

The 514190 Share

Performance of the German Stock Market

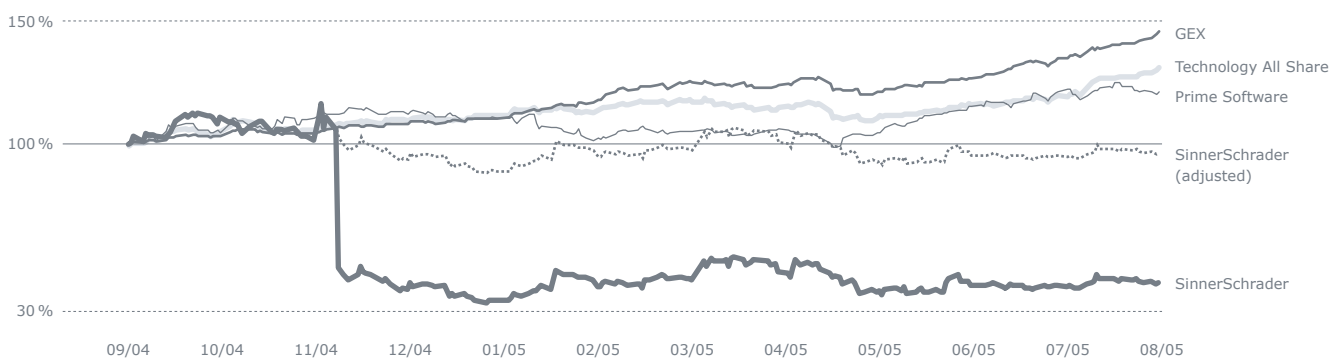
In the SinnerSchrader financial year from 1 September 2004 to 31 August 2005, the German Stock Market developed extremely well overall. After three bearish years, the industry-wide German DAX and Prime All Share stock market indices rose by 8.6% and 9.5% respectively in the 2003/2004 financial year, 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)



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".

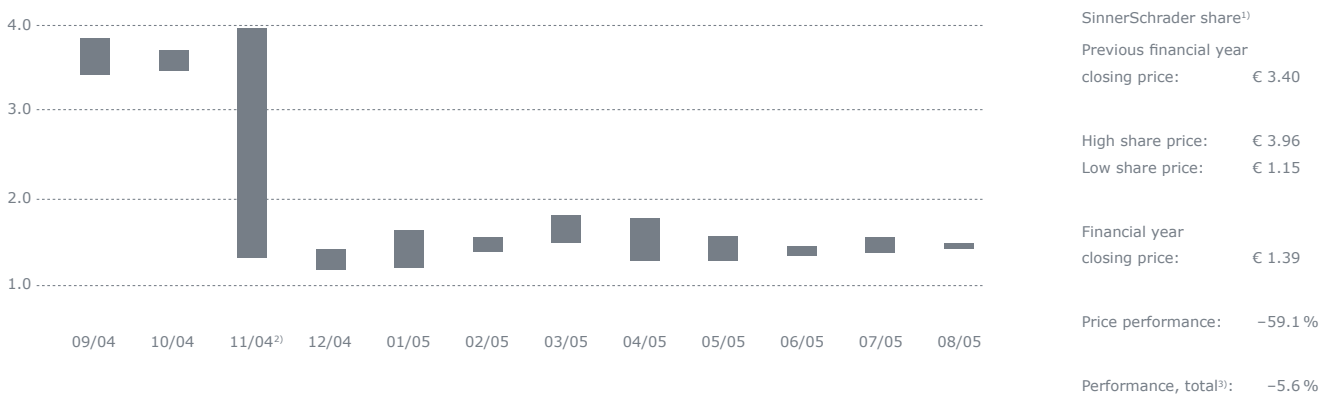
The markdown shaped the price performance of the SinnerSchrader share in 2004/2005 without affecting the overall performance experienced by shareholders, which was a product of the price development and dividend payment. On 31 August 2005, the price of the SinnerSchrader share was € 1.39, or € 2.01 lower 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⁾



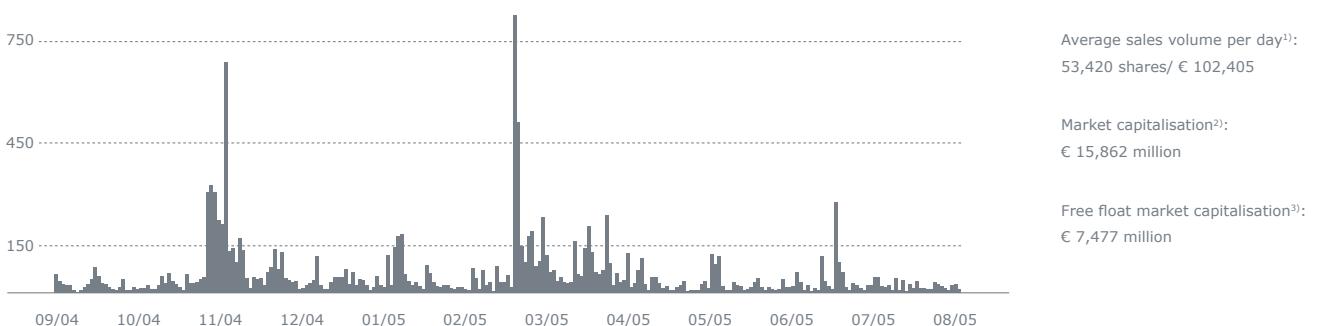
SinnerSchrader share more than doubled from 22,547 shares in the 2003/2004 financial year to 53,420 shares in the reporting period. Even discounting the months of September to December 2004, during which the trading volume was heavily influenced by the special dividend payment, the average daily trading 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 in %

