

03



Annual Financial Statements of SinnerSchrader AG

Balance Sheet

Balance Sheet of SinnerSchrader AG

as of 31 August 2005 and 31 August 2004

Assets in €	Notes No./Page	31.08.2005	31.08.2004
Fixed assets			
Intangible assets:			
Concessions, industrial property rights and similar rights and assets, as well as licences in such rights and assets		78,061	29,443
Tangible assets:			
Other equipment, plant and office equipment	4.1/90	298,898	359,821
Leasehold improvements	4.1/90	252,854	541,453
Total tangible assets		551,752	901,274
Financial assets:			
Shares in affiliated companies	4.1/90	11,500,000	8,000,000
Total financial assets		11,500,000	8,000,000
Total fixed assets		12,129,813	8,930,717
Current assets			
Receivables and other assets:			
Receivables from affiliated companies	4.4/91	1,608,675	1,917,996
Other assets	4.4/91	209,814	568,956
Total receivables and other assets		1,818,489	2,486,952
Securities:			
Treasury stock	4.3/91	182,572	926,438
Other securities	4.2/91	145	25,701,594
Total securities		182,717	26,628,032
Cash on hand and in banks		8,385,326	189,743
Total current assets		10,386,532	29,304,727
Prepaid expenses	4.5/91	31,266	50,919
Total assets		22,547,611	38,286,363

Liabilities and shareholder's equity in €	Notes No./Page	31.08.2005	31.08.2004
Shareholders' equity			
Subscribed capital (conditional capital: € 750,000; previous year: € 750,000)	4.6/91	11,542,764	11,542,764
Capital reserve	4.7/92	2,603,673	2,603,673
Reserves:			
Reserve for treasury stock	4.8/92	182,572	926,438
Other reserves	4.9/92	6,241,150	401,467
Retained earnings/accumulated deficit		531,939	—
Total shareholders' equity		21,102,098	15,474,342
Accruals			
Other accrued expenses	4.10/92	806,066	1,661,500
Total accrued expenses		806,066	1,661,500
Liabilities			
Liabilities to shareholders	4.11/92	—	20,768,780
thereof with a remaining term of up to one year: € 0 (previous year: € 20,768,780)			
Trade accounts payable	4.11/92	57,382	69,666
thereof with a remaining term of up to one year: € 57,382 (previous year: € 69,666)			
Other liabilities	4.11/92	582,065	308,075
thereof with a remaining term of up to one year: € 582,065 (previous year: € 308,075)			
thereof taxes: € 154,031 (previous year: € 162,022)			
thereof relating to social security and similar obligations: € 18,056 (previous year: € 21,229)			
Total liabilities		639,447	21,146,521
Deferred revenues		—	4,000
Total liabilities and shareholders' equity		22,547,611	38,286,363

Statement of Operations

Statement of Operations of SinnerSchrader AG

for the 2004/2005 and 2003/2004 financial years

in €	Notes No./Page	2004/2005	2003/2004
Revenues	5.1/93	2,294,843	1,597,017
Other operating income	5.2/93	4,739,985	336,556
Material expenses:			
Expenses for benefits		-50,254	-65,170
Personnel expenses:			
Wages and salaries		-973,716	-1,248,901
Social security		-162,945	-175,696
Total personnel expenses		-1,136,661	-1,424,597
Depreciation of intangible assets, property and equipment		-412,313	-445,847
Other operating expenses	5.5/93	-1,687,821	-1,771,943
Income from profit/loss transfer agreement	5.3/93	1,792,061	780,617
Other interest and similar income	5.4/93	107,799	546,095
thereof from affiliated companies: € 9,452 (previous year: € 6,541)			
Depreciation of financial assets and securities classified as current assets		—	-4,887
Interest and similar expenses	5.4/93	-20,552	-7,061
thereof from affiliated companies: € 1,733 (previous year: € 6,148)			
Income from ordinary activities		5,627,087	-459,220
Taxes on income		—	-1,559
Other taxes		669	353
Net income/loss		5,627,756	-460,426
Withdrawal from capital surplus		—	450,900
Income from capital reduction		—	20,768,780
Liabilities to shareholders due to capital reduction		—	-20,768,780
Withdrawal from reserves:			
– from reserves for treasury stock		—	9,526
– from other reserves		—	2,819
Additions to reserves:			
– to reserves for treasury stock		—	-2,819
– to other reserves		-5,095,817	—
Balance sheet profit	5.6/93	531,939	—

Notes to the Annual Financial Statements

1 Statutory Foundations

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

2 Accounting Principles and Standard of Valuation

The report has been compiled in euros (€).

The intangible assets and the property and equipment are reported at procurement or manufacturing costs, minus regular depreciation. Depreciation is linear, in accordance with usage period. Low-value items with procurement costs of up to € 410 are fully depreciated in the year of acquisition. Depreciation of leasehold improvements has been linear over the remaining term of the rental contract since moving into the premises in September 2001. At the start of the last financial quarter of 2002/2003 this was shortened to the time of the one-off special right of notice.

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

If the value of fixed assets determined according to the principles above is above the value to be ascribed to them on the report date, this shall be taken account of by means of non-scheduled depreciation. If the reasons for depreciation implemented in previous financial years no longer pertain, the original value will be reinstated. Receivables and other assets are reported at their face value. Foreign currency debts are included on the balance sheet either at the original rate or at the rate applicable on the balance sheet date, whichever is lower.

Marketable securities are included on the balance sheet either at acquisition costs or at a value to be ascribed to them, whichever is lower. Other accrued expenses cover all recognizable risks and uncertain liabilities. Evaluation is at a level that appears necessary according to sound business judgement.

3 Deviations from Balancing and Evaluation Methods

Unlike in the previous year, the dissolving of the reserve for treasury stock is not reported in the analysis of the appropriation of profits following the annual profit within the income statement, but rather is transferred to the other revenue reserves within the shareholders' equity with a neutral impact on profit.

Notes

4 Explanations of Balance Sheet Items

4.1 Fixed Assets

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

Tab. 1 | Assets table

Acquisition and manufacturing costs in €	01.09.2004	Additions	Disposals	31.08.2005
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	440,516	86,214	257,256	269,474
Tangible assets:				
Other equipment, plant and office equipment	709,190	24,467	20,379	713,278
Leasehold improvements	1,077,648	11,270	4,486	1,084,432
Financial assets:				
Shares in affiliated companies	24,838,037	—	—	24,838,037
Investments	167,900	—	—	167,900
Loans to investee companies	51,129	—	—	51,129
Total	27,284,420	121,951	282,121	27,124,250
Accumulated depreciation in €	01.09.2004	Additions	Disposals/ write-ups	31.08.2005
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	411,073	36,454	256,114	191,413
Tangible assets:				
Other equipment, plant and office equipment	349,369	79,309	14,298	414,380
Leasehold improvements	536,195	296,550	1,167	831,578
Financial assets:				
Shares in affiliated companies	16,838,037	—	3,500,000	13,338,037
Investments	167,900	—	—	167,900
Loans to investee companies	51,129	—	—	51,129
Total	18,353,703	412,313	3,771,579	14,994,437
Net book values in €	31.08.2004			31.08.2005
Intangible assets:				
Concessions, industrial property rights and similar rights and assets, as well as licences for such rights and assets	29,443			78,061
Tangible assets:				
Other equipment, plant and office equipment	359,821			298,898
Leasehold improvements	541,453			252,854
Financial assets:				
Shares in affiliated companies	8,000,000			11,500,000
Investments	—			—
Loans to investee companies	—			—
Total	8,930,717			12,129,813

Thanks to the positive development of the operating subsidiaries of SinnerSchrader AG, a permanent depreciation of the participation value is no longer to be expected as of 31 August 2005. Due to the appreciation order under commercial law according to Article 280 para. 1 of the German Commercial Code, the participation book value was appreciated by € 3.5 million to € 11.5 million.

4.2 Other Securities

As of 31 August 2004 the securities item was largely made up of shares in money market funds and similar funds with a residual term of less than one year, which are reported either at acquisition costs or at a value to be ascribed on the balance sheet date, whichever is lower. This stock was almost completely depleted as of 31 August 2005.

4.3 Treasury Stock

On 31 August 2005 the Company held 131,347 treasury stock with a calculated face value of € 131,347. They represent 1.14% of the share capital. The treasury stock was acquired for an average price of € 1.53 and, with regard to use, is kept for the purposes cited in the relevant resolutions of the Annual Shareholders' Meetings.

The treasury stock is either entered in the balance sheet at acquisition cost or at the value to be ascribed, whichever is lower. Accordingly, the number of treasury stock on 31 August 2005 should be depreciated to the closing price of this date of € 1.39 per share. A reserve for treasury stock is formed in the amount of the balance sheet item.

Of the 605,600 treasury stock held on 31 August 2004, 19,018 shares were issued to employees in return for payment of the exercise price of € 2.76 per share within the framework of exercising the employee options over the financial year, and 455,235 shares were sold freely via the stock market for an average price of € 3.68.

4.4 Accounts Receivable and Other Assets

All accounts receivable and other assets to the tune of € 1,818,489 (previous year: € 2,486,952) have a remaining term of up to one year. Claims receivable from affiliated companies are made up of claims due to profit and loss transfer agreements (€ 1,792,061; previous year: € 780,617), accounts receivable (€ 39,546; previous year: € 338,816) and other liabilities, especially in connection with tax integration (€ 109,404; previous year: € 823,897). Other current liabilities to affiliated companies (€ 332,336; previous year: € 25,334), especially from a cash pool, have been balanced with the debts.

The other assets largely comprise tax reimbursement claims receivable from the Tax Office from taxes on income (€ 172,952; previous year: € 568,956).

4.5 Prepaid Expenses

The prepaid expenses to the tune of € 31,266 (previous year: € 50,919) largely contain payments for Investor Relations services, maintenance contracts and insurance policies relating to the year.

4.6 Share Capital

As of 31 August 2005 the Company's share capital amounted to € 11,542,764. It is formed by 11,542,764 individual no-par-value share certificates with a calculated face value of € 1 issued in the name of the owner.

The Annual General Meeting of 28 January 2004 authorised the Management Board to increase the share capital once or repeatedly by up to a total of € 5,770,000 until 15 January 2009 with the approval of the Supervisory Board by issuing individual share certificates issued in the name of the owner in return for a contribution in cash or a contribution in kind, excluding the shareholders' subscription right. At the same time the decision was taken to raise the previously approved capital in the amount of € 3,082,236 in accordance with Article 5 para. 1 of the Statutes. Neither the Management Board nor the Supervisory Board made use of the approved capital in the 2004/2005 financial year nor in the 2003/2004 financial year, meaning that it was still € 5,770,000 as of 31 August 2005.

The Annual General Meeting decision of 26 October 1999 created authorised but unissued capital in the amount of € 375,000 for granting rights to subscribe to 375,000 no-par-value individual share certificates to employees and members of the management of the Company or affiliated companies ("1999 Stock Option Plan"). As of 31 August 2005 186,343 options from the 1999 Plan with an average exercise price of € 19.95 were in circulation. In the 2004/2005 financial year no options from the 1999 Plan were exercised. In the previous year, by contrast, 2,559 options from the 1999 Plan were exercised with an average exercise price of € 2.76.

The Annual General Meeting decision of 12 December 2000 created authorised but unissued capital in the amount of € 375,000 for granting rights to subscribe to 375,000 no-par-value individual share certificates to employees and members of the management of the Company or affiliated companies ("2000 Stock Option Plan"). As of 31 August 2005 107,794 options from the 2000 Plan with an average exercise price of € 2.37 were in circulation. In the 2004/2005 and 2003/2004 financial years, 19,018 options or 3,668 options respectively from the 2000 Plan were exercised with an average exercise price of € 2.76.

4.7 Capital Reserve

The capital reserve remained unchanged in the 2004/2005 financial year compared to the previous year.

4.8 Reserve for Treasury Stock

In the 2004/2005 financial year the reserve for treasury stock diminished by the use of 19,018 own shares to exercise employee options and by the open sale of 455,235 own shares in the amount of the proportion of the reserve accounted for by these shares, i.e. € 743,866. As of 31 August 2005 the reserve for treasury stock reached the level of € 182,572 (previous year: € 926,438).

4.9 Other Revenue Reserves

Items were allocated to other revenue reserves to the tune of € 3,500,000 according to Article 58 para. 2a of the German Stock Corporation Act, since the annual profit of the 2004/2005 financial year arose in this amount due to the reinstatement of original value of the participation approach for the shares in affiliated companies. By decision of the Management Board and Supervisory Board, 75 % of the remaining annual profit or € 1,595,817 were reported in the other revenue reserves according to Article 58 para. 2 of the German Stock Corporation Act in conjunction with the Statutes of the Company.

In addition, € 743,866 were allocated to other revenue reserves from the dissolving of the reserves for treasury stock. This ensures that, after the dissolving, the funds needed for the reserve will be allocated to the same area of expertise from which they were previously taken.

Tab. 2 | Other reserves of SinnerSchrader AG in €

Other reserves as at 31.08.2004	401,467
Allocation from dissolution of reserves from treasury stock	743,866
Allocation to other reserves acc. to Article 58 para. 2a of the German Stock Corporation Act	3,500,000
Allocation to other reserves acc. to Article 58 para. 2 of the German Stock Corporation Act in conjunction with the Statutes of the Company	1,595,817
Other reserves as at 31.08.2005	6,241,150

4.10 Accrued Expenses

The other accrued expenses in the amount of € 808,066 (previous year: € 1,661,500) comprise € 395,903 (previous year: € 835,070) from accrued expenses for rental obligations for unused office space. Furthermore, accrued expenses have been formed for outstanding invoices, litigation risks, reporting and auditing expenses as well as personnel expenses, especially for holiday and overtime claims and bonuses. In the 2004/2005 financial year, accrued expenses for imminent charges from the use of special rights of notice with respect to rented office space in Hamburg (previous year: € 406,775) after issuing notice as of 30 June 2006 were reclassified as liabilities.

4.11 Liabilities

All liabilities to the tune of € 639,447 (previous year: € 21,146,521) have a remaining term of up to one year. In the amount of € 406,775 they comprise liabilities vis-à-vis the landlord of the office space at the Hamburg site resulting from the early termination of the rental contract. The remaining amount is made up of trade accounts payable, turnover tax liabilities for the German turnover tax authorities, as well as social security, income tax and church tax levies that are not yet due.

The capital reduction decided on the balance sheet date of the previous year on the basis of a decision taken at the Annual General Meeting on 28 January 2004 to reimburse existing liabilities vis-à-vis shareholders in the amount of € 20,768,780 was paid on 8 November 2004 by paying the amount to the shareholders.

5 Explanations of Statement of Operations Items

5.1 Revenues

Revenues in the amount of € 2,294,843 come from the management and administrative services provided by the Company for the consolidated affiliated companies and from charging on the costs of the centrally administered infrastructure in the consolidated group.

5.2 Other Operating Income

The other operating income in the amount of € 4,739,985 largely comprises income from the reinstatement of the original value according to Article 280 of the German Commercial Code of the shares in the 100 % subsidiary SinnerSchrader Deutschland GmbH (€ 3,500,000) and income from the sale of treasury stock (€ 1,001,165). Furthermore, the other operating income includes income from the sale of other securities, from liabilities already depreciated in previous years, from the resolution of accrued expenses and from taxing benefits in money's worth.

5.3 Income from Transfer of Profits

In December 2003 the Company and its 100 % subsidiary SinnerSchrader Deutschland GmbH concluded a profit transfer agreement with effect from 1 September 2003, which the Annual General Meeting agreed to on 28 January 2004. Income of € 1,792,061 was earned from the profit transfer agreement in the 2004/2005 financial year.

5.4 Interest Income and Expenses

The interest income comes from investing the Company's liquid funds. Interest expenditure mainly arose from charging commission on guaranty within the context of bank guarantees for rent that were used.

5.5 Other Operating Expenses

The other operating expenses in the amount of € 1,591,964 mainly contain costs of office space, advertising costs, legal and consulting costs as well as communication costs.

5.6 Appropriation of Profits

The Management Board and the Supervisory Board propose that the Annual General Meeting carry forward to a new account the balance sheet profit in the amount of € 531,939.

6 Other Information

6.1 Other Financial Liabilities

The financial liabilities largely concern fixed-term rental contracts. Expenditures on rental obligations for unused office space and from the use of special rights of notice are recorded as other accrued expenses or as liabilities.

Tab. 3 | Obligations from rent and lease contracts in €

01.09.2005–31.08.2006	575,694
01.09.2006–31.08.2007	2,048
01.09.2007–31.08.2008	—
01.09.2008–31.08.2009	—
After 01.09.2009	—
Total	577,742

The rental contracts for office space in Hamburg and Frankfurt have been terminated with effect from 30 June 2006 and 31 May 2006 respectively. A new rental contract effective as of 1 July 2006 was signed for the Hamburg site in November 2005.

6.2 Employees

On 31 August 2005 and on average for the 2004/2005 financial year, the Company had 16 employees (without directors).

6.3 Management Board

In the 2004/2005 financial year the following persons were members of the Management Board.

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

On 21 December 2004 the appointment of Mr Dyckhoff was renewed for the period to 31 December 2007. The members of the Management Board performed their duties on a full-time basis. The remuneration of the Management Board members was made up as follows:

Notes

Tab. 4 Remuneration of the Management Board members 2004/2005	Fixed salary in €	Other benefits in €	Variable com- ponents in €	Stock options in number
Matthias Schrader	127,920	15,787	—	—
Thomas Dyckhoff	113,333	12,689	37,500	—
Total	241,253	28,476	37,500	—

In the 2004/2005 financial year the total remuneration for the Management Board amounted to € 307,229.

As part of his reappointment, a bonus agreement was reached with Mr Dyckhoff in addition to his fixed salary and the variable remuneration relating to the year in question; under this bonus agreement for the period from 1 January 2005 to 31 December 2007 Mr Dyckhoff will receive additional variable remuneration in the amount of the difference between the average share price of the SinnerSchrader share on the ten trading days before 31 December 2007 and the price of € 1.61 in respect of 200,000 shares. As of 31 August 2005 the share price was below the threshold of € 1.61 from which the additional variable remuneration would be calculated.

6.4 Supervisory Board

In the 2004/2005 financial year the following persons were members of the Supervisory Board:

Dr Markus Conrad, Businessman, Chairman

- » Managing Partner of Libri GmbH, Hamburg
- » Member of the Management Board of Börsenverein des Deutschen Buchhandels e.V., Frankfurt am Main
- » Member of the Supervisory Board of Tchibo GmbH, Hamburg
- » Member of the Supervisory Board of Blume 2000 New Media AG, Norderstedt

Reinhard Pöllath, Deputy Chairman

- » Lawyer, Munich
- » Chairman of the Supervisory Board of Deutsche Woolworth GmbH & Co. OHG, Frankfurt am Main
- » Chairman of the Supervisory Board of Tchibo Holding AG, Hamburg
- » Member of the Supervisory Board of Beiersdorf AG, Hamburg
- » Member of the Supervisory Board of TA Triumph-Adler AG, Nuremberg
- » Member of the Supervisory Board of Tchibo GmbH, Hamburg
- » Member of the Supervisory Board of FERI Finance AG, Bad Homburg

Frank Nörenberg

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

Remuneration for the members of the Supervisory Board in the 2004/2005 financial year was made up as follows. Another benefit for every member of the Supervisory Board is the proportionate premium for the economic loss indemnity insurance for organs of legal persons taken out by the Company.

Tab. 5 Remuneration of the Supervisory Board members 2004/2005	Fixed salary in €	Other benefits in €	Variable com- ponents in €	Stock options in number
Dr Markus Conrad	8,000	218	4,000	—
Reinhard Pöllath	6,000	218	3,000	—
Frank Nörenberg	4,000	218	2,000	—
Total	18,000	654	9,000	—

6.5 Participations

The proportionate ownership of SinnerSchrader Aktiengesellschaft is broken down as follows:

Tab. 6a | Beteiligung der SinnerSchrader AG

Company	Share in %	Currency	Nominal capital	Shareholders' capital	Last annual result ¹⁾	Profit/loss transfer agreement	Reporting period
SinnerSchrader Deutschland GmbH, Hamburg	100.00	EUR	100,000	100,000	1,792,061	yes	01.09.04–31.08.05
SinnerSchrader UK Ltd., London, UK ²⁾	100.00	GBP	100,000	-517,207	-28,275	no	01.09.04–31.08.05
SinnerSchrader Benelux BV, Rotterdam, The Netherlands ²⁾	100.00	EUR	18,000	-169,268	-8,413	no	01.01.04–31.12.04
LetMeShip GmbH, Hamburg ³⁾	24.94	EUR	53,250	—	—	no	—

¹⁾ Before profit/loss transfer agreement with SinnerSchrader AG

²⁾ The companies' activities were temporarily discontinued in the previous years; respective shareholders were written off in the year the activity was discontinued. Audited annual financial statements of the companies are not available.

³⁾ The company filed for insolvency, current information regarding shareholders' equity and earnings is not available. The participation was completely written off.

Tab. 6b | Beteiligung der SinnerSchrader Deutschland GmbH

Company	Share in %	Currency	Nominal capital	Shareholders' capital	Last annual result ¹⁾	Profit/loss transfer agreement	Reporting period
SinnerSchrader Neue Informatik GmbH, Hamburg	100.00	EUR	25,000	631,419	707,134	yes	01.09.04–31.08.05
SinnerSchrader Studios GmbH, Hamburg	100.00	EUR	25,000	341,030	132,621	yes	01.09.04–31.08.05
SinnerSchrader Studios Frankfurt GmbH, Frankfurt am Main	100.00	EUR	25,000	125,932	181,105	yes	01.09.04–31.08.05

¹⁾ Before profit/loss transfer agreement with SinnerSchrader AG

6.6 Declaration of Compliance Under Article 161 of the German Stock Corporation Act

On 21 December 2004 the Management Board and Supervisory Board submitted the Declaration of Compliance with the Corporate Governance Code required by Article 161 of the German Stock Corporation Act and made it permanently accessible to the shareholders on the Company's website.

Notes

7 Additional Information (Unaudited)

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

The following table shows the number of shares in SinnerSchrader AG and the number of subscription rights to these shares held by directors of SinnerSchrader AG as of 31 August 2005 and their changes in the 2004/2005 financial year:

Tab. 7 Shares and options held by the Board members in number	31.08.2004	Additions	Disposals	31.08.2005
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
Options				
Management Board members:				
Matthias Schrader	—	—	—	—
Thomas Dyckhoff	25,000	—	—	25,000
Total options held by the Management Board	25,000	—	—	25,000
Supervisory Board members:				
Dr Markus Conrad	—	—	—	—
Reinhard Pöllath	—	—	—	—
Frank Nörenberg	—	—	—	—
Total options held by the Supervisory Board	—	—	—	—
Total options held by the Board members	25,000	—	—	25,000

Hamburg, November 2005

Matthias Schrader

Thomas Dyckhoff

Auditors' Opinion

The following is the auditors' opinion on the Financial Statements and Status Report, which was combined with the Group Status Report:

We have audited the Annual Financial Statements, together with the bookkeeping system, and the Status Report, which was combined with the Group Status Report, of SinnerSchrader Aktiengesellschaft for the financial year from 1 September 2004 to 31 August 2005. The keeping of the books and records and the preparation of the Annual Financial Statements and Status Report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the Annual Financial Statements, together with the bookkeeping system, and the Status Report, based on our audit.

We conducted our audit of the Annual Financial Statements in accordance with Article 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW: Institute of Public Auditors in Germany). These standards require that we plan and perform the audit so that misstatements materially affecting the presentation of net assets, financial position and results of operations in the Annual Financial Statements in accordance with generally accepted accounting principles and in the Status Report are detected with reasonable certainty. Knowledge of the business activities and the economic and legal environment of the Company and the evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the Annual Financial Statements and the Status Report are examined primarily on a test basis within

the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the Annual Financial Statements and Status Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the Annual Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with generally accepted accounting principles. On the whole, the Status Report provides a suitable understanding of the Company's position and suitably presents the risks of future development.

Hamburg, 21 November 2005

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Schneider	Schiersmann
Auditor	Auditor

For your Notes:

Key figures of the SinnerSchrader Group, 5 years in € 000s, € and number	01.09.2000	01.09.2001	01.09.2002	01.09.2003	01.09.2004
	31.08.2001	31.08.2002	31.08.2003	31.08.2004	31.08.2005
Revenues	17,935	14,544	12,359	12,325	14,315
Gross profit	4,692	2,954	3,000	3,649	4,698
EBITDA	-215	-3,608	-929	-752	719
EBITA	-631	-4,284	-1,621	-1,384	178
Net income/loss	-2,452	-17,901 ²⁾	-923	-531	545
Net income/loss per share ¹⁾	-0.23	-1.55 ²⁾	-0.08	-0.05	0.05
Shares outstanding ¹⁾	10,735	11,533	11,165	10,933	11,334
Cash flows from operating activities	609	-328	-1,637	2,291	2,615
Employees, full-time equivalents	222	221	169	139	132
	31.08.2001	31.08.2002	31.08.2003	31.08.2004	31.08.2005
Liquid funds and marketable securities	29,283	27,465	24,603	27,038	10,570 ³⁾
Shareholders' equity	43,610	30,985	29,375	8,054	10,334
Balance sheet total	53,337	35,026	31,473	31,252	13,746 ³⁾
Employees, end of period	259	205	166	145	130

¹⁾ Weighted average shares outstanding (diluted)

²⁾ Including cumulative effect of accounting change of € -14.6 million or € -1.26 per share

³⁾ Effect of special distribution of € 20.8 million

Financial calendar 2005/2006

1 st Quarterly Report (September 2005–November 2005)	12 January 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:	Lechte Medien, Emsdetten

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