

SinnerSchrader

04

interactivate your business

05

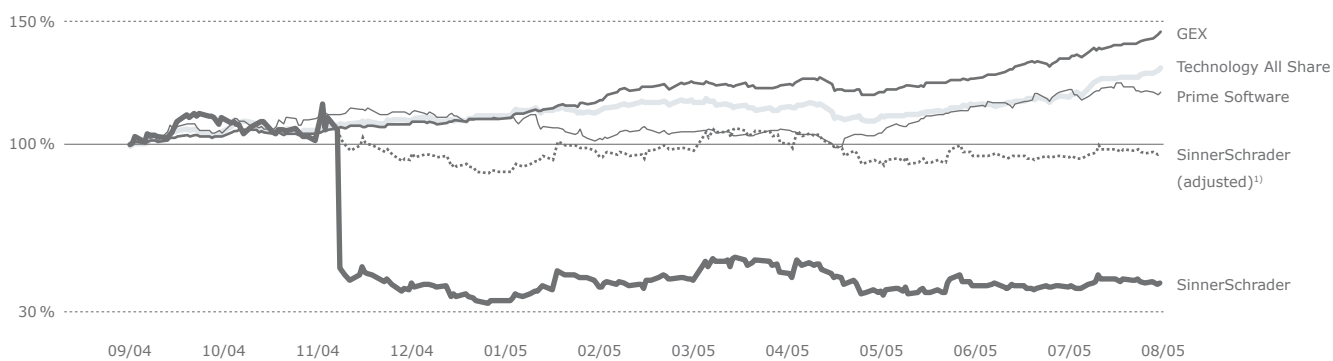
Key Figures and Share Price Performance

| Key figures of the SinnerSchrader Group | 01.09.2004 | 01.09.2003 | Change |
|--|----------------------|------------|--------|
| in € 000s, € and number | 31.08.2005 | 31.08.2004 | |
| Revenues | 14,315 | 12,325 | 16 % |
| Gross profit | 4,698 | 3,649 | 29 % |
| EBITDA | 719 | -752 | 196 % |
| EBITA | 178 | -1,384 | 113 % |
| Net income/loss | 545 | -531 | 203 % |
| Net income/loss per share ¹⁾ | 0.05 | -0.05 | 200 % |
| Shares outstanding ¹⁾ | 11,334 | 10,933 | 4 % |
| Cash flows from operating activities | 2,615 | 2,291 | 14 % |
| Employees, full-time equivalents | 132 | 139 | -5 % |
| | 31.08.2005 | 31.08.2004 | Change |
| Liquid funds and marketable securities | 10,570 ²⁾ | 27,038 | -61 % |
| Shareholders' equity | 10,334 | 8,054 | 28 % |
| Balance sheet total | 13,746 ²⁾ | 31,252 | -56 % |
| Employees, end of period | 130 | 145 | -10 % |

¹⁾ Weighted average shares outstanding (diluted)

²⁾ Effect of special distribution of € 20.8 million

SinnerSchrader share price performance 2004/2005 (index-linked)



¹⁾ Price performance at € 1.82 special distribution

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Matthias Schrader
CEO

Matthias Schrader studied Computer Science and History in Hamburg and worked as an editor for several trade journals during his studies. Together with Oliver Sinner he founded SinnerSchrader in 1996. In 1999, SinnerSchrader AG was founded, which was jointly headed by Matthias Schrader and Oliver Sinner as Chief Executive Officers (CEO) and went public in November 1999.

Since 1 September 2002 Matthias Schrader has been the sole CEO and responsible for Sales, Marketing, and Strategy. He also serves as Executive Director of SinnerSchrader Deutschland GmbH.



Thomas Dyckhoff
CFO

Thomas Dyckhoff studied Computer Science in Karlsruhe and earned an MBA degree in Washington, D.C., USA. From 1991 to 1998 he worked for Daimler-Benz AG in Stuttgart in the Group Treasury, Risk Management, and Group Controlling departments, and was Head of Group Reporting, before he became Head of Acquisitions at debis Systemhaus GmbH.

As Chief Financial Officer, Thomas Dyckhoff has been responsible for the Finance, Controlling, Investor Relations, and Human Resources segments since 18 October 1999. He also serves as Executive Director of SinnerSchrader Deutschland GmbH.

Dear Shareholders,

SinnerSchrader has returned to a course of growth and is in the black once again!

One year ago, we promised revenue growth and profitability for the 2004/2005 financial year. With this Annual Report, we are pleased to announce that we have reached our goals. The last- ing turnaround for your Company has been achieved.

Between 1 September 2004 and 31 August 2005, we made much quicker progress than we had anticipated:

- » Our business plan called for revenue growth of between 5 % and 10 % – revenues actually rose by 16 %.
- » In our operative business, we planned for a balanced EBITA and thus an improvement of € 1.4 million compared to the 2003/2004 financial year – in fact, the EBITA improved by around € 1.6 million and amounted to nearly € 0.2 million at in the 2004/2005 financial year.

This success was primarily a result of two developments:

- » The Internet finally achieved a breakthrough to become a relevant platform for the sale of goods and services and for communication between companies and brands and their customers. It has become critical for many companies to invest in the Internet as a sales and communication channel in order to secure their own position and tap new growth potential.
- » Through its work for renowned customers under the motto "interactivate your business", SinnerSchrader has established a solid basis of experience and a reputation for successful e-commerce projects which are unparalleled in Germany. After the restructuring and reorganisation of the past years, SinnerSchrader is now addressing the growing demand for interactive services on a broad front by providing differentiated services from specialized units, without losing the ability to care for customers holistically as well.

In a market which is growing again, SinnerSchrader has succeeded in acquiring numerous new customers. Around 21% of revenues in 2004/2005 were achieved through new customer relationships. The creation of the "SZ Mediathek" for the Süddeutsche Zeitung and the launch of the low-cost "simyo" brand for E-Plus on the Internet are just two examples of this achievement. SinnerSchrader continues to bank on the establishment of long-term customer relationships. Three of SinnerSchrader's five largest customers, with whom the Company achieved revenues of over € 1 million each in the 2004/2005 financial year, have been customers for over four years.

Thanks to the gradual improvement in the cost position achieved over the past years and the increase in efficiency triggered by the reorganisation, SinnerSchrader was able to return to an operative profit in the 2004/2005 financial year. The return on revenues remained low at 1.8 %, however, because it will not be possible to adjust the rental vacancy costs – which amounted to between six and seven margin points in 2004/2005 – until the current tenancy in the offices in Hamburg ends on 30 June 2006.

Companies have put the Internet back on the agenda. Unlike the situation in 1999/2000, we are convinced that this time, it will stay there. This is because customers have undergone an irreversible change by using the Internet longer, more frequently, and in a more varied way. Consumers are one step ahead of the investment behaviour of many companies. This was not the case in 1999/2000.

We can and will benefit from this. For the current 2005/2006 financial year, we plan to achieve organic revenue growth of between 10 % and 15 %, and we anticipate an EBITA of between € 0.3 and 0.5 million. With the end of rental vacancy costs and the maintenance of these growth dynamics, the operating profit should exceed the one million mark for the 2006/2007 financial year.

We anticipate that the renewed growth prospects of our segment will also make the competitive situation among interactive service providers more dynamic in the future. We therefore believe that, in order to maintain or expand our market position in Germany, we will need to make acquisitions in neighbouring areas which will complement our service portfolio.

We are well-equipped for such acquisitions thanks to a strong cash flow in the 2004/2005 financial year, which led to € 10.6 million in liquid funds and a balance sheet which remained debt-free as of 31 August 2005, even after the special dividend of € 1.82 per share in the 2004/2005 financial year. However, in light of the tasks facing us, we feel it would not make sense at this time to pay a dividend of € 0.5 million or € 0.05 per share from the Group's net income.

Hamburg, 25 November 2005

The Management Board

01



SinnerSchrader 2004/2005

E-commerce rocks.

Again.

Industry has discovered the Internet. Or rather: re-discovered it. Following the sometimes drastic cuts in Internet budgets between 2000 and 2003, since mid-2004 companies have started to gradually expand their commitment to the Internet again. There is a growing awareness that budget cuts in the interactive channels were often exaggerated. The controllers are doing their sums and are surprised to note that expanding web-based communication and sales platforms is increasingly becoming worthwhile. This is new. But this development has not come out of the blue:

» The reach of the medium is growing continuously. In the third quarter of 2005 64 % of all German adults had access to the Internet (cf. Fig. 1). Although the growth is slowing down in pure quantity terms, the quality of online use is changing rapidly. The triumphal success of broadband connections (DSL), flat rates and wireless LAN networks (WLANs) in households and public buildings is rapidly shifting media use towards the Internet. People are online more often and for longer, and they use the net more intensively – especially to find out about products and services and how to obtain them easily and at low cost.

» With penetration of over 80 % in the young target groups, the Internet is increasingly overtaking television and the print media in terms of media relevance. The Internet is becoming the basic medium for the advertising industry and for some brand owners it is already the leading medium. Online advertising turnover in the amount of € 750 million is expected for 2005 (cf. Fig. 2). Within the next four years, the European Interactive Advertising Association (EIAA) is expecting expenditure for online advertising in Europe to treble. At the same time, the principle of purely performance-based invoicing for online advertising (“performance marketing”) introduced by search engines like Google has allowed many e-commerce providers to manage the costs of new customer acquisition in economically reasonable performance-oriented manner for the first time.

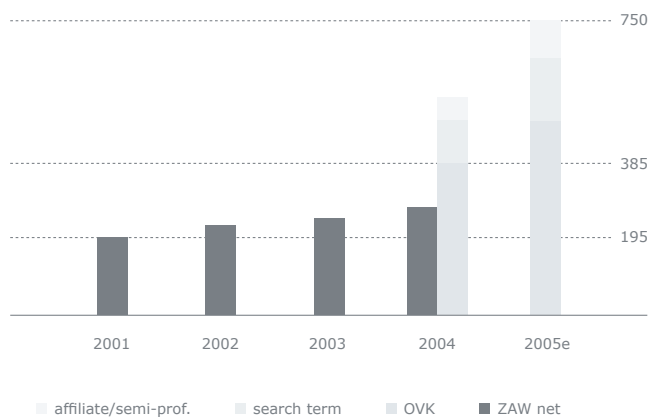
» In recent years the cuts in Internet budgets have often been part of comprehensive cost reduction programmes for many companies. Now, all potential has been exploited here and effects on the profit side can be achieved only by increases on the turnover side. For many companies today the Internet is the sales route with the highest growth proportionately. Additional investments in this channel are therefore the most efficient way of better exploiting existing customer relations and winning new customer segments.

E-commerce has become a hot topic again, and so has the need for professional services in this environment.

Fig. 1 | Development of reach of the Internet 2001 to 2005 in %



Fig. 2 | Growth of online advertising 2001 to 2005e in € millions



Source: Forschungsgruppe Wahlen 10/2005

Source: ZAW, OVK (Onlinevermarkterkreis), 2005

SinnerSchrader growth. Again.

SinnerSchrader 2004/2005.

SinnerSchrader growth. Again.

Since our company was founded nine years ago our motto has been: "interactivate your business". The result: our customers are now among the market leaders in their respective sectors. Over two million people use our solutions every day. We owe this success to our clear focus on the development of popular communication and sales solutions on the Internet. No other service provider in Germany has been following this path so consistently and successfully since the mid-1990s. Therefore, we have emerged from the industry's consolidation process strengthened.

This development requires consistent orientation to the market, customers and employees. The constant optimisation of our processes, our passion in project work and continuous further development of staff training are the foundation for this. In the spring of 2004 we gave ourselves a new structure in order to continue along this path and to develop a strong growth perspective. The aim was to position our service portfolio on the market with more differentiation and transparency.

At heart we have separated the development services for the creation of interactive software from the agency services, which manage brands in digital channels. SinnerSchrader Neue Informatik specialises in the development of Internet applications and custom-developed software with a high practical value. By contrast, SinnerSchrader Studios position themselves as a creative agency for digital brand management. In brief: Neue Informatik brings the processes to the user, Studios the brand. As a third pillar, the media, operations and analysis units round off SinnerSchrader's range of services.

Neue Informatik is the first technology service provider for whom the practical value actually experienced by the user is at the heart of an application. This is a paradigm change in the IT world, which has so far been process-driven. The demand for absolute usability and user acceptance of a service is new in this form. We are convinced that consumers want systems that are a pleasure to use. But employees in companies also work more productively with user-friendly solutions.

As a creative agency for digital brand management, SinnerSchrader Studios take equal care of eye-catching brand experiences and efficient sales solutions in the interactive channels. Their target groups are marketing and sales managers who expect high-quality communication solutions ideally suited to the task in question.

Organised in this way, over the last business year we have translated the upturn of the market into significant, organic growth. The formula for success is: "Specialisation plus Full Service".

Fig. 3 | Structure of the SinnerSchrader Group

| SinnerSchrader Group | | |
|--------------------------------|------------------------|--|
| Interactive Software | Interactive Marketing | Interactive Services |
| SinnerSchrader Neue Informatik | SinnerSchrader Studios | SinnerSchrader Media SinnerSchrader Betrieb SinnerSchrader Analyse |

Specialisation is Good.

All units of the SinnerSchrader Group have been positioned so that they can successfully acquire and realise projects independently on the market. With their enhanced profile they address clear tasks and stand for a convincing service promise – even with small and medium-sized project budgets. Via the specialisation in the new structure be furthermore created an environment in which highly motivated and experienced expert and project teams could quickly be formed within the new units. In the last 12 months this approach has excited many new customers. All in all, in spite of the continuing tense situation on the price front, this resulted in a marked improvement in the margin situation due to more efficient project implementation and increasing capacity utilisation with new business.

Full Service Is Also Good.

As a Group we have thereby developed our previous full-service claim and not given it up. We have succeeded in shaping a culture in which the individual units and companies of the Group work together in the interest of a holistic solution to the task in relation to projects and customers. Bundling resources gives us two key advantages as a Group on the market. On the one hand, with our size we offer customers scalable implementation resources in tried-and-tested quality. On the other hand, in all disciplines we have a critical mass of experienced project teams, which means that we can take overall responsibility on the implementation side in complex and time-critical projects. That, too, convinced important new customers about SinnerSchrader in the last year.

SinnerSchrader therefore occupies a very good starting position to be able to disproportionately participate in the growing Internet budgets of the future. Furthermore it still remains our goal to supplement our service portfolio by acquisition when the time is right in order to reinforce our market position in the long term.

In recent years SinnerSchrader has consistently consolidated its market position. This means that we have improved our position in the New Media Ranking from 16th place in the year of the IPO to 4th place in the year of the report (cf. Fig. 4).

Thanks to the constantly further developed web offers of the US providers – such as the “AEG Troika” made up of Amazon, eBay and Google – Internet users have now become used to extremely user-friendly and highly functional web applications. Against this background, caused by the investment reticence of recent years, many websites in Germany are no longer able to compete and need considerable catch-up investment.

After the first founding wave from 1995 to 2000 (mainly bookshops, auctions, discount brokers) we are currently experiencing a second wave: tourism, telecommunications, insurance.

Today we bundle our skills into five segments. Each one stands for a clear service promise: value-adding projects with fixed prices and unmoveable deadlines.

Fig. 4 | SinnerSchrader consistently consolidates its market position

| | 1999 | 2004 |
|-----|--------------------------------|-------------------------------------|
| 1. | GFT Technologies | T-Systems Multimedia Solutions GmbH |
| 2. | USWeb/CKS | Sapient |
| 3. | Pixelpark AG | Pixelpark AG |
| 4. | I-D Media AG | SinnerSchrader AG |
| 5. | Concept! AG | Szygyy AG |
| 6. | Kabel New Media AG | I-D Media AG |
| 7. | WWL Internet AG | Elephant Seven AG |
| 8. | Die Argonauten | Planetactive |
| 9. | infoMedia Gruppe | Atkon |
| 10. | M. I. T. | Plan.Net Gruppe |
| 11. | Iqena GmbH | dmc digital media center GmbH |
| 12. | BBDO Interactive GmbH |]init[AG |
| 13. | artemedias ag | arsmedium ag |
| 14. | berens/partner | imc AG |
| 15. | United Media GmbH | hanke multimediahaus AG |
| 16. | SinnerSchrader AG | Bassier, Bergmann & Kindler |
| 17. | mindfact interaktive medien ag | antwerpes ag |
| 18. | BlueOrbit AG | jaron.DIRECT |
| 19. | PopNet Internet AG | clickivities ag |
| 20. | Antwerpes & Partner AG | benntec Systemtechnik GmbH |

Source: New Media Service Ranking 2000 and 2005

Imagine people
enjoy using your
software.

Software. Design. Interfaces.

SinnerSchrader Neue Informatik.

Interactive software systems differ from other systems in one central point: their actual value lies in the benefit to the user. Ultimately, only the functions that are really used help to add value.

Countless successful Internet applications are based on this simple finding. Their success has played a major role in this principle now also being used in intranets and all other systems with which people interact.

But in practice, questions of technology and project organisation still tend to dominate the discussions about development and project methods. The primary focus lies on the costs of technical implementation and operation, while the question of how the benefits of an application can be ensured and increased is often neglected. This often has fatal consequences, because the aspect of usability is just as important as technology in order to realise the optimum value for the means used.

SinnerSchrader Neue Informatik has therefore committed itself to user-centric design. As a paradigm of software development it ensures the maximum benefit for the user. User-centric software development guarantees maximum functionality, usability and, not least, joy of use both for Internet applications and for IT solutions supporting employees in companies.

In Neue Informatik we concentrate the expertise from over nine years of experience in project business. The customers, especially in the IT departments of large and medium-sized companies, will find all of the relevant qualifications there: expert consultants with specialist industry knowledge, design experts with skills in user guidance and usability as well as experienced software developers.

With its portfolio of services Neue Informatik addresses three solution domains:

- » transaction-oriented websites, such as shops, self-service portals and booking solutions,
- » information systems, such as intranets, extranets and enterprise portals as well as
- » applications which optimise business processes within companies.

Neue Informatik develops robust and high-performance systems on the basis of state-of-the-art technologies – with a focus on Java and Open Source software. In addition to the well-known browser-based applications, Neue Informatik's field of work also increasingly includes the development of mobile and desktop applications ("rich clients") as a new field of activity.

Teams, methods and the technologies used are optimised to generate as much useful functionality as possible per euro spent. That is why the project teams concentrate on the key requirements from the outset and pursue simplicity by reducing complexity as a guiding principle in system design. Interdisciplinary teams and methods of user-centric software development help in developing exactly what the user really needs.

The heavyweights in the client list include comdirect bank and Deutsche Bank. Both banks operate extensive financial portals for private and business customers with online banking and online brokerage services as well as comprehensive information about international financial markets and the banks' own products.

At the Leipzig Book Fair in the spring of 2005, Neue Informatik launched the SZ-Mediathek, an online media shop with an innovative concept, for Süddeutscher Verlag. When developing this e-commerce solution, Neue Informatik's commerce framework was used, a modular and expandable J2EE shop system completely based on Open Source components.

On behalf of Deutsche Telekom a new platform was created for the T-Card, the universal international telephone card from the group brand T-Com. Furthermore, booking and reservation systems for the travel and tourism industry, such as the car hire firms Europcar and interRent and the various airlines in the TUI Group are among the most important references.

Headquarters: Hamburg

Management: Dr Stefan Kunze (spokesman), Holger Blank, Dr Thilo Horstmann

Imagine you

gain new clients

the whole day.

Creative Agency for Digital Brand Management. SinnerSchrader Studios.

On the Internet, marketing and sales are very hard to distinguish from each other these days. Everything is possible at any time. We are convinced that today brands have to communicate just as well on the Internet as they do in other relevant media. Customers' demands of online brand presence are increasing rapidly with growing bandwidths. This entails high-quality communication just as much as first-class design. Ultimately, the aim of all of these measures is to increase business success on the Internet.

With the Studios, SinnerSchrader is strengthening the agency business within the Group. As a creative agency for digital brand management, SinnerSchrader Studios develop solutions for their clients' Internet business: eye-catching brand experiences and efficient sales solutions. The Studios' target group are marketing and sales decision-makers who need a professional Internet platform to enhance their sales success in the long term.

Brand management in interactive media is much more complex today than even just a few years ago. Companies now use the same medium – the Internet – for such different tasks as branding, product presentation, dialogue, transaction, customer care and customer relationship management (CRM). All of the interactive communications architecture must be clearly planned and managed so that a brand is perceived in a uniform way. SinnerSchrader Studios apply the required depth and implementation expertise to this task.

We run this agency business at sites in Hamburg and Frankfurt. This gives us the flexibility to expand our business optimally at a regional level. Since their launch in April 2004 both offices have increased their personnel, especially in the areas of creation, design, copywriting and conception. Due to the continuously growing integration of the channels, experts from traditional advertising also work in the Studios.

With Hapag-Lloyd Express (HLX), the Studios have a prime example of excellent brand management on the Internet in their portfolio. In the last business year we further optimised the hlx.com website under the aspect of sales performance; this website generates around 90 % of all bookings. This included creative sales promotion measures, such as a special microsite for the female passengers target group.

At the Frankfurt site, the Studios have given the Deutsche Bank private and business customer portal a new, attractive and modern design. The aim of the redesign was to interpret the bank's self-image "A Passion to Perform" for the Internet and to adapt usability to the current usage habits.

The concept of the Studios has also been confirmed by business with new clients in the last business year. We have been able to acquire reputable and important customers for the project business, for example Volkswagen, simyo and Strato.

Headquarters: Hamburg and Frankfurt
Management: Malte Blumenthal (spokesman),
Stefan Schaub; Thomas Bernd (Frankfurt)

Imagine you

will never even waste

another marketing

euro again.

Advertise more effectively.

SinnerSchrader Media.

In comparison to the traditional media, the Internet is still a very cheap advertising medium. But although the budgets are smaller than in the print or TV sectors, media planners continue to have problems with the medium. In spite of enormous success with reach (64 % of the population), duration of use (10 % media share) and direct turnover (approx. 3 % in retail), the proportion of online advertising is not even 2 % of the total advertising market.

However, at the moment there is a lot to indicate that the gap between usage and advertising market share will continue to diminish in the years ahead. The European Interactive Advertising Association (EIAA) is expecting expenditure for online advertising in Europe to treble by 2008. One of the driving forces behind this development is performance-based billing for online advertising, a principle first introduced in the field of search engines.

SinnerSchrader Media has consistently dedicated itself to the maximum effectiveness and the optimum value for money of online advertising. As one of the biggest online media buyers we know the market inside out. Our neutral, independent role as a media buyer on the market is part of our self-perception. This independence allows us to gear online marketing uncompromisingly to sales success and to optimise it for direct sales.

Since 1996 we have been measuring and optimising campaigns on the basis of cost per click (CPC) and cost per order (CPO). We know the conditions under which media services can be paid for simply according to performance-related models. We design the conditions so that the marketers and the advertisers are interested in a long-term partnership.

Our media planner cooperate closely with the creation in the Studios so that campaign ideas, advertising media and the advertising environment interact in the optimum way. But the most important thing is that the advertising works. SinnerSchrader Media's media controlling gives marketing decision-makers an instrument to check and control campaigns on a daily basis while they are still running.

SinnerSchrader Media finds partners for sales cooperation on a CPO basis for customers such as Tchibo, the most successful e-commerce merchant in Germany after Amazon. Our services include conducting negotiations, tracking, reporting, commission accounting and creation of advertising media – all from a single source.

Headquarters: Hamburg

Management: Ralf Scharnhorst

Imagine your
systems are able to
cope with one million
customers per day.

Everything OK.

SinnerSchrader Betrieb.

Operating a sophisticated e-commerce solution is a complex task, because there are countless possibilities for errors in the interaction between many components. Downtimes not only lead to short-term losses of sales, but also to the loss of customers and damage to the company's image. Anyone who sells products online is familiar with the nerve-wracking scenario of assigning blame between various service providers, each of which bears responsibility for just one aspect of the whole.

We don't play that game. SinnerSchrader Betrieb takes full responsibility for all aspects of a smooth operation. We will not be satisfied with a diagnosis that localises the source of an error outside our direct sphere of influence. Instead, we work towards a permanent solution to a problem, because it simply is not enough to remedy a fault if its causes are not removed. According to Murphy's Law ("If anything can go wrong, it will.") there will then be other failures.

We protect our clients against unnecessary losses in sales. We solve problems instead of managing them. Round the clock service is a matter of course.

SinnerSchrader Betrieb offers a modular range of services for all relevant aspects of system operation: infrastructure, security, maintenance and recovery. Our systems operations experts consistently develop operating concepts starting from the application at hand and the individual client's situation.

- » Infrastructure: Bandwidth, connectivity and housing are the elements of our flexible, modular infrastructure concept. Together with strong partners we offer a scalable and robust infrastructure for e-business solutions.
- » Security: For example, daily data saving, safe storage of tapes and regular control of data ensure passive and active security. Firewalls managed by us secure applications against illegal access from the Internet.
- » Maintenance: We offer complete outsourcing to relieve our customers of routine work and maintenance. This ranges from setting up and configuring the systems, organising system access right up to training support staff and updating the documentation.

- » Recovery: When it comes down to it, our employees reduce the system and application downtimes to a minimum with automatic, redundant monitoring, quick alarms and defined recovery actions. At SinnerSchrader Betrieb clients will find comprehensive expertise from the hardware to the application level.

In operational management we concentrate on the hardware and software components relevant to successful e-business. By flexibly combining individual service components and a simple price structure we are able to satisfy specific customer demands with an attractive cost-benefit ratio.

Since we started business with operational services in 2001 a constantly growing number of companies has entrusted SinnerSchrader with important operational functions. For example, well-known banks, tourism and telecommunications companies are now numbered among our customers.

Headquarters: Hamburg

Management: Christian Kraemer

Imagine you
know what your
customers will want
to buy tomorrow.

A Constant Eye on Consumers.

SinnerSchrader Analyse.

Marketing managers are increasingly using web analytics to observe consumer behaviour. Subjects such as performance marketing and campaign management in real time are now pushing the development of analysis tools forward. The market in the German-speaking area today is still relatively splintered and the demand for first-class consulting services is correspondingly high.

SinnerSchrader Analyse gives its customers advice on the whole process from data generation to interpreting the information gained. Our service starts with helping our customers choose and implement an appropriate web analytics solution. Our partnership with WebSideStory gives us access to the expertise of the market leader among web analytics specialists and to its analysis tools.

From simple log file analyses to the complex evaluation of transaction data, we develop integrated web analytics solutions adapted to our customers' needs. Reporting is available as an online service in real time. This means that our clients have access to fourth generation professional analysis services without having to build up their own infrastructure. In this way they not only save the costs for hardware and software, but also the personnel and operating costs of an in-house solution.

With our consulting service for the detailed analysis and systematic optimisation of e-business applications we also address clients who want to establish or expand their own analytical infrastructure and have sophisticated information demands.

Increasingly we also develop customised business intelligence solutions with our tried-and-tested Java expertise from many years of experience in the implementation of high-performance J2EE-compatible software. As an SAS partner we specialise in the new web-based generation of SAS technology (SAS V9) to support clients in establishing Data Warehouse solutions and web-based BI landscapes.

We have developed a comprehensive tracking and analysis solution for comdirect bank, Germany's market leader in online investment. Süddeutscher Verlag uses our advertising success control technology for its innovative SZ-Mediathek media shop. In the field of tourism we acquired Hapag-Lloyd Flug (TUI) as a new client.

Headquarters: Hamburg

Management: Michael Roth

The 514190 Share

Performance of the German Stock Market

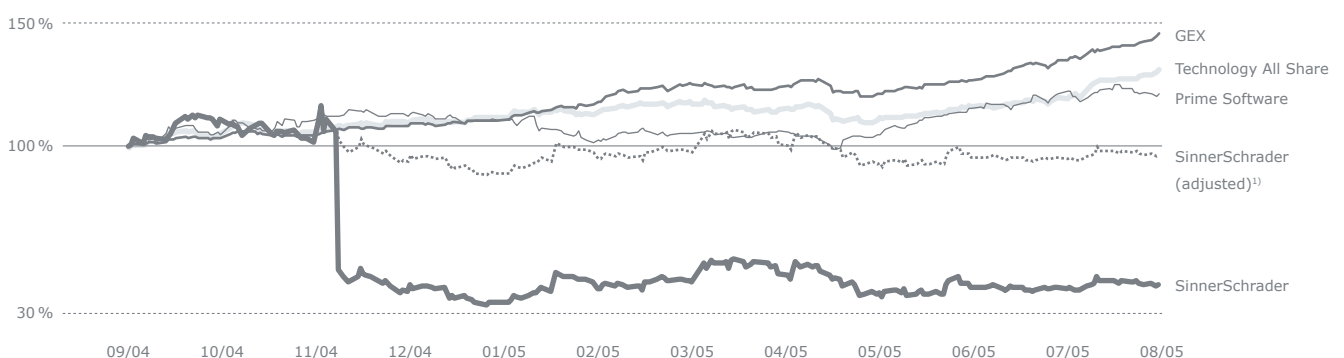
In the SinnerSchrader financial year from 1 September 2004 to 31 August 2005, the German Stock Market developed extremely well overall. After three bearish years, the industry-wide German DAX and Prime All Share stock market indices rose by 8.6% and 9.5% respectively in the 2003/2004 financial year, and they climbed again considerably in the 2004/2005 financial year by 27.6% and 29.1% respectively. The positive atmosphere on the German stock market was due in part to the slight economic upturn in the second half of 2004 attributable primarily to exports, but above all to the fact that after three years of focusing on measures to lower costs and increase efficiency, the competitiveness of individual German companies and the German economy as a whole has grown significantly. From May 2005, the prospect of relevant changes in Germany's political leadership also supported this development.

Unlike the previous year, even the technology sector was affected by the positive atmosphere in 2004/2005. The TecDAX and Technology All Share rose by 24.7% and 29.8% respectively between 31 August 2004 and 31 August 2005. The growth of the Prime Software index, to which the SinnerSchrader share is assigned, was somewhat weaker but still dynamic; on 31 August 2005, the index was 19.6% higher than it was one year earlier.

Performance of the SinnerSchrader Share

The price performance of the SinnerSchrader share in the 2004/2005 financial year was heavily influenced by effects connected with the special dividend payment. After a decision made by the Annual General Meeting on 28 January 2004, SinnerSchrader AG reduced its capital reserve by € 20.8 million and distributed the released funds to shareholders on 8 November 2004. The shareholders received a special dividend payment of € 1.82 per share on 8 November 2004.

Fig. 1 | SinnerSchrader share price performance 2004/2005 (index-linked)



¹⁾ Price performance at € 1.82 special distribution

The goal of this measure was to reduce SinnerSchrader's liquid funds and equity – which, rather than being honoured by the capital market, had resulted in a markdown instead – in order to bring them into line with the scope of business and the growth strategy. The announcement of the measure in December 2003 resulted in a 70 % increase in the price performance of the SinnerSchrader share in the 2003/2004 financial year. After 8 November 2004, the day on which the special dividend was actually distributed to shareholders, the SinnerSchrader share was listed as "ex distribution".

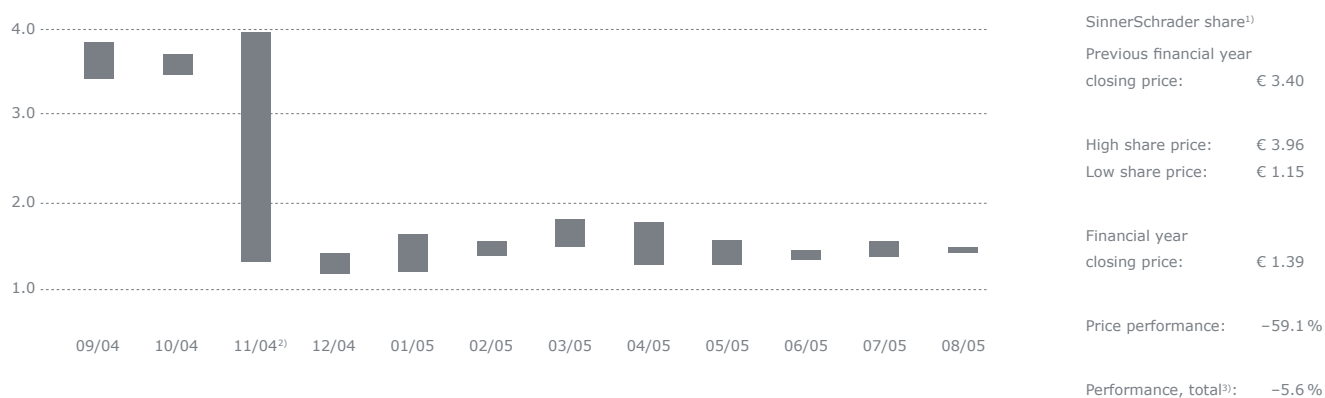
The markdown shaped the price performance of the SinnerSchrader share in 2004/2005 without affecting the overall performance experienced by shareholders, which was a product of the price development and dividend payment. On 31 August 2005, the price of the SinnerSchrader share was € 1.39, or € 2.01 lower than the previous year's closing price of € 3.40. The overall performance of the share, calculating in the special dividend payment of € 1.82, amounted to € -0.19 or -5.6 % per share.

The slightly negative overall performance was due in part to the fact that the share was oversubscribed prior to the special dividend payment in November 2004 on account of short-term investors needing to sell off their shares by the end of 2004 for tax purposes. In the final week before the day the special dividend was paid, the daily closing prices reached a maximum of € 3.96 in XETRA trading and € 3.99 in Frankfurt floor trading.

Additionally, the successful business turnaround of SinnerSchrader was apparently already anticipated in the price level at the end of the previous year, and in light of a continued low margin in operative business due to rental vacancies, the further prospects for earnings were not transparent enough for the capital market.

Interest in the SinnerSchrader share and shares from comparable companies developed positively as measured by daily trading volumes. The average daily trading volume of the

Fig. 2 | SinnerSchrader share price (monthly high/low) in €¹⁾



The Share

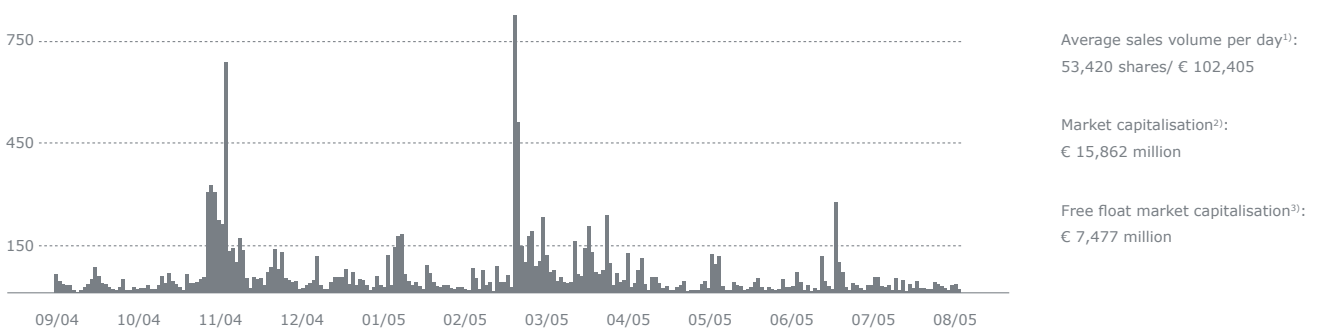
SinnerSchrader share more than doubled from 22,547 shares in the 2003/2004 financial year to 53,420 shares in the reporting period. Even discounting the months of September to December 2004, during which the trading volume was heavily influenced by the special dividend payment, the average daily trading volume for the remaining months of January 2005 to August 2005 was 50,245 shares. The highest daily volume was reached in March 2005, with over 800,000 shares.

Investor Relations

The growing interest in Internet-related shares, the business turnaround, and the positive expectations for the continued growth of SinnerSchrader make more intensive investor relations work both beneficial and necessary. While shareholder interest in the first two months of the financial year was influenced by the special dividend payment, investor relations work after the dividend payment focused on discussions with individual analysts and investors and at investor conferences which aimed at clearly and comprehensibly explaining the sustainability of SinnerSchrader's return to revenue growth and profitability.

After the end of the third quarter 2004/2005, SinnerSchrader also commissioned SES Research GmbH in Hamburg to draw up a Company analysis. In their study published in the beginning of September at the start of the new 2005/2006 financial year, the analysts from SES Research concluded that the price level of the SinnerSchrader share does not yet fully reflect the operative success of the Company and its opportunities for growth, and they classified the share as an "outperformer". In connection with the activation of investor relations work, SinnerSchrader also granted the position of Designated Sponsor to Concord Effektenbank AG in summer 2005, as they specialise in the supervision of small- and mid-cap stocks. Transparency and openness in communication, which are required under the Corporate Governance Code largely implemented by SinnerSchrader, continued to guide investor support activities. Such transparency and openness are crucial for gaining the trust of potential investors which is necessary for a long-term commitment. The quarterly and annual financial reports, in which SinnerSchrader clearly explains the development of its business figures in detail, are central elements of this. The investor area on the SinnerSchrader website at www.sinnerschrader.de is another important tool which provides quick and easy access to all of the information necessary for evaluating an investment in SinnerSchrader shares.

Fig. 3 | SinnerSchrader share sales volume 2004/2005 in 000s¹⁾



¹⁾ Xetra, Frankfurt am Main, Hamburg, Stuttgart, Munich, Düsseldorf, Hanover, Berlin-Bremen

²⁾ Outstanding shares × closing price Xetra 31.08.2005

³⁾ Free float × closing price Xetra 31.08.2005, according to Deutsche Börse AG

Shareholder Structure

Through distribution to employees exercising their stock options (19,018 shares) and through sales on the stock market (455,235 shares), SinnerSchrader AG parted with 474,253 of its own shares in the course of the 2004/2005 financial year. These shares had been bought back from the stock market in previous years. The Supervisory Board and Management Board decided on stock market sales after acquisition discussions carried out in the summer and autumn of 2004 could not be completed before payment of the special dividend. Shares were distributed to employees at an average price of € 2.76, while € 3.68 per share was redeemed for sales on the stock market. On 31 August 2005, SinnerSchrader AG held 131,347 of its own shares, which corresponds to approximately 1.1% of the share capital of SinnerSchrader AG. In accordance with Article 21 of the German Securities Trading Act, SinnerSchrader AG announced on 25 October 2004 in a newspaper authorized by the stock exchange that it had fallen below the 5% threshold.

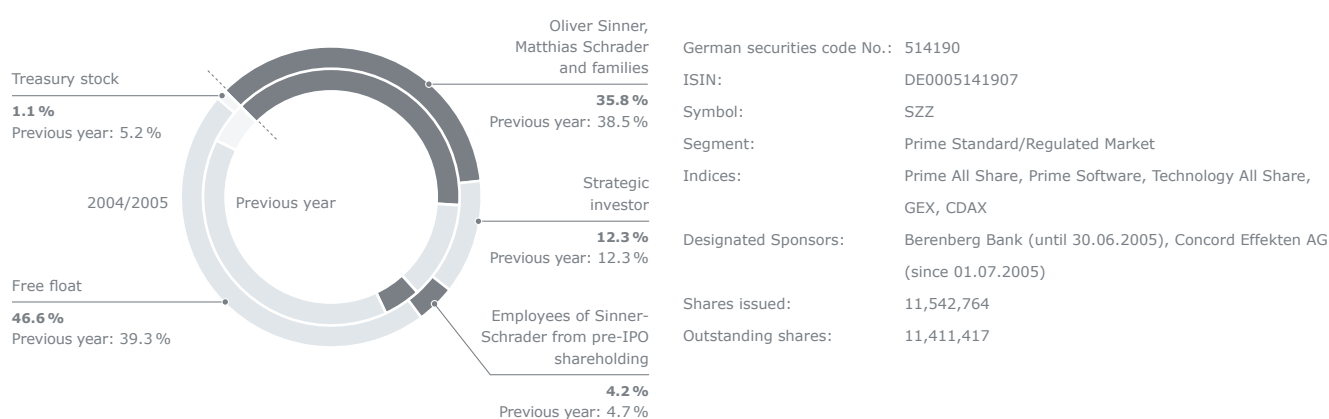
To the best of the knowledge of SinnerSchrader AG, the founders' families and pre-IPO investors held a total of 52.3% of the share capital on 31 August 2005, compared to 55.5% on 31 August 2004. The members of a consortium group formed

by these investors notified SinnerSchrader AG on 24 January 2005 in an obligatory notice in accordance with Article 21 of the German Securities Trading Act that the total proportion of shares held in this group had fallen below the 50% threshold. This notice was published on 8 February 2005 in a newspaper authorized by the stock exchange.

On 31 August 2005, 46.6% of the share capital was in free float.

Due to the shareholder structure, the SinnerSchrader share was included in the GEX, a new index introduced by Deutsche Börse AG on 3 January 2005, which pools together listed, owner-operated companies from a variety of industries. Based on a history of the Company up to June 2002 which was made available when the index was introduced, an increase of 44.8% can be calculated for the index for the 2004/2005 financial year, which, when compared with the figures for the market as a whole, underscores the potential of owner-operated companies.

Fig. 4 | Key figures of the SinnerSchrader share and shareholder structure on 31.08.2005



Corporate Governance at SinnerSchrader

Clear, transparent, and understandable practices and conduct in corporate management and monitoring (subsumed under the term "Corporate Governance") are crucial for establishing relationships based on trust between the owners of a listed stock corporation and its executive bodies, management board and supervisory board, and thus for ensuring the lasting, positive development of the company.

In June 2002, a specially appointed government commission passed a set of recommendations for such practices and conduct known collectively as the German Corporate Governance Code. This Code has been amended and officially published twice since then, on 21 May 2003 and on 2 June 2005.

The Management Board and Supervisory Board of SinnerSchrader AG have always been committed to the principles in the Code, which aim at creating value through responsible corporate management and monitoring, and they welcome the development of Corporate Governance in Germany.

Accounting Principles

The Quarterly and Annual Financial Statements of the SinnerSchrader Group and SinnerSchrader AG are key instruments for corporate management and monitoring. They form the basis for evaluating the asset, finance and earning situation of the Group and the AG and their development.

Since its IPO, the SinnerSchrader Group has employed United States Generally Accepted Accounting Principles (US-GAAP). The Annual Financial Statements of SinnerSchrader AG are drawn up in accordance with the accounting regulations in the German Commercial Code. Both Annual Financial Statements are audited by an independent auditing firm.

In 2002, the European Union issued Regulation 1606/2002, which stipulates that companies whose shares are authorized to be traded in a regulated market in a member country must use International Financial Reporting Standards (IFRS) to prepare their consolidated financial statements for financial years beginning on or after 1 January 2005. SinnerSchrader AG will therefore change over to IFRS for all accounting and reporting in the Group, beginning with the Consolidated Financial Statements for the 2005/2006 financial year, which ends on 31 August 2006. The preparations for this changeover have revealed that the change will not significantly affect the balance sheet of the SinnerSchrader Group.

Compensation Principles and Shares Held by Board Members

Transparent corporate management and monitoring ultimately also relate to the compensation of Board members. The fundamental compensation principles are therefore explained in a Compensation Report which is available on the SinnerSchrader AG website, www.sinnerschrader.de, in the "Investors" section under the heading of "Corporate Governance".

Detailed, personalised compensation lists for the members of the Management Board and Supervisory Board for the 2004/2005 financial year can be found in the Notes on pages 94 of the Annual Financial Statements of SinnerSchrader AG. An overview on page 96 provides information on the shares and share derivatives held by the Board members of SinnerSchrader AG as of 31 August 2005, as well as any changes reported in the 2004/2005 financial year.

According to Article 15a of the German Securities Trading Act, the Board members and persons closely connected to the Board members 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 2004/2005 financial year, no such notices were issued by the Board members or persons closely connected to them.

Declaration of Compliance

The Transparency and Disclosure Act caused the German Stock Corporation Act to be amended in the year 2002 to include Article 161, which requires the Supervisory Board and Management Board to submit an annual Declaration of Compliance with the most recent version of the German Corporate Governance Code. On 21 November 2005, the Supervisory Board and Management Board of SinnerSchrader AG submitted the Declaration of Compliance for the year 2005 based on the version of the German Corporate Governance Code from 2 June 2005. This Declaration is reprinted in the following, and it is also permanently available to all shareholders and other interested parties on the www.sinnerschrader.de website, in the "Investors" section under the heading of "Corporate Governance", together with the version of the Code from 2 June 2005.

Declaration of the Management Board and Supervisory Board of SinnerSchrader Aktiengesellschaft on the Recommendations of the "Government Commission on the German Corporate Governance Code" according to Article 161 of the German Stock Corporation Act in the version of 2 June 2005

The Management Board and Supervisory Board of SinnerSchrader AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 2 June 2005 were met with the following reservations in the 2004/2005 financial year (01.09.2004–31.08.2005) and will be met in the current 2005/2006 financial year (01.09.2005–31.08.2006) and in future:

Management Board

Code 4.2.3:

Variable remuneration components and share options have been waived in the remuneration package of Mr Matthias Schrader, CEO of SinnerSchrader AG, due to his high participation share in SinnerSchrader AG.

Code 4.2.3:

The share options so far awarded 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 are reaching a price rise of 20 % in terms of 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 for extraordinary, unforeseen developments.

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

Supervisory Board

Code 3.8:

D&O insurance without an excess has been taken out for the members of the Supervisory Board because an excess of this kind would be disproportionate in view of the relatively low remuneration.

Code 5.3.1 ff.:

The Supervisory Board has not formed any committees because it only comprises three members.

Hamburg, 21 November 2005

SinnerSchrader Aktiengesellschaft

For the Supervisory Board
Dr Markus Conrad

For the Management Board
Matthias Schrader



Dr Markus Conrad

Markus Conrad, born in 1959, studied Business Management and Music in Hamburg, Business Administration in Fontainebleau, France, and completed his PhD (Dr. rer. pol.) in Economics back in Hamburg. He was a partner in the management consulting firm Bain & Company, Boston and Munich, and, since 1990, has been Managing Partner and co-owner of Libri GmbH, Hamburg. Since 1999 he has been Chairman of the Supervisory Board of SinnerSchrader AG. Furthermore, he is a member of the Management Board of the Börsenverein des Deutschen Buchhandels e.V. (German Publishers and Booksellers Association) and a member of the Supervisory Boards of Tchibo GmbH and Tchibo Holding AG.



Reinhard Pöllath

Reinhard Pöllath, born in 1948, studied Law at Regensburg, Munich and Harvard universities. After his studies, he worked as a lawyer in Munich, Frankfurt am Main and Berlin. Between 1980 and 1997 he managed a real estate and hotel company and went on to become CEO of a consumer goods and retail company until he founded the legal practice Pöllath + Partners in 1997. Since 1999 he has, among other things, served as Deputy Chairman of the Supervisory Board of SinnerSchrader AG.



Frank Nörenberg

Frank Nörenberg, born in 1947, is a lawyer. After studying Law at Hamburg University, his practical legal training and his training with a private bank, he founded the legal, auditing and accounting firm Nörenberg, Schröder + Partner in Hamburg. In addition to his consultancy activities with SMEs, he is also an entrepreneur. He has been a member of the Supervisory Board of SinnerSchrader AG since 2002.

Report of the Supervisory Board

The Supervisory Board closely followed the business development of SinnerSchrader AG and its subsidiaries in the 2004/2005 financial year. At Supervisory Board meetings and in monthly reports, the Management Board kept the Supervisory Board informed of strategy, planning, the current situation, and business development, 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 of the Company and supervised the business conduct of the Management Board.

Supervisory Board Meetings

In the past financial year, the Supervisory Board assembled for five regular meetings on 27 September 2004, 29 November 2004, 28 January 2005, 6 April 2005 and 29 June 2005, and it also passed a resolution by way of circulation on 21 December 2004. With the exception of the meeting on 29 November which one member was unable to attend, all members of the Supervisory Board were present at these meetings; the member who was unable to attend agreed to the resolutions of 29 November 2004 by countersigning the resolution protocol.

The deliberations focused on the current business development in each quarter, the results of the reorganisation carried out in April 2004, the use of treasury stock, the reduction of spatial capacity, business planning, and the options available for the strategic development of the SinnerSchrader Group. At its meeting on 29 November 2004, the Supervisory Board approved the Consolidated and Annual Financial Statements of SinnerSchrader AG for the 2003/2004 financial year.

Constitution of the Boards

In the financial year 2004/2005, there were no changes to the constitution of the Boards of SinnerSchrader AG. Mr Thomas Dyckhoff, who has been Chief Financial Officer of the Company since October 1999, was re-elected to the Management Board of SinnerSchrader AG for another three years beginning on 1 January 2005.

Corporate Governance

On 21 December 2004, the Supervisory Board and the Management Board submitted the Declaration of Compliance with the Corporate Governance Code which is demanded by Article 161 of the German Stock Corporation Act and which documents general compliance with the courses of action recommended by the Code. On 21 November 2005, the Board renewed this declaration for the current financial year on the basis of the Code amended on 2 June 2005.

Consolidated and Annual Financial Statements

The accounting and Annual Financial Statements of SinnerSchrader AG, as well as the Consolidated Financial Statements drawn up under Article 292a of the German Commercial Code with discharging effect on the basis of the Generally Accepted US Accounting Principles (US-GAAP), including the Joint Status Report for the Group and for SinnerSchrader AG for the 2004/2005 financial year as of 31 August 2005, were audited by Ernst & Young AG, Wirtschaftsprüfungsgesellschaft, Hamburg, at the request of the Supervisory Board and received an unqualified auditor's certificate on 21 and 22 November 2005. At its meeting on 25 November 2005 in the presence of the auditor and the Management Board, the Supervisory Board discussed the Annual and Consolidated Financial Statements in detail. The Annual and Consolidated Financial Statements produced by the Management Board and the auditor's audit report had been given to the members of the Supervisory Board in advance of this meeting. Following detailed examination and discussion at this meeting, the Supervisory Board had no objections and endorsed the results of the auditor. The Board approved both the Consolidated and Annual Financial Statements. The Annual Financial Statements are thereby adopted.

Business Development

After breaking even in the fourth quarter of the previous year, SinnerSchrader visibly achieved a turnaround on an annual basis as well in the 2004/2005 financial year. The restructuring and reorganisation of business have been fruitful: revenues have grown dynamically and the operating profit was clearly positive. Another welcome development was that the positive cash flow strengthened the liquidity position. This means that after the payment of the special dividend in reporting year 2004/2005, through which shareholders' equity in the amount of € 1.82 per share was distributed to shareholders at the suggestion of the Supervisory Board and Management Board, SinnerSchrader is absolutely financially solid and capable of taking action to realize its growth options. Against the backdrop of the growing importance of the Internet for shaping business relations between companies and customers and a cautiously positive outlook for the overall economic environment in Germany, the goal of SinnerSchrader is to carry ahead dynamically with its positive development. The opportunities to do so are good. The Supervisory Board is fully committed to supporting the Management Board in its efforts to exploit these opportunities and help SinnerSchrader forge ahead.

The Supervisory Board would like to thank the Management Board and all employees of the SinnerSchrader Group for their efforts and dedication in the past financial year.

Hamburg, 25 November 2005

Dr Markus Conrad, Chairman of the Supervisory Board