sinnerschrader

QUARTERLY FINANCIAL REPORT 2007 | 2008

1

Key Figures

in € 000s, €, and number	Q1 2007/2008	Q1 2006/2007	Change
Revenues	5,434	4,778	+14 %
Gross profit	1,434	1,346	+7 %
EBITDA	455	435	+5 %
EBITA	335	336	-0 %
Net income	322	241	+34 %
Net income per share	0.03	0.02	+50 %
Cash flows from operating activities	754	538	+40 %
Employees, full time equivalents	142	145	-2 %
	30.11.2007	31.08.2007	Change
Cash and cash equivalents	10,962	10,450	+5 %
Employees, end of period	154	152	+1 %

*4i are SinnerSchrader´s formular for successful interactive marketing: Interest, Involvement, Integration, Innovaton

Interim Status Report as of 30 November 2007

1 General

The following interim Status Report for SinnerSchrader Aktiengesellschaft (“SinnerSchrader” or “AG”) refers to the first quarter of the 2007/2008 financial year from 1 September 2007 to 30 November 2007 and to the balance sheet date of 30 November 2007. It shows the development of the income, financial, and asset status of the SinnerSchrader Group (“SinnerSchrader” or “Group”) and addresses the key risks and opportunities and the probable future development of business.

The Consolidated Financial Statements to which this Status Report refers were drawn up according to International Financial Reporting Standards (“IFRS”). The interim Status Report, particularly Section 5, contains statements and information aimed at the future. Such forward-looking statements are based on current knowledge, estimates, and assumptions. They 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 its 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 Business Development and Situation of the Group

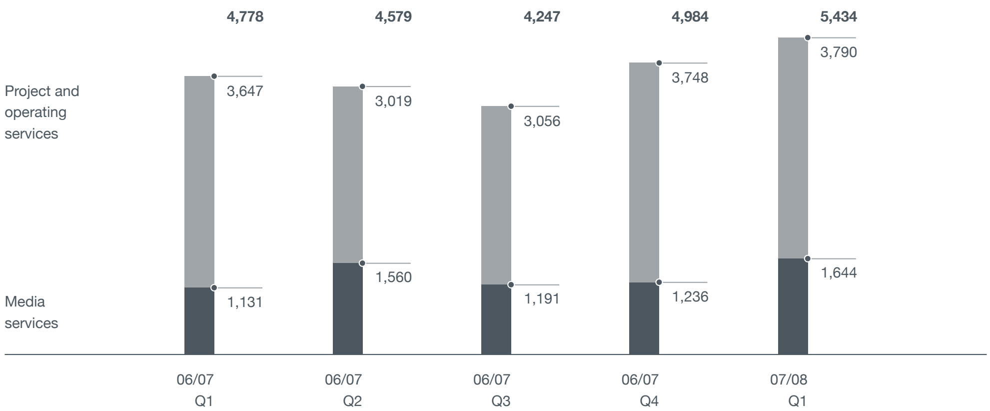
In a market characterised by positive development, SinnerSchrader started the 2007/2008 financial year as planned with revenue growth of nearly 14 % and an operating margin of 6.2 % in the first quarter. While SinnerSchrader nearly reached its revenue growth target of 15 % for the year as a whole, the margin was still considerably lower than the target of 8.5 % to 9 % for the entire year on account of final charges associated with the restructuring carried out in 2007, among other things. With incoming orders 30 % higher than during the same period last year, SinnerSchrader also managed to establish a solid foundation for the seasonally weaker second quarter.

2.1 Revenues, Incoming Orders, and Price Development

In the first quarter of 2007/2008, SinnerSchrader achieved (gross) revenues of € 5.4 million, thus achieving growth of 13.7 % as compared to the already high rate of growth in the same period last year. There was 9.0 % growth compared to the fourth quarter of 2006/2007.

Development of Revenues – quarterly view

in € 000s

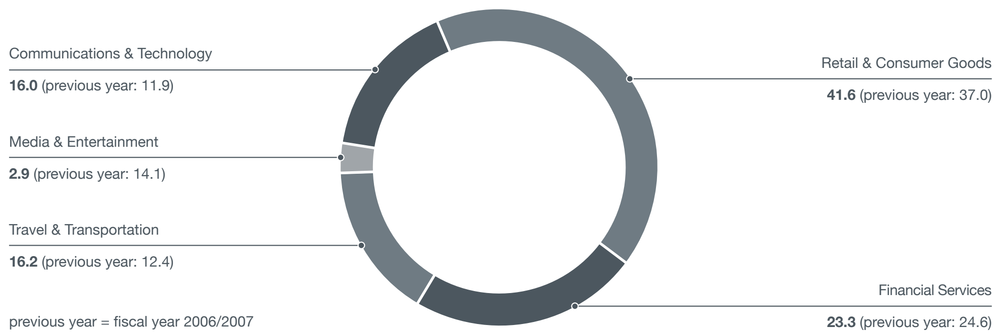


Revenue growth in the first quarter was once again affected by the dynamic development of business with media services. The strong rise in overall spending on online advertising in the German market led to a significant rise in the media budgets managed by SinnerSchrader which flow into the (gross) revenues. The growth rates in this segment of SinnerSchrader´s business reached 45.4 % in the quarter covered by the report compared to the previous year and 33.0 % compared to the fourth quarter of 2006/2007. Media business therefore accounted for a good 30 % of overall revenues in the quarter covered by the report, compared to nearly 24 % and 25 % in the first and fourth quarters of the previous year, respectively.

In its business with project and operating services, SinnerSchrader followed the strong fourth quarter of last year with more reserved growth rates of 3.9 % and 1.1 % at the start of the 2007/2008 financial year. In these segments, the significant decline in business with Arena due to this customer´s decision to overhaul its business model could not be compensated for as completely as it could in the media services segment.

The development of revenues was shaped largely by business with existing customers. 6 % of the revenues in the quarter under review were achieved with customers with whom SinnerSchrader did not have a business relationship one year previously. The comparative value in the previous year was nearly 20 %. During the quarter covered by the report, SinnerSchrader initiated relationships with or made offers to numerous new customers.

Revenues by sector
in %



In the distribution of revenues according to sectors, the dynamic development of the media business led to a further increase in the proportion of customers from the Retail & Consumer Goods sector, which amounted to 41.6 % in the first quarter of 2007/2008, compared to 37.0 % for the entire 2006/2007 financial year. Higher proportions than in the entire previous year were also recorded in the Telecommunication & Technology and Transport & Tourism sectors. Due to the nearly complete discontinuation of business with Arena, the share of revenues accounted for by the Media & Entertainment sector declined significantly, amounting to only 2.9 % in the quarter covered by the report.

There was once again a high level of incoming orders in the first quarter of 2007/2008. The incoming orders surpassed those in the first quarter of 2006/2007 by more than 30 %. However, the high level of the preceding quarter was not quite attained. The incoming orders from both quarters together will result in high visibility as regards revenue development in the second quarter of the current financial year.

The trend on the price side remained positive and enabled SinnerSchrader to improve its effective daily rates.

2.2 Operating Result

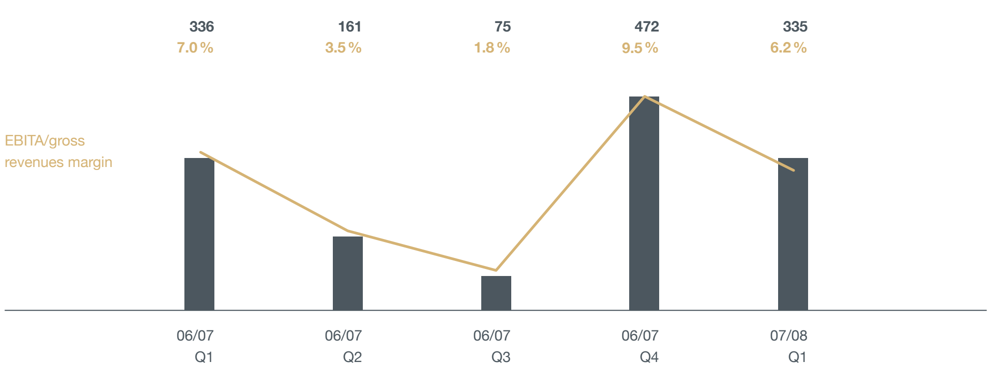
The revenue increase has not yet had an impact on the operating result (EBITA). In the first quarter of 2007/2008, the EBITA amounted to € 335,000 and thus reached the same level as the first quarter of last year. This was due on the one hand to the high contribution that media business made to revenue growth, which caused a disproportionately low improvement in the gross profit of € 88,000 or 7 % compared to the previous year.

Components of operating earnings in € 000s and %

	Q1 2007/2008	Q1 2006/2007	Change	Q4 2006/2007	Change
Gross profit	1,434	1,346	+7 %	1,438	-0 %
Selling and marketing expenses	-361	-359	-1 %	-219	-65 %
General and administration expenses	-740	-672	-10 %	-738	-0 %
Research and development expenses	-7	-13	+46 %	-10	+30 %
Other income, net	9	34	-74 %	1	+800 %

On the other hand, the general and administrative costs in the quarter covered by the report amounted to € 68,000, which is considerably higher than the previous year. This rise was the result of additional costs for the restructuring process which were no longer countered by relief on the side of office space costs. The final tasks in the restructuring process which became cost-effective in the quarter covered by the report included the merging of the operating subsidiaries in SinnerSchrader Deutschland GmbH, the development and implementation of a new corporate design, a new SinnerSchrader website, and a new SinnerSchrader intranet. In light of the disproportionate EBITA development, the operating margin declined by 0.8 percentage points compared to the previous year to reach 6.2 %.

EBITA and EBITA/Gross Revenues Margin – quarterly view
in € 000s and %



As expected, the positive result from the fourth quarter of 2006/2007 was not achieved again in the first quarter of 2007/2008. Here, too, the rise in the proportion of revenues accounted for by the media business had a negative impact on the margin development. Additionally, around € 140,000 more was spent on sales activities in the quarter covered by the report than in the preceding quarter. This was not offset by the general and administrative costs because restructuring costs were also incurred in the first quarter of 2007/2008 and because, as usual, many investor relations activities – and thus costs – arose in the first months of the financial year because of the Annual Report and the Annual General Meeting.

SinnerSchrader spent only € 7,000 on research and development in the first quarter of 2007/2008, restricting itself to the maintenance of its own programming platform. This was roughly equivalent to the level of the preceding quarter and the same quarter last year.

Operating costs by cost type in € 000s and %

	Q1 2007/2008	Q1 2006/2007	Change	Q4 2006/2007	Change
Costs of material and services	-738	-473	-56 %	-607	-22 %
Personel costs*	-2,211	-2,313	4 %	-2,230	1 %
Depreciation	-120	-99	-21 %	-109	-10 %
Other operating costs	-680	-614	-11 %	-455	-49 %

* Including managment bonuses

When looking at the development of costs according to cost type, what is most apparent is the further rise in external costs with nearly unchanged personnel costs. Compared to the first quarter of 2006/2007, the deliberate increase in costs for outside services to a level of around 15 % of net revenues had the biggest impact. The further increase in external costs compared to the fourth quarter of 2006/2007 also documents the fact that SinnerSchrader largely used its own capacity for internal projects related to the restructuring process (corporate design, SinnerSchrader website, SinnerSchrader intranet) in the quarter covered by the report. Furthermore, a larger number of sub-tasks related to individual customer projects had to be outsourced to subcontractors due to the technology involved.

There were also increases in depreciation and other operating costs in the quarter covered by the report. The increased investments in office and IT infrastructure and workstation equipment in the two previous years and in the quarter covered by the report had an impact on depreciation. Other operating costs rose compared to the previous year particularly due to expenses which were necessary for completing the restructuring; unlike in the previous year, however, these could not be partially compensated for by rent reductions. The significant increase compared to the preceding quarter was also caused by seasonally fluctuating IR costs and the fact that the positive effects from the reduction of reserves for warranties in the fourth quarter of 2006/2007 were not repeated in the first quarter of the current financial year.

Personnel costs in the first quarter of 2007/2008 were slightly lower than in previous quarters and developed largely parallel to capacity, which, with a good 142 full-time employees on average, was slightly lower than the 145 and 144 full-time employees in the first and fourth quarters of the previous year, respectively.

2.3 Consolidated Income

Amounting to € 322,000, the consolidated income was nearly 34 % higher than in the same quarter of the previous year and a good 17 % lower than the preceding quarter. The consolidated income thus developed better than the operating result.

This can be attributed above all to the fact that the tax rate was considerably lower than in comparative quarters. From the start of the 2007/2008 financial year, SinnerSchrader has been subject to the new trade and corporation tax rates specified by the German Corporate Tax Reform 2008, which has lowered the statutory income tax rate from 40.4 % to 32.3 %. Furthermore, in investing its liquid funds, SinnerSchrader has placed increased emphasis on optimising after-tax yields without changing its investment strategy, which is fundamentally oriented on short-term availability, and thus short fixed interest periods, as well as good counterparty credit ratings. The income tax reported in the quarter covered by the report amounted to around € 120,000 and continued to comprise a deferred tax charge, since the quarter´s entire taxable income was still covered by tax loss carry-forwards.

The financial result, which contributed to the consolidated income alongside the EBITA, amounted to € 107,000 for the quarter under review and surpassed the comparative figure from the previous year by around € 30,000 or 39 %. This improvement was the result of slightly higher average investment amounts and, above all, the strong rise of short-term interest rates. The financial result did not change compared to the fourth quarter of 2006/2007. On the one hand, short-term interest rates did not develop significantly from one quarter to the other, and on the other hand, the positive effect from increased investments was neutralised by the investment strategy oriented on optimising after-tax yields.

The consolidated income per share in the quarter under review amounted to € 0.03 and was therefore € 0.01 higher than in the first quarter of 2006/2007.

2.4 Cash Flows

The consolidated income, adjusted for depreciation and deferred income tax charges, and a reduction in the amount of funds tied up in working capital through more active management on the liabilities side in particular led to cash flows from operating activities in the first quarter of 2007/2008 in the amount of nearly € 0.75 million.

Of this, a good € 0.13 million was used for investments, primarily to replace and improve the workstation equipment and the central IT infrastructure.

Another € 0.11 million was used to buy back 68,868 shares of treasury stock at an average purchase price of € 1.59 per share.

Overall, the cash and cash equivalents rose by the closing data of the quarter under review, 30 November 2007, by around € 0.51 million to reach € 10.96 million.

2.5 Balance Sheet

Through a good € 0.5 million increase in cash and cash equivalents and a further increase of nearly € 0.3 million in the accounts receivable items of the current assets from operating business, the balance sheet total rose in the first quarter by nearly € 0.8 million to reach € 17.6 million with largely unchanged fixed assets.

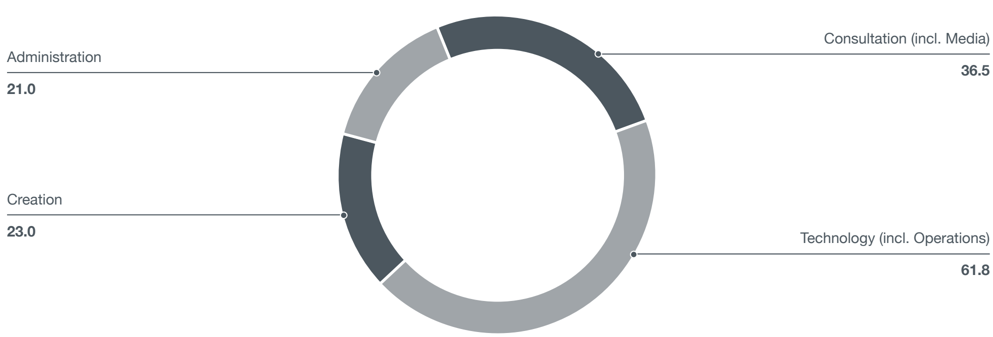
This was countered by a € 0.5 million increase in liabilities from operating business on the liabilities side, a € 0.2 million increase in shareholders´ equity, and an increase in deferred tax liabilities of € 0.1 million.

Due to the disproportionately high increase in accounts receivable and liabilities from operating business, the equity ratio in the quarter under review fell slightly by around 2 percentage points to reach 73 %, which shows that SinnerSchrader´s financial structure remains solid.

2.6 Employees

The number of employees in the SinnerSchrader Group, including the Management Board, the management, trainees, and interns, amounted to 154 at the end of the quarter under review, compared to 155 employees in the previous year and 152 employees as of 31 August 2007. The employees are distributed as follows through the administration units and the new organisational units for Consulting, Technology, and Creation which were formed during the restructuring:

Employee Structure



The personnel capacity, stated on the basis of the average number of full-time employees, amounted to 142.3 in the first quarter of 2007/2008 compared to 144.9 full-time employees in the first quarter of 2006/2007 and 143.7 full-time employees in the preceding quarter.

The personnel situation has therefore changed very little overall. This can be attributed among others to the restructuring process, during which the personnel capacity was being kept at the level reached before.

With slightly declining capacity and rising revenues, the gross revenues achieved per employee in the quarter covered by the report, calculated on an annual basis, reached a good € 150,000, compared to nearly € 130,000 and € 132,000 in the first and fourth quarters of 2006/2007, respectively.

3 Risks and Opportunities

In the quarter under review, there were no notable changes to the risk and opportunity structure of SinnerSchrader compared to the information provided in the 2006/2007 Annual Report. As regards achieving the goals for the current 2007/2008 financial year, it is most important for SinnerSchrader to retain its qualified employees in a difficult personnel market and to continually recruit talented new employees at adequate prices.

There are still no risks apparent that would threaten the future existence of SinnerSchrader AG and its Group.

4 Major Events after the Balance Sheet Date

In December 2007, the subsidiaries SinnerSchrader Neue Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH were merged with their parent company SinnerSchrader Deutschland GmbH. SinnerSchrader AG also paid a dividend in the amount of € 1,358,207 to its shareholders in December 2007. More information on this can be found in the Notes to the Consolidated Financial Statements as of 30 November 2007.

5 Forecast

SinnerSchrader started the 2007/2008 financial year with revenues and income as planned. Incoming orders in the first quarter were over 30 % higher than in the comparable period of the previous year and thus surpassed the initial forecast. Demand for services from interactive agencies remains high; the number and scope of project requests from new customers has surpassed that of previous years. SinnerSchrader also completed its restructuring project with the merger of its operating subsidiaries.

In light of this, SinnerSchrader is anticipating a good second quarter and is confident that it will reach its goals for the 2007/2008 financial year of achieving revenue growth of 15 % to reach over € 21 million in (gross) revenues and an EBITA between € 1.8 million and € 1.9 million.

After paying its first dividend from the income earned in the 2006/2007 financial year, SinnerSchrader will strive to pay a dividend of € 0.12 per share for the 2007/2008 financial year as well. Based on the current state of knowledge, a dividend of this amount could once again be paid entirely from the tax-recognised contribution account and would therefore be tax-free for all German shareholders who have the shares as their personal assets and who hold less than 1 % of the share capital minus their own shares and who have not held a higher proportion in the past.

Consolidated Balance Sheet

as of 30 November 2007 and 31 August 2007

Assets in €	30.11.2007	31.08.2007
Current assets:		
Liquid funds	2,655,498	5,453,719
Marketable securities	8,306,471	4,996,007
Cash and cash equivalents	10,961,969	10,449,726
Accounts receivable, net of allowances for doubtful accounts of € 157,924 and € 157,924	3,857,845	3,962,166
Unbilled revenues	1,000,628	778,344
Tax receivables	347,997	342,088
Other current assets and prepaid expenses	221,982	86,492
Total current assets	16,390,421	15,618,816
Non-current assets:		
Intangible assets	170,335	161,998
Property and equipment	990,072	989,363
Total non-current assets	1,160,407	1,151,361
Total assets	**17,550,828**	**16,770,177**

Liabilities and shareholders´ equity in €		
Current liabilities:		
Trade accounts payable	2,164,829	1,687,560
Advance payments received	307,275	411,015
Accrued expenses	1,724,687	1,803,893
Deferred income and other current liabilities	439,558	290,870
Total current liabilities	4,636,349	4,193,338
Non-current liabilities:		
Deferred tax liability	148,774	28,537
Total non-current liabilities	148,774	28,537
Shareholders´ equity:		
Common stock, stated value € 1, issued: 11,542,764 and 11,542,764, outstanding: 11,333,010 and 11,401,878 at 30.11.2007 and 31.08.2007, respectively	11,542,764	11,542,764
Additional paid-in capital	3,612,775	3,612,775
Reserves for sharebased compensation	40,736	32,536
Treasury stock, 209,754 and 140,886 at 30.11.2007 and 31.08.2007, respectively	-329,910	-217,350
Accumulated deficit	-2,125,648	-2,447,384
Changes in shareholders´ equity not affecting net income	24,988	24,961
Total shareholders´ equity	12,765,705	12,548,302
Total liabilities and shareholders´ equity	**17,550,828**	**16,770,177**

Consolidated Statements of Operations

from 1 September to 30 November 2007

in €	Q1 2007/2008	Q1 2006/2007
Revenues, gross	5,433,857	4,777,637
Media costs	-1,359,188	-976,801
Total revenues, net	4,074,669	3,800,836
Costs of revenues	-2,640,836	-2,454,353
Gross profit	**1,433,833**	**1,346,483**
Selling and marketing expenses	-360,837	-359,143
General and administrative expenses	-739,925	-672,679
Research and development expenses	-6,723	-13,246
Operating profit	**326,348**	**301,415**
Other income, net	8,741	34,280
Financial income, net	106,883	76,741
Profit before provision for income tax	**441,972**	**412,436**
Income tax	-120,236	-171,753
Net profit	**321,736**	**240,683**
Net income per share (basic)	0.03	0.02
Net income per share (diluted)	0.03	0.02
Weighted average shares outstanding (basic)	11,382,766	11,411,417
Weighted average shares outstanding (diluted)	11,383,331	11,413,062

Consolidated Statements of Shareholders´ Equity
from 1 September to 30 November 2007

in €	Number of shares outstanding
Balance at 31.08.2006	**11,411,417**
Unrealised gains and losses on marketable securities	–
Foreign currency translation adjustment	–
Changes in shareholders´ equity not affecting net income	–
Net income	–
Deferred compensation	–
Balance at 30.11.2006	**11,411,417**
Balance at 31.08.2007	**11,401,878**
Unrealised gains and losses on marketable securities	–
Foreign currency translation adjustment	–
Changes in shareholders´ equity not affecting net income	–
Net income	–
Deferred compensation	–
Purchase of treasury stock	-68,868
Balance at 30.11.2007	**11,333,010**

Common stock	Additional paid-in capital	Reserve 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
–	–	–	–	–	–	–
–	–	–	–	–	306	306
–	–	–	–	240,683	–	240,683
–	–	2,869	–	–	–	2,869
11,542,764	**17,596,005**	**19,990**	**-200,933**	**-17,208,357**	**25,652**	**11,775,121**
11,542,764	**3,612,775**	**32,536**	**-217.350**	**-2,447,384**	**24,961**	**12,548,302**
–	–	–	–	–	–	–
–	–	–	–	–	27	27
–	–	–	–	–	27	27
–	–	–	–	321,736	–	321,736
–	–	8,200	–	–	–	8,200
–	–	–	-112,560	–	–	-112,560
11,542,764	**3,612,775**	**40,736**	**-329,910**	**-2,125,648**	**24,988**	**12,765,705**

Consolidated Statements of Cash Flows

from 1 September to 30 November 2007

in €	Q1 2007/2008	Q1 2006/2007
Cash flows from operating activities:		
Net profit	321,736	240,683
Adjustments to reconcile net profit to net cash used in operating activities:		
Depreciation of property and equipment	120,468	98,985
Stock-based compensation	8,200	2,869
Bad debt expenses	–	-835
Gains/losses on the disposal of fixed assets	–	-22
Deferred tax provision	120,237	171,753
Changes in assets and liabilities:		
Accounts receivable	104,321	-248,802
Unbilled revenue	-222,284	151,249
Tax receivables	-5,909	-28,158
Other current assets and prepaid expenses	-135,490	-31,110
Accounts payable, deferred revenues and other liabilities	522,218	163,719
Other accrued expenses	-79,206	17,888
Net cash provided by (used in) operating activities	**754,291**	**538,219**
Cash flows from investing activities:		
Purchase of property and equipment	-129,514	-126,073
Proceeds from sale of equipment	–	172
Net cash provided by (used in) investing activities	**-129,514**	**-125,901**
Cash flows from financing activities:		
Payment for treasury stock	-112,560	–
Net cash provided by (used in) financing activities	**-112,560**	–
Net effect of rate changes on cash and cash equivalents	27	513
Net increase/decrease in cash and cash equivalents	**512,243**	**412,831**
Cash and cash equivalents at beginning of period	10,449,726	10,005,474
Cash and cash equivalents at end of period	10,961,969	10,418,305
Thereof back-up of bank guarantees	171,450	680,563
For information only, contained in cash flows from operating activities:		
Interest payment received	37,006	74,570
Paid interest	-60	-262

Notes as of 30 November 2007

1.1 General Foundations

The Consolidated Financial Statements as of 30 November 2007 of SinnerSchrader Aktiengesellschaft ("SinnerSchrader AG") and its subsidiaries ("SinnerSchrader Group", "SinnerSchrader", or "Group") for the first quarter of the 2007/2008 financial year from 1 September 2007 to 30 November 2007 were drawn up according to the International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board ("IASB") in force on the report date, taking account of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They were not subject to an audit and are to be read in conjunction with the Consolidated Financial Statements of SinnerSchrader AG as of 31 August 2007.

The Consolidated Financial Statements of SinnerSchrader AG and its subsidiaries for the first quarter of the 2007/2008 financial year were drawn up in compliance with the standard for interim financial reports specified by GAS 6 of the German Accounting Standards ("GAS").

The accounting, valuation, and consolidation methods of the Quarterly Report at hand were unchanged from the Consolidated Financial Statements as of 31 August 2007. They are disclosed and explained in the Consolidated Financial Statements as of 31 August 2007, which are published in the 2006/2007 Annual Report.

1.2 Consolidation Group

The consolidation group as of 30 November 2007 was unchanged from 31 August 2007. It comprises SinnerSchrader Aktiengesellschaft, the wholly owned domestic subsidiary SinnerSchrader Deutschland GmbH, its wholly owned subsidiaries SinnerSchrader Neue Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH, as well as the two currently non-operational foreign subsidiaries SinnerSchrader UK Ltd. and SinnerSchrader Benelux BV, which are also wholly owned.

Following the restructuring which SinnerSchrader carried out in the 2007 calendar year, merger agreements were signed on 13 November 2007 between SinnerSchrader Deutschland GmbH and its three subsidiaries. These agreements had not yet been entered in the respective commercial registers by the date of the Quarterly Report and were therefore not yet effective (also see Section 1.10).

1.3 Segment Reporting

Due to the restructuring of SinnerSchrader´s operating business, which involved combining the service segments to form joint teams with the goal of providing and marketing interactive services in an integrated way, there are no longer any sub-activities within the meaning of IAS 14 to identify and there is no need for segment reporting in its previous form.

All revenues were earned by the Group companies based in Germany.

1.4 Other Income/Expenses, Net

The sum of other income and expenses is comprised as shown in Table 1:

Tab. 1 | Other income and expenses in €

	Q1 2007/2008	Q1 2006/2007
Income from dissolving liabilities and accrued expenses	1,669	31,138
Income from sale of fixed assets	–	22
Refund of expenses, compensation for damages	7,072	–
Other	–	3,120
Total	**8,741**	**34,280**

1.5 Taxes from Income and from Earnings

The reported taxes from income and from earnings are made up of current and deferred components, as shown in Table 2:

Tab. 2 | Current and deferred taxes during the period in €

	Q1 2007/2008	Q1 2006/2007
Current taxes	–	–
Deferred taxes	-120,236	-171,753
Total	**-120,236**	**-171,753**

In the first quarter of 2007/2008 and the first quarter of 2006/2007, no current taxes were incurred because the pre-tax profits incurred exclusively in Germany by 30 November 2007 can be completely offset against tax loss carry-forwards. The income tax expenses reported in the respective Statements of Operations were formed against deferred tax assets on loss carry-forwards.

To calculate the income tax expenses as of 30 November 2007, it was necessary to apply the statutory tax rate of 32.3 % specified by the German Corporate Tax Reform 2008 for the first time. 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 rate. In determining the overall rate, it was necessary to take account of the fact that trade tax can no longer be considered an operating expense and thus no longer reduces the income on which the corporation tax is based. For the financial year ending 31 August 2007, the statutory tax rate for SinnerSchrader AG was still 40.4 %.

1.6 Financial Obligations and Contingent Liabilities
The contingencies and other financial obligations as of 30 November 2007 were largely unchanged compared to the Consolidated Financial Statements as of 31 August 2007.

1.7 Treasury Stock
As of 30 November 2007, the treasury stock of SinnerSchrader AG amounted to 209,754 shares with a calculated face value of € 209,754, representing 1.82 % of the share capital. As of 31 August 2007, the treasury stock amounted to 140,886 shares, representing 1.22 % of the share capital.

In the first quarter of the 2007/2008 financial year, 68,868 shares of treasury stock were bought via the stock market at an average purchase price of € 1.57. The average purchase price of all shares of treasury stock held by SinnerSchrader AG as of 30 November 2007 was therefore € 1.57.

1.8 Share-based Compensation
• Stock Option Plans
With resolutions of the Annual General Meetings of October 1999, December 2000, and January 2007, SinnerSchrader AG created the SinnerSchrader Stock Option Plan 1999, the SinnerSchrader Stock Option Plan 2000, and the SinnerSchrader Stock Option Plan 2007, along with the necessary conditional capital of € 375,000 (Stock Option Plans 1999 and 2000) and € 600,000 (Stock Option Plan 2007). Detailed information on the stock option plans can be found in the Notes to the Consolidated Financial Statements as of 31 August 2007.

Within the framework of the 1999 and 2000 stock option plans, options have been allocated to employees and members of the Management Board of SinnerSchrader AG and its subsidiaries in the past years.

In the 2006/2007 financial year and the first quarter of the 2007/2008 financial year respectively, 75,000 options from the 2007 plan with an average exercise price of € 1.59 were allocated to members of the management of subsidiary companies.

Table 3a shows the parameters used for the valuation of the options newly allocated on 1 September 2007 on the basis of a binomial model according to Cox/Ross/Rubinstein:

Tab. 3a | Parameters for valuation of options on date of issue

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

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

Table 3b summarises the changes in the number of outstanding options from the 1999 plan, the 2000 plan, and the 2007 plan in the first quarter of the 2007/2008 financial year:

Tab. 3b | Outstanding options in € and number

	Number	Weighted average exercise price in €
As of 31 August 2007	**342,338**	**6.79**
Newly allocated	75,000	1.59
Exercised	–	–
Cancelled	-2,400	2.08
Expired	-85,045	2.76
As of 30 November 2007	**329,893**	**6.68**

IFRS 2 calls for the 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. The market value of the option on the allocation 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. In the first quarter of 2007/2008, the costs affecting income amounted to € 8,200, compared to € 2,869 in the first quarter of 2006/2007.

• Share-based Bonuses

As of 1 January 2005, a share-based bonus was promised to a member of the Management Board. According to this arrangement, the Board member is entitled to a cash bonus in January 2008 based on the share price performance of the SinnerSchrader share until 31 December 2007. The bonus is calculated from the difference between the average Xetra closing price of the SinnerSchrader share on the last ten trading days prior to 1 January 2008 and the reference price of € 1.61 per share, multiplied by 200,000.

The current value on the key date for the share-based bonus was € 10,673 as of 30 November 2007. As of 30 November 2006, the value was placed at € 17,889. It was reported under the accrued expenses for personnel costs.

1.9 Related Party Transactions

In the first quarters of the 2007/2008 and 2006/2007 financial years, SinnerSchrader achieved revenues in the amount of € 1,646,852 and € 761,202, respectively, with companies in which members of the Supervisory Board of SinnerSchrader held Supervisory Board positions.

1.10 Major Events after the Balance Sheet Date

On 13 November 2007, SinnerSchrader Deutschland GmbH signed a merger agreement with each of its three subsidiaries, SinnerSchrader Neue Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH. The merger agreements were entered in the commercial registers of Frankfurt am Main and Hamburg on 13 December 2007 and 17 December 2007. The merger agreements are therefore effective, and SinnerSchrader Neue Informatik GmbH, SinnerSchrader Studios GmbH, and SinnerSchrader Studios Frankfurt GmbH have been entirely incorporated into SinnerSchrader Deutschland GmbH.

The Annual General Meeting of SinnerSchrader AG on 19 December 2007 agreed to the proposal of the Management Board and Supervisory Board to pay a dividend in the amount of € 0.12 per share from the accumulated income as of 31 August 2007. On 20 December 2007, the amount of € 1,358,207 was paid to shareholders, and the liquid funds and shareholders´ equity were reduced by the same amount.

1.11 Directors´ Holdings of Shares and Subscription Rights to Shares ("Directors´ Dealings")

Table 4 shows the number of shares of SinnerSchrader AG and the number of subscription rights to these shares held by directors of SinnerSchrader AG as of 31 August 2007 and any changes in the first quarter of 2007/2008:

Tab. 4 | Directors´ Holdings of Shares and Subscription Rights to Shares in number of shares

	31.08.2007	Additions	Withdrawals	30.11.2007
Management Board member:				
Matthias Schrader	2,342,675	–	–	2,342,675
Thomas Dyckhoff	62,450	–	–	62,450
Management Board, total	2,405,125	–	–	2,405,125
Supervisory Board member:				
Prof. Dr Reinhard Pöllath	–	–	–	–
Dieter Heyde	–	–	–	–
Frank Nörenberg[1]	1,000	–	1,000	–
Prof. Cyrus D. Khazaeli	–	–	–	–
Supervisory Board, total	1,000	–	1,000	–
Board members, total	**2,406,125**	**–**	**1,000**	**2,405,125**
Subscription rights	31.08.2007	Additions	Withdrawals	30.11.2007
Management Board member:				
Matthias Schrader	–	–	–	–
Thomas Dyckhoff	12,500	–	–	12,500
Management Board, total	12,500	–	–	12,500
Supervisory Board member:				
Prof. Dr Reinhard Pöllath	–	–	–	–
Dieter Heyde	–	–	–	–
Frank Nörenberg[1]	–	–	–	–
Prof. Cyrus D. Khazaeli	–	–	–	–
Supervisory Board, total	–	–	–	–
Board members, total	**12,500**	**–**	**–**	**12,500**

[1] Supervisory Board member Frank Nörenberg stepped down from the Supervisory Board of SinnerSchrader AG as of 12 November 2007. Since the key date of 30 November 2007, his shares and subscription rights have no longer been counted among those held by Board members.

Events

Financial Calendar 2007/2008	
2nd Quarterly Report 2007/2008 (December 2007–February 2008)	10 April 2008
3rd Quarterly Report 2007/2008 (March 2008–May 2008)	10 July 2008
Annual Report 2007/2008	November 2008

Conference Calendar 2007/2008	
next08 conference	15 May 2008

For more information please visit our conference website at www.next08.com.

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