

SinnerSchrader

Q1

05

interactivate your business

06

Key Figures

Key figures of the SinnerSchrader Group in € 000s, € and number	Q1 2005/2006	Q1 2004/2005	Change
Revenues	3,925	3,242	21 %
Gross profit	1,255	1,143	10 %
EBITDA	301	155	94 %
EBITA	164	21	over 100 %
Net income	123	103	19 %
Net income per share	0.01	0.01	0 %
Cash flows from operating activities	-292	-55	under -100 %
Employees on average	128	134	-5 %
	30.11.2005	31.08.2005	Change
Liquid funds and securities	10,249	10,570	-3 %
Employees, end of period	130	130	0 %

Dear Shareholders,

The start of the new financial year has been successful! SinnerSchrader has set itself ambitious targets for 2005/2006 – and what has been achieved in the first quarter (1 September to 30 November 2005) has made us optimistic that we will also be able to meet the targets for the financial year.

With quarterly revenues of € 3,925,000, SinnerSchrader has increased the value of the previous year by around 21% and, with an EBITA of € 164,000, already achieved an operating margin of 4.2%, in comparison to the previous year's level of 0.7%. Without the costs of rent for vacant property, which will encumber the operating result until the summer of 2006, the EBITA would have been around twice as high.

This means that SinnerSchrader has further expanded its business for the fourth quarter in succession. The revenue growth over the previous quarter was around 3%, and the improvement in the operating result was just under 48%. The engine of growth in the first reporting quarter was project service business in the Interactive Marketing and Interactive Software segments, while the volume of the Interactive Services segment consolidated at a good level in the first quarter after an extremely dynamic course in the previous year.

In connection with this, good use was made of the capacities in the various divisions of SinnerSchrader thanks to a pleasingly dynamic development of activities among major existing customers, unlike in the first quarter of 2004/2005. In early September 2005, SinnerSchrader started the reporting quarter with the relaunch of the private and business customer portal of Deutsche Bank, designed and managed by the Studios in Frankfurt am Main. Neue Informatik put the car rental solution

for interRent on a new platform for its long-standing client Europcar, thus creating the conditions necessary for making interRent's business more international. And the extensive implementation of a new booking system, including the renewal of the booking process for the end customer, was imminent at the end of the quarter for HLX, the TUI airline managed by the Studios in Hamburg.

First orders from Plus Warenhandelsgesellschaft, Karl Mayer GmbH, Brockhaus and others show that business with new customers has by no means diminished. With a road show through Berlin, Düsseldorf, Frankfurt am Main, Hamburg and Munich, SinnerSchrader also presented itself, together with WebSideStory, as an expert partner for the increasingly important issues surrounding web controlling, and it addressed over 100 participants from the most varied companies.

With the impetus from this first quarter, we are expecting to be able to end the 2005/2006 financial year at the upper end of our plans, which allow for revenue growth of 10% to 15% and an EBITA of € 300,000 to € 500,000. In addition, we are also keeping sight of our goal of a growth impetus from acquisitions.

Hamburg, January 2006

The Management Board

Consolidated Balance Sheets

Consolidated Balance Sheets

as of 30 November 2005 and 31 August 2005

Assets in €	30.11.2005	31.08.2005
Current assets:		
Liquid funds	4,984,443	9,614,529
Marketable securities	5,264,751	955,622
Accounts receivable	2,392,380	1,553,805
Unbilled revenues	496,516	170,404
Other current assets and prepaid expenses	338,536	331,151
Deferred tax assets	71,654	146,962
Total current assets	13,548,280	12,772,473
Non-current assets:		
Property and equipment, net	903,236	973,758
Total non-current assets	903,236	973,758
Total assets	14,451,516	13,746,231
Liabilities and shareholders' equity in €	30.11.2005	31.08.2005
Short-term liabilities:		
Trade accounts payable	916,780	801,924
Advance payments received	675,130	313,187
Other accrued expenses	1,183,540	1,465,386
Other short-term liabilities and deferred income	1,207,064	831,697
Total short-term liabilities	3,982,514	3,412,194
Long-term liabilities	—	—
Shareholders' equity:		
Subscribed capital	11,542,764	11,542,764
Capital reserve	17,596,005	17,596,005
Treasury stock, 131,347 and 131,347 at 30.11.2005 and 31.08.2005 respectively	-200,933	-200,933
Deferred compensation	2,101	—
Accumulated deficit (incl. reserves)	-18,509,047	-18,631,595
Accumulated other comprehensive income/loss	38,112	27,796
Total shareholders' equity	10,469,002	10,334,037
Total liabilities and shareholders' equity	14,451,516	13,746,231

Consolidated Statements of Operations

from 1 September 2005 to 30 November 2005

in €	01.09.2005 30.11.2005	01.09.2004 30.11.2004
Revenues:		
Project services	2,631,240	2,461,548
Media services	902,514	504,172
Other	391,150	276,193
Total revenues, gross	3,924,904	3,241,913
Media costs	-625,346	-349,641
Total revenues, net	3,299,558	2,892,272
Costs of revenues	-2,044,838	-1,749,098
Gross profit	1,254,720	1,143,174
Sales and marketing expenses	-313,551	-339,445
General and administrative expenses	-753,976	-734,236
Research and development expenses	-24,136	-47,086
Restructuring costs	—	-10,000
Operating income	163,057	12,407
Other income/expenses	841	8,635
Interest income/expenses	26,991	56,534
Income from participations	—	25,565
Earnings before tax	190,889	103,141
Income tax	-68,341	—
Net income	122,548	103,141
Earnings per share (undiluted)	0.01	0.01
Earnings per share (diluted)	0.01	0.01
Weighted average shares outstanding (undiluted)	11,411,417	11,101,382
Weighted average shares outstanding (diluted)	11,412,733	11,146,833

Consolidated Statements of Shareholders' Equity

Consolidated Statements of Shareholders' Equity

from 1 September 2005 to 30 November 2005

in €	Number of shares outstanding	Subscribed capital	Capital reserve
Balance at 31.08.2004	10,937,164	11,542,764	16,594,840
Net income	—	—	—
Unrealised gains/losses on marketable securities	—	—	—
Foreign currency translation adjustment	—	—	—
Purchase of treasury stock	—	—	—
Re-issuance of treasury stock	474,253	—	1,001,165
Balance at 30.11.2004	11,411,417	11,542,764	17,596,005
Balance at 31.08.2005	11,411,417	11,542,764	17,596,005
Net income	—	—	—
Unrealised gains/losses on marketable securities	—	—	—
Foreign currency translation adjustment	—	—	—
Change in deferred compensation	—	—	—
Purchase of treasury stock	—	—	—
Re-issuance of treasury stock	—	—	—
Balance at 30.11.2005	11,411,417	11,542,764	17,596,005

Consolidated Statements of Shareholders' Equity

	Treasury stock	Deferred compensation	Net income/ loss	Accumulated other comprehensive income/loss	Total shareholders' equity	Comprehensive income/loss
	-926,438	—	-19,176,937	19,445	8,053,674	-535,953
	—	—	103,141	—	103,141	103,141
	—	—	—	26,597	26,597	26,597
	—	—	—	104	104	104
	—	—	—	—	—	—
	725,505	—	—	—	1,726,670	—
	-200,933	—	-19,073,796	46,146	9,910,186	129,842
	-200,933	—	-18,631,595	27,796	10,334,037	553,693
	—	—	122,548	—	122,548	122,548
	—	—	—	10,284	10,284	10,284
	—	—	—	32	32	32
	—	2,101	—	—	2,101	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	-200,933	2,101	-18,509,047	38,112	10,469,002	132,864

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows

from 1 September 2005 to 30 November 2005

in €	01.09.2005 30.11.2005	01.09.2004 30.11.2004
Cash flows from operating activities:		
Net income	122,548	103,141
Adjustments for:		
Depreciation	137,042	134,392
Stock-based compensation	2,101	—
Increase/decrease in provisions and accruals	-281,855	21,610
Gains/losses from the disposal of fixed assets	-288	1,039
Other	48,147	-14,643
Change in net working capital	-319,880	-301,017
Cash flows from operating activities	-292,185	-55,478
Cash flows from investing activities:		
Purchase of marketable securities	-11,797,481	-2,549,737
Proceeds from sale of marketable securities	7,525,807	23,149,706
Purchase of fixed assets	-67,408	-26,821
Proceeds from sale of fixed assets	1,176	4,913
Cash flows from investing activities	-4,337,906	20,578,061
Cash flows from financing activities:		
Payment to shareholders	—	-20,768,780
Incoming payment from sale of treasury stock	—	1,726,670
Cash flows from financing activities	—	-19,042,110
Net effect of currency translation on liquid funds	5	-67
Change in liquid funds	-4,630,086	1,480,406
Liquid funds at beginning of period	9,614,529	1,334,258
Liquid funds at end of period	4,984,443	2,814,664

1 Explanations and Additional Notes to the Quarterly Report

1.1 General Foundations

The Quarterly Report of the SinnerSchrader Group ("SinnerSchrader", "Group") is prepared in accordance with US accounting principles ("US-GAAP") and takes account of Accounting Principles Board Opinion ("APB") No. 28 as well as the rules for quarterly reporting of the Prime Standard of Deutsche Börse AG. It should be read in conjunction with the Consolidated Financial Statements of SinnerSchrader Aktiengesellschaft as of 31 August 2005.

The reporting period of the first quarter of the 2005/2006 financial year runs from 1 September 2005 to 30 November 2005.

The consolidation group as of 30 November 2005 is unchanged compared to 31 August 2005. It consists of SinnerSchrader Aktiengesellschaft, its wholly owned domestic subsidiary SinnerSchrader Deutschland GmbH, including 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.

The accounting, valuation and consolidation principles of the Quarterly Report at hand are unchanged from the Group's Consolidated Financial Statements as of 31 August 2005. They are disclosed and explained in the Group's Consolidated Financial Statements as of 31 August 2005, which are published in the Annual Report 2004/2005.

1.2 Preparation for Conversion to IFRS

In accordance with European Union regulation 1606/2002, SinnerSchrader is required to change from accounting according to US-GAAP to the International Financial Reporting Standards ("IFRS") by the time of the Annual Financial Statements for the current 2005/2006 financial year at the latest. SinnerSchrader will complete this changeover by 31 August 2006 and, until then, will continue to report the quarters according to US-GAAP. According to the findings to date resulting from the preparations for the changeover, SinnerSchrader assumes on the basis of the currently valid rules that the changeover will result only in minor changes to the annual result for the 2005/2006 financial year and the shareholders' equity as of the balance sheet date.

1.3 Comments on the Business Development

Sales Development

In the first quarter of the new 2005/2006 financial year, SinnerSchrader has continued its positive business development and followed up on the growth dynamics of the last financial year: In comparison to the previous quarter, gross revenues rose by a further € 110,000, or 3%, to around € 3.9 million. A comparison with the first quarter of the previous year shows a revenue increase of 21%.

Whereas the business growth in the previous year was especially marked by the business in the Interactive Services segment, and by media business in particular, the growth in the current reporting quarter was achieved in the project services business of the Interactive Software and Interactive Marketing segments.

The greatest rise in comparison to the previous quarter was achieved by the Interactive Marketing segment, with growth of 8.5% in gross revenues. Project activities greatly increased

Tab. 1 | Gross revenues according to segments (external) in € 000s

Q1 2005/2006 Q4 2004/2005 Q1 2004/2005

	Q1 2005/2006	Q4 2004/2005	Q1 2004/2005
Interactive Software	1,430	1,399	1,462
Interactive Marketing	1,201	1,107	1,000
Interactive Services	1,294	1,309	780
Total revenues, gross	3,925	3,815	3,242

again after the summer holidays mainly for the existing customers of the Studios in Hamburg and Frankfurt am Main. Added to this were interesting new customer relations, including with Plus Warenhandelsgesellschaft and Brockhaus. There was a 20.1% rise over the same quarter of the previous year, which was a result of the continuous expansion of the customer base.

The Interactive Software segment increased by 2.2% in comparison to the previous quarter. Business with existing customers was stable overall, while some new clients were acquired who are already making themselves noticed in the revenues for the quarter. They include Karl Mayer GmbH, the world market leader for textile machinery for knitwear, who is also SinnerSchrader's first mechanical engineering client from Germany. In comparison to the previous year, there was a slight decline in revenues of around 2.2% in the Interactive Software segment.

In the first quarter of 2005/2006, the Interactive Services segment was able to consolidate its revenues at a high level. Following considerable quarterly growth in the previous financial year, revenues in the reporting quarter remained around 1.1% lower than in the fourth quarter of 2004/2005. The consolidation affected media business in particular. By contrast, business with operational services continued its constant growth in the first quarter. With a growth rate of 66%, a comparison with the previous year underlines the dynamism of the last twelve months in this segment.

Development of Orders and Prices

Incoming orders in the first quarter of 2005/2006 confirm the growing demand for the services offered by SinnerSchrader. In the reporting period, the volume rose by 10% in comparison to the previous quarter and was also above the average for the quarters of the previous financial year.

Against the background of a generally brightening economic environment, the increasing importance of the Internet as a sales channel and an increased willingness to invest in the subject of the Internet again, the prices that can be achieved on the market are stable in spite of intensive competition.

Development of Income

Based on the positive development of revenues, in the first quarter of the 2005/2006 financial year SinnerSchrader also further improved the operating result (EBITA) by € 53,000, bringing it to € 164,000. This corresponds to a rise of 48% over the previous quarter. In the comparable quarter of the previous year, the EBITA was just over the profitability threshold at € 21,000. Due to the better utilisation of existing capacities, the operating margin (EBITA in per cent of the gross revenues) rose by 1.3 percentage points, from 2.9% in the last quarter of the previous year to 4.2% in the reporting quarter; one year ago, this margin was only 0.7%.

In comparison to the previous quarter, the improvement in income is mainly due to the fact that no restructuring costs were incurred in the reporting quarter, as well as to a slight improvement in gross revenues. In connection with the termination of the rental agreement for the office space in Hamburg, the obligation to make a settlement payment on moving out of the offices meant that a corresponding liability in the amount of € 0.3 million had to be reported, which affected income. Reinvigorated sales work after the summer holidays and increased administrative expenses associated with the Annual Financial Statements in comparison to the previous quarter have partially negated the lack of restructuring costs in the reporting quarter.

The growth in income in comparison to the first quarter of the previous year primarily came from the revenue-related rise in gross profit.

Tab. 2 | Key earnings figures in € 000s

	Q1 2005/2006	Q4 2004/2005	Q1 2004/2005
Gross profit	1,255	1,252	1,143
EBITDA	301	250	155
EBITA	164	111	21
Net income/loss	123	312	103

Since the change to the office situation in Hamburg cannot take place before the summer of 2006, the operating result and operating margin in the reporting quarter were still encumbered by the vacant property costs for the unused rented space. Without this encumbrance, the EBITA would be around twice as high as reported.

The development of the operating costs according to cost type shows that SinnerSchrader is meeting its capacity requirements, which have increased because of the growth in revenues, partially through the greater use of external service providers and is thus using the necessary rise in costs resulting from the growth in business volume to make the cost structure more flexible. Around half of the total costs of materials and services were accounted for by external service providers, which corresponds to almost twice as much as the costs incurred for external service providers in the previous quarter and the same quarter of the previous year.

The good operating performance is not reflected in the net income for the first quarter of 2005/2006. There is even a marked decrease in comparison to the value posted for the fourth quarter. The main reason for this is that in the fourth quarter of the previous year, SinnerSchrader had to form deferred tax assets for loss carry-forwards with an effect on income for the first time, which increased the net income for the quarter. The preference given to the use of losses meant that in the Financial Statements for the reporting quarter, the positive pre-tax income led to the reporting of deferred tax expenses in the amount of just under € 68,000. In view of the extent of the still-existing loss carry-forwards, however, it is to be expected that no income tax charges will be incurred as a result of the income-affecting activation of the further potential to utilise losses on an annual basis.

Research and Development Expenditure

In the reporting period, R&D activities were focused on maintaining e-commerce platforms already established in many customer applications and on concluding a planning system for online campaigns. Furthermore, new trends and programming methods were evaluated in prototype developments. The expenditure on these R&D activities amounted to € 24,000 in the first quarter of 2005/2006. It was thus below the level of the previous quarters, which was mainly due to the fact that the mixed resources for R&D work were not available because of the good capacity utilisation from customer projects. In the further course of the financial year, SinnerSchrader is expecting further growth in research and development activities.

Investments

At € 67,000, the investments in tangible assets were higher in the first quarter of 2005/2006 than the average for the quarters of the last financial year (€ 58,000). In addition to software updates that had become necessary, it was mainly investments in hardware systems to operate customer applications in the Interactive Services segment that led to the rise. In light of the new office space being rented in Hamburg and Frankfurt am Main, SinnerSchrader is planning on greatly increasing its investment expenditure for the remaining 2005/2006 financial year to expand the new premises and renew technical facilities and office equipment and furnishings.

Tab. 3 | Costs by cost type in € 000s

Q1 2005/2006 Q4 2004/2005 Q1 2004/2005

	Q1 2005/2006	Q4 2004/2005	Q1 2004/2005
Costs of material and services	-312	-171	-178
Personnel costs	-2,003	-1,942	-1,968
Depreciation	-137	-139	-134
Other operating costs	-684	-860	-600
Total	-3,136	-3,112	-2,880

Cash Flows

The cash flows from operating activities were negative at around € -0.3 million in the first quarter of 2005/2006. In addition to the rise in the tying up of funds in net current assets also observed in the previous year – which was due primarily to higher accounts receivable – the consumption of reserves, in particular in the wake of the payment of the annual bonuses for the 2005/2006 financial year, led to the outflow of funds. Together with the true investment expenditure which increased to just under € 0.1 million, i.e. for the procurement of fixed assets, a total of just under € 0.4 million flowed out of the liquid funds and securities.

In the reporting quarter, around € 4.2 million were once again invested in money market funds in the balance of additions to and withdrawals from marketable securities in the course of investing the liquidity reserve.

Balance Sheet

In comparison to the end of the previous financial year, the balance sheet changed largely because of processes in operating business. An increased volume of accounts receivable and unbilled revenues, which are countered by increases in liability items from current business, resulted in a rise in the balance sheet total of around € 0.7 million.

The liquidity reserve from liquid funds and securities fell slightly by around € 0.3 million, primarily because of the use of funds in operating business.

Thanks to the net income achieved, the shareholders' equity rose by a good € 0.1 million in comparison to its status as of 31 August 2005 and, as of 30 November 2005, reached a value of just under € 10.5 million. This corresponded to an equity ratio of 72.4 %.

Employees

On a full-time basis, there was an average of around 128 employees at SinnerSchrader in the reporting quarter. Once again, this was two full-time employees fewer than in the previous quarter and six full-time employees fewer than in the previous year.

Of the 128 full-time employees, 54 were employed in the Interactive Software segment in the reporting period (previous quarter: 56). The Interactive Marketing segment accounted for 42 employees (previous quarter: 42) and there were 13 employees in Interactive Services (previous quarter: 14). There were 19 full-time employees for the central functions performed by SinnerSchrader AG (previous quarter: 18).

As of 30 November 2005, SinnerSchrader had 130 employees, as in the previous quarter. In comparison to 30 November of the previous year, this was a decrease of 12 employees, which reflects the increases in efficiency and the striving for a more flexible cost structure.

Tab. 4 | Components of cash flows in € 000s

	Q1 2005/2006	Q1 2004/2005
from operating activities	-292	-55
from investing activities (without purchase and sale of marketable securities)	-66	-22
from purchase and sale of marketable securities	-4,272	20,600
from financing activities	—	-19,042

Outlook

The first quarter has fulfilled the positive expectations of business and income development in the 2005/2006 financial year. The figures that were achieved – revenue growth of 21% over the previous year and an EBITA of just under € 0.2 million – were actually slightly higher than planned. As regards the growth rate, it must be taken into account that the first quarter of the previous year was still at a comparatively low revenue level.

The response of our existing customers and the signals from the market confirm our expectations of strong development in the demand for our services. We are therefore assuming that we will continue the positive organic development and end the year as a whole in the upper margin of our target corridor, with revenue growth between 10% and 15% and an EBITA between € 0.3 million and € 0.5 million. But we are not losing sight of the aim to further develop SinnerSchrader through acquisitive momentum.

2 Additional Notes

2.1 Segment Reporting

In the scope of a reorganisation, SinnerSchrader abandoned its integrated business model of supplying and marketing interactive services as of 1 April 2004 and formed new segments that are individually responsible for supplying and marketing a specific part of the former service portfolio. In accordance with the requirements of the Statement of Financial Accounting Standards ("SFAS") No. 131, SinnerSchrader reports on its business in three operating segments: Interactive Software, Interactive Marketing and Interactive Services.

SinnerSchrader Neue Informatik GmbH is assigned to the Interactive Software segment. The Interactive Marketing segment comprises the companies SinnerSchrader Studios Hamburg GmbH and SinnerSchrader Studios Frankfurt GmbH. The Interactive Services segment brings together the Media, Operations and Analysis operating business units of SinnerSchrader Deutschland GmbH. Tables 5a and 5b show the development of the segments in the first quarter of 2005/2006 and in the same period in the previous year. The table 5c shows the reconciliation of the sum of the segmental profits comprising all reported segments with the Group's result before income tax.

2.2 Restructuring Costs

No new restructuring measures were necessary in the first quarter of 2005/2006. With respect to the measures already conducted, there were no changes to the estimate of the obligations resulting from this. Neither did they need to be settled. This means that the level of accrued expenses and liabilities from restructuring measures as of 30 November 2005 had not changed in relation to 31 August 2005, as shown in Table 6, and amounted to around € 397,000.

2.3 Treasury Stock

On 30 November 2005, SinnerSchrader AG still held 131,347 of its own shares with a calculated face value of € 131,347, representing 1.1% of the common stock. In the first quarter of 2005/2006 there were no share purchases or sales, and none of SinnerSchrader AG's own shares were issued within the scope of option exercises by employees.

Tab. 5a	Segment information in € and number	Interactive Software	Interactive Marketing	Interactive Services	Segments total	Consolidation/ holding	Group
01.09.2005–30.11.2005:							
	External revenues	1,430,196	1,201,044	1,293,664	3,924,904	—	3,924,904
	Internal revenues	209,229	106,493	71,120	386,842	-386,842	—
	Total revenues, gross	1,639,425	1,307,537	1,364,784	4,311,746	-386,842	3,924,904
	Media costs	—	—	-625,346	-625,346	—	-625,346
	Total revenues, net	1,639,425	1,307,537	739,438	3,686,400	-386,842	3,299,558
	Segment profit/loss (EBITA)	141,935	158,415	225,671	526,021	-362,123	163,898
	Depreciation of property and equipment	14,065	7,442	8,981	30,488	106,554	137,042
	Investment in property and equipment	5,955	9,349	24,625	39,929	27,479	67,408
	Full-time employees on average	53.7	42.1	13.4	109.2	18.6	127.8
30.11.2005:							
	Total assets	3,019,375	2,055,549	716,067	5,790,992	8,660,524	14,451,516
	Fixed assets	143,452	88,955	91,093	323,500	579,736	903,236
	Current assets	2,875,923	1,966,594	624,974	5,467,492	8,080,788	13,548,280
	Number of employees, end of period	52	44	14	110	20	130

Tab. 5b	Segment information in € and number	Interactive Software	Interactive Marketing	Interactive Services	Segments total	Consolidation/holding	Group
01.09.2004–30.11.2004:							
	External revenues	1,461,697	999,851	780,365	3,241,913	—	3,241,913
	Internal revenues	166,137	97,084	82,931	346,152	-346,152	—
	Total revenues, gross	1,627,835	1,096,935	863,296	3,588,065	-346,152	3,241,913
	Media costs	—	—	-349,641	-349,641	—	-349,641
	Total revenues, net	1,627,835	1,096,935	513,655	3,238,424	-346,152	2,892,272
	Segment profit/loss (EBITA)	178,567	68,140	106,340	353,047	-332,004	21,042
	Depreciation of property and equipment	15,814	5,771	4,421	26,006	108,386	134,392
	Investment in property and equipment	5,921	5,907	3,061	14,890	11,931	26,821
	Full-time employees on average	59.7	43.0	14.0	116.7	17.5	134.2
30.11.2004:							
	Total assets	2,334,364	1,297,489	360,855	3,992,708	8,452,983	12,445,690
	Fixed assets	173,971	83,856	43,644	301,471	878,840	1,180,311
	Current assets	2,160,393	1,213,633	317,211	3,691,236	7,574,143	11,265,379
	Number of employees, end of period	63	44	16	123	19	142

Tab. 5c | Reconciliation of total segment earnings with Group earnings before tax in €

Q1 2005/2006

Q1 2004/2005

	Segment profit/loss (EBITA) of all reportable segments	526,021	353,047
	Central holding costs not attributable to reportable segments	-361,976	-331,845
	Earnings before tax of foreign subsidiaries	-147	-160
	EBITA of the Group	163,898	21,042
	Financial income of the Group	26,991	82,099
	Earnings before tax of the Group	190,889	103,141

Tab. 6 | Restructuring charges in €

	Balance 01.09.2005	Additional charges	Utilised		Balance 30.11.2005
			Non-cash	Cash	
Workforce	90,000	—	—	—	90,000
Facilities	306,775	—	—	—	306,775
Others	—	—	—	—	—
Total	396,775	—	—	—	396,775

2.4 Changes in the Event of Contingent Liabilities

In the wake of the implementation of the capital repayment to shareholders decided by the Annual General Meeting in January 2004, the landlord of the office space in Hamburg asked SinnerSchrader AG to pay a security for the liabilities resulting from the rental agreement in accordance with Article 225 of the German Stock Corporation Act ("Aktiengesetz"). The security was paid in the form of a bank guarantee for € 2,532,259.71, which was reduced by the amount of the monthly rental payment each month. As of 30 November 2005, the volume of the guarantee was still € 1,187,244.19. With a guarantee of this scope, SinnerSchrader can dispose of its liquid funds and securities only with the explicit approval of the guaranteeing bank.

2.5 Stock-Based Compensation

Stock Option Plans

With resolutions of the Annual General Meetings of October 1999 and December 2000, SinnerSchrader AG established the SinnerSchrader Stock Options Plan 1999 and the SinnerSchrader Stock Options Plan 2000, each with conditional capital requirements of € 375,000. Detailed information on these stock option plans can be found in the notes to the Consolidated Financial Statements as of 31 August 2005. Within the framework of these stock option plans, options have been allocated to employees and members of the Management Board of SinnerSchrader AG and its subsidiary over recent years. Table 7 shows the number of option rights granted under both stock option plans and their weighted average exercise price as of the end of the last financial year and the end of the first quarter of 2005/2006, as well as the changes in both figures for the first three months of 2005/2006.

Until 31 August 2005, SinnerSchrader entered the option rights granted under the stock option plans as stock-based compensation components in the balance sheet following the US-GAAP rules of Accounting Principles Board Opinion ("APB") No. 25.

According to APB No. 25, the granting of stock options gives rise to personnel costs amounting to the difference, if any, between the fair value of the SinnerSchrader share and the option's exercise price on the day of its allocation. Following this accounting rule, no personnel costs from the granting of stock options had to be accounted for in recent years in the Statements of Operations.

SFAS No. 123 (R) "Stock-Based Payment" was issued in December 2004. It stipulates that all stock-based employee compensation shall be recorded on the basis of its fair value on the allocation date for reporting periods that start after 15 June 2005. The corresponding compensation expenses shall be limited to the period of time in which an employee has to work in return for the allocation.

The modified prospective method is required for the transition to the new rules of SFAS No. 123 (R). According to this, for all options outstanding on the date of the transfer for which the waiting period has not yet expired, the share of the fair value on the date of allocation which is accounted for in the reporting period shall be posted in the Statements of Operations as personnel costs. These costs shall be formed in return for an off-setting item of a corresponding amount in the shareholders' equity.

Tab. 7 | Outstanding options in number and €

	Number of options granted	Weighted average exercise price
Outstanding on 31.08.2005	294,137	13.51
Granted	—	—
Exercised	—	—
Cancelled	-765	2.64
Expiration	-35,700	14.40
Outstanding on 30.11.2005	257,672	13.42

SinnerSchrader adopted the rules of SFAS No. 123 (R) as of 1 September 2005. In accordance with the modified prospective method described above, for 48,881 options for which the waiting period had not yet expired before 1 September 2005, a proportionate fair value on the respective allocation date of a total of € 2,201 was posted in the Statements of Operations as personnel costs. The corresponding offsetting item deferred compensation was formed in the shareholders' equity. No new options were granted in the reporting period. If the balance sheet rules according to APB No. 25 previously used by SinnerSchrader had continued, the operating income, the earnings before tax and the net income of the first quarter of 2005/2006 would have been € 2,201 higher. The earnings per share would still have been € 0.01.

For the comparable quarter of the previous year, which was still reported according to the previous rules, in accordance with the rules of SFAS No. 123 (R) in conjunction with SFAS No. 148, the following table 8 shows the pro-forma net income and the pro-forma net income per share that would have resulted if SinnerSchrader had decided to take the fair value on the allocation date as the accounting basis for its stock option plans as prescribed by SFAS No. 123.

Stock-Based Compensation for a Member of the Management Board

In the 2004/2005 financial year, stock-based compensation was allocated to one member of the Management Board, according to which this member will be entitled to a bonus payment in cash in January 2008, depending on the price development of the SinnerSchrader share by 31 December 2007. The bonus entitlement is calculated from the difference between the average closing price of the SinnerSchrader share on the ten trading days before 1 January 2008 and the reference price of € 1.61 per share, multiplied by 200,000. The compensation component was allocated as of 1 January 2005.

The average Xetra closing price of the SinnerSchrader share on the ten trading days before the reporting date was € 1.67. The bonus payment was calculated with this value. Proportionate for the eligibility period from 1 January 2005 to 30 November 2005, 11/36 of the calculated bonus payment were reserved. The proportionate bonus reserve in the amount of € 3,422 is included in the administrative costs and is identified in the personnel reserves.

Tab. 8 | Pro-forma net income according to SFAS No. 123 in €

Q1 2004/2005

Net income as reported	103,141
add back: stock-based compensation expenses included in net income as reported	—
deduct: stock-based compensation expenses determined according to SFAS No. 123 on basis of fair value at time of allocation	-32,741
Pro-forma net income	70,400
Reported net income per share, undiluted and diluted	0.01
Pro-forma net income per share, undiluted and diluted	0.01

2.6 Directors' Holdings of Shares and Subscription Rights to Shares

Table 9 shows the number of shares of SinnerSchrader AG held by members of the Management Board and Supervisory Board of SinnerSchrader AG and any changes in the reporting period from 1 September 2005 to 30 November 2005.

Tab. 9	Shares and subscription rights held by the Board members	01.09.2005	Additions	Disposals	30.11.2005
	in number				
Shares					
Management Board members:					
	Matthias Schrader	2,342,675	—	—	2,342,675
	Thomas Dyckhoff	49,950	—	—	49,950
	Total shares held by the Management Board	2,392,625	—	—	2,392,625
Supervisory Board members:					
	Dr Markus Conrad	127,500	—	—	127,500
	Reinhard Pöllath	—	—	—	—
	Frank Nörenberg	1,000	—	—	1,000
	Total shares held by the Supervisory Board	128,500	—	—	128,500
	Total shares held by the Board members	2,521,125	—	—	2,521,125
Subscription rights					
Management Board members:					
	Matthias Schrader	—	—	—	—
	Thomas Dyckhoff	25,000	—	—	25,000
	Total subscription rights held by the Management Board	25,000	—	—	25,000
Supervisory Board members:					
	Dr Markus Conrad	—	—	—	—
	Reinhard Pöllath	—	—	—	—
	Frank Nörenberg	—	—	—	—
	Total subscription rights held by the Supervisory Board	—	—	—	—
	Total subscription rights held by the Board members	25,000	—	—	25,000

Financial calendar 2005/2006

Annual General Meeting	27 January 2006
2 nd Quarterly Report (December 2005–February 2006)	12 April 2006
3 rd Quarterly Report (March 2006–May 2006)	12 July 2006
Annual Report 2005/2006	November 2006

Editorial information

Published by:	SinnerSchrader Aktiengesellschaft, Hamburg
Conception and design:	HEUREKA! – profitable communication, Essen
Printed by:	G&G Dortmunder Medienproduktion GmbH, Dortmund

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