, a total of 173,716 shares of treasury stock were bought back on the stock exchange. By contrast, 269,417 shares of treasury stock were used within the context of the spot-media take-over and to service the exercise of employee options.

6 Compensation System for the Company Boards

6.1 Compensation System for the Management Board

The specification of the structure and the level of compensation for the Management Board is the duty of the Supervisory Board. The compensation of the Supervisory Board is determined by the Annual General Meeting.

The compensation system for the Management Board is aimed at paying the individual members appropriately according to their areas of activity and responsibility while taking adequate account of individual performance, company success, and the development of the share price by means of a substantial variable portion. It is made up of the following components:

- a fixed basic salary to be paid in twelve equal monthly instalments
- a performance-related annual bonus, partially on the basis of achieving individual goals and company goals laid down in the annual plan and partially as management bonuses based on the Group result
- a share-based payment component with a medium- to long-term incentive effect orientated on the relevant period
- other benefits (mainly company cars, accident insurance, D&O insurance with an excess, the reimbursement of expenses)

The individual weighting of each component takes account of the fact that the Management Board members hold varying stakes in the Company. As of 31 August 2008, Matthias Schrader, co-founder of SinnerSchrader AG, held 2,415,175 shares or 20.9 % of all shares issued. When Thomas Dyckhoff joined the Management Board of SinnerSchrader AG in 1999, he acquired 49,950 shares at the share price of the time, which he still holds and which correspond to 0.4 % of all shares issued. By exercising share options in the 2006/2007 and 2007/2008 financial years, he increased his proportion by 12,500 shares each time to 74,950 shares or 0.6 % of all shares issued.

The salary package of Mr Schrader therefore comprises only a fixed basic salary and the other benefits, whereas all components are part of Mr Dyckhoff's salary agreement. As a share-based compensation component, Mr Dyckhoff was, in connection with his reappointment for the period from 1 January 2008 to 31 December 2012, promised 75,000 share options from the 2007 Stock Option Programme, which was decided at the Annual General Meeting on 23 January 2007. The 2007 Stock Option Programme provides for an exercise price in the amount of the average closing price of the SinnerSchrader share on the five trading days before allocation, exercise thresholds of 30 %, 40 %, and 50 % above the exercise price, and waiting periods of three, four, and five years for one-third each of the allocated options.

Mr Dyckhoff had been promised a share-based bonus for the period from January 2005 to December 2007. The share-based bonus promise guaranteed a bonus, payable in January 2008, in the amount of the average closing price of the last ten trading days of 2007 minus € 1.61 for a notional number of 200,000 shares. For dividend payments, repayments from capital reductions, capital increases, and comparable events, the promise made provisions for adjustments, by means of which the recipient was not in a worse position than a shareholder who had held the shares over the same period.

The D&O insurance concluded for the members of the Management Board as part of the other benefits provides for an excess of € 10,000.

The members of the Management Board are subject to a post-contractual ban on competition which provides for remuneration for observing this period in the amount of 50 % of the most recent fixed annual compensation payment received. With respect to the compensation payments, it was agreed with the members of the Management Board that they must fulfil the recommendations of the Corporate Governance Code No. 4.2.3.

An individualised and itemised overview of the compensation for the members of the Management Board for the 2007/2008 financial year can be found in the Notes to the SinnerSchrader AG Annual Financial Statements.

6.2 Compensation System for the Supervisory Board

The compensation for the regular Supervisory Board members is composed of the following components in accordance with the Annual General Meeting resolution of 28 January 2004:

- basic compensation of € 4,000 per year
- variable compensation of a further € 4,000 per year maximum which is dependent on the increase in the consolidated income per share in comparison to the previous year, with a variable payment of € 400 being due for every € 0.01 positive change per share
- expenses
- D&O insurance without excess
- reimbursement of the turnover tax to be paid on the Supervisory Board compensation and the expenses

The Chairman of the Supervisory Board receives fixed and variable compensation that is double the compensation of the regular members. His deputy receives one and half times the fixed and variable compensation.

An individualised and itemised overview of the Supervisory Board compensation for the 2007/2008 financial year can be found in the Notes to the SinnerSchrader AG Annual Financial Statements.

7 Supplementary Information Required According to Article 289 Para. 4 and Article 315 Para. 4 of the German Commercial Code

The subscribed capital of SinnerSchrader AG is divided into 11,542,764 individual no-par value share certificates with a calculated face value of € 1 issued in the name of the owner. Different classes of shares have not been formed.

The members of the Management Board are underwriters of a consortium agreement in which the pre-IPO investors in SinnerSchrader AG are obligated to the pooling of voting rights in the event of exercising rights and to standard pre-purchase and co-sale rights.

On 31 August 2008 SinnerSchrader held shares of 45,185 treasury stock, which give it no voting rights or other rights.

Several shareholders have notified SinnerSchrader AG pursuant to Article 21 of the Securities Trading Act ("WpHG") in conjunction with Article 22 WpHG that over 10 % of the votes can be assigned to them. The most recent notification for each individual is listed in the Notes to the SinnerSchrader AG Annual Financial Statements as of 31 August 2008.

According to the information there, as well as the presentation of the shares held by the Board members in the Notes to the Annual Financial Statements of the AG, Matthias Schrader, co-founder of SinnerSchrader and Chairman of the Management Board of the AG, directly held 2,415,175 shares as of 31 August 2008, corresponding to 20.9 % of all voting rights.

None of the shares issued in SinnerSchrader AG are granted special rights.

The AG does not initiate voting controls for employees holding a share of the capital if these employees do not fall under the cited consortium agreement.

The appointment and dismissal of the members of the Management Board is based on Article 84 of the German Stock Corporation Act ("AktG"). In addition, the Statutes of SinnerSchrader AG make provisions for the Management Board to be made up of at least two people and for the Supervisory Board to be able to appoint deputy members of the Management Board.

According to Article 119 para. 1 No. 5 AktG, amendments to the Statutes are subject to the Annual General Meeting. According to the Statutes, the Supervisory Board is furthermore authorised to adopt amendments to the statute that affect only the wording.

The Annual General Meeting of 28 January 2004 authorised the Management Board to increase the share capital of the AG once or repeatedly by up to a total of € 5,770,000 until 15 January 2009 with the approval of the Supervisory Board by issuing new no-par-value shares in return for a contribution in cash or a contribution in kind.

The Annual General Meeting of 23 January 2007 authorised the Management Board to increase the share capital of the AG with the approval of the Supervisory Board by 31 December 2011 by issuing a total of up to 600,000 option rights to no-par-value share certificates of the AG to employees and members of the management of the AG and affiliated companies conditionally by up to € 600,000.

According to the Annual General Meeting of 19 December 2007, the Management Board is entitled to buy back treasury stock up to a total share in the AG of 10 % of the share capital via the stock exchange or a public purchase offer addressed to all shareholders by 15 June 2009. The Management Board may not take advantage of this authorisation to trade treasury stock.

As of 31 August 2008, there were no major agreements of the AG that are subject to the condition of the change of control.

No compensation agreements made by the AG in the event of a takeover offer have been made with members of the Management Board or employees.

8 Risks and Opportunities of Future Business Development

In its business, SinnerSchrader is subject to many risks which could have a negative impact on the Group's and the AG's asset, financial, and income situation or could result in SinnerSchrader failing to meet the goals it has set for future business development.

It is necessary to take risks when engaged in entrepreneurial activity aimed at earning profits. To ensure that the success is sustainable, it is important to manage these risks. On the one hand, this means evaluating them for probability of occurrence and the possible impact on the asset, financial, and income situation and continuously monitoring them. On the other hand, it means identifying measures with which risks can be limited or avoided and – with regard to the Group's own core expertise, financial strength, and the costs of the relevant measures – defining which limitation or avoidance measures can be taken and to what extent for which risks.

In managing the Group, it is one of the key tasks of the Management Board to define general conditions and processes for risk management for the SinnerSchrader Group, to monitor compliance with them, and to regularly analyse the development of the risks in each division with the managers of the operating units and administrative divisions.

The SinnerSchrader Group's risk management system and the risk profiles of the individual divisions are documented in a risk manual. An employee from the financial division of the AG has been appointed the Group's risk commissioner and has been commissioned to subject the specified risk management system to regular internal evaluation and to document the results in a risk report to the Management Board at least once a year. Furthermore, it is the task of the risk commissioner to randomly analyse individual divisions on behalf of the Management Board with regard to how far the specified measures to limit or avoid risks are being implemented.

It is the responsibility of the managers of the individual divisions to continuously monitor and manage the risks in their own divisions. If there is a significant increase in the degree of individual risks above a specified threshold, they are required to report it immediately to the Management Board.

Good risk management depends on quickly and reliably providing information to the management about the course of business. To this end, SinnerSchrader has set up a controlling and reporting system which reports on a monthly basis on the development of key business data in the individual divisions and on the financial results.

As far as the key risk areas are concerned, the risk profile of the SinnerSchrader Group changed in the 2007/2008 financial year in that the risks from acquisitions have become more relevant due to the decisions to invest in other companies. In the following, individual risk areas identified as being important will be explained in more detail. This selection of risks does not mean that there can be no significant impact on the asset, financial, and income situation of SinnerSchrader from other risks that have not been mentioned.

- Economic Risks

The general economic development influences the volume of investments in IT and Internet services as well as expenditure on online marketing and supporting services. A deterioration in the economic situation could reduce the market volume addressed by SinnerSchrader with regard to quantity and price. The measures for capacity adjustment which are necessary as a reaction to such a development may be effective only with a time lag and would lead to costs for restructuring measures.

- Competition

Competition in the market for IT and Internet services has increased continuously in recent years. In particular, there are providers active in this market – or who are appearing on this market – who have a broader portfolio of services, more international business, and some longer and better-established customer relationships than SinnerSchrader. The future development of SinnerSchrader largely depends on how well SinnerSchrader succeeds in establishing adequate prices on the market for its services as a specialised service provider without the means of temporary cross-subsidisation.

The extent to which the procurement of programming services in emerging nations becomes more important for competitiveness in relation to the individual developments offered by SinnerSchrader is also significant in this context. SinnerSchrader does not currently have sources for such services and, if necessary, could only build them up over time. Bigger competitors with an international market presence already have relevant structures or would be able to establish them more quickly.

- Operational Risks

Sinner Schrader earns just under 35 % of its gross revenues with one customer; the ten biggest customers account for slightly over 89 % of gross revenues. It will only be possible to compensate for the loss of the business of these important customers after a considerable period time, if at all, during which it would not be possible to reduce costs correspondingly.

Since SinnerSchrader's business revenues are not secured by long-term contracts, but instead largely come about on the basis of individual orders for a limited period, revenue plans are subject to a high degree of uncertainty. The tendency of SinnerSchrader's customers to commission whole projects in small steps has not yet diminished, with the result that orders on hand do not extend beyond one quarter's revenues.

SinnerSchrader processes a major part of its revenues within the framework of fixed price agreements. Because of the complexity and the high technical demands, the originally calculated costs may be exceeded, resulting in unplanned losses. Furthermore, SinnerSchrader assumes standard guarantee and liability stipulations within the framework of project contracts which can result in considerable follow-up costs for individual projects.

The projects that SinnerSchrader undertakes for renowned customers sometimes have a considerable effect in the public sphere. Quality deficiencies in providing the service can therefore result in negative publicity, which could significantly impair the sale of services and thus future business development.

Within the context of providing its services, SinnerSchrader sometimes has access to the personal data of its customers' customers. This data could be abused as a result of deliberate or negligent acts by its employees. In addition to the directly resultant damage, if such an incident were to become known, the associated loss of confidence in SinnerSchrader would make the sale of its services much more difficult.

• Personnel Risks

The success of SinnerSchrader is heavily dependent on the qualification and motivation of its staff. Particular importance is attached to some employees in key positions. If SinnerSchrader does not succeed in keeping these employees in the company or in continuously hiring qualified employees, the success of SinnerSchrader could be significantly impaired because of the loss of expertise.

• Technological Risks

The market for IT and Internet services is characterised by a high speed of change in the basic technologies used and by a level of standardisation which remains low. The future market success of SinnerSchrader depends on the extent to which the breadth and depth of the technological expertise can be kept at an adequate level and technological dead-ends can be avoided in view of the high employee orientation costs with limited resources.

• Risks from Acquisitions

SinnerSchrader is also interested in expanding its market position in Germany through targeted acquisitions. The success of acquisitions depends on the extent to which the acquired company can be integrated in the Group structure and the desired synergies are achieved. In this context, acquisitions in the field of professional services entail the particular risk that the expertise, market knowledge, and customer relations which are being acquired are rarely permanently tied to the acquired company. Unsuccessful integration can therefore quickly lead to the need for considerable depreciation or even a total loss of the investment.

In spite of the relevance of the risks listed above and on the basis of the available information, no risks are currently apparent that would threaten the future existence of the SinnerSchrader Group or SinnerSchrader AG. Because of the positive business development in the 2007/2008 financial year, the asset and financial situation of the Group is stable.

The risks are countered by opportunities, and SinnerSchrader could exceed its goals if they occur. The main opportunities lie with existing customers, the “SinnerSchrader” brand name, the positive signals for the development of the companies taken over, and the performance of some key members of staff, especially those with sales and customer care tasks. Above and beyond what is assumed in the plans, these factors could result in the acquisition of large new high-potential customers or currently unforeseeable individual orders from existing customers.

Another special opportunity lies in the development of the position of interactive agencies in the market for marketing and advertising services. Because of their growing importance, interactive agencies could take on a leading role among companies with respect to their marketing and advertising services and replace the service providers currently established there in the coming years. As a result, higher order volumes, longer-term customer relationships, and overall higher margins could be possible for SinnerSchrader.

Also, the rising demand for the services offered by SinnerSchrader alone could result in SinnerSchrader being able to achieve higher prices on the market than assumed in the plans.

Furthermore, more successful acquisitions could bring about a very positive change in the planned development.

The forecasts are based only on the organic development of the companies in the SinnerSchrader Group.

9 Major Events after the Balance Sheet Date

There were no major events after the balance sheet date that should be reported.

10 Forecast

In the first weeks of the new 2008/2009 financial year, the expectations for overall economic development in the next twelve months deteriorated greatly both worldwide and for Germany, triggered by the worldwide financial crisis. Experts foresee a downturn for the major economies, including Germany, the duration and depth of which cannot be predicted.

Although SinnerSchrader has not yet noticed any direct impact on its own business in the first six weeks of the financial year – no orders have been cancelled yet and the incoming orders in September 2008 without spot-media AG were 25 % higher than in September 2007 – the deterioration of its customers' business prospects will probably also leave its mark on the business development of SinnerSchrader.

However, SinnerSchrader does not foresee any negative effects from the imminent economic crisis on the fundamental factors that drive forwards SinnerSchrader's business and that, in principle, offer scope for further significant growth. The importance of interactive consumers will continue to increase, as will the pressure on corporate marketing departments to adapt to this change and to make better use of it for themselves.

It is certainly conceivable that this process will be accelerated by the negative economic development. Efficiency and performance-orientation are key properties of the Internet as a marketing and sales channel – properties that become considerably more relevant to investment decisions in difficult economic times.

This means that SinnerSchrader is assuming that it will be able to improve revenues and income compared to what it achieved in the 2007/2008 financial year, even as it faces a period of great economic uncertainty. In this connection, we are aiming to come as close as possible to the actual goal of double-digit growth rates for gross and net revenues and an operating margin in the target corridor of 10 % to 12 % in terms of the gross revenues and 13 % to 15 % in terms of the net revenues.

The development of additional growth and profit potential by means of acquisitions and investments in new business fields are still on the agenda. The considerable changes in the economic environment will pose risks and opportunities here which SinnerSchrader will weigh up carefully.

Hamburg, 28 October 2008

The Management Board

Matthias Schrader   Thomas Dyckhoff

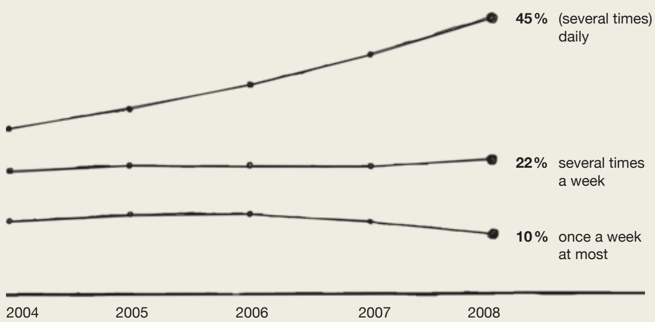
GRAPHS
JOINT STATUS REPORT
2007 | 2008

Graphs Illustrating the Consolidated Status Report of SinnerSchrader AG

Usage Frequency of the Internet
Daily Usage Period of Media by Internet Users
Development of Gross Revenues and Gross Revenue Margin
Development of Gross Revenues
Revenues by Sector
Development of Operating Costs and EBITA
Reconciliation of EBITA to Net Income
Development of Consolidated Balance Sheet
Consolidated Statements of Cash Flows
Employee Structure According to Areas

Usage Frequency of the Internet

in % of 14- to 64-year-olds in Germany



Source: Allensbacher Computer- und Technik-Analysen, ACTA 2002 to 2008

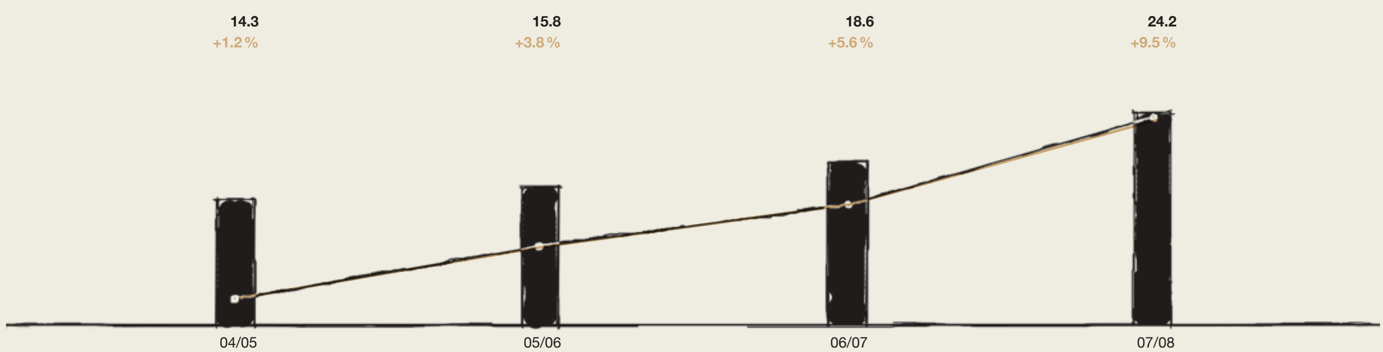
Daily Usage Period of Media by Internet Users

aged 14 and older in Germany in % of overall use

Source: ARD/ZDF-Online-Studie 2008

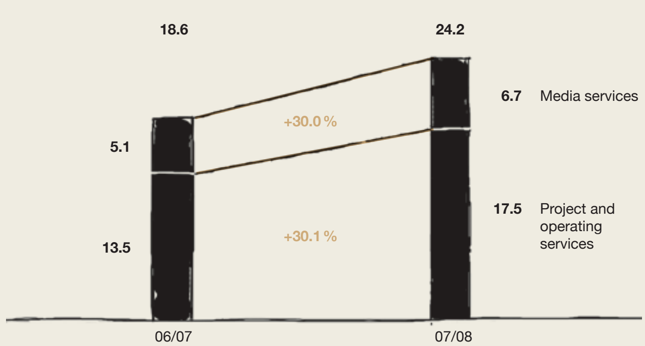
Development of Gross Revenues and Gross Revenue Margin

in € million and %



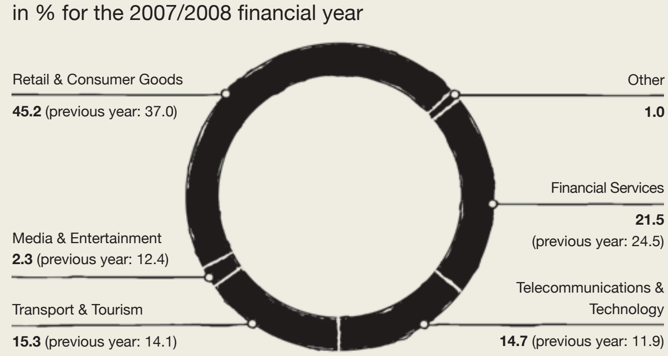
Development of Gross Revenues

in € million and %

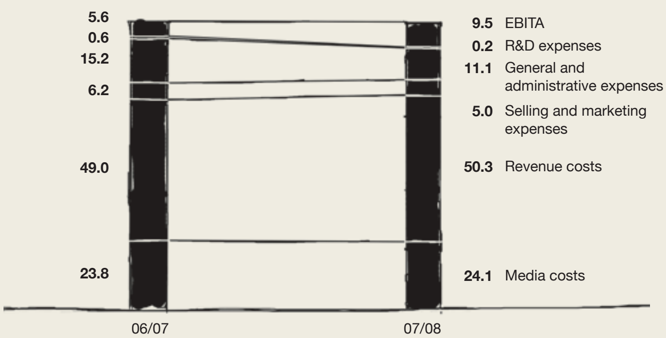


Revenues by Sector

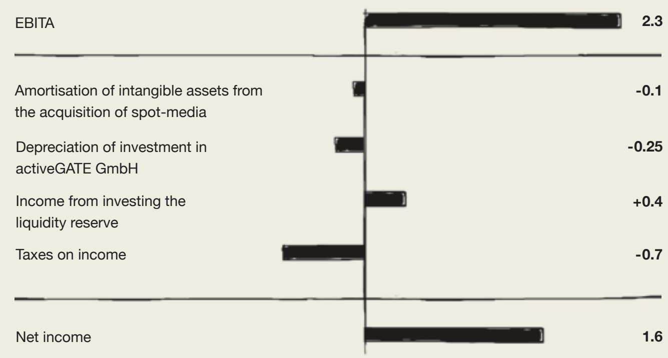
in % for the 2007/2008 financial year



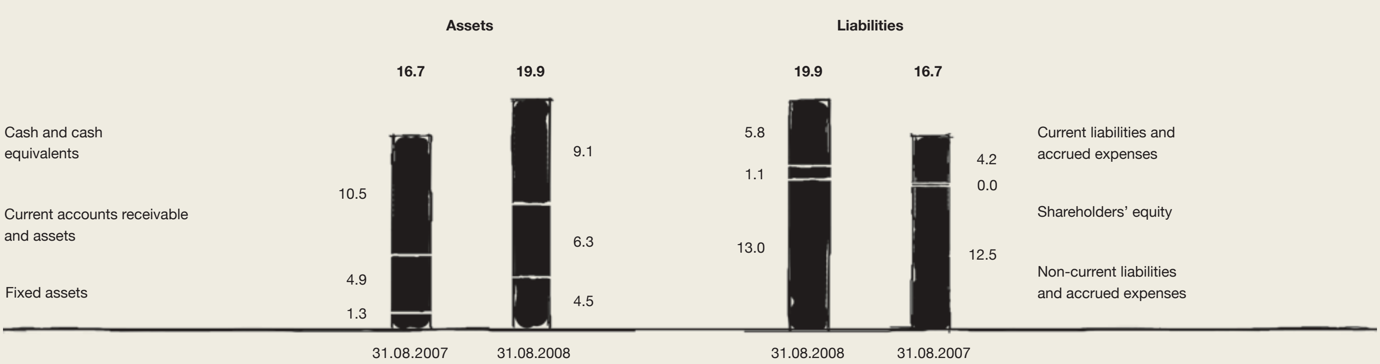
Development of Operating Costs and EBITA
in % of gross revenues



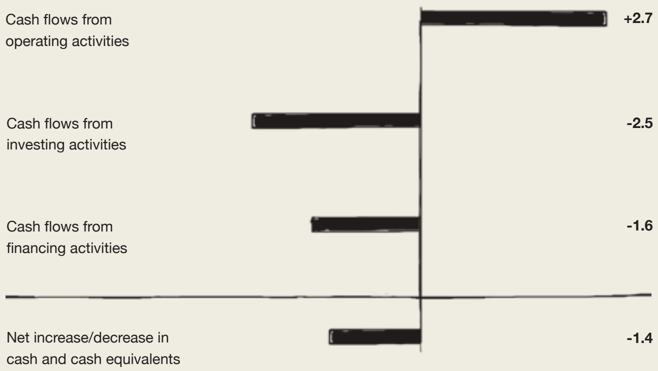
Reconciliation of EBITA to Net Income
in € million for the 2007/2008 financial year



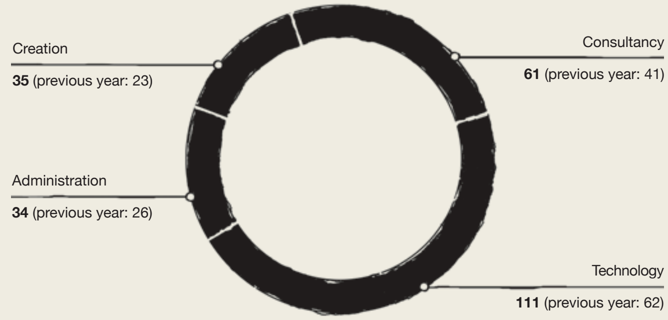
Development of Consolidated Balance Sheet
in € million



Consolidated Statements of Cash Flows
in € million for the 2007/2008 financial year



Employee Structure According to Areas
as at 31 August 2008



CONSOLIDATED FINANCIAL STATEMENTS 2007 | 2008

Consolidated Financial Statements of SinnerSchrader AG

56 Consolidated Balance Sheets

57 Consolidated Statements of Operations

58 Consolidated Statements of Shareholders’ Equity

60 Consolidated Statements of Cash Flows

61 Notes

81 Auditors’ Opinion

Consolidated Balance Sheets

as of 31 August 2008

Assets in €	Notes no.	31.08.2008	31.08.2007
Current assets:			
Liquid funds	2.11	9,075,148	5,453,719
Marketable securities	2.8	–	4,996,007
Cash and cash equivalents		9,075,148	10,449,726
Accounts receivable, net of allowances for doubtful accounts of € 157,924 and € 157,924 at 31.08.2008 and 31.08.2007, respectively	2.9	4,829,850	3,962,166
Unbilled revenues	4.3	1,245,615	778,344
Tax receivables	4.4	–	190,136
Other current assets and prepaid expenses	4.5	241,823	86,492
Total current assets		15,392,436	15,466,864
Non-current assets:			
Intangible assets	4.1	436,985	161,998
Goodwill	4.1	2,592,463	–
Property and equipment	4.1	1,081,485	989,363
Tax receivables	4.4	203,009	151,952
Other assets and prepaid expenses	4.1	227,586	–
Total non-current assets		4,541,528	1,303,313
Total assets		**19,933,964**	**16,770,177**

Liabilities and shareholders' equity in €	Notes no.	31.08.2008	31.08.2007
Current liabilities:			
Trade accounts payable	2.13	2,358,219	1,687,560
Advance payments received	4.11	435,290	411,015
Accrued expenses	4.10	1,814,767	1,803,893
Tax liabilities	4.9	434,643	–
Deferred income and other current liabilities	4.11	809,528	290,870
Total current liabilities		5,852,447	4,193,338
Non-current liabilities:			
Long-term liabilities		738,092	–
Deferred tax liabilities	5.5	372,580	28,537
Total non-current liabilities		1,110,672	28,537
Shareholders' equity:			
Common stock, stated value € 1, issued: 11,542,764 and 11,542,764, outstanding: 11,497,579 and 11,401,878 at 31.08.2008 and 31.08.2007, respectively	4.8	11,542,764	11,542,764
Additional paid-in capital	4.8	3,601,770	3,612,775
Reserves for share-based compensation	4.8	70,778	32,536
Treasury stock, 45,185 and 140,886 at 31.08.2008 and 31.08.2007, respectively	4.8	-72,192	-217,350
Accumulated deficit		-2,197,346	-2,447,384
Changes in shareholders' equity not affecting net income	4.8	25,071	24,961
Total shareholders' equity		12,970,845	12,548,302
Total liabilities and shareholders' equity		**19,933,964**	**16,770,177**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Operations
for the 2007/2008 and 2006/2007 financial years

in €	Notes no.	2007/2008	2006/2007
Revenues, gross	2.17	24,169,725	18,588,117
Media costs		-5,822,652	-4,427,326
Total revenues, net		18,347,073	14,160,791
Cost of revenues		-12,153,994	-9,104,832
Gross profit		**6,193,079**	**5,055,959**
Selling and marketing expenses		-1,217,461	-1,149,507
General and administrative expenses		-2,672,461	-2,815,601
Research and development expenses	2.19	-46,826	-119,629
Amortisation of intangible assets		-92,206	–
Operating income		**2,164,125**	**971,222**
Other income/expenses, net	5.3	48,569	71,783
Impairment of investments		-250,000	–
Financial income, net	5.4	371,262	374,885
Income before provision for income tax		**2,333,956**	**1,417,890**
Income tax	5.5	-725,711	-399,467
Net income		**1,608,245**	**1,018,423**
Net income/loss per share (basic)		0.14	0.09
Net income/loss per share (diluted)		0.14	0.09
Weighted average shares outstanding (basic)		11,471,025	11,416,751
Weighted average shares outstanding (diluted)		11,476,299	11,418,238

The accompanying notes are an integral part of these Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity

for the 2007/2008 and 2006/2007 financial years

in €	Notes no.	Number of shares outstanding
Balance at 31.08.2006		**11,411,417**
Unrealised gains and losses on marketable securities		–
Foreign currency translation adjustment	2.5	–
Changes in shareholders' equity not affecting net income		–
Net income		–
Allocation		–
Deferred compensation	4.8	–
Purchase of treasury stock	4.8	-22,039
Re-issuance of treasury stock	4.8	12,500
Balance at 31.08.2007		**11,401,878**
Unrealised gains and losses on marketable securities		–
Foreign currency translation adjustment	2.5	–
Changes in shareholders' equity not affecting net income		–
Net income		–
Disbursed dividend	4.8	–
Deferred compensation	4.8	–
Purchase of treasury stock	4.8	-173,716
Re-issuance of treasury stock	4.8	269,417
Balance at 31.08.2008		**11,497,579**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Commonstock	Additional paid-in capital	Reserves for share-based compensation	Treasury stock	Retained earnings/ losses	Changes in share-holders’ equity not affecting net income	Total shareholders’ equity
11,542,764	**17,596,005**	**17,121**	**-200,933**	**-17,449,040**	**25,346**	**11,531,263**
–	–	–	–	–	306	306
–	–	–	–	–	-691	-691
–	–	–	–	–	-385	-385
–	–	–	–	1,018,423	–	1,018,423
–	-13,983,233	–	–	13,983,233	–	–
–	–	15,415	–	–	–	15,415
–	–	–	-35,540	–	–	-35,540
–	3	–	19,123	–	–	19,126
11,542,764	**3,612,775**	**32,536**	**-217,350**	**-2,447,384**	**24,961**	**12,548,302**
–	–	–	–	–	–	–
–	–	–	–	–	110	110
–	–	–	–	–	110	110
–	–	–	–	1,608,245	–	1,608,245
–	–	–	–	-1,358,207	–	-1,358,207
–	–	38,242	–	–	–	38,242
–	–	–	-280,624	–	–	-280,624
–	-11,005	–	425,782	–	–	414,777
11,542,764	**3,601,770**	**70,778**	**-72,192**	**-2,197,346**	**25,071**	**12,970,845**

Consolidated Statements of Cash Flows

for the 2007/2008 and 2006/2007 financial years

in €	Notes no.	2007/2008	2006/2007
Cash flows from operating activities:			
Net profit/loss		1,608,245	1,018,423
Adjustments to reconcile net profit to net cash used in operating activities:			
Depreciation of property and equipment	4.1	518,884	412,055
Amortization of intangible assets		92,206	–
Writedowns on financial assets		250,000	–
Share-based compensation	6	38,242	15,415
Bad debt expenses		–	1,165
Gains/losses on the disposal of fixed assets	5.3	-4,034	7,836
Deferred tax provision	5.5	220,753	534,154
Foreign currency gains or losses	2.5	–	-691
Changes in assets and liabilities:			
Accounts receivable	2.9	-315,548	-1,188,403
Unbilled revenues	4.3	-296,441	-367,695
Tax receivables	4.4	139,079	-216,168
Other current assets and prepaid expenses	4.5	-319,390	18,713
Accounts payable, deferred revenues and other liabilities	4.11	597,496	563,123
Tax liabilities	4.9	411,344	–
Other accrued expenses	4.10	-196,474	94,619
Net cash provided by (used in) operating activities		**2,744,362**	**892,546**
Cash flows from investing activities:			
Acquisition of subsidiary companies less acquired liquid funds	2.3.1	-1,824,925	–
Acquisition of financial assets	2.3.2	-250,000	–
Purchase of property and equipment	4.1	-467,995	-438,817
Proceeds from sale of equipment	4.1	43,578	6,424
Net cash provided by (used in) investing activities		**-2,499,342**	**-432,393**
Cash flows from financing activities:			
Payment to shareholders		-1,358,207	–
Payment for treasury stock	4.8	-280,624	-35,540
Incoming payment from treasury stock	4.8	19,125	19,126
Net cash provided by (used in) financing activities		**-1,619,706**	**-16,414**
Net effect of rate changes on cash and cash equivalents		108	513
Net increase/decrease in cash and cash equivalents		**-1,374,578**	**444,252**
Cash and cash equivalents at beginning of period	2.11	10,449,726	10,005,474
Cash and cash equivalents at end of period	2.11	9,075,148	10,449,726
thereof back-up of bank guarantees		867,855	171,450
For information only, contained in cash flows from operating activities:			
Interest payment received	5.4	96,287	369,475
Paid interest	5.4	-2,511	-1,296

The accompanying notes are an integral part of these Consolidated Financial Statements.

Notes

1 General Foundations and Business Activities of the Company

The Consolidated Financial Statements of SinnerSchrader Aktiengesellschaft (hereinafter referred to as "SinnerSchrader AG" or "AG") and its subsidiaries (hereinafter referred to as "SinnerSchrader Group", "SinnerSchrader" or "Group") for the 2007/2008 financial year were completed according to the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") in force on the report date, 31 August 2008, taking account of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and correspond to the supplementary requirements of Article 315a of the German Commercial Code ("HGB"). The Consolidated Financial Statements as of 31 August 2008 were released for submission to the Supervisory Board on 28 October 2008. The Consolidated Financial Statements will probably be approved at the balance sheet meeting of the Supervisory Board on 3 November 2008; until the time of approval it is possible for the Supervisory Board to amend the Consolidated Financial Statements.

The SinnerSchrader Group is a service company mainly active in Germany with its headquarters in Hamburg. With its services, SinnerSchrader supports its customers in the use of interactive technologies, especially the Internet. In particular, SinnerSchrader provides the following services:

- Conception, implementation and servicing of custom-made interactive IT systems
- Counselling, conception, design and technical implementation of interactive advertising and marketing campaigns and online brand management measures
- Planning and management of online marketing campaigns
- Technical operation and administration of Internet-based IT systems
- Structuring, analysis and preparation of data on the behaviour of users of interactive systems.

The SinnerSchrader Group started its work in 1996. SinnerSchrader AG was founded in 1999 as a new managing parent company. All 11,542,764 shares issued in SinnerSchrader AG have been approved for trade in the regulated market's Prime Standard segment of the Frankfurt Stock Exchange.

2 Presentation of the Main Evaluation and Balancing Methods

2.1 Financial Year

The Consolidated Financial Statement of the SinnerSchrader Group refer to the financial years covering 1 September 2007 to 31 August 2008 ("2007/2008") and from 1 September 2006 to 31 August 2007 ("2006/2007") as well as the report dates 31 August 2008 and 31 August 2007, respectively.

2.2 New Accounting Principles

In the reporting period, the IASB issued standards as well as interpretations and amendments to existing standards, application of which, however, was not mandatory in the Consolidated Financial Statements for this period. Application of these innovations presumes that they have been assumed within the context of the EU's IFRS endorsement procedure.

The following standards are concerned:

IFRS/IFRIC	Content	To be applied for annual periods beginning on or after the following date
IAS 1 1)	Presentation of Financial Statements	1 January 2009
IFRS 3 1)	Business Combinations	1 July 2009
IAS 27 1)	Consolidated and Separate Financial Statements	1 July 2009
IFRS 2 1)	Share-based Payment (Vesting Conditions and Cancellation)	1 January 2009
IAS 32 1)	Financial Instruments: Presentation (Puttable Instruments)	1 January 2009
IFRS 1 1)/IAS 27 1)	Costs of an investment in a subsidiary, an entity under common control or an associate	1 January 2009
Various	Annual Improvement Project 2008 2)	1 January 2009
IFRIC 15	Agreements for the construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2009
IAS 39 1)	Financial Instruments: Recognition and Measurement (Eligible Hedged Items)	1 July 2009

1) Amendments

2) Affects several standards

SinnerSchrader is not expecting any major impact on its consolidated assets, financial and income situation as a result of applying these regulations for the first time. The application of IFRS 1 will result in changes in the naming and identification of some components of the Consolidated Annual Financial Statement; the application of the changed standards for the first time in conjunction with the 2008 Annual Improvement Project will probably result in additional information in the Notes.

2.3 Consolidation Group

2.3.1 Fully Consolidated Companies

As opposed to the status as of 31 August 2007, the consolidation group as of 31 August 2008 consisted of the AG as well as the following subsidiaries of the AG, each of which was fully consolidated:

1. SinnerSchrader Deutschland GmbH, Hamburg
2. spot-media AG, Hamburg
3. spot-media consulting GmbH, Hamburg
4. SinnerSchrader UK Ltd., London
5. SinnerSchrader Benelux BV, Rotterdam

The subsidiaries of SinnerSchrader Deutschland GmbH – Sinner-Schrader Neue Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH – which were part of the consolidation group as of 31 August 2007 were entirely incorporated into SinnerSchrader Deutschland GmbH on the basis of the merger agreements which were concluded on 13 November 2007 and entered into the commercial register on 13 December 2007 and 17 December 2007, respectively.

On 30 January 2008, SinnerSchrader AG signed a contract for the complete takeover of all shares of spot-media AG, Hamburg. Sinner-Schrader AG took control of spot-media AG on 4 February 2008 when it paid the first instalment of the purchase price in cash.

spot-media AG is an interactive agency in Hamburg with the focus of its business on content management and on updating and maintaining large portal and shop sites on the one hand and on designing and implementing website projects for SME clients on the other.

For reasons of simplification, spot-media was first included in the Consolidated Financial Statements on 1 February 2008 on the basis of IFRS 3 following the acquisition method.

In accordance with this, at the time of the initial consolidation, the book value of the investment arising from the acquisition costs is to be set against the shareholders' equity of the acquired subsidiary, which is composed of the balance of the current value of all the assets, liabilities, and contingent liabilities of this company at the date of the initial consolidation. Any remaining difference is to be entered in the balance sheet as goodwill under intangible assets.

After payment of the second instalment of the purchase price, the procurement costs for the takeover of spot-media AG totalled € 3,439,000. The acquisition costs are made up as shown in Table 1:

Table 1 | Purchase price, spot-media AG in € 000s		Due date
1st purchase price instalment		
cash	1,673	February 2008
in shares	396	February 2008
2nd purchase price instalment		
cash	412	May 2008
3rd – 6th purchase price instalment		
cash	958	2009 to 2012
Total	**3,439**	
Purchase price instalment settled to date:	2,481	
less: acquired liquid funds	-260	
less: purchase price instalment settled in shares	-396	
Cash outflow (net) from acquisition	1,825	

As part of the first purchase price instalment, SinnerSchrader transferred 256,917 shares of treasury stock to the seller. To establish the acquisition costs, these shares were valued at € 1.54 per share on the basis of the Xetra closing price on 30 January 2008. This was the final closing price before SinnerSchrader announced the takeover of spot-media AG.

The assumptions for the third to sixth instalments of the purchase price, which have not yet been paid, are based on estimates by SinnerSchrader. They will be due in the 2008 to 2011 financial years, depending on the operating results of spot-media AG. The estimate of the amounts was based on planned calculations for these financial years. The expected pay-outs calculated from this were discounted to the time of acquisition to establish the procurement costs.

By taking over spot-media AG, SinnerSchrader assumed the assets and liabilities listed in Table 2 which were included in the Consolidated Balance Sheets at a value to be ascribed to them as of 1 February 2008. When examining whether there are any additional intangible assets not reported in the balance sheet, a customer base was identified and also included in the Consolidated Balance Sheet at the current value as of 1 February 2008.

Table 2 | Purchase price allocation, spot-media AG in € 000s

	Book values	Adjustments to fair value	Fair value
Assets:			
Liquid funds	260	–	260
Trade accounts receivable	552	–	552
Works in progress	171	–	171
Other assets and prepaid expenses	64	–	64
Intangible assets and tangible assets	168	–	168
Customer base	–	382	382
Liabilities and contingent liabilities:			
Trade accounts payable	-54	–	-54
Advance payments received	-155	–	-155
Accrued expenses	-231	–	-231
Other liabilities	-187	–	-187
Deferred tax liability	–	-123	-123
Acquired net assets	**588**	**259**	**847**
Purchase price, spot-media AG			**3,439**
Goodwill (preliminary residual amount)			**2,592**

From the distribution of acquisition costs into assumed assets and liabilities, there remains a residual amount of € 2,592,000 which has been reported as goodwill under intangible assets in the Consolidated Balance Sheets. The goodwill is not subject to scheduled depreciation under IFRS 3. The test on the value of the claims prescribed within the context of drawing up the annual financial statements as of 31 August 2008 did not reveal any need for depreciation. The commercial value was identified using the DCF method on the basis of a business plan for several years. The main assumptions in determining the value were assumptions on growth rates and market development. A risk-free capital market interest rate of 4.75 % and a risk surcharge of 6.0 % resulted in a total discount rate of 10.75 %.

The cash flows for the first and second purchase price instalments in the amount of € 1,825,000 are countered by liquid funds of € 260,000 that were taken over from spot-media AG. The purchase price instalments that have not yet been paid were posted as current or non-current liabilities in the Consolidated Balance Sheets according to when they are due.

Since the time of purchase, spot-media AG has contributed € 389,000 to the pre-tax net income for the current business of SinnerSchrader. Under the assumption that the purchase had taken place at the start of the reporting period, spot-media would have contributed gross revenues of € 3,411,000 and a pre-tax profit of € 594,000 in the period from 1 September 2007 to 31 August 2008.

2.3.2 Participations and Financial Assets

In April 2008 SinnerSchrader took a 20 % investment in activeGATE GmbH within the context of the foundation of a new company. activeGATE GmbH develops and distributes software for Internet-based real-time dialogue solutions that are mainly offered as part of an ASP model.

As part of the foundation of the new company, SinnerSchrader paid € 230,000 into the company. € 20,000 were paid as loans to the other shareholders of activeGATE GmbH.

After activeGATE GmbH did not develop according to expectations, the fair value was determined on the basis of the expected discounted future fund flows, taking adequate account of risks. The evaluation showed that the value of the participation had to be completely adjusted as of 31 August 2008.

2.4 Consolidation Principles

All transactions and balances within the group between affiliated companies were eliminated. The Consolidated Financial Statements were prepared on the basis of the individual financial statements of the above-mentioned group companies, which are compiled according to the relevant local accounting regulations, in particular the regulations of the German Commercial Code, with any necessary adjustments to IFRS being made.

For the Consolidated Financial Statements, the same balancing and evaluation principles were used as a basis for the same business incidents and events under similar conditions. The financial statements of all of the companies included in the consolidation group, with the exception of SinnerSchrader Benelux BV, are prepared on the reporting date of the parent company. This is the same as the group reporting date. An interim report will be drawn up for SinnerSchrader Benelux BV as of the reporting date of the parent company because it has a different financial year from the parent company.

2.5 Report Currency and Currency Conversion

The currency of the report is the euro (€). The report is cited in full euro amounts.

The functional currency of the foreign subsidiaries outside the euro zone – the group of European countries that have introduced the euro as their currency – is the relevant national currency. The financial statements of these foreign subsidiaries are converted into euros, with the assets and liabilities being converted at the conversion rate of the balance sheet date and the sales revenues, the costs of sales revenues and expenditure being converted at the average rate for the financial year in question. The accumulated currency profits and currency losses from foreign currency conversion for the financial statements are identified in a separate balancing item in shareholders' equity. Where relevant, currency profits and losses from foreign currency transactions are treated with an effect on profits.

2.6 Estimates and Assumptions

Drawing up consolidated financial statements according to IFRS requires the management to make estimates and assumptions that have an influence on the values posted for assets and liabilities and the information on contingent claims and contingent liabilities on the balance sheet date and on the posted revenues and expenses for the period covered by the report. The actual results may deviate from these estimates. Major estimates concern the approach for the purchase price instalments for spot-media AG dependent on the future results of the subsidiary, the area where the percentage of completion (POC) method is used, and the posting of accrued expenses.

2.7 Fixed Assets

2.7.1 Intangible Assets

Intangible assets comprise software, a customer base as well as goodwill.

Intangible assets are evaluated on receipt at their procurement or manufacturing cost. They are identified if it is probable that the future economic benefit to be assigned to the assets will come to the company and if the procurement or manufacturing costs of the assets can be reliably assessed. Costs for the procurement of software should be activated under intangible assets if they are not to be considered a component of the associated hardware.

After initial reporting, intangible assets are evaluated at their procurement or manufacturing costs minus the accumulated regular depreciation and the accumulated costs for impairment of value. Depreciation for intangible assets is linear, in accordance with usage period. The depreciation period and method are reviewed annually at the end of each financial year.

- Software

Depreciation for purchased software is linear over an estimated usage period of three years. The costs that are incurred to reinstate or maintain the future economic benefit that a company can expect from the originally assessed performance of existing software should be recorded as expense.

- Customer Base

When a company is purchased, the acquired company's customer base must be activated subject to the proviso that the current value to be ascribed can be reliably evaluated. The approach is with the discounted value to the total of future estimated fund additions. The customer base is depreciated according to schedule over the relevant term of the contract.

- Goodwill

The active difference between the procurement costs and the identifiable assets and liabilities valued at the current values and acquired proportionately should be assumed as the goodwill from a company purchase. Goodwill has an unlimited usage period. It is not depreciated according to schedule, but subjected to an annual test on the value of claims.

2.7.2 Tangible Assets

According to International Accounting Standards (“IAS”) 16, tangible assets are posted as assets if it is probable that the future economic benefit associated with them will come to the company and if the procurement or manufacturing costs of the assets can be reliably assessed. The tangible assets shall be evaluated at the procurement and manufacturing costs minus accumulated regular and non-scheduled depreciation.

The procurement and manufacturing costs of the tangible assets contain the purchase price, import duties and other non-reimbursable taxes as well as all directly assignable costs that are incurred to put the asset in a condition fit for use. Reductions in the purchase price, such as discounts, bonuses and deductions are subtracted from the purchase price. Subsequently incurred costs, such as maintenance and repair costs, are recorded with an effect on expenses in the year in which they are incurred. If such costs demonstrably lead to an increase in the future economic benefit resulting from the use of the asset and above the original volume of performance, the costs shall be posted as subsequent procurement and manufacturing costs.

The property and equipment of SinnerSchrader comprises objects of company and business equipment, computer hardware and leasehold improvements.

Depreciation is linear. A usage period of three years is usually assumed for computer hardware; four to eight years for other electronic and electrical devices and equipment, six years for cars and eight to thirteen years for office furniture. Improvements to rented premises are depreciated over the estimated usage period of the improvements or the residual term to the end of the tenancy, if this is shorter.

The cost of depreciation is included in the costs of sales revenues and operating expenses. The costs of repair and maintenance work are recorded with effect on expenses.

In the event of the sale or decommissioning of tangible asset items, the relevant procurement or manufacturing costs and the accumulated depreciation are debited and any profit or loss is posted in the Statements of Operations as other revenues or other expenses.

2.7.3 Reductions in Value of Fixed Assets

The posted value of asset items is reviewed if there are signs of non-scheduled reduction of value. If the posted value of an asset exceeds its achievable amount, a non-scheduled depreciation is made according to IAS. The achievable amount is the net sale price or commercial value, whichever is higher. The net sale price is the amount that can be achieved from a sale under standard market conditions minus the sales costs; commercial value is the cash value of the expected income from further use of the asset and the sale value at the end of the usage period. The commercial value is determined individually for every asset or the individual unit generating funds. If the reasons for the non-scheduled depreciation are no longer in place, the original value will be reinstated.

In the 2007/2008 and 2006/2007 financial years there were no signs of a reduction in value of the intangible or tangible assets.

2.8 Financial Instruments

According to IAS 39, financial instruments are to be posted at the procurement costs corresponding to the current value of the benefit in kind when they are posted for the first time. Transaction costs are included in the first evaluation. Purchases and sales of financial instruments should be posted as of the trading day.

With respect to the subsequent evaluation, a distinction is made between various categories of financial instruments, including financial instruments held for trading purposes, financial instruments to be held until they are finally due, credits and claims submitted by the company and financial instruments available for sale.

Financial instruments with fixed payments or payments that can be determined and a fixed term that the company intends to hold until they are finally due, excluding credits and claims submitted by the company, are classified as financial instruments to be held until they are finally due.

All other financial instruments, excluding credits and claims submitted by the company, are classified as financial assets available for sale.

Financial instruments held for trading purposes and financial assets available for sale are evaluated at the current value without deduction of transaction costs in the subsequent evaluation. The current values are usually found from reporting date prices on financial markets. Profits and losses from evaluation at the current value of financial instruments held for trading purposes shall be reported with an effect on profits. Profits and losses from evaluation of the current value of financial instruments available for sale shall be recorded directly in the shareholders' equity with a neutral effect on profits until the financial instrument is sold, withdrawn or otherwise dispatched, or as soon as a permanent value reduction has been identified for it. Where necessary, profits and losses recorded directly in the shareholders' equity are posted in the item "Other accrued expenses".

Financial instruments to be held until they are finally due shall be assessed at their continued procurement costs using the effective interest method.

Financial instruments to be held until they are finally due with a remaining term of up to twelve months are posted in the short-term assets. Financial assets available for sale are posted in the short-term assets if the company is planning to sell them in the next twelve months.

A financial asset is debited if the company loses the right to hold the contractual rights of which the financial asset is comprised. A financial liability is debited if the obligation upon which this liability is based is fulfilled, terminated or deleted.

Securities are the relevant financial instruments for SinnerSchrader. As of 31 August 2008 SinnerSchrader did not hold any securities. As of 31 August 2007 the securities were solely made up of commercial papers with original terms of up to one month. The Commercial Papers were classified as financial instruments to be held until they are finally due and were posted on the balance sheet with the continued procurement costs accordingly as of 31 August 2007. The interest risks resulting from the financial instruments used by SinnerSchrader were negligible due to the short remaining term.

2.9 Accounts Receivable and Unbilled Services

Accounts receivable are posted at their nominal value minus appropriate value corrections. The value of the claims is regularly checked on an individual basis. Value corrections are formed in the case of identifiable individual risks.

Services provided from fixed-price projects, which were realised according to the cost-to-cost method in accordance with their degree of completion, but had not yet been billed, are posted with a proportion of the total payment agreed for the fixed-price project, i.e. including the profit margin, as unbilled services, with any deposits that may have been made for the project being offset.

2.10 Other Assets

The other assets are entered on the balance sheet at the nominal value or the achievable amount, whichever is lower.

2.11 Cash and Cash Equivalents

Cash comprises cash flows, bank credits available on a daily basis, and fixed deposits with a remaining period of less than three months. They are posted at their nominal value.

Securities with a period of less than three months are qualified as cash equivalents. As of 31 August 2008 SinnerSchrader did not hold any securities. As of 31 August 2007, all securities were to be classified as cash equivalents.

2.12 Statements of Cash Flows

The Statements of Cash Flows are prepared using the indirect method according to IAS 7. The financial funds whose change is formed in the Statement of Cash Flows comprise the liquid funds and the cash equivalents. Value adjustments of the securities in the liquidity funds with a neutral effect on profits are posted in the Statement of Cash Flows together with the exchange-rate-related change in the liquid funds under "Net effect of rate changes on cash and cash equivalents".

2.13 Trade Accounts Payable and Other Liabilities

Trade accounts payable and other liabilities are posted at the nominal value.

2.14 Other Accrued Expenses

According to IAS 37, other accrued expenses are formed for legal and actual obligations that were incurred economically by the reporting date if it is probable that fulfilment of the obligation leads to the Group funds depleting and a reliable estimate of the level of the obligation can be made. Reserves are reviewed on every balance sheet date and adjusted to the best estimate in each case. The amount of reserves corresponds to the value of the expenses probably needed to fulfil the obligation. The other accrued expenses take account of all recognisable obligations vis-à-vis third parties according to IAS 37.

2.15 Treasury Stock

Under IAS 32 treasury stock is posted at its procurement costs as a deducted item within the shareholders' equity.

2.16 Deferred Taxes

Under IAS 12 deferred tax claims or liabilities under IFRS are to be posted in the balance sheet if there are differences between the posted values of assets and liabilities in the balance sheet under IFRS and those in the tax balance sheet that reverse in future years ("temporary differences"). Furthermore, deferred tax claims must also be formed for the future use of tax loss carry-forwards. Deferred tax claims and liabilities are to be determined on the basis of the liability method.

The deferred tax claims and liabilities from temporary differences must be determined separately for every tax subject. Tax claims should be posted only if or to the extent to which they are countered by tax liabilities or to which their realisation can be classified as probable through future taxable profits. Tax claims and liabilities are posted in balanced form for a tax subject. Balancing between different tax subjects is not permitted.

For the evaluation of the temporary differences or loss carry-forwards, the tax rates valid on the balance sheet date or, for a future reversal of temporary differences, the tax rates legally entered into force on the balance sheet date shall be used.

Deferred tax expenditures or revenues shall be directly offset in the shareholders' equity if they refer to differences that do not have an impact on the Statements of Operations, such as evaluation changes to financial assets available for sale.

2.17 Revenue Realisation

SinnerSchrader provides services of various kinds that are treated differently with respect to revenue realisation. In principle, SinnerSchrader only realises revenues, once the service has been performed according to the underlying contractual agreements and the risk has been transferred to the recipient of the service or the purchaser, if it is probable that the economic benefit from the business will flow into the company and the level of sales revenues can be reliably determined. The revenues are posted net, without turnover tax, discounts, customer bonuses or deductions. They contain reimbursable expenses, such as travel expenses, if the customer has been invoiced for them and has paid them.

- Project and Consultancy Services

Project and consultancy services are billed either according to actual expenditure or on the basis of a fixed price. The revenues from projects on a fixed-price basis are entered on the balance sheet according to the progress achieved using the POC method according to IAS 11.22 ff. In this connection, progress is determined as a proportion of the project costs already incurred in relation to the expected total costs for the project as a whole. To cover imminent losses from not-yet-completed projects, accrued expenses are formed on the basis of an individual evaluation of the project at the expense of the period in which such a loss is probable. Revenues within the scope of contracts based on actual expense are generally posted monthly according to the expenditure incurred to provide the service.

Revenues realised on the basis of the POC method, but as yet unbilled, are posted as unbilled services in the balance sheet. Amounts billed to and paid by customers which exceed the scope of the accrued revenues are posted as deposits received.

- Media Services

SinnerSchrader performs services for its customers for planning and implementing advertising campaigns on the Internet (media services). In the context of implementing advertising campaigns, SinnerSchrader buys advertising space at its own expense. In the course of billing for these media services, the costs for buying advertising space (media costs) are passed on to the customers together with a fixed payment or a payment calculated on the basis of the actual media costs.

In principle, revenues for media services are realised with or after the appearance of the advertising. In this connection, the entire amount to be charged to the customer is recorded as gross revenues, and the amount reduced by the media costs that have been passed on to customers comprises the net revenues.

Realised revenues that have not yet been billed are posted as unbilled services in the balance sheet, reduced by deposits received for the advertising campaigns and including deposits paid for purchasing advertising space as part of advertising campaigns.

- Operating Services

SinnerSchrader performs operating services for its customers, which in particular also include the 24-hour monitoring and management of Internet applications with an on-call service. Payment for these services usually comprises a fixed monthly service fee plus variable, performance-related components, and the customers are billed for them monthly or quarterly. If the IT system monitored by SinnerSchrader is operated in SinnerSchrader's own computer centre, fixed usage fees are also charged monthly.

- Sale of Hardware and Software

In addition to other services, SinnerSchrader supplies its customers with hardware and standard software on request that SinnerSchrader itself buys on the market. The revenues from this are realised after billing or after the transfer of risk.

2.18 Advertising Costs

In principle, SinnerSchrader takes the expenditure for advertising and promotional campaigns into account under the marketing costs in the Statements of Operations at the time the expenditure is incurred. In the 2007/2008 and 2006/2007 financial years, these expenses amounted to € 141,870 and € 120,597, respectively.

2.19 Research and Development Expenditure

Expenditure for research and development is recorded as an expense in the period in which it is incurred. Development costs that can be activated are an exception if they completely meet the criteria according to IAS 38.57.

In 2007/2008, research and development costs in the amount of € 46,826 were recorded as an expense, in comparison to € 119,629 2006/2007. In both years, the criteria for the activation of the research and development costs according to IAS 38.57 were not met.

2.20 Leasing

Leasing payments should be recorded in a linear fashion as an expense in the Statements of Operations over the term of the leasing contract if they are incurred within an operating leasing relationship where all of the risks remain with the lessor.

SinnerSchrader has concluded only operating leasing contracts. They mainly concern automobiles made available as company cars.

2.21 Share-based Compensation

IFRS 2 calls for costs resulting from the issue of employee options to be entered in the balance sheet on the basis of their current value with an effect on income. In this connection, the market value of the option on the issue date should be distributed over the waiting period for exercising the option and then proportionately entered in the Statements of Operations as personnel costs for the relevant period. The costs are recorded against the shareholders' equity in the reserve for share-based compensation.

As of 31 August 2008, there were three stock option plans at SinnerSchrader; their structure and effects on the Statements of Operations will be described in more detail in Section 6.1.

2.22 Earnings per Share

SinnerSchrader calculates the earnings per share in agreement with IAS 33. The undiluted earnings per share are determined on the basis of the weighted average of the outstanding common stock. According to this, treasury stock is not considered in the calculation of the basis for the earnings per share on the date these shares were bought back.

The weighted average of the outstanding shares is increased by the dilution effect from the potential exercise of outstanding options, calculated according to the Treasury Stock Method, in order to determine the diluted earnings per share. As part of its employee option programmes of 1999, 2000, and 2007, SinnerSchrader issued options to employees to buy common stock. The outstanding options in the 2007/2008 and 2006/2007 financial years were considered accordingly in the calculation of the dilution effect.

3 Segment Reporting

As of 1 September 2007 the previously independent operating units SinnerSchrader Neue Informatik GmbH, SinnerSchrader Studios GmbH and SinnerSchrader Studios Frankfurt GmbH were merged to form SinnerSchrader Deutschland GmbH. In this context, the risks and incomes of the operating business activities previously spread over the individual companies were brought back to SinnerSchrader Deutschland GmbH.

In previous years, the segment reporting was oriented to the Company's internal reporting, which was based on the Group's division into individual subsidiaries according to company law. The foundation of the subsidiaries followed an original division of the operating business activities into profit centres.

After the reorganisation of the operating business in 2007 with the aim of the integrated provision and marketing of interactive services, it is no longer possible to identify distinct partial activities concerned with the provision of individual products or services or groups thereof that are comparable with regard to their risks or incomes within the meaning of IAS 14. The same applies to the associated asset and liability components.

The newly acquired subsidiary spot-media AG offers similar services to SinnerSchrader Deutschland GmbH and it is also not very different with regards to the risks and income of its business activity. Therefore, a separate representation within the meaning of a business segment is not necessary.

All SinnerSchrader revenues were earned by Group companies based in Germany. Revenues with individual companies do not exceed any orders of magnitude subject to reporting.

4 Information on the Balance Sheet

4.1 Development of Fixed Assets

The development of the fixed assets in the 2007/2008 and 2006/2007 financial years is shown in Tables 3a and 3b:

Table 3a | Fixed assets in the 2007/2008 financial year in €

	01.09.2007	Addition from first consolidation	Additions	Disposals	31.08.2007
Acquisition costs:					
Industrial property rights and licences	–	5,207	540	–	5,747
Software	596,302	14,378	74,937	112	685,505
Customer base	–	382,000	–	–	382,000
Goodwill	–	2,592,463	–	–	2,592,463
Total intangible assets	596,302	2,994,048	75,477	112	3,665,715
Computer hardware	1,201,708	74,071	253,658	19,424	1,510,013
Furniture and fixtures	952,953	74,092	112,666	101,074	1,038,637
Leasehold improvements	398,553	–	26,194	–	424,747
Total tangible assets	2,553,214	148,163	392,518	120,498	2,973,397
Investments	–	–	230,000	–	230,000
Loans receivable	–	–	20,000	–	20,000
Total financial assets	**–**	**–**	**250,000**	**–**	**250,000**
Total fixed assets	**3,149,516**	**3,142,211**	**717,995**	**120,610**	**6,889,112**
	01.09.2007		Additions	Disposals	31.08.2007
Accumulated depreciation, amortisation and writedowns:					
Industrial property rights and licences	–	–	1,075	–	1,075
Software	434,304	–	108,792	110	542,986
Customer base	–	–	92,206	–	92,206
Goodwill	–	–	–	–	–
Total intangible assets	434,304	–	202,073	110	636,267
Computer hardware	873,325	–	238,702	2,735	1,109,292
Furniture and fixtures	550,140	–	102,125	78,222	574,043
Leasehold improvements	140,386	–	68,191	–	208,577
Total tangible assets	1,563,851	–	409,018	80,957	1,891,912
Investments	–	–	230,000	–	230,000
Loans receivable	–	–	20,000	–	20,000
Total financial assets	**–**	**–**	**250,000**	**–**	**250,000**
Total fixed assets	**1,998,155**	**–**	**861,091**	**81,067**	**2,778,179**
	31.08.2007				31.08.2007
Net book value:					
Industrial property rights and licences	–				4,672
Software	161,998				142,519
Customer base	–				289,794
Goodwill	–				2,592,463
Total intangible assets	161,998				3,029,448
Computer hardware	328,383				400,722
Furniture and fixtures	402,813				464,592
Leasehold improvements	258,167				216,171
Total tangible assets	989,363				1,081,485
Investments	–				–
Loans receivable	–				–
Total financial assets	**–**				**–**
Total fixed assets	**1,151,361**				**4,110,933**

Table 3b | Fixed assets in the 2006/2007 financial year in €

	01.09.2006	Additions	Disposals	31.08.2007
Acquisition costs:				
Software	482,377	119,323	5,398	596,302
Total intangible assets	482,377	119,323	5,398	596,302
Computer hardware	1,363,324	198,972	360,588	1,201,708
Furniture and fixtures	1,151,575	98,873	297,495	952,953
Leasehold improvements	387,053	21,649	10,149	398,553
Total tangible assets	2,901,952	319,494	668,232	2,553,214
Total fixed assets	**3,384,329**	**438,817**	**673,630**	**3,149,516**
	01.09.2006	Additions	Disposals	31.08.2007
Accumulated depreciation, amortisation and writedowns:				
Software	372,478	67,221	5,395	434,304
Total intangible assets	372,478	67,221	5,395	434,304
Computer hardware	1,050,698	179,042	356,415	873,325
Furniture and fixtures	737,057	100,497	287,414	550,140
Leasehold improvements	85,237	65,295	10,146	140,386
Total tangible assets	1,872,992	344,834	653,975	1,563,851
Total fixed assets	**2,245,470**	**412,055**	**659,370**	**1,998,155**
	31.08.2006			31.08.2007
Net book value:				
Software	109,899			161,998
Total intangible assets	109,899			161,998
Computer hardware	312,626			328,383
Furniture and fixtures	414,518			402,813
Leasehold improvements	301,816			258,167
Total tangible assets	1,028,960			989,363
Total fixed assets	**1,138,859**			**1,151,361**

4.2 Deferred Taxes

Both in the 2007/2008 and the 2006/2007 financial years deferred taxes had to be posted in the Group because of differences in the postings for assets and liabilities according to IFRS and according to the relevant tax regulations as well as because of tax loss carry-forwards. Section 5.5 contains more details on this.

4.3 Unbilled Services

As of 31 August 2008 and 31 August 2007 ongoing fixed-price projects were activated as unbilled services with an amount of € 1,245,615 and € 778,344, respectively. In this connection, deposits received for the projects to the tune of € 928,714 and € 669, respectively were deducted from the total amounts of € 2,174,329 and € 779,013 for the POC evaluation of the projects.

4.4 Tax Receivables

As of 31 August 2008 and 31 August 2007 tax receivables reached a value of € 352,091 and € 342,088, respectively. This is paid tax collected at source on capital and interest earnings in the amounts of € 149,082 and € 203,127, respectively, upon which SinnerSchrader has a claim for offsetting vis-à-vis the Tax Office within the context of tax assessment. As of 31 August 2008 the claim from paid capital earnings tax was balanced against the tax reserves to be formed.

In the 2007/2008 and 2006/2007 financial years € 20,121 and € 129,968, respectively were paid in capital earnings tax and creditable corporation tax.

As of 31 August 2008 there was a tax reimbursement claim in the amount of € 237,425, just like 31 August 2007, comprising payment claims from corporation tax credits identified, which were to be activated in full by virtue of the introduction of the Act on Accompanying Tax Measures on the Introduction of the European Company and Amending other Tax Regulations (“SEStEG”). Upon introduction of the SEStEG, payment in instalments starts – beginning in 2008 with a term of 10 years separate from any dividends. In economic terms, the claim to reimbursement is an overpayment within the meaning of IAS 12.12, meaning that the entire claim was to be treated as current tax according to IAS 1.68 (m) in spite of its long-term character. The cash value was used because the claims for reimbursement cannot bear interest. Discounting was effected at a risk-free interest rate. As of 31.08.08, the discounted reimbursement claim was € 203,009.

4.5 Other Assets and Prepaid Expenses

As of 31 August 2008 and 31 August 2008 other short-term assets and active deferred income were valued at the amount listed in Table 4:

Table 4 | Other current assets and prepaid expenses in €

	31.08.2008	31.08.2007
Remaining other current assets	30,115	21,676
Prepaid expenses	211,708	64,816
Current assets and prepaid expenses	**241,823**	**86,492**
Remaining other non-current assets	227,586	–
Total assets and prepaid expenses	**469,409**	**86,492**

Tax claims in the amount of € 149,082 were balanced with the tax reserves.

4.6 Securities

As of 31 August 2008 SinnerSchrader did not hold any securities.

The commercial papers from industrial emitters on hand as of 31 August 2007 in the amount of € 5 million were sold in the current financial year.

4.7 Liquid Funds

Cash flows, bank balances and fixed-term deposit investments with a term of less than one month result in liquid funds of € 9.1 million as of 31 August 2008 (previous year: € 5.5 million).

4.8 Shareholders’ Equity

- Share Capital

As of 31 August 2008 and 31 August 2007, the share capital of SinnerSchrader AG was € 11,542,764 and was divided into 11,542,764 no-par-value share certificates in the names of the bearers, each with a calculated value of € 1 per share.

On 31 August 2008 and 31 August 2007, 11,497,579 and 11,401,878 shares, respectively, of all issued outstanding shares were in circulation. The remaining 45,185 and 140,886 shares, respectively, were held as SinnerSchrader AG treasury stock.

- Authorised Capital

On 28 January 2004, the Annual General Meeting authorised the Management Board to increase the share capital of the Company once or repeatedly by up to a total of € 5,770,000 until 15 January 2009 with the approval of the Supervisory Board by issuing new shares. This became legally effective upon entry of the decision in the Commercial Register on 13 April 2004. In the 2007/2008 and 2006/2007 financial years, no capital increases were carried out using the authorised capital.

- Conditional Capital

As of 31 August 2008 SinnerSchrader AG had conditional capital in the amount of € 896,538, which was created in 1999 (“Conditional Capital I”), 2000 (“Conditional Capital II”) and 2007 (“Conditional Capital III”) for the issue of share options to employees. With Annual General Meeting resolution of 23 January 2007, Conditional Capital I and Conditional Capital II were cancelled to the extent that they were no longer needed to service subscription rights and were correspondingly reduced by € 375,000 to € 127,909 and € 168,629, respectively. Until 31 December 2011 options can be issued to employees from Conditional Capital III in the amount of € 600,000, newly created by the Annual General Meeting resolution of 23 January 2007. In the 2007/2008 financial year, 175,000 options were issued to a member of the Management Board of the parent company and to members of the management of a subsidiary. Details on the option programmes and outstanding options are in section 6.

- Capital Reserve, Accumulated Deficit

As of 31 August 2007, the capital reserve was offset against the accumulated deficit, so that the amount of the capital reserve of the parent company pursuant to IFRS in the amount of € 3,612,775 reflects in the Consolidated Balance Sheet.

- Reserve for Share-based Compensation

The reserve comprises the accumulated costs from issuing share-based compensation. As of 31 August 2008 and 31 August 2007 they reached a value of € 70,778 and € 32,536, respectively.

- Treasury Stock

As of 31 August 2008, the Company held 45,185 shares of treasury stock.
The average price of all shares of treasury stock held was € 1.60 as of 31 August 2008.

As of 31 August 2007, the Company held 140,886 shares of treasury stock at an average price of € 1.54. In the 2007/2008 financial year, 12,500 shares were issued from treasury stock within the context of exercises of employee options, and 173,716 shares were bought from the stock exchange for an average price of € 1.62. In February 2008, 256,917 shares of treasury stock were issued to the vendors as part of the purchase price for the takeover of spot-media AG. 45,185 shares of treasury stock represent 0.39 % of the share capital. Under IFRS, a deducted item in shareholders' equity representing procurement costs has been set up for treasury stock.

- Changes to Shareholders' Equity with a Neutral Effect on Income

The changes to shareholders' equity with a neutral effect on income in the amount of € 25,071 (previous year: € 24,961) originate from currency conversion within the context of the consolidation of the companies in the consolidation group reporting in foreign currency.

4.9 Tax Reserves

As of 31 August 2008, the reserves for corporation tax and commercial tax were € 434,643 (previous year: € 0.00).

They were reported in the amount of € 149,082 from paid tax collected at source on capital and interest earnings, upon which SinnerSchrader has a claim for offsetting vis-à-vis the Tax Office within the context of tax assessment. The tax claim resulting from the balance sheet of the previous year was posted under the other assets.

4.10 Other Accrued Expenses

The other accrued expenses are made up as shown in Table 5:

Table 5 | Accrued expenses in €

	31.08.2007	Utilised	Allocated	Dissolved	31.08.2008
Accrued compensation	991,832	-973,319	1,081,492	-18,513	1,081,492
Accrued project-oriented expenses for warranties and allowances	428,277	-395,023	292,100	–	325,354
Accrued rent and related expenses	234,114	-72,176	86,980	-8,564	240,354
Reporting and auditing expenses	53,000	-53,000	62,580	–	62,580
Other accruals	96,670	-68,689	81,656	-4,650	104,987
Total	**1,803,893**	**-1,562,207**	**1,604,808**	**-31,727**	**1,814,767**

4.11 Other Non-current Liabilities and Deferred Revenues

As of 31 August 2008, the other non-current liabilities and deferred revenues had a remaining term of less than one year and were broken down into the main components listed in Table 6:

Table 6 | Other liabilities and deferred revenues in €

	31.08.2008	31.08.2007
Liabilities from income tax	197,563	153,049
Liabilities from value-added tax	322,966	92,098
Other liabilities	251,196	9,290
Deferred revenues and deferred income	37,804	36,433
Total	**809,529**	**290,870**

4.12 Financial Liabilities and Contingent Liabilities

SinnerSchrader rents its office premises at the Hamburg and Frankfurt am Main locations as well as company vehicles as part of rental and operating leasing contracts. The minimum remaining term of the rental contracts for the offices in Hamburg and Frankfurt am Main was 34 and 32 months, respectively as of 31 August 2008. The leasing contracts for the company vehicles had a remaining term of between 5 and 35 months on the balance sheet date. In the years ahead, the rental and leasing contracts will result in financial liabilities in the amount shown in Table 7:

Table 7 | Financial liabilities in €

	31.08.2008	31.08.2007
01.09.2007–31.08.2008	–	745,321
01.09.2008–31.08.2009	1,019,819	741,974
01.09.2009–31.08.2010	1,010,454	739,116
01.09.2010–31.08.2011	1,267,208	1,007,505
01.09.2011–31.08.2012	234,000	–
After 31.08.2012	87,750	–
Total	**3,619,231**	**3,233,916**

In the 2007/2008 and 2006/2007 financial years the total expenditure for rental and leasing contracts was € 936,259 and € 575,082, respectively. € 156,476 of this are rental expenses from the newly added Group subsidiary spot-media AG.

In addition, SinnerSchrader has certain regular contingent liabilities that arise in the ordinary course of business activities. The Company will form accrued expenses for these if there is an over-50 % chance that future expenditures will have to be made in this regard and that such expenditures can be estimated with sufficient reliability.
As of the balance sheet date, the consolidated companies that are part of the SinnerSchrader Group were open to one legal claim, which is based on the conversion of the former company building. As of 31 August 2008 and 31 August 2007, the reserve with respect to this legal claim amounted to € 100,000. It is part of the other accrued expenses shown in 4.8.

In the course of renting office space at the Hamburg and Frankfurt am Main locations, the landlords each demanded securities, which were provided in the form of bank guarantees.

Further securities in the form of bank guarantees were provided to the vendors of spot-media AG in the 2007/2008 financial year to secure future purchase price instalments.

As of 31 August 2008, the volume of this guarantee was € 867,855 (previous year: € 171,450). With a guarantee of this scope, SinnerSchrader can dispose of its liquid funds only with the explicit approval of the guaranteeing bank.

4.13 Information According to IFRS 7

Cash and cash equivalents, accounts receivable and unbilled services as well as other liabilities are mainly short-term (remaining terms less than three months or less than one year). Due to the slight failure risk of the accounts receivable, reserves for bad debts have been necessary only to a minor extent in recent financial years. In the current financial year, no additions had to be made to the reserves for bad debts.
The book value of the financial assets as of 31 August 2008 almost corresponds to the current value to be ascribed.

Trade accounts payable and other liabilities are also short-term (due within one year). The book values correspond to the current values to be ascribed.

An exception is the long-term liability in the amount of € 738,000 for the third to sixth purchase price instalment from the purchase of spot-media AG, which has been accrued and linked to an earn-out clause with respect to future EBIT expectation and has been discounted by € 100,000.

Summarised according to categories pursuant to IAS 39, the picture presented in Table 8 results for the financial instruments reported in the SinnerSchrader AG Consolidated Financial Statement as of 31 August 2008:

Table 8 | Financial instruments acc. to IFRS 7 in € 000s

	31.08.2008	31.08.2007
Cash and cash equivalents	9,075	10,450
Accounts receivable, net	4,830	3,962
Other current assets and prepaid expenses	242	86
Cash, cash equivalents and receivables	**14,147**	**14,498**
Trade accounts payable	2,358	1,687
Advance payments received	435	411
Deferred income and other current liabilities	810	291
Financial liabilities	**3,603**	**2,389**

In the 2007/2008 financial year, SinnerSchrader has earned interest in the amount of € 96,287. Expenditure on interest was € 2,511 from the financial instruments.

5 Elements of the Statements of Operations

5.1 Revenues

The revenues of € 24,169,725 include order income of € 2,174,329 from ongoing production orders as of 31 August 2008 identified with the POC method. The accumulated costs of the revenues for these orders were € 1,495,585.

5.2 Breakdown of Expenses According to the Total Cost Method

The total revenues, marketing, administrative, and research and development costs of the 2007/2008 and 2006/2007 financial years was broken down according to cost types, as shown in Table 9, as follows:

Table 9 | Operating costs by expenditure in €

	2007/2008	2006/2007
Personnel expense	10,289,200	8,957,386
Costs of materials	584,428	439,796
Costs of services	2,117,520	1,279,659
Depreciation of property and equipment	518,884	412,055
Other operating expenses	2,580,710	2,100,673
Total	**16,090,742**	**13,189,569**

The personnel expenditure refers to an average personnel capacity of 179 full-time employees in the 2007/2008 financial year and 145 full-time employees in the 2006/2007 financial year.

The expenditure for purchased materials was largely incurred for hardware and software, which SinnerSchrader acquired to sell on to its customers. The expenditure for purchased services mainly comprises costs resulting from using freelancers and sub-contractors.

Within the other operating expenses € 1,031,908 and € 638,659 were incurred for renting and operating the office space in the 2007/2008 and 2006/2007 financial years, respectively.

5.3 Other Income/Expenses

Table 10 shows the composition of the other income/expenses:

Table 10 | Other income and expenses in €

	2007/2008	2006/2007
Income from dissolving of accrued expenses	35,647	36,276
Compensation for damages	4,486	31,184
Income/expenses from disposal of fixed assets	4,034	-7,836
Other	4,402	12,159
Total	**48,569**	**71,783**

5.4 Financial Result

The financial result comprises income from interest, income from the sale of marketable securities, losses from participations and interest expenditure, as shown in Table 11:

Table 11 | Financial income in €

	2007/2008	2006/2007
Interest income	103,408	373,748
Realised gains/losses, net on the sale of marketable securities	289,343	2,433
Interest expenses	-21,489	-1,296
Total	**371,262**	**374,885**

Interest expenditure and similar expenditure was largely incurred for the guarantees provided by banks and for the compounding of interest of the purchase price liability set at the cash value at the moment of purchase associated with the takeover of spot-media AG.

5.5 Taxes from Income and from Earnings

The taxes from income and earnings posted in the 2007/2008 and 2006/2007 financial years are made up of ongoing and deferred components, as shown in Table 12a:

Table 12a | Income tax in €

	2007/2008	2006/2007
Current	504,958	-134,687
Deferred	220,753	534,154
Total	**725,711**	**399,467**

In the 2007/2008 financial year, tax loss carry-forwards according to Article 10d of the Income Tax Act ("EStG") were used in the amount of around € 499,020. The loss carry-forwards for corporation tax to be used have been fully used up as of 31 August 2008. And the tax loss carry-forwards for trade tax in the amount of € 1,046,215 were also used up completely in the financial year. The current income tax expenses in the 2007/2008 financial year were € 504,958 (previous year: € 12,990).

Deferred taxes had to be formed because of the evaluation differences between the balance sheet items according to IFRS and the postings in the relevant tax balances as well as on the basis of the remaining loss carry-forwards that can be used for tax purposes.

Table 12b shows the composition of the deferred tax items as of 31 August 2008 and 31 August 2007, broken down according to the items where there was an evaluation difference:

Table 12b | Deferred tax items in €

	31.08.2008	31.08.2007
Deferred tax assets:		
Loss carry-forwards	527,232	759,040
Valuation of accrued expenses	12,662	15,378
Valuation allowance	-527,232	-512,854
Total deferred tax assets	12,662	261,564
Deferred tax liabilities:		
Valuation of unfinished/ unbilled services	283,023	273,090
Valuation of intangible assets	93,531	–
Valuation of fixed assets	-2,705	6,070
Valuation of current assets	11,393	10,941
Total deferred tax liabilities	385,242	290,101
Total deferred tax assets/liabilities, net	**-372,580**	**-28,537**

As of 31 August 2008 and 31 August 2007 the calculation of deferrals was based on tax loss carry-forwards in Germany, the UK and the Netherlands. In the three countries, the relevant loss carry-forwards could be brought forward without limitation. The extents of the loss carry-forwards and the tax rates used to calculate them are listed in Table 12c.

Table 12c | Loss carry-forwards and statutory income tax rates in € and %

	31.08.2008		31.08.2007	
For corporate tax	Loss carry-forwards	Tax rate	Loss carry-forwards	Tax rate
Germany	-129,898	15.8 %[1]	-615,518	15.8 %[1]
thereof in tax group	–	15.8 %[1]	-485,620	15.8 %[1]
Great Britain	-1,106,276	30.0 %	-1,068,862	30.0 %
Netherlands	-200,820	34.5 %	-191,680	34.5 %
	31.08.2008		**31.08.2007**	
For municipal trade tax	Loss carry-forwards	Tax rate	Loss carry-forwards	Tax rate
Germany	-641,398	16.5 %	-1,670,796	16.5 %
thereof in tax group	–	16.5 %	-1,029,398	16.5 %
Great Britain	–	–	–	–
Netherlands	–	–	–	–

[1] 15 % corporate tax plus 5,5 % solidarity surcharge

Deferred tax assets may be posted only to the extent that the future realisation of the relevant advantage is sufficiently probable or if they are countered by deferred tax liabilities. Correspondingly, as of 31 August 2008 and 31 August 2007 the values of the tax claims from loss carry-forwards in the UK and the Netherlands were adjusted because the operating business in these countries continues to be inactive. The same applies to tax claims from loss carry-forwards prior to tax consolidation of a domestic subsidiary because here, too, realisation cannot yet be forecast with sufficient probability.

Tax claims from the other loss carry-forwards within the context of the German group of companies had been fully realised as of 31 August 2008.

The deferred tax claims are to be calculated according to IAS 12.48 on the basis of the currently valid tax rates. In this connection, the statutory tax rate of 32.3 % applied to the calculation of active and passive deferred taxes as of 31 August 2008 and 31 August 2007. It was made up of the trade tax rate of 16.5 %, the corporation tax rate of 15 % and the solidarity surcharge of 5.5 % on the corporation tax.

The deferred tax assets and liabilities were posted separately for every tax subject for identification on the balance sheet.

The tax expenditure or income identified in the Statements of Operations deviates from the value that would result from the use of the statutory tax rates on the pre-tax profits. Table 12d explains the difference between the calculated tax expenditure or income on the basis of the statutory tax rate and the tax expenditure or income recorded in the Statements of Operations for the two financial years 2007/2008 and 2006/2007:

Table 12d | Tax reconciliation in €

	2007/2008	2006/2007
Tax provision (+), tax credit (–) at statutory rate	**753,284**	**572,609**
Permanent difference for share-based compensation	12,343	6,225
Other non-deductible expenses/non-taxable income	8,049	9,796
Changes in valuation allowance for deferred tax assets due to decrease of the tax rate	–	-44,864
Changes in valuation allowance for deferred tax assets of domestic group companies	–	1,948
Changes in valuation allowances for deferred tax assets and differences in tax rates concerning losses in foreign group companies, net of tax effects on consolidation	294	102
Taxes for previous years	-43,935	-147,678
Other	-4,324	1,329
Income tax corresponding to income statement	**725,711**	**399,467**

5.6 Earnings per Share

The derivation of the undiluted and diluted earnings per share for the 2007/2008 and 2006/2007 financial years is shown in Table 13:

Table 13 | Earnings per share in € and number

	2007/2008	2006/2007
Net profit/loss	**1,608,245**	**1,018,423**
Basis weighted average shares of common stock outstanding	11,471,025	11,416,751
Basic earnings per share	**0.14**	**0.09**
Weighted average shares of common stock outstanding	11,471,025	11,416,751
add: stock option grant	5,274	1,487
Diluted average share of common stock outstanding	11,476,599	11,418,238
Diluted earnings per share	**0.14**	**0.09**

6 Share-based Compensation

6.1 Stock Option Plans

- SinnerSchrader Stock Option Plan 1999

In October 1999, the Annual General Meeting of SinnerSchrader AG approved the SinnerSchrader Stock Option Plan 1999 (“1999 Plan”), which provides for the granting of stock options to allocate a total of 375,000 shares to the members of the Management Board of SinnerSchrader AG (40,000 options), to the management of the affiliated companies (10,000 options), to all employees of SinnerSchrader AG (55,000 options) as well as to all employees of the affiliated companies (270,000 options) by 8 November 2004.

Options granted under the 1999 Plan have an exercise price of 120 % of the average closing price of the SinnerSchrader share on the Frankfurt Stock Exchange during the ten trading days prior to the allocation date. The options of the 1999 Plan can be exercised in equal instalments of one-third each two, three, and four years after allocation at the earliest. They have to be exercised within six years after the allocation date. In the 2007/2008 financial year no options from the 1999 Plan were exercised, in the 2006/2007 financial year 5,000 options from the 1999 Plan were exercised at an exercise price of € 1.53 per share. As of 31 August 2008, no options from the 1999 Plan were outstanding.

- SinnerSchrader Stock Option Plan 2000

In December 2000, the Annual General Meeting of SinnerSchrader AG approved the SinnerSchrader Stock Option Plan 2000 (“2000 Plan”), which provides for the granting of stock options to allocate a total of 375,000 shares to the members of the Management Board of SinnerSchrader AG (40,000 options), to the management of the affiliated companies (40,000 options), to all employees of SinnerSchrader AG (55,000 options) as well as to all employees of the affiliated companies (240,000 options) by 10 January 2006.

Options granted under the 2000 Plan have an exercise price of 120 % of the average closing price of the SinnerSchrader share on the Frankfurt Stock Exchange during the ten trading days prior to the allocation date. The options of the 2000 Plan can be exercised in equal instalments of one-third each two, three, and four years after allocation at the earliest. They have to be exercised within six years after the allocation date. In the 2007/2008 financial year, 12,500 options were exercised at an exercise price of € 1.53 per share. In the 2006/2007 financial year, 7,500 options were exercised at an exercise price of € 1.53 per share. As of 31 August 2008, a total of 61,135 options from the 2000 Plan were still outstanding with an average exercise price of € 1.97.

- SinnerSchrader Stock Option Plan 2007

In January 2007, the Annual General Meeting of SinnerSchrader AG approved the SinnerSchrader Stock Option Plan 2007 (“2007 Plan”), which provides for the granting of stock options to allocate a total of 600,000 shares to the members of the Management Board of SinnerSchrader AG (200,000 options) and to the members of the management of the affiliated companies (200,000 options) as well as to selected employees performing managerial tasks within SinnerSchrader AG and affiliated companies (200,000 options).

Options granted under the 2007 Plan have an exercise price of at least the mean value of the closing price of SinnerSchrader AG shares in the Xetra trading system of Deutsche Börse AG (or an equivalent successor system) during the five trading days prior to the allocation date. The options can be exercised in equal instalments of one-third each three, four, and five years after allocation at the earliest. The options of the first third may be exercised only if the mean value of the closing price of SinnerSchrader AG shares in the Xetra trading system of Deutsche Börse AG (or an equivalent successor system) during the five trading days before the day of exercise (reference price) is 30 % above the exercise price. The options of the second third may be exercised only if the reference price is 40 % above the exercise price. The options of the last third may be exercised only if the reference price is 50 % above the exercise price. The latest exercise period is seven years after the allocation date.

In the 2007/2008 financial year, 175,000 options from the 2007 plan with an average exercise price of € 1.59 were allocated to a member of the SinnerSchrader AG Management Board and to members of the management of subsidiary companies. In the 2006/2007 financial year, 75,000 stock options with an average exercise price of € 1.71 were allocated to members of the management of affiliated companies.

Table 14a shows the parameters used for the evaluation of the options newly assigned on 1 September 2007 and 1 march 2008 on the basis of a binomial model according to Cox/Ross/Rubinstein:

Table 14a | Parameters for valuation of stock options at valuation date

	2007/2008
Expected life of option	3.5–5.5 years
Risk-free interest rate	3.26–4.54 %
Expected dividend yield	0 %
Expected volatility	41–52 %
Exercise price	€ 1.57–1.59
Share price at valuation date	€ 1.57–1.58

The volatility was determined by the closing prices of the last 840, 1,080, and 1,320 trading days before the date of issue.

Table 14b summarises the changes in the number of options outstanding from the 1999 Plan, the 2000 Plan, and the 2007 Plan in the 2007/2008 and 2006/2007 financial years:

Table 14b | Outstanding stock options in € and number

	Number of options	Weighted average exercise price	Weighted average grant date fair value
Outstanding at 31 August 2006	**296,538**	**7.60**	**3.40**
Granted	75,000	1.71	0.80
Exercised	-12,500	1.53	0.67
Cancelled	-4,000	2.01	0.62
Expired	-12,700	2.33	0.60
Outstanding at 31 August 2007	**342,338**	**6.79**	**3.06**
Granted	175,000	1.59	0.56
Exercised	-12,500	1.53	0.78
Cancelled	-56,615	2.41	2.82
Expired	-137,088	14.02	5.63
Outstanding at 31 August 2008	**311,135**	**1.69**	**0.66**

Additional information on all options outstanding on 31 August 2008 is listed in Table 14c:

Table 14c | Outstanding stock options according to exercise price in €, number, and years

31.08.2008	Options outstanding			Options exercisable	
Range of exercise price in €	Number	Weighted average remaining contractual life in years	Weighted average exercise price in €	Number	Weighted average exercise price in €
0.00–5.00	311,135	4.61	1.69	31,202	1.83
Total	**311,135**	**4.61**	**1.69**	**31,202**	**1.83**

7 Risk Management

7.1 Capital Management
SinnerSchrader's capital management aims to ensure that the operating companies will continue to operate and to finance organic and inorganic growth. A high level of shareholders' equity is also aimed at because it supports the independence and competitiveness of the Company.

7.2 Credit Risk
The Group's credit risk mainly refers to accounts receivable and to other liabilities. Liquid funds are deposited with financial institutions with the best credit ratings.

At the same time, the book value of the financial assets in the balance sheet also represents the Group's maximum credit risk.

7.3 Liquidity Risk
The liquidity risk results from the possibility that the Group cannot meet its payment obligations vis-à-vis contracting parties. The Group monitors and maintains an amount of liquid funds that the Management Board considers necessary to finance the Group's operating business and to balance out fluctuation in the cash flows.

8 Related Party Transactions
In the 2007/2008 and 2006/2007 financial years, SinnerSchrader generated revenues with companies in which members of its Supervisory Board hold Supervisory Board positions of € 8,441,677 and € 4,569,606, respectively. The total of unbilled services and accounts receivable to these companies on 31 August 2008 and 31 August 2007 amounted to € 1,285,836 and € 1,024,424, respectively.

9 Major Events after the Balance Sheet Date
There were no major events after the balance sheet date that should be reported.

10 Supplementary Information Required by the German Commercial Code

10.1 Participations
See the Annual Financial Statements of SinnerSchrader Aktiengesellschaft, Section 5.5, page 92/93.

10.2 Use of Article 264 Para. 3 of the German Commercial Code
SinnerSchrader Deutschland GmbH, Hamburg, made use of the exemption provision in Article 264 para. 3 of the German Commercial Code for the Annual Report as of 31 August 2008.

10.3 Employees
In the 2007/2008 financial year, there were an average of 222 employees in the SinnerSchrader Group, 6 of whom were board members or managing directors of the Group companies and 36 trainees, students and interns.

Without the subsidiary spot-media AG incorporated in the consolidated accounts since 1 February 2008, the average number of employees would be 163. In the previous year there was an average of 154 employees in the Group.

10.4 Payment of the Auditors
€ 50,000 were spent on the audit of the Annual Report and Consolidated Accounts of SinnerSchrader AG as of 31 August 2008. The auditor, BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, also received fees of € 20,000 in the 2007/2008 financial year for other services.

10.5 Management Board
See the Annual Financial Statements of SinnerSchrader Aktiengesellschaft, Section 5.3, page 91.

10.6 Supervisory Board
See the Annual Financial Statements of SinnerSchrader Aktiengesellschaft, Section 5.4, page 92.

10.7 Directors' Holdings of Shares and Subscription Rights to Shares (Directors' Dealings)
See the Annual Financial Statements of SinnerSchrader Aktiengesellschaft, Section 6.1, page 96.

10.8 Declaration of Conformity on the Acceptance of Recommendation of the "Government Commission on the German Corporate Governance Code"
See the Annual Financial Statements of SinnerSchrader Aktiengesellschaft, Section 5.6, page 93.

Hamburg, 28 October 2008

The Management Board

Matthias Schrader Thomas Dyckhoff

Auditors' Opinion

We have audited the Consolidated Financial Statements prepared by SinnerSchrader Aktiengesellschaft, Hamburg, consisting of the Consolidated Balance Sheet, the Consolidated Statements of Operations, the Consolidated Statements of Shareholders' Equity, the Consolidated Statements of Cash Flows, and the Notes, as well as the Group Status Report, which was combined with the Status Report of the Company, for the financial year from 1 September 2007 to 31 August 2008. It is the responsibility of the Company's management to prepare the Consolidated Financial Statements and the Group Status Report in accordance with International Financial Reporting Standards (IFRS), as required in the EU, and with the commercial law regulations stipulated under Article 315a para. 1 HGB (German Commercial Code). It is our responsibility to express an opinion on the Consolidated Financial Statements and the Group Status Report based on our audit.

We conducted our audit of the Consolidated Financial Statements in accordance with Article 317 HGB and with the generally accepted German standards for the proper auditing of financial statements as promulgated by the Institut der Wirtschaftsprüfer in Deutschland (Institute of Public Auditors in Germany). These standards require that we plan and perform the audit in such a way that misstatements and contraventions materially affecting the presentation of the asset, financial, and income situation in accordance with the principles of proper accounting in the Consolidated Financial Statements and Group Status Report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the Group as well as the evaluation of possible misstatements are taken into account when determining the audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Group Status Report are examined primarily on a test basis within the framework of the audit. The audit involves an evaluation of the Annual Financial Statements of the companies included in the Consolidated Financial Statements, the definition of the basis of consolidation, the accounting and consolidation principles used, and the key estimates of the Company's management, as well as an appraisal of the overall presentation of the Consolidated Financial Statements and the Group Status Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion, based on the results of the audit, the Consolidated Financial Statements comply with IFRS, as required in the EU, and with the commercial law regulations stipulated under Article 315a para. 1 HGB, and they present a true and fair view of the asset, financial, and income situation of the Group in accordance with these regulations. The Group Status Report is consistent with the Consolidated Financial Statements, conveys an accurate view of the situation of the Group, and accurately presents the opportunities and risks for future development.

Hamburg, 31 October 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr Probst	p.p. Brandt
Auditor	Auditor

ANNUAL FINANCIAL STATEMENTS 2007 | 2008

Annual Financial Statements of SinnerSchrader AG

84 Balance Sheets of SinnerSchrader AG

86 Statements of Operations of SinnerSchrader AG

87 Notes of the SinnerSchrader AG

97 Auditors’ Opinion

Balance Sheets of SinnerSchrader AG
as of 31 August 2008

Assets in €	31.08.2008	31.08.2007
Fixed assets		
Intangible assets:		
Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets	99,941	141,815
Tangible assets:		
Other equipment, plant and office equipment	247,385	302,549
Leasehold improvements	210,064	258,168
Total tangible assets	457,449	560,717
Financial assets:		
Shares in affiliated companies	19,539,517	16,000,000
Investments	–	–
Other loans	–	–
Total financial assets	19,539,517	16,000,000
Total fixed assets	**20,096,907**	**16,702,532**
Current assets		
Receivables and other assets:		
Trade receivables	1,360	21,516
Receivables from affiliated companies	1,017,782	1,174,625
Other assets	211,010	313,301
Total receivables and other assets	1,230,152	1,509,442
Securities:		
Treasury stock	72,192	217,350
Other securities	–	4,996,007
Total securities	72,192	5,213,357
Cash on hand and in banks	8,962,400	5,047,002
Total current assets	**10,264,744**	**11,769,801**
Prepaid expenses	41,980	42,611
Total assets	**30,403,631**	**28,514,944**

Liabilities and shareholders' equity in €	31.08.2008	31.08.2007
Shareholders' equity		
Subscribed capital (conditional capital: € 896,538; previous year: € 896,538)	11,542,764	11,542,764
Capital surplus	2,603,673	2,603,673
Reserves:		
Reserve for treasury stock	72,192	217,350
Other reserves	12,234,157	12,088,999
Retained earnings/accumulated deficit	1,684,537	1,390,868
Total shareholders' equity	**28,137,323**	**27,843,654**
Accruals		
Accrued taxes	298,795	–
Other accrued liabilities	1,573,017	446,842
Total accrued liabilities	**1,871,812**	**446,842**
Liabilities		
Trade payables	69,096	107,868
thereof with a remaining term up to one year: € 69,096 (previous year: € 107,868)		
Other liabilities	325,400	116,580
thereof with a remaining term up to one year: € 325,400 (previous year: € 116,580)		
thereof taxes € 298,516 (previous year: € 116,359)		
thereof relating to social security and similar obligations € 0 (previous year: € 0)		
Total liabilities	**394,496**	**224,448**
Total liabilities and shareholders' equity	**30,403,631**	**28,514,944**

Statements of Operations of SinnerSchrader AG

for the 2007/2008 and 2006/2007 financial years

in €	2007/2008	2006/2007
Revenues	3,091,822	2,453,762
Other operating income	333,669	2,070,195
Material expense:		
Expense for purchased services	-129,706	-81,434
Total material expense	-129,706	-81,434
Personnel expense:		
Wages and salaries	-1,233,657	-1,075,054
Social security	-241,543	-230,894
Total personnel expense	-1,475,200	-1,305,948
Depreciation of intangible assets, property and equipment	-260,457	-214,333
Other operating expense	-1,778,211	-1,555,330
Income from profit/loss transfer agreement	2,556,974	1,368,877
Other interest and similar income	102,141	359,944
thereof from affiliated companies: € 2,846 (previous year: € 15,649)		
Writedowns on investments	-250,000	–
Interest and similar expense	-158,229	-30,529
thereof from affiliated companies: € 157,189 (previous year: € 29,325)		
Income from ordinary activities	**2,032,803**	**3,065,204**
Income tax	-380,872	129,348
Other taxes	-55	-391
Net income	**1,651,876**	**3,194,161**
Profit brought forward from previous year	32,661	793,787
Withdrawal from reserves:		
- from reserves for treasury stock	145,158	–
- from other reserves	–	16,417
Additions to reserves:		
- to reserves for treasury stock	–	-16,417
- to other reserves	-145,158	-2,597,080
Net income for the year	**1,684,537**	**1,390,868**

Notes of the SinnerSchrader AG

1 Statutory Foundations

The annual report of SinnerSchrader Aktiengesellschaft ("Sinner-Schrader AG" or "Company") has been compiled in accordance with the regulations of the German Commercial Code ("Handelsgesetz-buch") and the German Stock Corporation Act ("Aktiengesetz"). The Company is considered to be a large company limited by shares within the meaning of Article 267 of the German Commercial Code.

2 Accounting Principles and Standards of Valuation

The report has been compiled in euros (€).

The intangible assets and the property and equipment are reported at procurement or manufacturing costs, minus regular depreciation. Depreciation is linear in accordance with the usage period. Low-value items with procurement costs of up to € 150 are fully depreciated in the year of acquisition. Depreciation of leasehold improvements is linear over the remaining term of the rental contract.

The financial assets are reported either at acquisition costs or at the value to be ascribed on the balance sheet date, whichever is lower.

If the value of the fixed assets determined according to the principles above is higher than the value to be ascribed to them on the report date, this shall be taken account of by means of non-scheduled depreciation. If the reasons for depreciation implemented in previous financial years no longer pertain, the original value will be reinstated.

Receivables and other assets are reported at their face value. Foreign currency debts are included on the balance sheet either at the original rate or at the rate applicable on the balance sheet date, whichever is lower.

Marketable securities are included on the balance sheet either at acquisition costs or at a value to be ascribed to them, whichever is lower.

Other accrued expenses cover all identifiable risks and uncertain liabilities. These expenses are evaluated at a level that appears necessary according to sound business judgement.

Liabilities are posted in the amount to be repaid. Foreign currency liabilities are included on the balance sheet either at the original rate or at the rate applicable on the balance sheet date, whichever is higher.

3 Explanations of Balance Sheet Items

3.1 Fixed Assets

The development of the Company's fixed assets is shown in the following assets table:

Table 1 | Assets table

Acquisition and manufacturing costs in €	01.09.2007	Additions	Disposals	31.08.2008
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	418,845	44,327	–	463,172
Tangible assets:				
Other equipment, plant and office equipment	828,437	80,267	110,396	798,307
Leasehold improvements	330,495	19,867	–	350,362
Financial assets:				
Shares in affiliated companies	24,838,037	3,539,517	–	28,377,554
Investments	167,900	230,000	–	397,900
Loans to investee companies	51,129	–	–	51,129
Other loans	–	20,000	–	20,000
Total	**26,634,843**	**3,933,978**	**110,396**	**30,458,424**

Accumulated depreciation, and writedowns in €	01.09.2007	Additions	Disposals/ write-ups	31.08.2008
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	277,030	86,201	–	363,231
Tangible assets:				
Other equipment, plant and office equipment	525,888	106,285	81,251	550,922
Leasehold improvements	72,327	67,971	–	140,298
Financial assets:				
Shares in affiliated companies	8,838,037	–	–	8,838,037
Investments	167,900	230,000	–	397,900
Loans to investee companies	51,129	–	–	51,129
Other loans	–	20,000	–	20,000
Total	**9,932,311**	**510,457**	**81,251**	**10,361,517**

Net book values in €	01.09.2007	31.08.2008
Intangible assets:		
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	141,815	99,941
Tangible assets:		
Other equipment, plant and office equipment	302,549	247,385
Leasehold improvements	258,168	210,064
Financial assets:		
Shares in affiliated companies	16,000,000	19,539,517
Investments	–	–
Loans to investee companies	–	–
Other loans	–	–
Total	**16,702,532**	**20,096,907**

3.2 Treasury Stock

As of 31 August 2008, the Company held 45,185 shares of treasury stock with a calculated face value of € 45,185. They represent 0.39 % of the share capital and are held for the purposes cited in the relevant resolutions of the Annual General Meetings. The acquisition cost for the treasury stock held was € 1.60 per share on average.

As of 31 August 2007, the Company held 140,886 shares of treasury stock which had been purchased at an average acquisition cost of € 1.54 per share. In the 2007/2008 financial year, 173,716 shares of treasury stock were purchased on the stock market at an average price of € 1.62. In February 2008, 256,917 shares of treasury stock, which represent 2.23 % of the share capital, were issued to the sellers of spot-media AG as part of the purchase price for the takeover of the company. Another 12,500 shares were issued in August 2008 in the context of exercising employee options at an exercise price of € 1.53.

The treasury stock is entered in the balance sheet either at acquisition costs or at a value to be ascribed, whichever is lower. Accordingly, the number of treasury stock shares as of 31 August 2008 should be posted at the original acquisition cost given a closing price of € 1.68 per share on this date.

A reserve for the treasury stock is formed in the amount of the balance sheet item.

3.3 Accounts Receivable and Other Assets

There were accounts receivable and other assets in the amount of € 172,784 (previous year: € 146,457) with a remaining term of over one year. All other accounts receivable and other assets in the amount of € 1,034,484 (previous year: € 1,362,985) have a remaining term of up to one year.

Accounts receivable from affiliated companies in the amount of € 1,017,782 (previous year: € 1,174,625) are balanced against liabilities to affiliated companies in the amount of € 4,871,581 (previous year: € 1,121,505). The gross item is made up of accounts receivable due to profit and loss transfer agreements (€ 2,556,974; previous year: € 1,368,877), trade accounts receivable (€ 3,093,854; previous year: € 310,042), accounts receivable associated with tax integration (€ 137,585; previous year: € 140,953), and loans to affiliated companies (€ 100,950; previous year: € 450).

As of 31 August 2008, the other assets largely comprised a claim for reimbursement from corporation tax credits which was to be activated in the full amount as of 31 December 2006 due to the introduction of the Act on Tax Measures Accompanying the Introduction of the European Company and on Amending Other Tax Regulations. The cash value was used because the claims for reimbursement bear no interest. A risk-free interest rate (interest on federal loans) was chosen for discounting. The discounted claim for reimbursement as of 31 August 2008 was € 195,668, of which € 172,784 had a remaining term of over one year.

In the previous year, the other assets included tax receivables from the tax authorities in connection with taxes paid on revenues from investing liquid funds in the amount of € 163,120.

3.4 Prepaid Expenses

The prepaid expenses in the amount of € 41,980 (previous year: € 42,611) largely consist of payments for investor relations services, insurance policies, maintenance contracts, and contributions as well as an allotment of job advertisements relating to the year.

3.5 Share Capital

As of 31 August 2008, the Company's share capital amounted to € 11,542,764. It was made up of 11,542,764 individual no-par-value share certificates with a calculated face value of € 1 issued in the name of the owner.

The Annual General Meeting of 28 January 2004 authorised the Management Board to increase the share capital once or repeatedly by up to a total of € 5,770,000 until 15 January 2009 with the approval of the Supervisory Board by issuing no-par-value share certificates issued in the name of the owner in return for a contribution in cash or a contribution in kind, excluding the shareholders' subscription right. Neither the Management Board nor the Supervisory Board have made use of the approved capital. As of 31 August 2008, the approved capital therefore still amounted to € 5,770,000.

The Annual General Meeting decision of 26 October 1999 created conditional capital in the amount of € 375,000 ("Conditional Capital I") for granting rights to subscribe to 375,000 no-par-value individual share certificates to employees and members of the management of the Company or affiliated companies ("1999 Stock Option Plan"). Options from the 1999 Stock Option Plan could be assigned until 8 November 2004. The Annual General Meeting of 23 January 2007 decided to reduce the scope of Conditional Capital I by the amount no longer needed to service subscription rights at that time. It was correspondingly reduced from € 375,000 to € 127,909. As of 31 August 2008, there were no more options from the 1999 Stock Option Plan in circulation. In the 2007/2008 financial year, no options from the 1999 Stock Option Plan were exercised. In the previous year, 5,000 options from the 1999 Stock Option Plan were exercised at an average exercise price of € 1.53.

The Annual General Meeting decision of 12 December 2000 created conditional capital in the amount of € 375,000 (“Conditional Capital II”) for granting rights to subscribe to 375,000 no-par-value individual share certificates to employees and members of the management of the Company or affiliated companies ("2000 Stock Option Plan"). Options from the 2000 Stock Option Plan could be assigned until 10 January 2006. The Annual General Meeting of 23 January 2007 decided to reduce the scope of Conditional Capital II by the amount no longer needed to service subscription rights at that time. It was correspondingly reduced from € 375,000 to € 168,629. As of 31 August 2008, 61,135 options from the 2000 Stock Option Plan with an average exercise price of € 1.97 were still in circulation. In the 2007/2008 financial year, 12,500 options from the 2000 Stock Option Plan were exercised at an average exercise price of € 1.53. In the previous year, 7,500 options from the 2000 Stock Option Plan were exercised at an average exercise price of € 1.53.

The Annual General Meeting decision of 23 January 2007 created conditional capital in the amount of € 600,000 (“Conditional Capital III”) for granting rights to subscribe to 600,000 no-par-value individual share certificates to employees and members of the management of the Company or affiliated companies ("2007 Stock Option Plan"). Options from the 2007 Stock Option Plan can be assigned until 31 December 2011. In the 2007/2008 financial year, 175,000 options were issued to members of the management of a subsidiary and to a member of the Management Board at an average exercise price of € 1.59. In the previous financial year, 75,000 options were issued at an average exercise price of € 1.71.

3.6 Capital Reserve

The capital reserve remained unchanged in the 2007/2008 financial year compared to the previous year.

3.7 Reserve for Treasury Stock

As of 31 August 2008, the reserve for treasury stock had reached a level of € 72,192 (previous year: € 217,350). The reserve for treasury stock was made at the level of the balance sheet item for treasury stock; its change is explained in Section 3.2.

3.8 Other Revenue Reserves

Table 2 | Other reserves of SinnerSchrader AG in €

Other reserves as at 31.08.2007	**12,088,999**
Allocation from dissolution of reserves for treasury stock	145,158
Other reserves as at 31.08.2008	**12,234,157**
thereof:	
from allocation to other reserves acc. to Art. 58 para. 2a AktG	8,000,000
from the rest of allocation to other reserves acc. to Art. 58 para. 2 AktG	4,234,157

Due to the reduction in reserves for treasury stock, the other revenue reserves rose by € 145,158 in the 2007/2008 financial year to reach € 12,234,157 as of 31 August 2008.

3.9 Accrued Expenses

The other accrued expenses in the amount of € 1,573,017 (previous year: € 446,842) have been formed for future purchase price instalments connected to the acquisition of spot-media AG, for outstanding invoices, litigation risks, reporting and auditing expenses as well as personnel expenses, especially for holiday and overtime claims and bonuses.

The amount of the future purchase price instalments from the acquisition of spot-media AG will depend on the future operating results of this company and any potential tax burdens from the deferred payment.

3.10 Liabilities

All liabilities in the amount of € 394,496 (previous year: € 224,448) have a remaining term of less than one year.

The current liabilities as of 31 August 2008 were made up of trade accounts payable, turnover tax liabilities for the German turnover tax authorities as well as income tax and church tax levies that are not yet due.

4 Explanations of Statements of Operations Items

4.1 Other Operating Income

The other operating income in the amount of € 333,669 comprises income from the sale of securities, from compensation for damages, reimbursements, insurance compensation, the resolution of accrued expenses, and from paying benefits with cash value to employees.

4.2 Income from the Transfer of Profits

In December 2003, the Company and its 100 % subsidiary Sinner-Schrader Deutschland GmbH concluded a profit transfer agreement with effect from 1 September 2003, which the Annual General Meeting agreed to on 28 January 2004. Income of € 2,556,974 was earned from the profit transfer agreement in the 2007/2008 financial year.

4.3 Interest Income and Expenses

The interest income comes from investing the Company's liquid funds and from the compounding of corporation tax credit pursuant to Article 37 of the German Corporation Tax Law ("KStG"). Interest expenditure mainly arose within the context of the central liquidity management that the Company carries out for its domestic subsidiary.

4.4 Depreciation of Financial Assets

The value of the 20 % share in activeGATE GmbH in the amount of € 230,000 acquired in April 2008 was completely adjusted as of 31 August 2008. Furthermore, the value of a loan in the amount of € 20,000 issued in connection with the acquisition was also completely adjusted.

4.5 Other Operating Expenses

The other operating expenses in the amount of € 1,778,221 mainly consist of office space costs, communication costs, advertising costs, and legal and consulting costs.

The other operating expenses include expenditure and fees for the auditors in the amount of € 50,000 for auditing the Annual Financial Statements and the Consolidated Financial Statements. The other operating expenses include € 20,000 for other services.

5 Other Information

5.1 Other Financial Obligations

Table 3 | Obligations from rent and lease contracts in €

01.09.2008–31.08.2009	770,857
01.09.2009–31.08.2010	769,012
01.09.2010–31.08.2011	1,030,741
After 31.08.2011	–
Total	**2,570,611**

The financial obligations largely concern fixed-term rental contracts for the office space in Hamburg and Frankfurt am Main which have a minimum remaining term of just under three years each.

5.2 Employees

On average for the 2007/2008 financial year, the Company had 20 employees (previous year: 17).

5.3 Management Board

In the 2007/2008 financial year, the following persons were members of the Management Board:

- Matthias Schrader, Businessman, Chairman
- Thomas Dyckhoff, Businessman, Finance Director

The members of the Management Board performed their duties on a full-time basis. The compensation of the Management Board members was made up as follows:

Table 4 | Remuneration of the Management Board members 2007/2008

	Fixed salary in €	Other benefits in €	Variable components in €	Share-based compensation in €
Matthias Schrader	180,000	16,109	–	–
Thomas Dyckhoff	123,333	12,118	55,000	55,337
Total	**303,333**	**28,228**	**55,000**	**55,337**

The share-based component for Mr Dyckhoff comprised the payment of the share-based bonus for the appointment period from 2005 to 2007 which amounted to € 18,000 based on the closing price of the SinnerSchrader share on the last trading days of the year 2007 as well as the allocation of 75,000 stock options from the 2007 Stock Option Plan with a calculated value of € 37,337 related to his re-appointment until 31 December 2012.

In the 2007/2008 financial year, the total compensation for the Management Board amounted to € 441,898.

5.4 Supervisory Board

In the financial year, the following persons were members of the Supervisory Board:

Prof. Dr Reinhard Pöllath, Chairman

- Lawyer, Munich
- Partner in P+P Pöllath + Partners, Munich
- Chairman of the Supervisory Board of maxingvest ag, Hamburg
- Chairman of the Supervisory Board of Beiersdorf AG, Hamburg
- Member of the Supervisory Board of Tchibo GmbH, Hamburg
- Chairman of the Supervisory Board of Escada AG, Hamburg

Dieter Heyde, Deputy Chairman

- Businessman, Bad Nauheim
- Managing Partner of SALT Solutions GmbH, Würzburg
- Member of the Advisory Board of CCP Software GmbH, Marburg

Prof. Cyrus D. Khazaeli, since 13 November 2007

- Communication Designer, Berlin
- Professor for Information and Interaction Design and Dean of Berliner Technische Kunsthochschule, Berlin

Frank Nörenberg, until 12 November 2007

- Lawyer, Hamburg
- Managing Partner of Nörenberg, Schröder + Partner, Rechtsanwälte – Wirtschaftsprüfer – Steuerberater (Attorneys, Auditors, and Tax Consultants), Hamburg
- Deputy Chairman of the Supervisory Board of Graphit Kropfmühl AG, Hautzenberg
- Member of the Supervisory Board of Albis Leasing AG, Hamburg
- Member of the Advisory Board of ODS Optical Disc Service GmbH, Dassow

Until the day of the Annual General Meeting for the 2006/2007 financial year, Prof. Khazaeli was appointed to the Supervisory Board by court ruling pursuant to Article 104 para. 1 of the German Stock Corporation Act (“AktG”). Prof. Khazaeli was then elected to the Supervisory Board by the Annual General Meeting on 19 December 2007.

The compensation of the Supervisory Board members in the 2007/2008 financial year was made up as follows:

Table 5 | Remuneration of the Supervisory Board members 2007/2008

	Fixed salary in €	Other benefits in €	Variable compo-nents in €	Stock options in number
Prof. Dr Reinhard Pöllath	8,000	223	4,000	–
Dieter Heyde	6,000	223	3,000	–
Frank Nörenberg	787	44	393	–
Prof. Cyrus Khazaeli	3,213	179	1,607	–
Total	**18,000**	**669**	**9,000**	**–**

Another benefit for every member of the Supervisory Board is the proportionate premium for the economic loss indemnity insurance for bodies of legal persons taken out by the Company.

5.5 Participations

On 30 January 2008, SinnerSchrader AG signed a contract for the complete takeover of all shares of spot-media AG, Hamburg. With the payment of the first purchase price instalment on 4 February 2008, 100 % of the shares of spot-media AG were transferred to SinnerSchrader AG.

In April 2008, SinnerSchrader acquired a 20 % share in the start-up activeGATE GmbH. activeGATE GmbH develops and sells software for Internet-based real-time dialogue solutions primarily following an ASP model. The value of the share in activeGATE GmbH was completely adjusted as of 31 August 2008.

The participations held by SinnerSchrader Aktiengesellschaft are broken down as follows:

Table 6 | Investments of SinnerSchrader AG

Company	Share in %	Currency	Nominal capital	Shareholders' capital	Last annual result	Profit/Loss transfer agreement	Reporting period
SinnerSchrader Deutschland GmbH, Hamburg	100.00	EUR	100,000	100,000	2,556,974[1]	yes	01.09.2007–31.08.2008
spot-media AG, Hamburg	100.00	EUR	76,051	865,652	310,179	no	01.01.2008–31.08.2008[2]
spot-media consulting GmbH, Hamburg[3]	100.00	EUR	25,000	-62,262	7,416	no	01.01.2008–31.08.2008[2]
SinnerSchrader UK Ltd., London, Great Britain[4]	100.00	GBP	100,000	-602,034	-28,312	no	01.09.2007–31.08.2008
SinnerSchrader Benelux BV, Rotterdam, Netherlands[5]	100.00	EUR	18,000	-185,833	-8,462	no	01.01.2006–31.12.2006
LetMeShip GmbH, Hamburg[5]	24.94	EUR	53,250	n/a	n/a	no	n/a
activeGATE GmbH, Hamburg[5]	20.00	EUR	25,000	n/a	n/a	no	n/a

[1] Before transfer of profits to SinnerSchrader AG

[2] Abbreviated financial year

[3] The company is a 100 % subsidiary of the spot-media AG.

[4] The companies' activities were temporarily discontinued in the previous years; respective shares were written off in the year the activity was discontinued. Audited annual financial statements of the companies are not available.

[5] The company filed for insolvency, current information regarding shareholders' equity and earnings is not available. The participation was completely written off.

[6] The company was founded in April 2008.

5.6 Declaration of Compliance under Article 161 of the German Stock Corporation Act

On 19 December 2007, the Management Board and Supervisory Board submitted the Declaration of Compliance with the Corporate Governance Code required by Article 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on the Company's website.

5.7 Information According to Article 160 Para. 1 No. 8 of the German Stock Corporation Act

In the 2007/2008 financial year, the Company did not receive any notifications about major participations which had to be reported. The Company has published the following notifications about major participations in an authorised journal of stock exchange announcements according to Article 25 para. 1 of the Securities Trading Act:

- Thomas Dyckhoff, Germany, informed us of the following as of 9 February 2007, as a correction to his notifications of 18 January 2007 made on the basis of the state of knowledge as of 15 January 2007, on his own behalf and as an agent and by proxy for the persons mentioned under letters b) to e), pursuant to Article 21 para. 1 of the Securities Trading Act:

a. The share of voting rights of Mr Thomas Dyckhoff, Germany, in SinnerSchrader AG, Völckersstraße 38, 22765 Hamburg, fell below the threshold of 50 % on 13 February 2006 and now amounts to 49.9110 % (corresponding to 5,761,106 shares). Of this, 49.4782 % of the voting rights (5,711,156 shares) were assigned to him pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act. Among other things, the shares of voting rights of the following shareholders, whose shares of voting rights were 3 % or more each, were added to this pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act: Matthias Schrader, Oliver Sinner, and Debby Vermögensverwaltung GmbH.

b. The share of voting rights of Mr Matthias Schrader, Germany, in SinnerSchrader AG, Völckersstraße 38, 22765 Hamburg, fell below the threshold of 50 % on 13 February 2006 and now amounts to 49.9110 % (corresponding to 5,761,106 shares). Of this, 29.6154 % of the voting rights (3,418,431 shares) were assigned to him pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act. Among other things, the shares of voting rights of the following shareholders, whose shares of voting rights were 3 % or more each, were added to this pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act: Oliver Sinner and Debby Vermögensverwaltung GmbH.

c. The share of voting rights of Mr Oliver Sinner, Germany, in SinnerSchrader AG, Völckersstraße 38, 22765 Hamburg, fell below the threshold of 50 % on 13 February 2006 and now amounts to 49.9110 % (corresponding to 5,761,106 shares). Of this, 40.8211 % of the voting rights (4,711,879 shares) were assigned to him pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act. Among other things, the shares of voting rights of the following shareholders, whose shares of voting rights were 3 % or more each, were added to this pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act: Matthias Schrader and Debby Vermögensverwaltung GmbH.

d. The share of voting rights of Mr Detlef Wichmann, Germany, in SinnerSchrader AG, Völckersstraße 38, 22765 Hamburg, fell below the threshold of 50 % on 13 February 2006 and now amounts to 49.9110 % (corresponding to 5,761,106 shares). Of this, 48.9147 % of the voting rights (5,646,106 shares) were assigned to him pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act. Among other things, the shares of voting rights of the following shareholders, whose shares of voting rights were 3 % or more each, were added to this pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act: Matthias Schrader, Oliver Sinner, and Debby Vermögensverwaltung GmbH.

e. The share of voting rights of Mr Sebastian Dröber, Germany, in SinnerSchrader AG, Völckersstraße 38, 22765 Hamburg, fell below the threshold of 50 % on 13 February 2006 and now amounts to 49.9110 % (corresponding to 5,761,106 shares). Of this, 49.3045 % of the voting rights (5,691,106 shares) were assigned to him pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act. Among other things, the shares of voting rights of the following shareholders, whose shares of voting rights were 3 % or more each, were added to this pursuant to Article 22 para. 2 sentence 1 of the Securities Trading Act: Matthias Schrader, Oliver Sinner, and Debby Vermögensverwaltung GmbH.

- Torsten Kautz, Germany, notified us pursuant to Article 21 para. 1 of the Securities Trading Act that as of 26 January 2006, his share of voting rights in SinnerSchrader AG, Völckersstraße 38, 22765 Hamburg, fell below the thresholds of 30 %, 25 %, 20 %, 15 %, 10 %, 5 %, and 3 % and have been 0 % since then.

- Mr Holger Blank, Germany, notified us on 19 January 2005, pursuant to Article 21 para. 1 of the Securities Trading Act and in conjunction with Article 22 of the Securities Trading Act, that his share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1231 %, whereby he has a share of voting rights of 49.1223 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Mr Bernward Beuleke, Germany, notified us on 19 January 2005, pursuant to Article 21 para. 1 of the Securities Trading Act and in conjunction with Article 22 of the Securities Trading Act, that his share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.2256 %, whereby he has a share of voting rights of 49.0718 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Mr Dirk Lehmann, Germany, notified us on 19 January 2005, pursuant to Article 21 para. 1 of the Securities Trading Act and in conjunction with Article 22 of the Securities Trading Act, that his share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1322 %, whereby he has a share of voting rights of 49.0718 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Ms Marion Sinner, Germany, notified us on 19 January 2005, pursuant to Article 21 para. 1 of the Securities Trading Act and in conjunction with Article 22 of the Securities Trading Act, that her share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1231 %, whereby she has a share of voting rights of 49.0365 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Ms Jessica Schmidt, Germany, notified us on 19 January 2005, amended on 4 February 2005, pursuant to Article 21 para. 1 of the Securities Trading Act and in conjunction with Article 22 of the Securities Trading Act, that her share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1244 %, whereby she has a share of voting rights of 48.9065 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Dr Markus Conrad, Germany, notified us on 20 January 2005, pursuant to Article 21 para. 1 of the Securities Trading Act and in conjunction with Article 22 of the Securities Trading Act, that he received notification on 17 January 2005 to the effect that his share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 due to sales in the syndicate and now amounts to 49.1231 %, whereby he has a share of voting rights of 48.0185 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Debby Vermögensverwaltung GmbH, Germany, acting on its own behalf and on behalf of the persons mentioned under letters b to e, notified us on 20 January 2005, pursuant to Article 21 para. 1 of the Securities Trading Act, of the following:

a. Debby Vermögensverwaltung GmbH, Germany, received notification on 20 January 2005 that its share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 due to sales in the syndicate and now amounts to 49.1231 %, whereby it has a share of voting rights of 37.8823 % under the terms of Article 22 para. 2 of the Securities Trading Act.

b. Mr Wolfgang Herz, Germany, received notification on 17 January 2005 that his share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1231 %, whereby he has a share of voting rights of 4.9713 % under the terms of Article 22 para. 1 No. 2 of the Securities Trading Act and a share of voting rights of 44.1518 % under the terms of Article 22 para. 2 of the Securities Trading Act.

c. Ms Agneta Peleback-Herz, Germany, received notification on 17 January 2005 that her share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1231 %, whereby she has a share of voting rights of 0.6491 % under the terms of Article 22 para. 1 No. 2 of the Securities Trading Act and a share of voting rights of 48.474 % under the terms of Article 22 para. 2 of the Securities Trading Act.

d. Mr Michael Herz, Germany, received notification on 17 January 2005 that his share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1231 %, whereby he has a share of voting rights of 4.9713 % under the terms of Article 22 para. 1 No. 2 of the Securities Trading Act and a share of voting rights of 44.1518 % under the terms of Article 22 para. 2 of the Securities Trading Act.

e. Ms Cornelia Herz, Germany, received notification on 17 January 2005 that her share of voting rights in SinnerSchrader AG fell below the threshold of 50 % as of 12 January 2005 and now amounts to 49.1231 %, whereby she has a share of voting rights of 0.6491 % under the terms of Article 22 para. 1 No. 2 of the Securities Trading Act and a share of voting rights of 48.474 % under the terms of Article 22 para. 2 of the Securities Trading Act.

- Mr Gerd Stahl, Germany, notified us on 4 July 2003, amended on 10 July 2003, pursuant to Article 21 para. 1 of the Securities Trading Act in conjunction with Article 22 of the Securities Trading Act, in accordance with the obligation on his part and as an agent and by proxy for the persons mentioned under letters b to c, that:

a. As of 30 June 2003, Mr Gerd Stahl, Germany, has fallen below the threshold of 50 % of the voting rights in SinnerSchrader AG. He is now entitled to 49.95 % of the voting rights in SinnerSchrader AG pursuant to Article 21 para. 1 of the Securities Trading Act, of which 47.18 % of the voting rights are to be assigned under the terms of Article 22 para. 2 of the Securities Trading Act.

b. As of 30 June 2003, Mr Alexander Spohr, Germany, has fallen below the threshold of 50 % of the voting rights in SinnerSchrader AG. He is now entitled to 49.95 % of the voting rights in SinnerSchrader AG pursuant to Article 21 para. 1 of the Securities Trading Act, of which 47.69 % of the voting rights are to be assigned under the terms of Article 22 para. 2 of the Securities Trading Act.

c. As of 30 June 2003, Mr Matthias Fricke, USA, has fallen below the threshold of 50 % of the voting rights in SinnerSchrader AG. He is now entitled to 49.95 % of the voting rights in SinnerSchrader AG pursuant to Article 21 para. 1 of the Securities Trading Act, of which 47.85 % of the voting rights are to be assigned under the terms of Article 22 para. 2 of the Securities Trading Act.

6 Additional Information (Unaudited)

6.1 Directors' Holdings of Shares and Subscription Rights to Shares (Directors' Dealings)

The following table shows the number of shares in SinnerSchrader AG and the number of subscription rights to these shares held by directors of SinnerSchrader AG as of 31 August 2008 and any changes in the 2007/2008 financial year:

Table 7 | Shares and options of the Board members in number of shares

	31.08.2007	Additions	Disposals	31.08.2008
Management Board member:				
Matthias Schrader	2,342,675	72,500	–	2,415,175
Thomas Dyckhoff	62,450	12,500	–	74,950
Total shares of the Management Board	2,405,125	85,000	–	2,490,125
Supervisory Board member:				
Prof. Dr Reinhard Pöllath	–	–	–	–
Dieter Heyde	–	–	–	–
Prof. Cyrus D. Khazaeli	–	–	–	–
Frank Nörenberg[1]	1,000	–	1,000	–
Total shares of the Supervisory Board	1,000	–	1,000	–
Total shares of the Board members	**2,406,125**	**85,000**	**1,000**	**2,490,125**
Options	31.08.2007	Additions	Disposals	31.08.2008
Management Board member:				
Matthias Schrader	–	–	–	–
Thomas Dyckhoff	12,500	75,000	12,500	75,000
Total shares of the Management Board	12,500	75,000	12,500	75,000
Supervisory Board member:				
Prof. Dr Reinhard Pöllath	–	–	–	–
Dieter Heyde	–	–	–	–
Prof. Cyrus D. Khazaeli	–	–	–	–
Frank Nörenberg[1]	–	–	–	–
Total options of the Supervisory Board	–	–	–	–
Total options of the Board members	**12,500**	**75,000**	**12,500**	**75,000**

[1] Frank Nörenberg left the Supervisory Board of SinnerSchrader AG as of 12 November 2007. Therefore, as of 31 August 2008, his shares and subscription rights are no longer attributed to the shares and subscription rights held by the Board members.

Hamburg, 28 October 2008

The Management Board

Matthias Schrader Thomas Dyckhoff

Auditors' Opinion

We have audited the Annual Financial Statements, consisting of the Balance Sheet, the Statements of Operations, and the Notes, together with the bookkeeping system, and the Status Report, which was combined with the Group Status Report, of SinnerSchrader Aktiengesellschaft, Hamburg, for the financial year from 1 September 2007 to 31 August 2008. The keeping of the books and records and the preparation of the Annual Financial Statements and Status Report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the Annual Financial Statements, together with the bookkeeping system, and the Status Report based on our audit.

We conducted our audit of the Annual Financial Statements in accordance with Article 317 HGB (German Commercial Code) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW: Institute of Public Auditors in Germany). These standards require that we plan and perform the audit so that misstatements and contraventions materially affecting the presentation of the asset, financial, and income situation in the Annual Financial Statements in accordance with generally accepted accounting principles as well as in the Status Report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the Company and the evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the Annual Financial Statements, and the Status Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall presentation of the Annual Financial Statements and Status Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion, based on the results of the audit, the Annual Financial Statements give a true and fair view of the asset, financial, and income situation of the Company in accordance with generally accepted accounting principles and commercial law regulations. The Status Report is consistent with the Annual Financial Statements, conveys an accurate view of the situation of the Company, and accurately presents the opportunities and risks for future development.

Hamburg, 31 October 2008

BDO Deutsche Warentreuhand Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr Probst	p.p. Brandt
Auditor	Auditor

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of the SinnerSchrader Group and the annual financial statements of SinnerSchrader Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the AG, and the joint consolidated status report and group status report includes a fair review of the development and performance of the business and the position of the Group and the AG, together with a description of the principal opportunities and risks associated with the expected development of the Group and the AG.

Hamburg, 28 October 2008

The Management Board

Matthias Schrader Thomas Dyckhoff

Events & Contact Information

Financial calendar 2008/2009	
Annual General Meeting	18 December 2008
1st Quartely Report 2008/2009 (September 2008–November 2008)	15 January 2009
2nd Quartely Report 2008/2009 (December 2008–February 2009)	16 April 2009
3rd Quartely Report 2008/2009 (March 2009–May 2009)	15 July 2009
Annual Report 2008/2009	November 2009

Conference calendar 2008/009	
next09 conference	5–6 May 2009
For more information please visit our conference website at www.next09.de.	

Contact

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Editorial Information

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Key Figures, Four Quarters

Key figures of the SinnerSchrader Group, four quarters of 2007/2008, according to IFRS in € 000s, € and number	Q4	Q3	Q2	Q1
Revenues	6,592	6,126	6,019	5,434
Gross income	1,759	1,518	1,483	1,434
EBITDA	993	668	615	456
EBITA	857	535	485	335
Net income/loss	439	435	413	322
Net income per share	0.04	0.04	0.04	0.03
Cash flows from operating activities	600	580	810	754
Employees, full-time equivalents	209	203	163	142
	31.08.2008	31.05.2008	28.02.2008	30.11.2007
Cash and cash equivalents	9,075	8,583	8,778	10,962
Employees, end of period	241	227	222	154

Key Figures, Five Years

Key figures of the SinnerSchrader Group, five years in € 000s, € and number	IFRS 01.09.2007 31.08.2008	IFRS 01.09.2006 31.08.2007	IFRS 01.09.2005 31.08.2006	IFRS 01.09.2004 31.08.2005	US-GAAP 01.09.2003 31.08.2004
Revenues	24,170	18,588	15,819	14,315	12,325
Gross income	6,193	5,056	4,609	4,698	3,649
EBITDA	2,824	1,455	1,152	718	-752
EBITA	2,305	1,043	600	177	-1,384
Net income	1,608	1,018	1,192	544	-531
Net income per share[1)]	0.14	0.09	0.10	0.05	-0.05
Shares outstanding[1)]	11,471	11,417	11,411	11,334	10,933
Cash flows from operating activities	2,744	893	194	2,788	2,291
Employees, full-time equivalents	179	145	129	132	139
	31.08.2008	31.08.2007	31.08.2006	31.08.2005	31.08.2004
Cash and cash equivalents	9,075	10,450	10,005	10,570[2)]	27,038
Shareholders' equity	12,971	12,548	11,531	10,334	8,054[2)]
Balance sheet total	19,934	16,770	15,067	13,746[2)]	31,252
Employees, end of period	241	152	143	130	145

[1)] Weighted average shares outstanding

[2)] Effect of special distribution to shareholders of € 20.8 million

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Aktiengesellschaft

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